

Sent on behalf of the RAB Special Situations (Master) Fund Limited

3 January 2008

Dear Fellow Shareholder

We are all aware of the intense media and political speculation over the last few months surrounding the future of Northern Rock plc (the "**Company**") and its business.

In the turmoil many people seem to have ignored the fact that the Company remains owned by its shareholders. The exercise of our voting rights involves being mindful of our responsibilities to the many employees working in the branches and head office as well as all the people whose businesses rely upon the Company. Hundreds of thousands of its customers continue to trust their savings to the Company and its lending operations have given many the opportunity to own their own house. The preservation of these operations is partly due to the billions of pounds loaned to the Company by the Bank of England which must now be repaid as soon as possible.

We are writing to you as a fellow shareholder with all of this in mind.

Many of you will have been shareholders since demutualisation. Others, like the RAB Special Situations (Master) Fund Limited ("**RAB**"), will be more recent investors. Nevertheless we have all suffered financial pain resulting from the recent destruction of the Company's share price.

We continue to believe that, with careful guidance and the support of its shareholders, the Company can emerge from its current beleaguered state to once again stand as a successful and well run business, thereby enabling it to repay the Bank of England as rapidly as possible. To this end, RAB and others have indicated a willingness to participate in the underwriting of a rights issue to recapitalise the Company on reasonable terms provided that the business of the Company continues in its current form.

However, we are concerned that, due to the external pressure the Board of Directors of the Company (the "**Board**") is clearly experiencing, shareholders' views and interests appear overshadowed by political considerations. Several other shareholders have expressed a reluctance to passively allow the Board to decide the future of the Company irrespective of shareholders' interests.

This is why RAB and SRM Global Master Fund Partnership have requisitioned an Extraordinary General Meeting of the Company (the "**EGM**").

Proposed Extraordinary General Meeting

At the EGM certain constitutional amendments will be tabled. These will restrict the Board's ability to complete any material corporate activity without the support of a simple majority of shareholders. More specifically shareholders will be asked to consider, and if thought fit, pass one ordinary resolution and three special resolutions numbered 1,2,3 and 4 (together "**Resolutions 1-4**"), details of which have already been provided to you by a letter from the Chairman of the Board dated 21 December 2007 (the "**Chairman's Letter**").

It is suggested in the Chairman's Letter that adopting Resolutions 1-4 would be prejudicial to the Board's ability to negotiate and implement transactions. In ordinary circumstances we might agree that the Board's executive powers should not be unduly restricted and the Board should be permitted to carry out the normal, day to day business of the Company. However, these are not ordinary circumstances and the possible actions which are being considered by the Board are neither 'normal' nor 'day to day'.

In our view the shareholder ratification requirements which would be introduced by Resolutions 1-4 are necessary given that:

- the Board has publicly acknowledged it is under political pressure from a variety of interested parties;
- the Board has no collective track record of success in managing the Company, a fact which assumes greater significance as a result of the previous Board's business strategy; and
- shareholders' consent to any significant transaction would be advantageous to the Board as it would have the effect of ratifying their decision.

The passing of Resolutions 1-4 gives shareholders an essential voice as part of the approval process for any rescue transaction and would not introduce any significant delay to such process.

In the circumstances RAB strongly recommends that you vote FOR each of Resolutions 1-4.

We will be attending the EGM and intend to vote all the shares held by RAB (31,968,741 shares or 7.59 per cent of the Company at the date of this letter) in favour of Resolutions 1-4. Should you wish to appoint a proxy rather than attend the EGM in person then please ensure that when appointing your proxy you instruct them to vote **FOR** each of Resolutions 1-4 if you agree with us.

Finally, we would reiterate RAB's commitment to the Company. We have publicly stated that RAB would support the introduction of new equity funding into the Company on appropriate terms and if required would make additional finance available. This is something RAB would choose to do as a responsible shareholder.

RAB will be paying all costs for the printing and circulation of this statement to its fellow shareholders.

Yours faithfully



Philip Richards

Chief Executive Officer
RAB Capital plc
fund manager to
RAB Special Situations (Master) Fund Limited



Benjamin Hill

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