

**18 August 2009**

## **Northern Rock - Statement on Subordinated Debt Coupons**

Northern Rock (the "Company") announced on 1 July 2009, that its capital base had reduced to a level below its minimum regulatory capital requirement and that this situation would be addressed through a proposed legal and capital restructuring. HM Treasury has committed to provide an adequate level of capital for the Company to meet its regulatory capital requirements, once the proposed restructuring is completed and subject to appropriate State Aid approval being obtained from the European Commission (EC), which is expected in the autumn.

The Company subsequently announced on 4 August 2009, as part of its Half Year Results 2009, that it had reduced underlying losses, but remained loss making for the six month period ending 30 June 2009. The Company also confirmed that its proposed restructuring is expected to complete before the end of 2009.

In this context, the Company has now decided, until further notice, to defer payment of all subordinated debt coupons which the Company is entitled to defer. This will apply to the following debt instruments:

12 5/8% Perpetual Subordinated Notes (ISIN GB0001524957)  
8% Undated Subordinated Notes (ISIN XS0097551526)\*\*  
6.75% Fixed Rate Step-Up Undated Subordinated Notes (ISIN XS0098556961)  
Floating Rate Undated Subordinated Notes (ISIN XS0125284777)\*\*  
5.6% Perpetual Fixed to Floating Rate Subordinated Notes (ISIN US66567GAW06/US66567EAW57)  
6.594% Perpetual Fixed to Floating Rate Subordinated Notes (ISIN US66567HAA68/US66567FAA03)  
8.399% Reserve Capital Instruments (ISIN XS0117031194)\*  
7.053% Callable Perpetual Core Tier One Notes (ISIN XS0152710439)

\* In relation to the Company's 8.399% Step-Up Callable Perpetual Reserve Capital Instruments (ISIN XS0117031194) the Company intends to elect to defer such coupon payments in accordance with Condition 4(a) thereof (*Exceptional Deferral of Payments*).

\*\*The Company will continue to make payments on its debt where it is contractually obliged to do so and will make the interest payments due on 23 August 2009, in respect of the Floating Rate Undated Subordinated Notes (ISIN XS0125284777) and 15 September 2009, in respect of the 8% Undated Subordinated Notes (ISIN XS0097551526), where it has already announced its intention to pay.

The deferral of coupons by the Company will be made in accordance with the existing terms and conditions of the Company's subordinated debt and there is no change to the legal terms of these instruments.

The Company will keep this policy under review and announce any change to the policy where appropriate and in accordance with its obligations.

### **Press Contacts**

#### **Northern Rock:**

Brian Giles  
Simon Hall  
Jule Wilson  
Tel: 0191 279 4676

#### **Brunswick:**

Anita Scott  
Nigel Prideaux  
Tel: 020 7404 5959

### **Investor Contacts**

#### **Northern Rock:**

Antony Swalwell  
Lesley-Anne Rawcliffe  
Tel: 0191 279 4553

This document contains certain forward-looking statements with respect to certain of the plans of Northern Rock, its current goals and expectations relating to its future financial condition and performance. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Northern Rock's actual future results may differ materially from the results expressed or implied in these forward-looking statements as a result of a variety of factors, including UK domestic and global economic and business conditions, market related risk such as interest rates and exchange rates, delays in implementing proposals, unexpected difficulties with computer systems, unexpected changes to regulation, changes in customer preferences, competition and other factors.