Egg plc

Under Embargo until 07.05h, 26th October 2005

Egg plc

Results for the Nine Months to 30 September 2005

"These results represent a solid performance by Egg at a time when the unsecured lending market remains highly competitive and is seeing much lower levels of growth and increased levels of bad debts emerging at this point in the cycle.

"We have been participating in Prudential's ongoing strategic review and we are looking forward to working more closely together. Clearly, there are exciting opportunities provided by our complementary customer bases, brands and product offerings for the further benefit of both our customers and shareholders."

Paul Gratton, CEO, Egg plc

Highlights:

Analysis of Group Income Statement (adopted IFRS Basis):

	9 months to 30 Sep 2005	9 months to 30 Sep 2004 (i)
	£m	£m
Egg UK	**40.9**	49.7
Egg France (ii)	**4.7**	(147.3)
Subsidiaries/Associates/JV's (iii)	**(2.9)**	(2.0)
Transaction Costs	**-**	(3.7)
Restructuring Costs	**(9.9)**	(2.1)
Group Profit/(Loss) before Tax (including discontinued activities)	**32.8**	(105.4)

(i) UK GAAP comparatives restated to IFRS basis (excluding IAS 32 and IAS 39 which are only effective from 1 January 2005).

(ii) Profit in 2005 reflects release of surplus in the provision for exit costs (£3.5 million) and foreign exchange gains (£1.5 million).

(iii) Q1 2005 includes Funds Direct exit cost provision of £3.3 million.

Group

- Operating income up 9% to £389 million (Q3 2004: £357 million)
- Operating costs were unchanged at £181 million (Q3 2004: £181 million)
- Impairment losses were up 36% at £177 million (2004: £130 million)
- Group profit before tax (including discontinued activities) of £33 million (Q3 2004: £106 million loss)
- Retained profit after tax of £22 million (Q3 2004: £72 million retained loss)
- Group earnings per share of 2.7p (Q3 2004: 8.7p loss per share)
- Total group assets of £11.1 billion (Q3 2004: £12.1 billion)

UK

- Egg UK delivered a nine month operating profit of £41 million (Q3 2004: £50 million)
- Net interest margin was 2.50% (Q3 2004: 2.42%)
- Cost/Income ratio was 44% (Q3 2004: 50%)
- Card balances grew by £14 million (Q3 2004: £291 million) leading to period end balances of £3.6 billion (Q3 2004: £3.3 billion)
- Personal loan drawdowns were £1.3 billion (Q3 2004: £1.6 billion)

Chief Executive Paul Gratton said:

“Operating profit in the third quarter was £18 million for the core UK business on the new IFRS basis of reporting leading to year to date profit of £41 million. The overall Group profit, including discontinued activities, was £33 million for the nine months ended 30 September 2005.

“Revenues in the UK for the nine months to 30 September were £389 million. Q3 revenues at £138 million were up 10% on the second quarter. This increase was driven by higher net interest income which is up over 20% this quarter. This is explained by the improvement in card yield due to changes in pricing in the portfolio and incentive offers making up a smaller percentage of the book this quarter as we have focused on retaining valuable interest bearing balances and reduced our short term focus on acquisition at this point in the cycle. Other operating income was 3% lower quarter on quarter at £53 million. Commission income on selling associated insurance on loans reduced on previous quarters due to lower personal loan sales volumes with lower penetration rates.

“The cost/income ratio has remained stable at 44% this quarter despite the planned increase in costs compared to Q2 2005.

"The impairment charge increased in the third quarter, up 3% to £60 million. We continue to see an improvement in the underlying metrics on the loan book from the changes we made to our scorecard in December 2004 but at this stage in the cycle the card book is generating a higher charge. The 12 month lagged impairment charge for the unsecured lending portfolio remained flat at 4% this quarter. We continue to anticipate this metric will improve in the fourth quarter, however this improvement will be less than we had expected at the half year. As a result the Q4 charge is likely to be slightly higher than Q3.

"Overall we believe these results represent a solid performance by Egg at a time when the unsecured lending market remains highly competitive and is seeing much lower levels of growth and increased levels of bad debts emerging at this point in the cycle.

"We have been participating in Prudential's ongoing strategic review and we are looking forward to working more closely together. Clearly, there are exciting opportunities provided by our complementary customer bases, brands and product offerings for the further benefit of both our customers and shareholders."

Overview of Group Results

Summary Income Statement by quarter (adopted IFRS basis) (unaudited)

	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004
UK	**£m**	£m	£m	£m	£m
Net Interest Income (Note 2)	**84.7**	71.2	66.5	73.3	70.4
Other Operating Income (Note 2)	**53.4**	55.2	58.1	66.3	48.3
Egg UK Operating Income	**138.1**	126.4	124.6	139.6	118.7
Operational and Administrative Expenses	**(41.1)**	(36.9)	(37.1)	(40.7)	(39.2)
Brand and Marketing Costs	**(6.2)**	(8.4)	(8.1)	(12.4)	(9.0)
Development Costs	**(4.3)**	(2.8)	(3.7)	(6.2)	(5.2)
Depreciation and Amortisation	**(8.6)**	(6.9)	(6.9)	(7.1)	(4.3)
Impairment Losses on Loans and Advances to Customers	**(60.0)**	(58.3)	(58.9)	(52.8)	(47.1)
Egg UK Operating Profit	**17.9**	13.1	9.9	20.4	13.9
France					
Net Interest Income	**0.1**	0.1	(0.3)	0.8	1.8
Other Operating Income	**(0.3)**	(0.4)	1.3	(7.0)	0.9
Egg France Operating Income	**(0.2)**	(0.3)	1.0	(6.2)	2.7
Operational and Administrative Expenses	**(0.3)**	(3.5)	(9.0)	(10.1)	(8.5)
Brand and Marketing Costs	**-**	-	-	-	-
Development Costs	**-**	-	-	-	-
Depreciation and Amortisation	**-**	1.0	-	(0.4)	(3.1)
Impairment Losses on Loans and Advances to Customers	**-**	-	(0.3)	(5.8)	(3.9)
Utilisation of Exit Cost Provision	**0.2**	3.0	9.6	15.8	10.1
Egg France Operating (Loss)/Profit	**(0.3)**	0.2	1.3	(6.7)	(2.7)
Subsidiaries/Associates/JV's	**0.2**	0.3	(3.4)	(17.6)	(1.0)
Transaction Costs	**-**	-	-	(2.7)	(1.1)
Provision for France Exit Costs	**-**	-	3.5	-	(112.8)
Restructuring Costs	**-**	(3.6)	(6.3)	(3.0)	-
Group Profit/(Loss) Before Tax (including discontinued activities)	**17.8**	10.0	5.0	(9.6)	(103.7)

Note 1: All comparatives for 2004 have been restated to adopted IFRS basis (excluding the impact of IAS 32 and IAS 39, which only came into effect from 1 January 2005).

Note 2: Figures for Q1 and Q2 2005 include a reclassification between Net Interest Income and Other Operating Income compared to previous results announcements reflecting the continuous development of IFRS and industry practice around the treatment of certain fees.

Commentary on Summary Income Statement

Egg UK

Revenues

Net interest income in Q3 2005 was up strongly at £84.7 million (Q2 2005: £71.2 million). The 19% increase has resulted from the fact that interest bearing balances now make up a higher proportion of the card book due to the profile of acquisition this year and the changes in card pricing in August. This has led to an improvement in the yield on credit cards to 11.4% for the third quarter on a stand alone basis (9.9% at 30 September 2005 on rolling 12 month basis) compared to 10.1% for Q2 (9.4% at 30 June 2005 on 12 month rolling basis as restated). The rolling annual net interest margin for the business as a whole grew to 2.50% at 30 September from 2.32% for 30 June (as restated).

Other operating income in Q3 2005 was down 3% at £53.4 million (Q2 2005: £55.2 million). Commission income earned from sales of associated insurances on our loan book declined this quarter as penetration rates fell further on a smaller volume of loan sales. We continue to put the quality of loan business we are writing ahead of volumes, and at current penetration rates on associated insurances we will continue to focus on ensuring we have the optimum credit and value based scoring in place. Offsetting the impact of lower penetration rates was approximately £4 million of benefit this quarter from revised commission rates on the associated insurance products which related to business written in the first half of the 2005. Elsewhere in other operating income we are reporting £0.1 million of unrealised losses on derivatives in Q3 from the adoption of fair value accounting under IAS 39 (Q2 2005: £2.2 million unrealised gain) which is purely a timing difference given no gain or loss is expected over the life of the derivatives as they are economic hedges and will not be traded. Cumulatively to the end of September 2005 we now report a £1.6 million unrealised gain.

Costs

The increase in operational and administrative costs at £41.1 million for the quarter (Q2 2005: £36.9 million) is primarily driven by greater investment in the credit function at this point of the cycle and due to the fact that the annual pay review is effective from 1 July.

Brand and marketing costs were £6.2 million (Q2 2005: £8.4 million). We reduced expenditure as normal in the third quarter as seasonally it is the weakest quarter to acquire cards. We have just launched our new Egg Money proposition and will be investing further in our brand as well in Q4 which will result in a £5 million increase in brand and marketing costs over Q3 levels.

Development costs were £4.3 million for the quarter, an increase over Q2 2005 (£2.8 million). This primarily reflects the development costs for Egg Money and other new propositions in the pipeline.

Depreciation and amortisation at £8.6 million was up 25% on Q2 (£6.9 million). This was due to the fact that we recognised a one-off accelerated depreciation charge of £1.5 million on some software assets following a periodic impairment review of the fixed asset register.

Impairment for Losses on Loans and Advances to Customers

The Q3 charge for impairment of £60.0 million was slightly up on Q2 (£58.3 million). The impairment charge as a percentage of 12 month lagged assets in the overall unsecured portfolio remained consistent at 4.0% (Q2 2005: 4.0%). We had expected to see this reduce slightly over the second half as the benefit of the decisions we took to alter the loans scorecard in December 2004 flowed through. This has indeed materialised with the 12 month lagged metric for loans falling from 6.1% at 30 June 2005 to 5.3% at 30 September 2005 in line with our plans. However we have experienced a small increase in card delinquency levels above our previous expectations and the equivalent card metrics are 2.6% at 30 June 2005 and 3.0% at 30 September 2005. Based on this trend we now expect the Q4 impairment charge to be higher than Q3.

Egg France and Provision for Exit Costs

We still expect our revised provision to be adequate and the only net movement in the Egg France profit and loss account this quarter is a small exchange loss of £0.3 million.

Subsidiaries/Associates/JV's

In Q3 the net profit was £0.2 million. The £2.9 million net loss year to date primarily reflects the exit costs provision in respect of Funds Direct raised in Q1 2005. In October we completed the sale of Funds Direct to IFA Wrap Limited.

Restructuring Costs

We completed our review of our total cost base, and in particular the overhead functions in the first half and incurred a cost of £9.9 million to restructure our activities. The estimated annual savings resulting from this reorganisation are £12 million.

Egg UK

Product Information

	30 Sep 2005	30 Sep 2004	31 Dec 2004
Product balances	**£m**	£m	£m
Egg Card	**3,592**	3,306	3,578
Egg Personal Loans	**2,798**	2,403	2,618
Total Unsecured Lending	**6,390**	5,709	6,196
Egg Mortgages	**1,075**	1,117	1,102
Prudential Mortgages	**495**	632	591
Total Secured Lending	**1,570**	1,749	1,693
Egg Savings	**5,735**	6,022	6,215
Prudential Savings	**120**	125	121
Total Retail Liabilities	**5,855**	6,147	6,336

Unsecured Lending

Egg's emphasis has been on managing its existing card customer base and driving an improved return from the book. This has generated the encouraging trend within the book where interest bearing balances are up approximately £250 million over the nine months. With balances on 0% offers falling by approximately the same amount, the overall growth in the nine months was £14 million. This revised mix of balances, along with the re-price in August, which has had no impact on underlying attrition trends, has led to the improvement in card yields highlighted earlier. Credit card balances reduced in the third quarter by £177 million reflecting the fact that Egg has intentionally not been acquiring new customers at the same rate as historically and this quarter saw the natural outflow of balances that were acquired in Q1 2005 on six month incentive offers.

Personal loan disbursements were £431 million for Q3 2005 (Q2 2005: £453 million). Net balance growth was £45 million this quarter. While this is a reduction on the record loan volumes achieved last year (Q3 2004: Disbursements - £496 million) it is consistent with our plans and risk appetite and reflects our decision, indicated previously in our preliminary results announcement, to tighten lending criteria this year.

Savings

Q3 2005 saw a net outflow on Egg deposits of £480 million (Q2 2005: £333 million outflow). Retail liabilities are primarily an element within Egg's overall funding strategy rather than an acquisition product. Given our strong liquidity position we withdrew our bonus account offering in Q2 and have seen outflows in line with previous experience.

Other Products

The Prudential branded mortgage book continues in run-off and the Egg book also contracted by £52 million in Q3 reflecting the fact that we are not currently promoting this product.

The Egg Insure business acquired 25,000 new policies in Q3, consistent with the seasonal performance in Q3 2004.

Egg Money Manager now has almost 100,000 new registered users this year with a further 28,000 signing up in Q3.

Capital

Capital ratios for Egg Banking plc at 30 September 2005 were 9.5% (tier 1) and 15.8% (total) (30 September 2004: 9.3% (tier1) and 15.6% (total)). On a consolidated basis the total capital ratio was 14.1% (30 September 2004: 14.4%).

Independent review report to Egg plc

Introduction

We have been engaged by the company to review the financial information set out on pages 11 to 29 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual financial statements except where any changes, and the reasons for them, are disclosed.

As disclosed on page 11 to the financial information, the next annual financial statements of the group will be prepared in accordance with IFRS's adopted for use in the European Union.

The accounting policies that have been adopted in preparing the financial information are consistent with those that the directors currently intend to use in the next annual financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRSs adopted for use by the European Union. This is because, as disclosed on page 11, the Directors have anticipated that certain Standards, which have yet to be formally adopted for use in the European Union, will be so adopted in time to be applicable to the next annual financial statements.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 *Review of interim financial information* issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the nine months ended 30 September 2005.

KPMG Audit Plc
Chartered Accountants

25 October 2005

FINANCIAL INFORMATION

Financial results prepared in accordance with International Financial Reporting Standards adopted for use in the European Union for the nine months ended 30 September 2005.

Basis of preparation

EU law (IAS Regulation EC 1606/2002) requires that the next annual consolidated financial statements of the Group for the year ended 31 December 2005 be prepared in accordance with IFRS adopted by the EU (adopted IFRS).

The financial information has been prepared on the basis of recognition and measurement requirements of IFRS in issue that are either endorsed by the EU and effective, or are expected to be endorsed and effective at 31 December 2005, the Group's first annual reporting date at which they are required to use adopted IFRS. Based on these adopted and unadopted IFRSs, the Directors have made assumptions about the accounting policies to be applied, as detailed in the description of accounting policies set out below.

In particular the directors have assumed that the amendment to IAS 19 'Employee Benefits – Actuarial Gains and Losses' issued by the IASB will be fully adopted by the EU and therefore available for use in the annual IFRS Financial Statements for the year ended 31 December 2005.

In respect of financial instruments, the Group's policy has been to adopt IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement' from 1 January 2005, except as restricted by the European Commissions Accounting Regulatory Committee. Comparatives for 2004 have not been restated to reflect the requirements of IAS 32 and IAS 39 and, as permitted by IFRS 1, are accounted for under UK GAAP in accordance with the accounting policies set out in the annual financial statements for the year ended 31 December 2004.

In addition, the adopted IFRSs that will be effective or available for voluntary early adoption in the annual financial statements for the year ended 31 December 2005 are still subject to change and to the issue of additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for the annual period that are relevant to this interim financial information will be determined only when the annual financial statements are prepared for the year ended 31 December 2005.

The comparative figures for the financial year ended 31 December 2004 are not the Group's statutory accounts for that financial year. Those accounts, which were prepared under UK GAAP in accordance with the Companies Act 1985, have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

A description of the significant accounting policies applied in preparing the financial information contained in this report has been included in Note 1 of the Notes to the Financial Information below.

Transitional arrangements

On transition to IFRS, an entity is generally required to apply IFRS retrospectively, except where an exemption is available under IFRS 1 'First-time Adoption of International Financial Reporting Standards'. The following is a summary of the key elections from IFRS 1 that were made by the Group:

- The Group has elected to adopt the IFRS 1 exemption in relation to business combinations and will only apply IFRS 3 'Business Combinations' prospectively from 1 January 2004. As a result, the balance of goodwill under UK GAAP as 31 December 2003 will be deemed the cost of goodwill at 1 January 2004.
- The Group has elected to adopt the IFRS 1 option to reset foreign currency cumulative translation reserves to zero on transition to IFRS.

Furthermore, the Group has adopted the exemption in IFRS 1 to not prepare comparative information in accordance with IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement'. These standards will therefore only apply from 1 January 2005 and in the comparative figures for the year ended 31 December 2004, financial instruments will continue to be accounted for on a UK GAAP basis. The Group has also elected to adopt IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' from 1 January 2005.

Consolidated income statement (unaudited)

	Notes	Nine months ended 30 Sept 2005 £m	Three months ended 30 Sept 2005 £m	Nine months ended 30 Sept 2004 (Restated)[1] £m	Three months ended 30 Sept 2004 (Restated)[1] £m	Year ended 31 Dec 2004 (Restated)[1] £m
Continuing operations:						
Interest income		**693.9**	**207.9**	664.3	231.2	902.8
Interest expense		**(471.5)**	**(123.2)**	(450.0)	(161.4)	(615.4)
Net interest income		**222.4**	**84.7**	214.3	69.8	287.4
Fee and commission income		**170.3**	**57.9**	156.8	51.0	220.7
Fee and commission expense		**(15.2)**	**(5.8)**	(18.9)	(4.1)	(25.2)
Net fee and commission income		**155.1**	**52.1**	137.9	46.9	195.5
Net trading income		**9.2**	**(0.1)**	-	-	-
Other operating income		**2.4**	**1.4**	4.9	1.5	14.7
Operating income		**389.1**	**138.1**	357.1	118.2	497.6
Administrative expenses						
- personnel expenses		**(66.2)**	**(19.8)**	(66.6)	(22.4)	(92.7)
- depreciation and amortisation		**(22.4)**	**(8.6)**	(15.0)	(3.1)	(22.2)
- other administrative expenses		**(92.4)**	**(31.8)**	(99.7)	(32.1)	(139.3)
		(181.0)	**(60.2)**	(181.3)	(57.6)	(254.2)
Impairment losses on loans and advances to customers	2	**(177.2)**	**(60.0)**	(129.6)	(47.2)	(182.4)
Operating profit		**30.9**	**17.9**	46.2	13.4	61.0
Share of operating profit of joint venture		**0.1**	**0.2**	0.4	0.1	0.3
Share of associate profits/(losses)		**0.2**	**0.2**	(0.2)	-	(0.4)
Profit on continuing ordinary activities before tax		**31.2**	**18.3**	46.4	13.5	60.9
Tax charge on profit on continuing ordinary activities	3	**(10.5)**	**(6.8)**	(12.4)	(0.9)	(24.7)
Profit on continuing ordinary activities after tax		**20.7**	**11.5**	34.0	12.6	36.2
Discontinued operations:						
Profit/(loss) on discontinued ordinary activities after tax	4	**1.1**	**(0.4)**	(106.2)	(84.5)	(137.2)
Retained profit/(loss) for the period		**21.8**	**11.1**	(72.2)	(71.9)	(101.0)

(1) The comparative results for the nine months ended 30 September 2004, the three months ended 30 September 2004 and the year ended 31 December 2004 have been restated to reflect the adoption of International Financial Reporting Standards, as explained on pages 11 and 12. A reconciliation of the income statement, balance sheet and cash flow statement for the period ended 30 September 2004 with UK GAAP, in accordance with which the comparatives were previously prepared, is shown in Appendix 1. A reconciliation of the income statement, balance sheet and cash flow statement for the year ended 31 December 2004 was shown in Appendix 1 of our Press Release on the results for the three months ended 31 March 2005 issued on 27 April 2005.

Consolidated income statement (unaudited) (continued)

	Notes	**Nine months ended 30 Sept 2005** £m	**Three months ended 30 Sept 2005** £m	Nine months ended 30 Sept 2004 (Restated)* £m	Three months ended 30 Sept 2004 (Restated)* £m	Year ended 31 Dec 2004 (Restated)* £m
Attributable to:						
Equity holders of the parent		**22.6**	**11.2**	(71.9)	(71.8)	(99.7)
Minority interests		**(0.8)**	**(0.1)**	(0.3)	(0.1)	(1.3)

	Notes	**Pence per share**	**Pence per share**	Pence per share	Pence per share	Pence per share
Consolidated earnings/(loss) per share						
Basic	5	**2.7**	**1.4**	(8.7)	(8.7)	(11.3)
Diluted	5	**2.7**	**1.4**	(8.7)	(8.7)	(11.3)
Continuing earnings per share						
Basic	5	**2.5**	**1.4**	4.2	1.6	4.6
Diluted	5	**2.5**	**1.4**	4.2	1.6	4.6

* See note (1) on page 13

Consolidated balance sheet (unaudited)

	Notes	30 Sept 2005 £m	30 Sept 2004 (Restated)* £m	31 Dec 2004 (Restated)* £m
Assets				
Cash and balances with central banks		**7.3**	14.2	14.0
Loans and advances to banks		**689.2**	416.4	615.9
Securities purchased under agreement to resell		**200.6**	1.4	319.4
Investment securities		**2,237.4**	3,909.1	3,119.7
Derivative financial instruments		**42.6**	10.7	16.0
Loans and advances to customers		**7,667.5**	7,353.5	7,642.0
Prepayments and accrued income		**7.9**	80.7	58.3
Investments in joint venture and associate		**10.5**	6.5	6.3
Property, plant and equipment		**45.1**	51.2	48.0
Intangible assets		**40.7**	59.1	49.0
Deferred tax		**35.6**	23.8	28.9
Other assets		**95.3**	127.0	130.6
Total assets		**11,079.7**	12,053.6	12,048.1

* See note (1) on page 13

Consolidated balance sheet (unaudited) (continued)

	Notes	30 Sept 2005 £m	30 Sept 2004 (Restated)* £m	31 Dec 2004 (Restated)* £m
Liabilities				
Deposits by banks		**2,682.1**	2,481.2	2,352.0
Securities sold under agreements to repurchase		**-**	531.1	130.5
Customer accounts		**5,958.0**	6,570.3	6,607.4
Investment securities in issue		**1,399.8**	1,127.5	1,806.5
Derivative financial instruments		**69.5**	13.0	17.5
Other liabilities		**67.7**	219.2	110.5
Accruals and deferred income		**75.1**	197.7	215.0
Provisions for liabilities and charges		**1.8**	96.5	16.8
Subordinated liabilities				
- Dated loan capital		**476.3**	450.8	450.8
Total liabilities		**10,730.3**	11,687.3	11,707.0
Shareholders' equity				
Called up share capital	**6**	**412.2**	412.2	412.2
Share premium account	**6**	**-**	111.0	111.0
Capital reserve	**6**	**-**	359.7	359.7
Other reserves	**6**	**(2.4)**	(3.3)	(0.5)
Accumulated losses	**6**	**(59.5)**	(514.2)	(541.2)
Total equity attributable to the equity holders of the parent		**350.3**	365.4	341.2
Minority interests (equity)		**(0.9)**	0.9	(0.1)
Total equity		**349.4**	366.3	341.1
Total equity and liabilities		**11,079.7**	12,053.6	12,048.1

* See note (1) on page 13

Consolidated statement of changes in equity (unaudited)

	Attributable to equity holders of the Group					Minority	Total
	Called up share capital	Share premium account	Capital reserve	Other reserves	Accumulated losses	interest	
	£m	£m	£m	£m	£m	£m	£m
Changes in equity for the nine months ended 30 Sept 2004:							
Balance at 1 January 2004 as previously reported under UK GAAP	410.3	107.5	359.7	-	(445.1)	1.2	433.6
Changes upon transition to IFRS	-	-	-	-	0.5[1]	-	0.5
Restated balance under IFRS	410.3	107.5	359.7	-	(444.6)	1.2	434.1
Exchange differences on foreign currency translations	-	-	-	(3.3)	-	-	(3.3)
Net gain recognised directly in equity	-	-	-	(3.3)	-	-	(3.3)
Loss for the period	-	-	-	-	(71.9)	(0.3)	(72.2)
Total recognised income and expense for the period	-	-	-	(3.3)	(71.9)	(0.3)	(75.5)
Increase in share capital	1.9	-	-	-	-	-	1.9
Increase in share premium	-	3.5	-	-	-	-	3.5
Share-based payment adjustment to reserves	-	-	-	-	1.5	-	1.5
Awards under incentive schemes	-	-	-	-	0.8	-	0.8
Balance at 30 Sept 2004	412.2	111.0	359.7	(3.3)	(514.2)	0.9	366.3
Changes in equity for the year ended 31 December 2004:							
Balance at 1 January 2004 as restated under IFRS	410.3	107.5	359.7	-	(444.6)	1.2	434.1
Exchange differences on foreign currency translations	-	-	-	(0.5)	-	-	(0.5)
Net loss recognised directly in equity	-	-	-	(0.5)	-	-	(0.5)
Loss for the year	-	-	-	-	(99.7)	(1.3)	(101.0)
Total recognised expense for the year	-	-	-	(0.5)	(99.7)	(1.3)	(101.5)
Increase in share capital	1.9	-	-	-	-	-	1.9
Increase in share premium	-	3.5	-	-	-	-	3.5
Share-based payment adjustment to reserves	-	-	-	-	2.3	-	2.3
Awards under incentive schemes	-	-	-	-	0.8	-	0.8
Balance at 31 December 2004	412.2	111.0	359.7	(0.5)	(541.2)	(0.1)	341.1

[1] The adjustment relates to deferred tax on share-based payments.

Egg plc

Consolidated statement of changes in equity (unaudited) (continued)

	Attributable to equity holders of the Group					Minority	Total
	Called up share capital	Share premium account	Capital reserve	Other reserves	Accumulated losses	Interest	
	£m	£m	£m	£m	£m	£m	£m
Changes in equity for the nine months ended 30 Sept 2005:							
Balance at 31 December 2004	412.2	111.0	359.7	(0.5)	(541.2)	(0.1)	341.1
Changes in accounting policy (adoption of IAS 32 and IAS 39)	-	-	-	(0.9)	(14.4)	-	(15.3)
Restated balance	412.2	111.0	359.7	(1.4)	(555.6)	(0.1)	325.8
Available-for-sale investments:							
Valuation gains taken to equity	**-**	**-**	**-**	**3.5**	**-**	**-**	**3.5**
Cash flow hedges:							
Losses taken to equity				**(5.7)**			**(5.7)**
Exchange differences on foreign currency translations	**-**	**-**	**-**	**1.2**	**-**	**-**	**1.2**
Net loss recognised directly in equity	**-**	**-**	**-**	**(1.0)**	**-**	**-**	**(1.0)**
Profit/(loss) for the period	**-**	**-**	**-**	**-**	**22.6**	**(0.8)**	**21.8**
Total recognised income and expense for the period	**-**	**-**	**-**	**(1.0)**	**22.6**	**(0.8)**	**20.8**
Adjustments to share premium and capital reserve due to capital reconstruction	**-**	**(111.0)**	**(359.7)**	**-**	**470.7**	**-**	**-**
Share-based payment adjustment to reserves	**-**	**-**	**-**	**-**	**2.8**	**-**	**2.8**
Balance at 30 September 2005	**412.2**	**-**	**-**	**(2.4)**	**(59.5)**	**(0.9)**	**349.4**

Consolidated cash flow statement (unaudited)

	Note	**Nine months ended 30 Sept 2005**	Nine months ended 30 Sept 2004 (Restated)*	Year ended 31 Dec 2004 (Restated)*
		£m	£m	£m
Cash flows from operating activities				
Continuing operations:				
Operating profit before taxation		**30.9**	46.2	61.0
Adjusted for:				
Depreciation, impairment and amortisation		**22.4**	42.1	25.1
Impairment losses on loans and advances to customers		**65.3**	52.3	70.1
Gain on sale of investment securities		**-**	(1.6)	(7.5)
Share schemes adjustment in reserves		**2.8**	3.4	3.3
Net (increase)/decrease in operating assets:				
Loans and advances to banks		**18.8**	(201.1)	54.8
Derivative financial instruments		**(11.9)**	-	-
Loans and advances to customers		**(66.7)**	(583.2)	(1,115.6)
Securities purchased under agreement to resell		**119.5**	(1.4)	(319.4)
Accrued income and prepayments		**0.4**	35.5	16.9
Other assets		**162.9**	41.2	99.4
Net increase/(decrease) in operating liabilities:				
Deposits by banks		**148.0**	988.7	772.3
Securities sold under agreements to repurchase		**(131.0)**	(298.1)	(698.7)
Customer accounts		**(462.7)**	118.6	(53.0)
Investment securities in issue		**(434.0)**	(295.5)	383.6
Accruals and deferred income		**(9.0)**	0.8	29.6
Derivative financial instruments		**19.5**	-	-
Other liabilities		**(310.1)**	(12.8)	(133.6)
Subordinated liabilities		**24.4**	-	-
(Taxation paid)/tax refund received		**(0.7)**	(8.5)	14.1
Net cash outflow from continuing operating activities		**(811.2)**	(73.4)	(797.6)
Discontinued operations:				
Net cash (outflow)/inflow from discontinued operating activities		**(5.6)**	(53.8)	76.2
Total net cash outflow from operating activities		**(816.8)**	(127.2)	(721.4)

* See note (1) on page 13

Consolidated cash flow statement (unaudited) (continued)

	Note	**Nine months ended 30 Sept 2005**	Nine months ended 30 Sept 2004 (Restated)*	Year ended 31 Dec 2004 (Restated)*
		£m	£m	£m
Cash flows from investing activities				
Continuing operations:				
Purchase of property, plant and equipment		**(6.7)**	(25.7)	(13.1)
Disposal of property, plant and equipment		**1.0**	1.9	-
Purchase of software intangibles		**(14.2)**	(34.1)	(37.7)
Disposal of software intangibles		**4.7**	-	-
Purchase of investment securities		**(5,751.7)**	(4,202.7)	(6,447.5)
Disposal of investment securities		**6,651.2**	4,472.8	7,435.3
Net cash inflow/(outflow) from continuing investing activities		**884.3**	212.2	937.0
Discontinued operations:				
Net cash inflow from discontinued investing activities		**0.2**	34.1	90.6
Total net cash inflow/(outflow)inflow from investing activities		**884.5**	246.3	1,027.6
Cash flows from financing activities				
Continuing operations:				
Proceeds from issue of share capital		**-**	5.4	5.4
Net cash inflow from continuing financing activities		**-**	5.4	5.4
Discontinued operations:				
Net cash inflow from discontinued financing activities		**-**	-	-
Total net cash inflow from financing activities		**-**	5.4	5.4
Increase/(decrease) in cash and cash equivalents in the period		**67.7**	124.5	311.6
Cash and cash equivalents at the beginning of the period	7	**627.6**	322.9	322.9
Exchange adjustments		**1.2**	(2.1)	(6.9)
Cash and cash equivalents at the end of the period	7	**696.5**	445.3	627.6

* See note (1) on page 13

NOTES TO THE FINANCIAL INFORMATION

1. Significant accounting policies

The accounting policies are unchanged from those set out in our previous Interim Results announcement for the six months ended 30 June 2005 published on 27 July 2005.

2. Impairment losses on loans and advances to customers

Group operating profit is stated after charging impairment losses on loans and advances to customers of £177.5 million (30 September 2004 on a UK GAAP basis: £143.9 million). The impairment losses on loans and advances to customers at 30 September 2005 have been calculated on the basis of IAS 39. The balances at 30 September 2004 and 31 December 2004 were calculated on the basis of UK GAAP as explained in the principal accounting policies in the 2004 annual report.

	Continuing	Discontinued	**Total**
	£m	£m	**£m**
Balance at 31 December 2004 under UK GAAP	249.4	0.9	**250.3**
IAS 39 transition adjustments	(3.3)	-	**(3.3)**
IFRS reclassification	7.7	-	**7.7**
Revised balance at 1 January 2005 under IFRS	253.8	0.9	**254.7**
Amounts written off	(111.9)	(1.2)	**(113.1)**
New and additional allowances	177.2	0.3	**177.5**
Net charge against allowances	65.3	(0.9)	**64.4**
Balance at 30 September 2005	319.1	-	**319.1**

Allowances at 30 September 2005 were 4.0% of advances to customers (30 September 2004: 3.3%).

3. Tax

The taxation charge assumes a UK corporation tax rate of 30% (2004: 30%) and comprises:

	Nine months ended 30 Sept 2005	Nine months ended 30 Sept 2004 (Restated)*	Year ended 31 Dec 2004 (Restated)*
	£m	£m	£m
Tax charge on profit on continuing ordinary activities	**10.5**	12.4	24.7

* See note (1) on page 13

4. Discontinued operations

The following is an analysis of the profit/(loss) on ordinary activities after tax for discontinued operations (represented by Egg France and Funds Direct).

	Nine months ended 30 Sept 2005	**Three months ended 30 Sept 2005**	Nine months ended 30 Sept 2004 (Restated)*	Three months ended 30 Sept 2004 (Restated)*	Year ended 31 Dec 2004 (Restated)*
	£m	**£m**	£m	£m	£m
Net interest (expense)/income	**(0.1)**	**0.1**	5.6	2.3	6.4
Other operating income/(expense)	**0.8**	**(0.2)**	1.2	1.1	(6.0)
Operating income	**0.7**	**(0.1)**	6.8	3.4	0.4
Administrative expenses	**(13.4)**	**(0.8)**	(34.9)	(9.6)	(45.6)
Depreciation and amortisation	**1.0**	**-**	(16.4)	(14.2)	(7.1)
Impairment of goodwill and fixed assets re Funds Direct	**-**	**-**	-	-	(16.6)
Impairment losses on loans and advances to customers	**(0.3)**	**-**	(14.3)	(3.8)	(20.1)
Utilisation of provision for loss on termination of discontinued operations	**13.4**	**0.4**	19.7	19.7	25.9
Operating profit/(loss)	**1.4**	**(0.5)**	(39.1)	(4.5)	(63.1)
Release/(provision) for loss on termination of discontinued operations	**0.2**	**-**	(112.8)	(112.8)	(112.8)
Profit/(loss) on discontinued ordinary activities before tax	**1.6**	**(0.5)**	(151.9)	(117.3)	(175.9)
Tax (charge)/credit on profit/(loss) on ordinary activities	**(0.5)**	**0.1**	45.7	32.8	38.7
Retained profit/(loss) attributable to discontinued operations	**1.1**	**(0.4)**	(106.2)	(84.5)	(137.2)

* See note (1) on page 13

5. Earnings per share

The consolidated earnings/(loss) per share is calculated by dividing the retained profit/(loss) attributable to the Group for the financial period by the weighted average of ordinary shares in issue during the period. The continuing earnings per share was calculated by dividing the profit after tax attributable to continuing operations for the financial period by the weighted average of ordinary shares in issue during the period.

The discontinued earnings/(loss) per share for the nine months and three months ended 30 September 2005 is as follows:

	Nine months ended 30 Sept 2005	**Three months ended 30 Sept 2005**	Nine months ended 30 Sept 2004 (Restated)*	Three months ended 30 Sept 2004 (Restated)*	Year ended 31 Dec 2004 (Restated)*
Discontinued operations:					
Basic earnings/(loss) per share (pence)	**0.2**	**0**	(12.9)	(10.3)	(15.9)
Diluted earnings/(loss) per share (pence)	**0.2**	**0**	(12.9)	(10.3)	(15.9)

* See note (1) on page 13

The discontinued earnings/(loss) per share was calculated by dividing the retained profit or loss attributable to discontinued operations for the financial period by the weighted average of ordinary shares in issue during the period.

6. Capital Reconstruction

In accordance with the resolution agreed by the Annual General Meeting on 16 May 2005, Egg plc applied to the High Court to undertake a capital reconstruction eliminating the Share Premium account and Capital Reserve to reduce accumulated losses. This capital reconstruction was complete at 30 September 2005 and accordingly the capital situation of the Group as at 31 December 2004 and as at 30 September 2005 is as follows:

	30 Sept 2005	31 Dec 2004 (Restated)*
Shareholders' equity	**£m**	£m
Called up share capital	**412.2**	412.2
Share premium account	**-**	111.0
Capital reserve	**-**	359.7
Other reserves	**(2.4)**	(0.5)
Accumulated losses	**(59.5)**	(541.2)
Shareholders' equity	**350.3**	341.2

* See note (1) on page 13

7. Cash and cash equivalents

	As at 1 January 2005 (Restated)* £m	**Cash flow[2] £m**	**As at 30 Sept 2005 £m**
Cash	**14.0**	**(6.7)**	**7.3**
Loans and advances to other banks payable on demand	**344.2**	**102.0**	**446.2**
Cash equivalents	**269.4**	**(26.4)**	**243.0**
	627.6	**68.9**	**696.5**

	As at 1 January 2004 (Restated)* £m	Cash flow (Restated)* £m	As at 30 Sept 2004 (Restated)* £m
Cash	13.3	0.9	14.2
Loans and advances to other banks payable on demand	146.6	(55.6)	91.0
Cash equivalents	163.0	177.1	340.1
	322.9	122.4	445.3

	As at 1 January 2004 (Restated)* £m	Cash flow (Restated)* £m	As at 31 December 2004 (Restated)* £m
Cash	13.3	0.7	14.0
Loans and advances to other banks payable on demand	146.6	197.6	344.2
Cash equivalents	163.0	106.4	269.4
	322.9	304.7	627.6

* See note (1) on Page 13

[2] The movement in cash flow includes FX movements.

7. Cash and cash equivalents (continued)

The cash balance at 30 September 2005, 31 December 2004 and 30 September 2004 relates solely to a cash ratio deposit, held with the Bank of England.

8. Segmental information

The Group is organised into two main business segments:

(i) Retail Financial Services ("Retail") – is responsible for all customer focused products and services. It includes credit cards, consumer loans, mortgages, savings and insurance products.

(ii) Treasury and Balance Sheet Management ("Wholesale") – is responsible for asset and liability management across the Group's overall balance sheet. In particular it manages the Group's capital and liquidity positions as well as managing market and currency risks.

In determining how to allocate income and costs between these two segments, the Group uses a transfer pricing methodology.

Given its responsibility for management of the overall balance sheet, capital and liquidity the Wholesale segment effectively charges or pays a net transfer price depending on whether it is funding or investing the net balance transferred from the Retail balance sheet each day. This net transfer price is market based and adjusted firstly to take account of liquidity requirements and secondly for derivatives used to manage the interest rate risk within the Retail balance sheet.

The cost of the debt capital held by the Group is split between Retail and Wholesale according to the proportion of risk weighted assets held within each segment. The balance of the risk weighted assets is currently calculated according to the Basel 1 definitions.

The net return on investing the equity capital including the costs of the various capital management techniques currently in use by the Group including credit card securitisation and credit default swaps is earned by Treasury and for segmental reporting purposes is also split between Retail and Wholesale according to the proportion of risk weighted assets held within each segment .

8. Segmental information (continued)

All external customer revenues and expenses are allocated to Retail as are the majority of the Group's operating costs and the investment in brand and marketing. The costs allocated to the Wholesale segment are directly attributable to its lines of business.

As the Group has disposed of its French business, it no longer considers disclosure along geographical segmentation lines to be appropriate. The results, cash flows, assets and liabilities relating to the French business are included within discontinued operations.

	Retail	Wholesale	Total
	£m	**£m**	**£m**
Nine months ended 30 Sept 2005			
Continuing operations:			
Net interest income	**218.7**	**3.7**	**222.4**
Operating profit	**27.8**	**3.1**	**30.9**
Discontinued operations:			
Net interest expense	**(0.1)**	**-**	**(0.1)**
Operating profit	**1.4**	**-**	**1.4**
Three months ended 30 Sept 2005			
Continuing operations:			
Net interest income	**83.3**	**1.4**	**84.7**
Operating profit	**17.5**	**0.4**	**17.9**
Discontinued operations:			
Net interest income	**0.1**	**-**	**0.1**
Operating loss	**(0.5)**	**-**	**(0.5)**
Year ended 31 December 2004			
Continuing operations:			
Net interest income	280.3	7.1	287.4
Operating profit	55.6	5.4	61.0
Discontinued operations:			
Net interest income	6.4	-	6.4
Operating loss	(63.1)	-	(63.1)

8. Segmental information (continued)

	Retail £m	Wholesale £m	Total £m
Nine months ended 30 Sept 2004			
Continuing operations:			
Net interest income	209.3	5.0	214.3
Operating profit	43.6	2.6	46.2
Discontinued operations:			
Net interest income	5.6	-	5.6
Operating loss	(39.1)	-	(39.1)
Three months ended 30 Sept 2004			
Continuing operations:			
Net interest income	68.3	1.5	69.8
Operating profit	12.8	0.6	13.4
Discontinued operations:			
Net interest income	2.3	-	2.3
Operating loss	(4.5)	-	(4.5)

APPENDICES

UK GAAP TO IFRS RECONCILIATIONS

Appendix 1 contains the reconciliations from UK GAAP to IFRS of the:

- income statement for
  - the nine months ended 30 September 2004, and
  - the three months ended 30 September 2004;
- balance sheet as at
  - 30 September 2004; and
- cash flow statement for
  - the nine months ended 30 September 2004.

Explanations have also been provided for key reconciling items. In presenting the financial statements and the reconciliations contained in this document, the Group has applied IAS 1 'Presentation of Financial Statements', and for the cash flow statement, IAS 7 'Cash Flow Statements'. Therefore certain reclassifications have been made to comply with these standards, and where applicable, other standards, to ensure compliance with the presentation requirements of IFRS.

Reconciliations from UK GAAP to IFRS of the:

- income statement for
  - the three months ended 31 March 2004, and
  - the year ended 31 December 2004;
- balance sheet as at
  - 31 March 2004,
  - 31 December 2004,
  - 1 January 2005 (to reflect the adoption of IAS 32 and IAS 39); and
- cash flow statement for
  - the three months ended 31 March 2004, and
  - the year ended 31 December 2004

are contained in the Press Release on the results for the three months ended 31 March 2005.

1. EXPLANATION OF KEY IMPACTS OF TRANSITION FROM UK GAAP TO IFRS

(a) IFRS 2 Share-based Payment

In accordance with IFRS 2, the Group is required to recognise a fair value charge for all share-based payments granted after 7 November 2002, including Save-As-You-Earn schemes. The fair values are to be determined at the date of grant using option valuation models and for this purpose, the Group is using the Black-Scholes model for all Save-As-You-Earn schemes and the Present Economic Value (binomial) model for the Restricted Share Plans (RSPs) and the Group's other option schemes. The fair value charge is spread over the relevant vesting period and adjusted for lapses, with the number of shares expected to lapse estimated at each balance sheet prior to the vesting date. The only exception is where the share-based payment has vesting outcomes attached to market based performance conditions such as in the case of some of the RSPs. Under these circumstances, additional modelling is required to take into account these market based performance conditions which effectively estimate the number of shares expected to vest. No subsequent adjustment is then made to the fair value charge for shares that do not vest in the event that these performance conditions are not met.

(b) IFRS 3 Business Combinations

Under IFRS 3, goodwill is considered to be an intangible asset under IFRS and is therefore not amortised. Instead it is carried at cost and assessed annually for impairment or also when there are indicators of impairment.

Under IFRS 1, an exemption is available in the standard which provides an entity with an option not to retrospectively apply IFRS 3. The Group has elected to adopt this exemption, and accordingly the impact of this will be to deem the UK GAAP balance of goodwill at the date of transition to IFRS (1 January 2004) as being the cost of goodwill for IFRS purposes. Restatements prior to this date are not required. For the purposes of restating 2004 to an IFRS basis, all goodwill amortisation charges were removed, including those charges recognised by our associate for which we have equity accounted. These charges were posted in the associate line.

1. EXPLANATION OF KEY IMPACTS OF TRANSITION FROM UK GAAP TO IFRS (Continued)

(c) IAS 12 Income Taxes

The income tax credit relates to the recognition of a deferred tax asset on share schemes in accordance with IAS 12. The amount of the deferred tax is based on the amount expected to be tax assessable to the employee (tax deductible for the company) which is the market price of the share at vesting less any amounts payable by the employee (intrinsic value). As a consequence, there is not necessarily any correlation between the amounts recognised for deferred tax under IAS 12 and the amounts charged as the fair value charge under IFRS 2. The amount of deferred taxes is also recognised over the relevant vesting period.

IAS 12 requires that deferred tax assets and liabilities be recognised on temporary differences, subject to the assessment of recoverability on a 'probable' basis. In applying the requirements of the standard, the only area which gave rise to a deferred tax adjustment for the Group in 2004 was in the area of share-based payments as described above.

(d) IAS 38 Intangible Assets

IAS 38 requires that software which is not an integral part of the related hardware be classified as an intangible asset rather than as a tangible fixed asset. For this purpose, we have reclassified the net book value of certain software from tangible to intangible assets. IAS 38 also requires that costs directly attributable to software development be capitalised and amortised over the software's useful life, subject to it meeting the future economic benefits criteria. In applying these specific criteria under IAS 38, the Group did not identify any such further costs to be capitalised under transition to IFRS. Accordingly, the only adjustment on transition to IFRS was a balance sheet reclassification.

2. UK GAAP TO IFRS RECONCILIATIONS – INCOME STATEMENT

2A. Reconciliation of the Income Statement
For the nine months ended 30 Sept 2004

	UK GAAP on an IFRS format	Reclassifications	IFRS 2 Share-based Payments	IFRS 3 Business Combinations	IAS 12 Income Taxes	Total Effect of Transition to IFRS	Restated under IFRS (unaudited)
	£m	£m	£m	£m	£m	£m	£m
Continuing operations:							
Interest income	664.3	-	-	-	-	-	664.3
Interest expense	(450.0)	-	-	-	-	-	(450.0)
Net interest income	214.3	-	-	-	-	-	214.3
Fee and commission income	156.8	-	-	-	-	-	156.8
Fee and commission expense	(18.9)	-	-	-	-	-	(18.9)
Net fee and commission income	137.9	-	-	-	-	-	137.9
Other operating income	4.9	-	-	-	-	-	4.9
Operating income	357.1	-	-	-	-	-	357.1
Administrative expenses							
- personnel expenses	-	(63.2)	(3.4)	-	-	(66.6)	(66.6)
- depreciation and amortisation	(15.0)	-	-	-	-	-	(15.0)
- other administrative expenses	(162.9)	63.2	-	-	-	63.2	(99.7)
	(177.9)	-	(3.4)	-	-	(3.4)	(181.3)
Impairment losses on loans and advances to customers	(129.6)	-	-	-	-	-	(129.6)
Operating profit	49.6	-	(3.4)	-	-	(3.4)	46.2
Share of operating profit of joint venture	0.4	-	-	-	-	-	0.4
Share of associate losses	(0.9)	-	-	0.7	-	0.7	(0.2)
Profit on continuing ordinary activities before tax	49.1	-	(3.4)	0.7	-	(2.7)	46.4

2A. Reconciliation of the Income Statement
For the nine months ended 30 Sept 2004 (continued)

	UK GAAP on an IFRS format	Reclassifications	IFRS 2 Share-based Payments	IFRS 3 Business Combinations	IAS 12 Income Taxes	Total Effect of Transition to IFRS	Restated under IFRS (unaudited)
	£m	£m	£m	£m	£m	£m	£m
Tax charge on profit on continuing ordinary activities	(12.4)	-	-	-	-	-	(12.4)
Profit on continuing ordinary activities after tax	36.7	-	(3.4)	0.7	-	(2.7)	34.0
Discontinued operations:							
Loss on discontinued ordinary activities after tax	(106.7)	-	-	0.5	-	0.5	(106.2)
Retained loss for the period	(70.0)	-	(3.4)	1.2	-	(2.2)	(72.2)

2. UK GAAP TO IFRS RECONCILIATIONS – INCOME STATEMENT

2B. Reconciliation of the Income Statement
For the three months ended 30 Sept 2004

	UK GAAP on an IFRS format	Reclassifications	IFRS 2 Share-based Payments	IFRS 3 Business Combinations	IAS 12 Income Taxes	Total Effect of Transition to IFRS	Restated under IFRS (unaudited)
	£m	£m	£m	£m	£m	£m	£m
Continuing operations:							
Interest income	231.2	-	-	-	-	-	231.2
Interest expense	(161.4)	-	-	-	-	-	(161.4)
Net interest income	69.8	-	-	-	-	-	69.8
Fee and commission income	51.0	-	-	-	-	-	51.0
Fee and commission expense	(4.1)	-	-	-	-	-	(4.1)
Net fee and commission income	46.9	-	-	-	-	-	46.9
Other operating income	1.5	-	-	-	-	-	1.5
Operating income	118.2	-	-	-	-	-	118.2
Administrative expenses							
- personnel expenses	-	(17.6)	(4.8)	-	-	(22.4)	(22.4)
- depreciation and amortisation	(3.1)	-	-	-	-	-	(3.1)
- other administrative expenses	(49.7)	17.6	-	-	-	17.6	(32.1)
	(52.8)	-	(4.8)	-	-	(4.8)	(57.6)
Impairment losses on loans and advances to customers	(47.2)	-	-	-	-	-	(47.2)
Operating profit	18.2	-	(4.8)	-	-	(4.8)	13.4
Share of operating profit of joint venture	0.1	-	-	-	-	-	0.1
Share of associate losses	(0.1)	-	-	0.1	-	0.1	-
Profit on continuing ordinary activities before tax	18.2	-	(4.8)	0.1	-	(4.7)	13.5

2B. Reconciliation of the Income Statement
For the three months ended 30 Sept 2004 (continued)

	UK GAAP on an IFRS format	Reclassifications	IFRS 2 Share-based Payments	IFRS 3 Business Combinations	IAS 12 Income Taxes	Total Effect of Transition to IFRS	Restated under IFRS (unaudited)
	£m	£m	£m	£m	£m	£m	£m
Tax charge on profit on continuing ordinary activities	(0.7)	-	-	-	(0.2)	(0.2)	(0.9)
Profit on continuing ordinary activities after tax	17.5	-	(4.8)	0.1	(0.2)	(4.9)	12.6
Discontinued operations:							
Loss on discontinued ordinary activities after tax	(84.6)	-	-	0.5	(0.4)	0.1	(84.5)
Retained loss for the period	(67.1)	-	(4.8)	0.6	(0.6)	(4.8)	(71.9)

3. UK GAAP TO IFRS RECONCILIATIONS – BALANCE SHEET

3A. Reconciliation of the Balance Sheet

As at 30 September 2004

	UK GAAP on an IFRS format £m	IFRS adjustments £m	Restated under IFRS (unaudited) £m
Assets			
Cash and balances with central banks	14.2	-	14.2
Loans and advances to banks	416.4	-	416.4
Securities purchased under agreement to resell	1.4	-	1.4
Investment securities	3,909.1	-	3,909.1
Derivative financial instruments	-	10.7	10.7
Loans and advances to customers	7,353.5	-	7,353.5
Prepayments and accrued income	80.7	-	80.7
Investments in joint venture and associate	5.8	0.7	6.5
Property, plant and equipment	107.9	(56.7)	51.2
Intangible assets	1.9	57.2	59.1
Deferred tax	23.3	0.5	23.8
Other assets	137.7	(10.7)	127.0
Total assets	12,051.9	1.7	12,053.6
Liabilities			
Deposits by banks	2,481.2	-	2,481.2
Securities sold under agreements to repurchase	531.1	-	531.1
Customer accounts	6,570.3	-	6,570.3
Investment securities in issue	1,127.5	-	1,127.5
Derivative financial instruments	-	13.0	13.0
Other liabilities	232.2	(13.0)	219.2
Accruals and deferred income	197.7	-	197.7
Provisions for liabilities and charges	96.5	-	96.5
Subordinated liabilities			
- Dated loan capital	450.8	-	450.8
Total liabilities	11,687.3	-	11,687.3
Shareholders' equity			
Called up share capital	412.2	-	412.2
Share premium account	111.0	-	111.0
Capital reserve	359.7	-	359.7
Other reserves	-	(3.3)	(3.3)
Accumulated losses	(519.2)	5.0	(514.2)
Total equity attributable to the equity holders of the parent	363.7	1.7	365.4
Minority interests (equity)	0.9	-	0.9
Total equity	364.6	1.7	366.3
Total equity and liabilities	12,051.9	1.7	12,053.6

4. UK GAAP TO IFRS RECONCILIATIONS – CASH FLOW STATEMENT

The most significant adjustment to the cash flow statement under IFRS is an adjustment to reclassify certain amounts from loans and advances to cash and cash equivalents. Presentation of a cash flow statement on an IFRS basis does not affect the underlying cash flows of the business.

4A. Reconciliation of the Cash Flow Statement
For the nine months ended 30 September 2004

	UK GAAP on an IFRS format	IFRS adjustments	Restated under IFRS (unaudited)
	£m	£m	£m
Cash flows from operating activities			
Continuing operations:			
Operating profit before taxation	49.6	(3.4)	46.2
Adjusted for:			
Depreciation, impairment and amortisation	42.1	-	42.1
Impairment losses on loans and advances to customers	52.3	-	52.3
Gain on sale of investment securities	(1.6)	-	(1.6)
Share schemes adjustment in reserves	-	3.4	3.4
Net (increase)/decrease in operating assets:			
Loans and advances to banks	(145.5)	(55.6)	(201.1)
Loans and advances to customers	(583.2)	-	(583.2)
Securities purchased under agreement to resell	(1.4)	-	(1.4)
Accrued income and prepayments	35.5	-	35.5
Other assets	41.2	-	41.2
Net increase/(decrease) in operating liabilities:		-	
Deposits by banks	988.7		988.7
Securities sold under agreements to repurchase	(298.1)	-	(298.1)
Customer accounts	118.6	-	118.6
Investment securities in issue	(295.5)	-	(295.5)
Accruals and deferred income	0.8	-	0.8
Other liabilities	(12.8)	-	(12.8)
Taxation paid	(8.5)	-	(8.5)
Net cash outflow from continuing operating activities	(17.8)	(55.6)	(73.4)
Discontinued operations:			
Net cash outflow from discontinued operating activities	(53.8)	-	(53.8)
Total net cash outflow from operating activities	(71.6)	(55.6)	(127.2)

4A. Reconciliation of the Cash Flow Statement

For the nine months ended 30 September 2004 (continued)

	UK GAAP on an IFRS format £m	IFRS adjustments £m	Restated under IFRS (unaudited) £m
Cash flows from investing activities			
Continuing operations:			
Purchase of property, plant and equipment	(25.7)	-	(25.7)
Disposal of property, plant and equipment	1.9	-	1.9
Purchase of software intangibles	(34.1)	-	(34.1)
Purchase of investment securities	(4,202.7)	-	(4,202.7)
Disposal of investment securities	4,472.8	-	4,472.8
Net cash inflow from continuing investing activities	212.2	-	212.2
Discontinued operations:			
Net cash inflow from discontinued investing activities	34.1	-	34.1
Total net cash inflow from investing activities	246.3	-	246.3
Cash flows from financing activities			
Continuing operations:			
Proceeds from issue of share capital	5.4	-	5.4
Total net cash inflow from financing activities	5.4	-	5.4
Increase/(decrease) in cash and cash equivalents in the period	180.1	(55.6)	124.5
Cash and cash equivalents at the beginning of the period	159.9	163.0	322.9
Exchange adjustments	(2.1)	-	(2.1)
Cash and cash equivalents at the end of the period	337.9	107.4	445.3

Average Balance Sheet (UK Business Only)

(£m, except percentages)

	30 September 2005		30 September 2004		31 December 2004	
	Avg. Balance	**Avg. Rate %**	Avg. Balance	Avg. Rate %	Avg. Balance	Avg. Rate %
Assets						
Wholesale assets	**3,658**	**4.44**	4,302	4.85	4,212	4.51
Mortgages	**1,676**	**5.37**	1,920	4.91	1,835	5.09
Personal loans	**2,675**	**6.92**	2,009	7.39	2,228	7.25
Credit cards	**3,663**	**9.93**	3,046	9.02	3,175	9.61
Total average interest-earning assets	**11,672**	**6.86**	11,277	6.44	11,450	6.55
Fixed and other assets	**208**		328		339	
Total assets	**11,880**		11,605		11,789	
Liabilities						
Customer accounts	**6,322**	**4.39**	6,357	3.61	6,280	3.90
Wholesale liabilities and subordinated debt	**4,626**	**4.59**	4,277	4.09	4,540	4.67
Total average interest-bearing liabilities	**10,948**	**4.47**	10,634	3.81	10,820	4.22
Other liabilities	**455**		444		450	
Total liabilities	**11,403**		11,078		11,270	
Total equity	**469**		508		519	
Total equity and liabilities	**11,872**		11,586		11,789	

Note: The above analysis represents interest earned or borne on on-balance sheet assets and liabilities only. In each case the average balances and yields have been calculated on a 12-month rolling basis.

The figures for Q3 2005 are compiled on an IFRS basis including the effect of IAS 32 and IAS39 and as such are no longer comparable to the prior period and prior year figures. In addition the revised classification of items between net interest income and other operating income as per Note 2 on Page 4 means the margins and yields presented for Q1 and Q2 2005 will have changed.

Average Yields (UK Business Only)

	30 September 2005 Average rate %	30 September 2004 Average rate %	31 December 2004 Average rate %
Interest income as a percentage of average interest-earning assets	**6.86**	6.44	6.55
Interest expense as a percentage of average interest-bearing liabilities	**4.47**	3.81	4.22
Interest spread	**2.39**	2.64	2.33
Net interest margin (includes interest on off-balance sheet items)	**2.50**	2.42	2.51

Note:

This press release contains certain forward-looking statements with respect to the financial condition, results of operations, and businesses of the Egg Group. These statements and forecasts involve risk and uncertainty because they relate to events that depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The statements have been made with reference to forecast price changes, economic conditions and the current regulatory environment. Nothing in this press release should be construed as a profit forecast.

Ends

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