

NORTHERN ROCK PLC

Northern Rock's capital position

As announced on 28 October 2009, the European Commission has approved the State Aid package for Northern Rock (the "Company"). This approval is an essential requirement of the planned legal and capital restructure, which is central to the business plan for Northern Rock. As part of the restructure, the Company's capital position will be strengthened, with up to £3 billion of capital being injected.

In July 2008, the Company requested and was subsequently granted a waiver from the Financial Services Authority (FSA) in relation to its regulatory capital position. The FSA agreed to waive the limits on the Company's use of Tier 2 capital. The waiver enabled all available Tier 2 capital to be included within the Company's capital resources, without restriction, for the purposes of meeting its minimum regulatory capital requirements. This waiver ended on 30 June 2009.

In July 2009, the FSA confirmed that it did not intend to restrict the activities of the Company while the legal and capital restructure, which would address the capital position, was being implemented.

The previously announced rebate on Government funding and HM Treasury guarantees following receipt of State Aid approval has improved the Company's capital position. The Company has therefore requested that the FSA again waive the limits on the Company's use of Tier 2 capital, enabling the Company to continue to provide up to £4 billion of mortgage lending in 2009. The FSA has agreed to this request and details of the waiver can be found on the FSA website. Northern Rock's capital base is now in excess of its minimum regulatory requirement.

Further detail on the Company's trading and financial performance will be provided in the Quarter 3 trading statement which is due to be published on 4 November 2009.

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Forward-looking statements are sometimes, but not always, identified by the use of a date in the future or by such words as “anticipates”, “aims”, “due”, “could”, “may”, “should”, “expects”, “believes”, “intends”, “plans”, “potential”, “reasonably possible”, “targets”, “goal” or “estimates” (although their absence does not mean that a statement is not forward looking). By their nature, forward-looking statements are unpredictable and involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Northern Rock’s actual future results or developments may differ materially from the results and developments expressed or implied in these forward-looking statements as a result of a variety of factors, including (but not limited to) UK domestic and global economic and business conditions, market related risks such as interest rate and exchange rate volatility, delays in implementing proposals, difficulties with computer systems, legislative, fiscal, competition and regulatory developments and changes, the impact of any legal or other proceedings against Northern Rock, changes in customer preferences and other factors.

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