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NORTHERN ROCK
22 FEBRUARY 2008
TEMPORARY PUBLIC OWNERSHIP

Ron Sandler, the new Executive Chairman of Northern Rock, and the other members of the new Board have held their first Board meeting following the Company having entered into a period of temporary ownership earlier today.

Commenting on his new role and challenges Ron said:

"I know these past months have been a turbulent time for everyone at Northern Rock, both for the staff and its loyal customer base. It is therefore of great importance to me and the new Board that as we go forward we create the stability to build a company operating on sound commercial principles that can be returned to the private sector, standing on its own two feet."

On the appointments to the new Board, Ron said:

"This is a combined team of great experience, drawn from both within Northern Rock and outside organisations. As well as ensuring all important continuity, this is a team that will bring new ideas and new ways of working to Northern Rock to the benefit of everyone."

For further details please see below:

Introduction

The Board of Northern Rock notes that the legislation under which all the shares in the Company have been acquired by the Treasury has come into effect and the Company has moved into a period of temporary public ownership. The Government has announced that during this period the Company will operate at arm's length and on a commercial basis. The Government has stated that this legislation allows for the running of the bank and for the eventual transfer back into the private sector as soon as it is right to do so.

Customers

The Company will continue to be open for business as usual for its customers and the Government's guarantee arrangements remain in place. Depositors' money remains safe and secure.

Board and Management

Ron Sandler and Ann Godbehere have today joined the Board as the new Executive Chairman and the new Chief Financial Officer respectively. Mr Sandler and Ms Godbehere will work with the existing management team during this transitional period. In addition Philip Remnant, Tom Scholar and Stephen Hester have today joined the Board as non-executive directors, with Mr Hester filling the role of Deputy Chairman. Bryan Sanderson, Sir Ian Gibson, David Jones and Paul Thompson have each retired from the Board. Mr Jones has agreed to continue as part of the management team. Andy Kuipers will remain on the Board and will continue as Chief Executive. Simon Laffin, John Devaney and Laurie Adams will continue as non-executive directors. Michael Queen will be retiring from the Board but has agreed to stay on as a non-executive director for three months to help provide continuity.

Effect of Transfer Order

Share Transfers

All the shares in the Company have been transferred to the Treasury Solicitor, as nominee of the Treasury, by virtue of the Northern Rock plc Transfer Order 2008 (the **Transfer Order**), which was made pursuant to the Banking (Special Provisions) Act 2008 and which came into effect at 00.01a.m. on 22 February. The listing of the Company's ordinary and preference shares has now been cancelled by the UK Listing Authority, trading of such shares on the London Stock Exchange has ceased and all shares have been disabled in CREST. All other rights or entitlements to receive or subscribe for shares in the Company have been extinguished by virtue of the Transfer Order.

Changes to Tier 1 Notes

If, during the period of temporary public ownership, the Company would otherwise have been obliged to issue shares under the terms of the £200,000,000 7.053% callable perpetual core tier one notes or to holders of the £300,000,000 8.399% step-up callable perpetual reserve capital instruments (together, the **Tier 1 Notes**) in order to satisfy entitlements to interest payments, the Transfer Order provides that the Treasury has a right to issue a notice the effect of which is that a right to be paid in cash arises or for there to be an issue of further debt by Northern Rock instead.

The Northern Rock Foundation

The Foundation Shares held by The Northern Rock Foundation have all been converted into and redesignated as ordinary shares and are now owned by the Treasury along with all other shares in the Company. The Deed of Covenant with The Northern Rock Foundation has been terminated, but alternative arrangements will be put in place guaranteeing it a minimum income of £15 million per year in 2008, 2009 and 2010.

Contractual Rights and Obligations

The Transfer Order has the effect of modifying certain instruments, to which the Company and its subsidiaries are party, to negate certain consequences which may otherwise arise as a result of the Transfer Order. For example, no party is entitled to terminate any arrangement, receive an increased or accelerated payment or decrease or defer any payment pursuant to any arrangement or otherwise amend the terms of any arrangement by virtue of, or in connection with, the Transfer Order.

Compensation Arrangements

Shareholders who held shares in the Company immediately before they were transferred by the Transfer Order, persons whose rights to receive or subscribe for shares in the Company were extinguished by the Transfer Order and persons whose contractual rights have been modified as a result of the Transfer Order shall each be entitled to compensation. A draft of the Northern Rock plc Compensation Scheme Order 2008 (the **Compensation Order**), to be made pursuant to the Banking (Special Provisions) Act 2008, was laid before Parliament today and is available from the Treasury's website at www.hm-treasury.gov.uk. The Compensation Order is expected to come into force shortly.

The determination of such compensation shall be made by an independent valuer appointed by the Treasury. In determining compensation, the valuer must assume that all financial assistance provided by the Bank of England or Treasury has been withdrawn and no such assistance would be provided in the future. The valuer must also assume that the Company is unable to continue as a going concern and is in administration.

Further announcements relating to the Compensation Order will be made by the Treasury in due course.

Employees

There will be no change to the employment terms or conditions of any employees as a result of the Transfer Order.

Listed Debt Securities

The various classes of the Company's listed debt securities have not been acquired under the Transfer Order and their various listings will continue, with the only direct changes to the terms being those set out above in relation to the Tier 1 Notes. The provisions of the Transfer Order relating to contractual rights and obligations summarised above may indirectly affect certain classes of the listed debt securities.

Annual Report and Accounts and Annual General Meeting

As the shares in the Company are now all owned by the Treasury, the Company will not hold an annual general meeting which is open to former shareholders or the general public. In compliance with its obligations as an issuer of listed debt securities and applicable company law, the Company will continue to publish its annual financial report.

Press Contacts

Brian Giles
Communications Director
0191 279 4676

Ron Stout
Corporate Communications
0191 279 4921

John C Watson
Corporate Communications
0191 279 5295

James Murgatroyd
Finsbury Limited
020 7251 3801