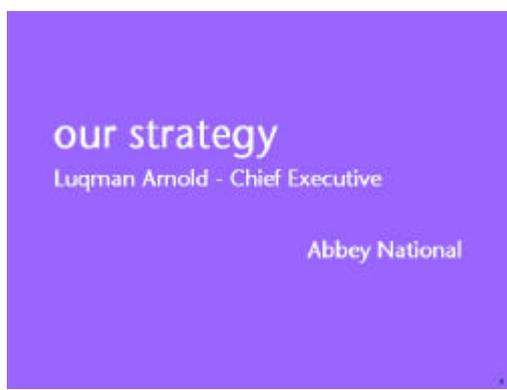


This is an unedited transcription of the original speech given by Luqman Arnold at the Abbey National Group's Annual General Meeting on the 24 April 2003.

SLIDE 10 - LA Holding Slide.



Luqman Arnold:

Thank you Terry, and good morning.

SLIDE 11 - THE LAST 6 MONTHS



Whilst not ignoring the poor results or the challenges we face, I am very encouraged by what I have seen within the Company since joining last October.

BUILD 1.

Most importantly our employees genuinely want to serve customers better.

This positive attitude is crucial to achieving our goals.

BUILD 2.

We have changed our strategy, our focus and our priorities.

BUILD 3.

The focus on UK personal financial services is positive and exciting for the organisation and our employees, and will be great news for customers.

BUILD 4.

We have identified a number of operations which don't fit with our new strategy. These will be sold or wound down over the next three years, and we will do so in such a way that provides maximum value for you, our shareholders.

BUILD 5.

We have a new organisational structure that gives us a better way of running the business.

BUILD 6.

We have identified over £200 million of savings to our annual costs, and we expect to have achieved these by the end of 2005.

We will save costs through improving our processes and removing duplication.

This will not mean the service we deliver to our customers will suffer.

In many cases, these changes will improve the quality of service.

For instance, by streamlining our operations we will reduce the number of customer complaints, helping to lower costs whilst at the same time making customers happier.

We will incur significant one-off costs to put these savings in place, and to reverse the under-investment in our PFS business in recent years.

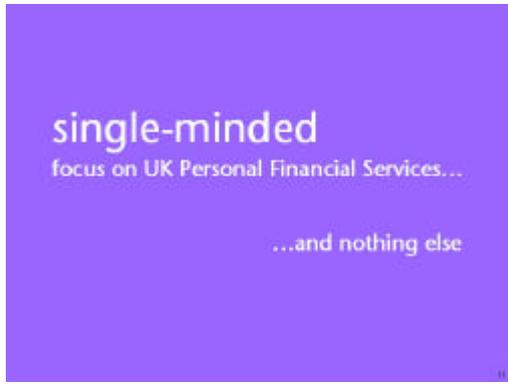
BUILD 7.

We ask for your patience, as we can't make things better overnight.

We know we must earn back your trust, and we are working hard to make sure that we don't let you down.

However, by later this year or early next year, customers and shareholders will be able to see significant improvements in service.

SLIDE 12 - SINGLE-MINDED.



The first and most important part of our new strategy is that Abbey National is now solely focused on UK Personal Financial Services.

Our chief priority is to provide services for the individual customer both directly and through IFAs.

Customers have told us that the big banks in the UK all look pretty much the same.

The poor service they often provide means that, not only do customers not like the service they receive, but very often they take a dislike to their bank.

Our research tells us that customers like Abbey National more than the big banks.

But given the low opinion the public has for the big four that is hardly a ringing endorsement.

Many customers think that banks are only interested in pushing new products, and, in the recent past, if we are being totally honest, I have to say that we had begun to do the same.

From now on we are going to make a big effort to understand our customers and the products, the services and the advice that they need. We believe that this is where Abbey National can fill a real gap in the market.

We are very fortunate that we do have a strong and trusted brand, and have millions of customers who feel a loyalty to us and want us to succeed.

Above all, we are privileged that the people in our organisation have a positive liking for our customers and want to serve them well.

What we need to do is to help our people serve our customers better by providing them not only with the training they need, but also with better products and services.

SLIDE 13 - FOUR STRATEGIC PRIORITIES.



Our plan is to create greater value for our customers and, through this, greater value for you, our shareholders.

We have four main priorities...

Build 1.

The first is the customer: we have to earn our customers' commitment to us.

I shall come back to this in more detail in a minute.

Build 2.

The second priority is about structure, which will have one focus - the customer.

Abbey National is now managed as one company, with three customer divisions supported by service divisions.

The Group structure of the past has meant high costs due to duplication of activity and departments.

This duplication has been removed.

This new structure is critical to our plan, and we have moved very quickly to put it in place.

Build 3.

Our third priority, linked to our new structure is to reduce the costs associated with running the business through introducing simpler processes...

to allow us to invest part of these savings back into the business in the form of better training, systems, services and products.

In everything we do, we will ask ourselves "is this relevant to delivering what the customer wants, and is it the best and cheapest way of doing it?"

If we find we cannot efficiently deliver what the customer wants, we will look to partners outside the Company to provide that service.

Build 4.

The fourth priority is about how we manage the money you, our shareholders, have invested in Abbey National.

We will make sure that we use your money more prudently, and in doing so invest it where it can really make a difference in our relationship with our customers.

We want to encourage them to do more with us
- if they do...

we will earn a better return for our shareholders.

Funds will be released as we sell or wind down operations that are not part of the new Personal Finance business.

We will only reinvest this capital in the business if it makes economic sense to do so, otherwise we will return it to our shareholders.

SLIDE 14- EARNING CUSTOMERS' COMMITMENT.



I want to return now briefly to our first priority...

to be single-minded about customers, and to
earn their commitment to us.

SLIDE 15 - EARN CUSTOMERS' COMMITMENT TO US.



All banks claim their customers are important to them.

Customers do not believe this based on their experience.

We believe that Abbey National must be and can be different.

Build 1.

In recent years we have drifted away from our customers.

We will bring Abbey National back to our customers, although it may take time for them to recognise the changes.

We will make customers feel individual and important to us.

The key is to understand them better than anyone else.

We will be different because we will focus on retaining our customers for the long term, rather than searching for the quick buck.

To do this, we will give our customers just the products and services they need.

This will give us a strong base from which to develop deeper and longer-lasting relationships with our customer.

Build 2.

We will be there to offer advice and meet their needs.

Giving helpful and genuinely useful advice is a vital part of our strategy.

It will make for satisfied customers and assist us in gathering better customer information.

This in turn will help us tailor and promote our products and services better.

Build 3.

Earning our customers' commitment means giving people real choice, so we will back up our advice not only with a broad range of Abbey National products and services but also with a range of other company's products where suitable.

We already have a good track record in this respect, but there is more that we can do.

Build 4.

Our immediate focus in 2003 is to get our service right, as this will clearly provide the base on which to build our already strong and trusted brand.

In short, we need to be better than we have been in the past, and better than the other large banks.

We do know we are not delivering this now, but we are determined to do so.

We have a great opportunity to be different if we can get the service right, and provide real choice and the right advice to customers.

The key to this is the attitude and ability of the people who work for Abbey National.

In 2003 we will invest in our employees, ensuring that we have the right people to deliver our plan and ensuring that they are better trained.

SLIDE 16 - SINGLEMINDED.



So, we are aware there is a lot to do.

What we have not done today is to give you a long list of targets and promises.

By the Autumn, our customers will be seeing the first signs of improved service.

Behind the scenes, we will be rolling out new technology so that we can understand and serve our customers better.

And, as I mentioned earlier, we will be investing in our teams to ensure they have the skills to deliver this.

As part of this process, I hope to make two senior appointments in the coming months.

At the interim results in July, we will update you on the progress of reducing risks in the business and the sale or wind down of other operations.

We have achieved a lot in the last few months, and we are determined to maintain this momentum.

Nonetheless, the share price is lower than we would like.

All we can do in these uncertain times is to be open and honest - both internally and to our external audiences - even if this means showing people what can go wrong as well as what can go right.

As we make progress in reducing the risks, and the new shape of our UK Personal Financial Services business becomes reality, we believe investor worries will reduce and confidence will grow.

I am confident we will succeed, and we can rebuild shareholder value.

Thank you. I will now hand you back to Terry.

CHAIRMAN'S PACE NOTES:

Thank you Luqman.

If any shareholder would like a copy of our opening remarks, these will be available at the customer enquiries desk in the foyer.

If there are issues which shareholders here today would like to address as customers can I ask you to raise these at the customer service desk in the foyer, where our staff will be pleased to help you.

Additionally, you will be able to put questions to members of the Board after the meeting.

There will be an opportunity to join them for refreshments and a light lunch, which will be served in the Ground Floor foyer area.

Your board does however continue to value relevant questions during the meeting.

Before I move to the formal agenda and open the meeting for discussion, let me first explain the arrangements for speaking at the meeting.

I'm sure everyone appreciates the absolute necessity for each speaker to be seen and heard by all present.

The size of this hall means that we must use the speaking points which are equipped with microphones.

These are the only positions from which it will be possible for shareholders to speak, for the purely practical reason that I and the rest of the meeting will not be able to hear you if you try to speak from anywhere else.

For the same reason, if you wish to bring any other matters to my attention, would you please make the matter known to the stewards at the speaking points.

A question registration point was made available to shareholders in the foyer to enable questions to be registered prior to the start of the meeting.

If you wish to raise a question during the meeting, which has not already been registered, please make your way to one of the speaking points.

These are situated at the front of the hall to my right and also at the front right of the first tier for those on that level.

There is also a speaking point available at the back of the hall for the use of any disabled shareholders.

In addition to myself and the executive directors, Lord Shuttleworth, Chairman of the Personnel and Remuneration Committee, and Keith Woodley, Chairman of the Audit Committee, are available to answer any questions.

Only shareholders and Company representatives have the right to speak.

Proxies who have been appointed by shareholders to attend and vote on their behalf and who are not themselves shareholders of the Company are not entitled to speak, except at the discretion of the Chairman.

I propose to use that discretion and, unless anyone has any objection, to permit proxies to speak at this meeting.

[pause]

It is a vital part of the AGM that the board has the obligation and the opportunity to present the Company's results and respond to those people who have taken the trouble to come to the meeting.

However, shareholders who are present at the meeting this morning are obviously only a small proportion of the total number of Abbey National.

New standards of Corporate Governance require us to recognise more fully the involvement of those shareholders who cannot be here today.

Following each vote on a show of hands, except where a poll is called, the balance of proxy votes for and against each resolution will be displayed on the screen behind me.

I would stress that your board still places considerable importance on the points raised by shareholders during the meeting.

May I remind you that the full text of all the resolutions to be put to the meeting can be found below the 'directors' seating plan' in the booklet which you should have received when registering to come in to the meeting.

These resolutions were also set out in the Notice of Meeting sent to shareholders.

I propose that, unless there are any objections, we take the Notice of Meeting as read and move straight to item one of the formal agenda contained in the Notice of the Meeting.

The Annual Report and Accounts for the period ended 31st December 2002 have been sent to shareholders, either in full, in summary in the Annual Review, or is accessible on-line via the group website.

The meeting is now open for discussion on the Annual Report and Accounts.

May I particularly ask members to give their names clearly before speaking.