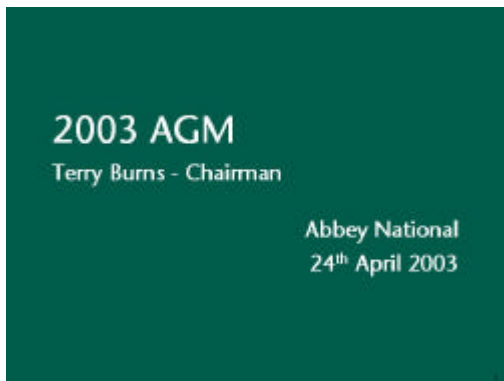


This is an unedited transcription of the original speech given by Terry Burns at the Abbey National Group's Annual General Meeting on the 24 April 2003.

SLIDE 1 –
CHAIRMAN:



Good morning to you all, and welcome to this year's Annual General Meeting.

I'm Terry Burns, the Chairman of Abbey National.

In a few moments, I will hand over to Karen Fortunato, our new Company Secretary, who will read the notice convening the meeting.

Then I will take you through the main points of our 2002 results.

I will talk briefly about recent events and changes to the Board before handing over to Luqman Arnold our new Chief Executive.

Luqman will tell you about the new strategic direction for Abbey National.

After this, I'll conclude with a few words about the rest of the day, and we will be happy to answer your questions.

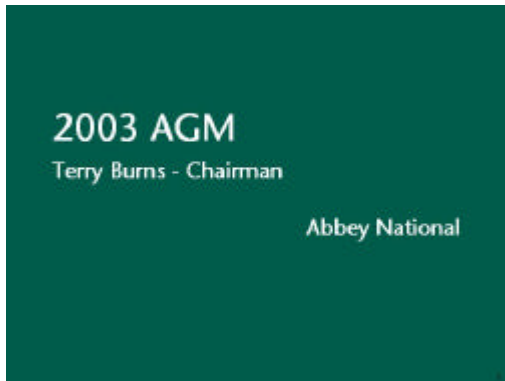
SLIDE 2 – KAREN FORTUNATO



Notices and Auditors Report

SLIDE 3

CHAIRMAN:



Thank you Karen.

I have now been Chairman of Abbey National for just over sixteen months.

It has been an interesting, if sometimes difficult period, but I remain as committed as ever to this business.

I would like to begin by stating that the loss made in 2002 is extremely unsatisfactory.

On behalf of the whole Board, I would like to express our regret for the results, and for the dividend cut.

SLIDE 4 – FINANCIALS

Financial overview		
£m	2002	2001 Restated
Retail Banking	1,227	1,226
Wealth Management & Long-term Savings	322	275
	<u>1,549</u>	<u>1,509</u>
Group Loss / Profit before tax	(984)	1,470
Charges:		
Embedded Value re-basing	(632)	(443)
Wholesale Banking losses & provisions	(902)	(271)
Goodwill	(1,202)	(36)
Dividend (pence)	25	50

Last year, I spoke of the challenges we were facing.

Looking back at 2002, it is clear that these were greater than expected.

BUILD 1

Trading profits before tax from our Retail Bank and Wealth Management businesses were up slightly at £1.5 billion before tax and before changes to embedded value.

BUILD 2

In total, the loss incurred in 2002 reflects the impact on Abbey National of extremely difficult market conditions - conditions that have affected many other institutions.

They have impacted Abbey National particularly harshly, reflecting that we were not well positioned for these market conditions.

BUILD 3

This led to a number of material charges and write-offs.

I will now look at these in turn ...

BUILD 4

... starting with our Life assurance business.

The life assurance industry as a whole has been badly affected by the decline in equity markets – and Abbey National is no exception.

To put this in perspective, the FTSE 100 ended the year at 3940, compared to 5217 at the start of 2002 – down 24%.

As a result, we had to inject capital into the business to maintain solvency.

We have also adopted a more conservative accounting policy, which itself was responsible for £632 million of the loss in 2002.

BUILD 5

The credit markets facing the Wholesale Bank also worsened.

As a result, we made provisions and losses on asset sales totalling £902 million.

BUILD 6

Finally, goodwill - largely associated with companies acquired over the last 7 years - was also written down to more prudent levels following our strategic review.

It reflects the future earnings capability of the businesses in question and accounted for a loss of £1.2 billion.

This is an accounting adjustment that does not impact on cash or shareholder capital.

BUILD 7

As a result, we are proposing a final dividend of 7.35 pence, to give a full year dividend for 2002 of 25 pence.

Your Board appreciates that the results are unsatisfactory, and we are not happy about it.

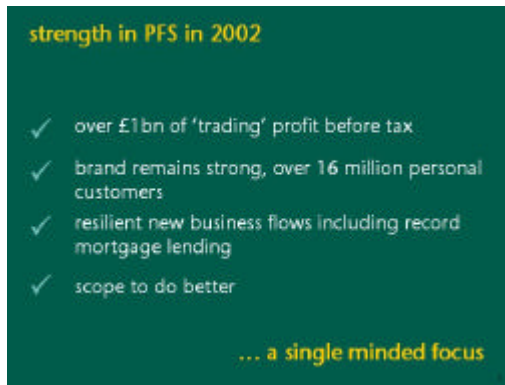
The decision to cut the dividend has not been taken lightly.

The fact is that Abbey National is not likely to report profits at similar levels to those of the recent past again in the near future.

The payout levels set in more bullish times could not be justified in the light of lower, albeit higher quality earnings.

The 25 pence reflects the shape and size of the ongoing business, and is a base from which we plan to grow in the future.

SLIDE 5 – STRENGTH OF PFS BUSINESS



On a more positive note, our core personal financial services businesses – those that we will be continuing in the future – provide a foundation on which to build.

BUILD 1

In 2002, they generated a trading profit before tax of over £1 billion.

BUILD 2

Clearly this is largely supported by the strength of the Abbey National brand, and our 16 million personal customers.

BUILD 3

Across all our product range, we delivered resilient new business levels, and in the case of mortgages, delivered yet another record year in terms of both gross and net lending.

Our market share of net lending in the second half of the year was 10.6% -our best second half performance for 7 years.

BUILD 4

That said, there is scope to do much better.

I must stress that 2003 will be a tough year for the Personal Financial Services businesses ... nevertheless we think there is significant potential to be unlocked ... and Luqman will talk more about this later.

SLIDE 6 – REDUCING RISKS



In the mean time we are actively taking steps to reduce the risk, in both our ongoing businesses and those that we intend to wind down and sell.

BUILD 1

Credit quality in terms of mortgage lending, in terms of both new and old business, is the best it has been for many years.

Unsecured lending, such as personal loans, overdrafts and credit cards accounts for only 2.5% of our total personal lending ... which is low compared to other banks.

BUILD 2

We have taken action to protect ourselves against the impact of equity markets on our life businesses.

All the risk has not been eliminated – but we have taken significant strides in this respect and are now amongst the most conservative in the industry.

BUILD 3

We have made good progress in terms of winding down or selling operations that do not fit with our new focus on personal financial services ... in the 8 months between the interims, and the full year results presentation in February, we contracted to sell £27 billion of assets.

The businesses that we are looking to exit from are being managed within a newly established Portfolio Business Unit – the PBU.

BUILD 4

We do expect to release capital from the PBU over the next 3 years. However, you will see further losses realised as we continue to sell or wind down these businesses.

The Board's view is that this is the right course of action, and that we now have a senior leadership team in place who are capable, experienced and very well equipped to take us forward, and to maximise value for our shareholders.

SLIDE 7 – CHANGES TO THE BOARD



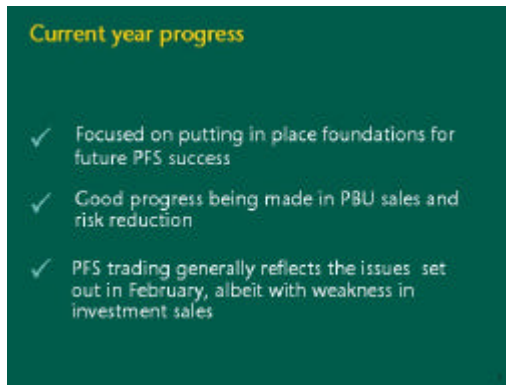
During the year I have been very pleased to welcome Luqman Arnold as Chief Executive and Stephen Hester as Finance Director, now Chief Operating Officer.

Both have had a positive impact in addressing the challenges and restructuring the business.

The new Board line-up and their respective responsibilities are shown in your AGM guide.

We still have two appointments to finalise – Head of Customer Propositions and Head of Human Resources.

SLIDE 8 – Q1 TRADING



Turning now to 2003...

BUILD 1

Abbey National's main efforts are to lay the foundations for our future PFS success; and we are proceeding to plan with this.

The major structural changes are now in place and many other important building blocks are coming together.

Good progress is being made filling key gaps.

And there is a high level focus on cost reduction as well as improved service, advice and marketing initiatives.

BUILD 2

We have a vital job to do in risk reduction and asset sales in the PBU and I am pleased to say that we are also making good progress here.

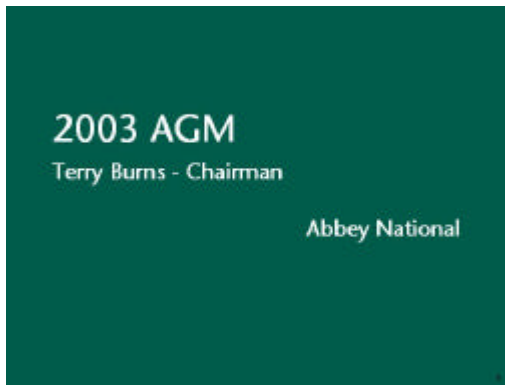
Earlier this month we completed the sale of First National to GE Consumer Finance.

BUILD 3

Our PFS trading performance generally reflects the issues we set out in February.

In addition, in common with other companies, we have recorded significantly lower investment product sales to date.

SLIDE 9 – CHAIRMAN HOLDING SLIDE



In conclusion ... I am convinced that we have the right strategy for Abbey National, and a bright future ahead of us, despite the current problems and difficulties in financial markets.

We have a very fine business, with a strong brand, strong franchise and great potential ...

Our employees are key to our success and I would like to thank them for their continued hard work and commitment.

We are united in our determination to restore Abbey National to a path of value creation for our shareholders.

I will now hand over to Luqman.