
Press Release

Statement provided to London Stock Exchange by RNS

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OLIVANT ADVISERS LIMITED

STATEMENT REGARDING NORTHERN ROCK PLC

Olivant, an independent investment group, announces that it has submitted today further detailed materials in support of its indicative proposal to the Board of Northern Rock plc ("Northern Rock" or the "Company") of 16 November 2007.

Consistent with its original proposal, Olivant continues to maintain that the stabilization and restructuring of Northern Rock should, under the leadership of Luqman Arnold and with the expert assistance of Olivant, be a Company-led process.

Overview of further details of Olivant's indicative proposal:

- Olivant seeking to join with the Company both as a significant shareholder and through immediate introduction of expertise appropriate to Northern Rock's current position
- Implementation of a restructuring strategy to scale Northern Rock to its natural funding and operational capacity
- Luqman Arnold, Chairman of Olivant, to be seconded to the Company's board and appointed Executive Chairman of Northern Rock with immediate effect until full repayment of the Bank of England facility
- Kirk Stephenson, Chief Operating Officer of Olivant, to be seconded to the Company's board and appointed as Non-executive Director of Northern Rock with immediate effect
- Equity capital of £600 million to £800 million to be raised by Northern Rock through a transferable rights issue and an equity subscription by Olivant
- Rights issue to be arranged by Northern Rock to raise between £450 million and £650 million at or around the prevailing market price at the time of subscription, scaled appropriately for the Company's stabilization and successful strategic repositioning
- Receipt by Olivant of non-binding letters of commitment from five existing institutional shareholders currently representing approximately 23% of the shareholder base in Northern Rock to take up pro rata rights and sub-underwrite approximately £440 million of a rights issue at or around the current market price
- Receipt by Olivant of support letters from retail shareholder groups
- Equity subscription by Olivant of £150 million in cash for a minority stake in Northern Rock to be made on completion of the rights issue and at a price equal to the rights issue subscription price

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- Olivant also to be issued with high premium warrants over 7% of the enlarged equity capital of the Company
- Debt financing to be arranged by Northern Rock with the assistance of Olivant's capital markets team; initial refinancing facility to enable £10 billion to £15 billion of the existing Bank of England Liquidity Support Facility to be repaid on completion of the rights issue and Olivant equity subscription; size of the initial repayment subject to prevailing market conditions
- Repayment of remaining Bank of England Liquidity Support Facility by the end of 2009 through active operational management, accelerated through external market financing
- Agreement to be negotiated with HM Government on process and basis for ultimate withdrawal of current guarantee arrangements for depositors
- The Company to issue to the Bank of England high premium warrants on the same terms as Olivant over 5% of the enlarged equity capital of the Company
- Olivant team to start with immediate effect; the debt and equity financing to be implemented by the Company as soon as practicable alongside Olivant equity subscription
- Northern Rock brand retained
- As the Olivant proposal does not involve a change of control, Olivant would anticipate that the Company would respect established arrangements with its stakeholders, such as the Northern Rock Foundation and Unite; annual contribution to the Foundation ordinarily to be 5% of pre-tax profits or £10 million, whichever is the greater.

Luqman Arnold, Chairman of Olivant, said: "It is time for all stakeholders to work together to ensure prompt and full repayment of the Bank of England facility and to set Northern Rock back on course for a successful and independent future. We believe that this proposal satisfies the requirement of all stakeholders, including the Tripartite Authorities' principles for assessing Northern Rock proposals, whilst confirming the broad and constructive support from shareholders."

Ends

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Lazard & Co., Limited, which is authorized and regulated by the Financial Services Authority in the United Kingdom, is acting for Olivant in connection with the proposal referred to above and no-one else and will not be responsible to anyone other than Olivant for providing the protections afforded to clients of Lazard & Co., Limited or for providing advice in relation to the proposal referred to above.



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Notes to editors:

Olivant is an independent investment group with substantial and permanent shareholder capital. It invests solely in the financial services sector. Positioned between typical financial and strategic investors, it offers the skill sets of a strategic investor but the independence and lack of conflicts of interest of a financial investor. Olivant's partners bring an operational approach aligned with incumbent management teams. Olivant's shareholders comprise a number of significant financial services institutions and sophisticated family offices.