



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Mervyn King
Governor of the Bank of England
The Bank of England
Threadneedle Street
London EC2R 6AH

Callum McCarthy
Chairman of the Financial
Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

13th September 2007

NORTHERN ROCK PLC

Thank you for both your letters of 13 September. This exchange of correspondence follows extensive discussions between us and between our officials.

I am grateful for your assessments of the overall market situation and specific circumstances concerning Northern Rock PLC, and your recommendations. You state that Northern Rock PLC is facing severe liquidity difficulties in the current unusual market conditions. You both believe that it is right for the Bank of England, as lender of last resort, to provide liquidity support to Northern Rock PLC in the context of recent market developments and the potential systemic implications of a failure of the company. I note that Sir Callum states that it is the FSA's view that Northern Rock PLC is solvent and continues to meet its regulatory capital requirements.

In accordance with the Memorandum of Understanding between us and on the basis of the advice and recommendations provided in your letters and during our discussions, I authorise the provision of liquidity support to Northern Rock PLC. The facility will be provided from the Bank of England's balance sheet.

CONFIDENTIAL



We have agreed a statement about providing liquidity support to Northern Rock PLC to be issued on behalf of the tripartite authorities immediately following an announcement by Northern Rock PLC to the markets. The statement also makes clear that the Bank of England stands ready to make available facilities in comparable circumstances, where institutions face short-term liquidity difficulties.

Yours sincerely

ALISTAIR DARLING