Egg plc

Q1 Financial Results and New Business Figures

"Our UK business has delivered strong growth in both customers and profits during the quarter. In France, our first product, la Carte Egg, which we recently launched has taken off more slowly than we had hoped for but having achieved high levels of brand awareness we remain confident about Egg France's long term prospects."

Paul Gratton, CEO, Egg plc

<u>Highlights</u>:

Analysis of Group Profit and Loss Account

	Q1 2003	Q1 2002
	£m	£m
Egg UK	**17.3**	£m
Egg France	**(23.9)**	(0.5)
Other International	**(2.3)**	(1.3)
Subsidiaries/Associates/JV's	**(1.6)**	(0.8)
Restructuring	**(5.2)**	-
Group (Loss)/Profit before Tax	**(15.7)**	2.4

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Group

- Group operating income up 29% to £95.2 million (Q1 2002: £73.7 million)
- Group loss before tax of £15.7 million (Q1 2002: £2.4 million profit)
- Group loss per share 2.2p (Q1 2002: earnings per share of 0.2p)
- Total group assets of £10.5 billion (Q1 2002: £8.8 billion)

UK

- Egg UK delivered a profit before tax of £17.3 million (Q1 2002: £5.0 million)
- 165,000 net new customers acquired in the first quarter (Q1 2002: 157,000)
- Unsecured lending balances grew by £200 million (Q1 2002: £160 million) leading to quarter end balances of £3.5 billion (31 March 2002: £2.5 billion)
- Strong sales growth in personal loans with drawdowns of £213 million, up 85% on Q1 2002 (£116 million).
- Credit quality remains strong and benchmarks continue to show Egg's card portfolio significantly outperforming industry norms.

France

- Brand awareness (55%) and consideration (23%) are highly encouraging
- We expect 45,000 of our accepted applications since launch to convert to full customers (27,000 had completed the activation process by period end).
- Total French customer base now approximately 108,000.
- Loss before tax of £23.9 million (€35.3 million) for Q1 reduced from £27.3 million (€42.3 million) in Q4 2002.
- Based on experience to date we expect to increase the profit and loss account investment in France over the next three years by €140 million compared to original estimates. We believe the new plan, with a total investment of approximately €300 million, delivers an attractive French business of equal value to that anticipated prior to launch.

Other

- Q1 2003 saw £2.3 million spent on research into potential international market entry strategies.
- Restructuring costs of £5.2 million were incurred in Q1.

Chief Executive Paul Gratton said:

"The UK business has delivered strong growth having successfully increased both customer numbers and profits in an increasingly competitive marketplace and in a market where we have seen some weakening in consumer confidence.

"Personal loan sales were strong again in Q1 with disbursements of £213 million, up 85% on the same period last year. Revenues exceeded £95 million for the quarter on the back of improving margins and healthy levels of other operating income. In addition we continue to actively manage costs and we have seen no deterioration in the credit quality of our retail asset portfolio which remains industry leading for credit cards.

"France remains an attractive market for Egg, with 9 million consumers within our target customer base. High brand awareness and consideration are both encouraging, giving us a platform on which to build. We remain very pleased with the quality of customers we have attracted to date. Early usage of the card is higher than anticipated and the percentage of customers borrowing is increasing in line with our plans. We have successfully migrated our card proposition from the launch focus on cashback to a clear and attractive credit offer to our customers.

"That said the business has started more slowly than we had anticipated and based on experience to date, we are adjusting our targets for Egg France which we set at the beginning of 2002. We intend to increase the profit and loss account investment over the next three years by approximately €140 million and now expect breakeven to be delivered in 2005. We are concentrating on building value through a deeper relationship with customers.

"As indicated in February we have been conducting research during the first quarter in the USA. Early findings suggest that there would appear to be attractive opportunities in the USA for an Egg branded proposition, however in the short term we do not intend to progress market entry plans. We are committed to delivering long-term value to shareholders through building an international business of scale and leading the industry for innovation in financial services to the ultimate benefit of our customers."

Overview of Group Results

Summary profit and loss account by quarter (Unaudited)

	Q1 2003	Q4 2002	Q3 2002	Q2 2002	Q1 2002
	£m	£m	£m	£m	£m
Net Interest Income	**64.3**	58.0	53.8	56.2	55.3
Other Operating Income	**30.6**	30.9	25.8	24.5	18.4
Egg UK Operating Income	**94.9**	88.9	79.6	80.7	73.7
Operational and Administrative Expenses	**(32.9)**	(36.8)	(33.3)	(31.7)	(31.7)
Brand and Marketing Costs	**(9.0)**	(7.9)	(6.0)	(12.9)	(7.8)
Development Costs	**(4.9)**	(3.3)	(4.2)	(4.2)	(5.7)
Depreciation and Amortisation	**(4.0)**	(4.2)	(4.7)	(4.7)	(4.9)
Provisions for Bad and Doubtful Debts	**(26.9)**	(23.7)	(21.2)	(20.6)	(18.6)
Egg UK Operating Profit	**17.3**	13.0	10.2	6.6	5.0
Egg France	**(23.9)**	(27.3)	(13.9)	(5.0)	(0.5)
Other International	**(2.3)**	(0.7)	(0.6)	(0.8)	(1.3)
Subsids/Associates/JV's	**(1.6)**	2.3	(0.8)	(2.0)	(0.8)
Restructuring Costs	**(5.2)**	-	-	-	-
Group (Loss)/Profit before tax	**(15.7)**	(12.7)	(5.1)	(1.2)	2.4

Egg UK

Revenues

Net interest income grew strongly in Q1 2003 to £64.3 million mainly reflecting an improvement in deposit margins as the final eligible customers rolled off the bonus account incentive pricing.

Other operating income (£30.6 million) remained strong up 66% on the same period last year. Commission from selling creditor insurances and fees from our growing card book remain the main contributors to this figure.

Costs

Operational and administrative costs remain tightly managed and we are achieving lower unit operating costs. In addition, savings were achieved in overheads following the restructuring programme.

Brand and marketing costs were £9.0 million in Q1 2003 and contributed to Egg delivering a stronger sales performance than last quarter with 165,000 customers acquired (Q4 2002: 141,000).

UK development costs increased to £4.9 million for the quarter, the highest spend since Q1 last year. This reflects a number of new initiatives including the build of a new customer data warehouse that will further improve both Egg's marketing campaign activity as well as further deepening our credit analytics capabilities.

Depreciation at £4.0 million in Q1 2003 continued the downward trend started towards the end of last year.

Bad Debt Provisions

Credit quality remains strong and provision levels reflect growth in the portfolio and the stage in life cycle of unsecured lending. There has been no deterioration in the underlying performance of the book. This results in a quarterly charge for Q1 2003 of £26.9 million (Q4 2002: £23.7 million).

Egg France

The loss in France for Q1 was £23.9 million (€35.3 million). This was in line with our revised plans for the French business. The bulk of the loss results from operational and administrative expenses (£9.6 million) and brand and marketing (£9.7 million). The operational costs are relatively fixed in nature at present but have the capacity to absorb significant growth. We will continue to invest in brand and marketing as we develop our business in France.

Subsids/Associates/JV's

The £1.6 million net loss in Q1 2003 includes £0.9 million for Funds Direct which is mainly in relation to development costs for the integrated business to business platform currently being built. In addition goodwill amortisation accounts for a further £0.4m with Egg's share of Marlborough Stirling Mortgage Services Limited and IfOnline Group Limited losses being £0.3 million.

Restructuring Costs

The £5.2 million charge is made up of two different components. The largest element (£3.1 million) reflects a recent reorganisation within Egg's IT development function. Following the conclusion of the build of Egg France launch systems, a review was undertaken as to the best way to resource and run the IT development team. This resulted in a decision to locate the team in one place rather than across two sites and also to reduce the level of fixed costs within the function to allow more flexibility in how Egg manages its development pipeline.

In addition, we have effected a restructure within the UK and French overhead areas at a cost of £2.1 million. We expect this to deliver equivalent cost savings within a year.

Other International

These costs (£2.3 million) predominantly represent the investment in consumer, technology and proposition research conducted in the USA during Q1. The initial findings show that there is an opportunity for an Egg branded proposition to be successful in the USA but in the short term we do not intend to progress market entry plans. We intend to restrict spending on research and development on international opportunities and capabilities to £3.5 million in total in 2003.

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Business Performance

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Summary New Business Figures by Quarter

	Q1 2003	Q4 2002	Q3 2002	Q2 2002	Q1 2002
Net New Egg Customers ('000)	**165**	141	107	205	157
Net New Customers by product ('000)					
- Deposits	**10**	10	45	57	2
- Credit Card	**181**	130	75	182	157
- Personal loans	**13**	15	16	8	5
- Mortgages	**-**	1	1	2	1
- Egg Invest	**1**	-	1	5	13
- Egg Insure	**27**	23	18	12	9
Products	£m	£m	£m	£m	£m
- Egg Card Balance Growth	**71**	83	126	207	145
- Egg Personal Loan Drawdowns	**213**	294	269	150	116
- Egg Mortgage Drawdowns	**83**	124	132	118	110
- Egg Deposit Flows (net)	**(334)**	(221)	671	1,947	(345)

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Cumulative Figures

	31 Mar 2003	31 Mar 2002	31 Dec 2002
Total Egg Customers [1] [2]	**2,725,915**	2,107,872	2,561,167
Customers by product [1]			
- Credit Card [4]	**2,093,229**	1,525,526	1,912,526
- Savings [3]	**750,658**	627,555	740,506
- Personal loans [3]	**160,745**	107,438	147,453
- Mortgages [3]	**30,444**	26,346	29,947
- Egg Invest [3]	**56,465**	49,897	55,909
- Egg Insure [3]	**112,633**	32,951	85,468
Product balances [1]	£m	£m	£m
- Egg Card	**2,401**	1,914	2,330
- Egg Savings	**7,374**	5,311	7,708
- Egg Personal Loans	**1,096**	609	967
- Egg Mortgages	**1,253**	1,061	1,233
- Prudential Savings	**215**	270	236
- Prudential Mortgages	**1,054**	1,348	1,127
- Prudential Personal Loans	**4**	9	5

Notes:

(1) Cumulative as at the date indicated.

(2) If a customer holds more than one Egg product they are treated as a single customer for the purposes of this line item.

(3) Joint holders are treated as two or more customers.

(4) Includes second cardholders and individuals whose applications have been accepted in principle and who have been allocated a credit limit but for whom the application process has not yet been completed.

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Customers

The Egg customer base grew by a further 165,000 during the first quarter. It is pleasing to note that our card offer is still proving attractive to customers two years after we introduced 0% on balance transfers and given the number of imitation offers now available.

Unsecured Lending

The UK credit card business attracted 181,000 net new customers during the quarter, taking the total over 2 million, with card balances standing at £2.4 billion at period end. We noted a slowdown in consumer spending in the early part of Q1 2003, especially in areas like travel and other discretionary expenditure. March showed some recovery with approximately £400 million growth in credit card borrowing across the UK according to the BBA, resulting in net growth in UK credit card balances for the quarter as a whole of £280 million. Against this industry background and taking into account our deliberate strategy to cross sell unsecured loans, we are pleased with our increase in Egg Card balances of £71 million for the quarter which was in line with our plans and represents a 25% market share of new lending.

Personal loan customers increased by 13,000 in the quarter with high levels of disbursements (£213 million). This was up 84% on the equivalent Q1 result in 2002. The loan book now exceeds £1 billion in balances.

Our focus remains on cross-selling loans to the credit card base, offering a holistic approach to unsecured lending. In total we have seen a net growth in balances of £200 million in Q1 across cards and loans (Q1 2002: £160 million). This continues to be a healthy growth rate with our lending strategy focused on helping customers structure their debt in a sensible manner and bringing more of their borrowing to Egg, using their behavioural credit scores to offer the most appropriate customers pre-approved loans.

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Savings

Q1 saw a predicted net outflow on deposits (£334 million) reflecting the fact that the bonus internet savings account (with £3 billion of inflows) came to the end of its life in the quarter. This level of outflows is consistent with our plans, given seasonality, and lower than we experienced in Q1 2002.

Other Products

Egg Mortgage completions in Q1 at £83 million were down on 2002 quarterly levels. The product remains competitive in the standard variable rate market and continues to win awards for value and flexibility, however we continue to take a low key approach to the mortgage market, choosing not to compete with the wide variety of introductory offers available to consumers.

Egg Invest is effectively in tick-over mode pending the revamp to the proposition that is now in development and we did no marketing during the ISA season.

Egg Insure had another solid quarter and now has a customer base of 113,000.

Egg France

With regard to France, we have reviewed our experience to date, in particular the response from consumers, and have revisited the strategic analysis of the French market as a whole. This review has reaffirmed our confidence in the opportunity to build a valuable business in France consistent with the scale of our original ambition.

As we noted in February the business has taken off more slowly than we had anticipated. However brand awareness and consideration are both highly encouraging, which gives us a platform on which to build and we remain very pleased with the quality of customers we have attracted to date.

The customer base in France now totals 108,000. We currently have 27,000 cards in issue and we expect this to increase to approximately 45,000 following completion of the extensive verification procedures that are needed to comply with French legislation. Encouragingly, early data shows these customers to be using their card more frequently than expected, with a usage rate of approximately 19 transactions per month.

We have successfully migrated our original card proposition from the 5% cashback-led incentive offer at launch to a clear credit offer to consumers. We now offer a borrowing rate of 9.9% on the card with cashback of 1% on all purchases. There is an annual fee of €35 with an introductory offer waiving it for six months. We will be adding other new products later this year.

Following our strategic review we now expect the total profit and loss account investment to be in the region of €300 million and breakeven to be delivered sometime during 2005. The majority of the additional €140 million investment in the period to breakeven reflects increased brand and marketing expenditure and delays to revenue generation which will lag by approximately six months from our original plans.

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Financial Review

This section analyses Q1 2003 Group results compared to Q1 2002.

Net interest income increased to £65.3 million for the quarter (Q1 2002: £55.3 million) resulting from the growth in retail asset balances (31 March 2003: £5.7 billion, 31 March 2002: £4.8 billion).

Other operating income increased by £11.5 million to £29.9 million primarily reflecting fees and commissions earned from the larger credit card book (£3.0 million increase) and commissions and profit share earned from selling creditor insurance at point of sale on personal loans (£6.6 million increase).

Operational and administrative expenses increased by £19.7 million to £52.1 million, mainly attributable to the £9.6 million of operational costs associated with running Egg France and the inclusion of £5.2 million of restructuring costs.

Brand and marketing costs increased by £7.7 million to £15.5 million at Group level mainly due to the Egg France costs of £6.5 million.

Development costs increased to £8.6 million at Group level (Q1 2002: £6.8 million) with the Egg France development programme (£1.7 million) and the USA research (£2.0 million) being offset by a reduction in core UK development spend of £1.9 million.

Depreciation increased by £1.0 million to £6.2 million due to Egg France charge of £2.1 million offset by a £1.1 million decrease in the UK depreciation figures. The majority of the investment needed to deliver the core systems and product infrastructure in the UK was incurred in 1999 and 2000 and as a consequence we are now seeing a reduction in depreciation charge as this expenditure becomes fully written off.

The charge for bad and doubtful debts at £27.9 million (Q1 2002: £18.6 million) reflects the continuing growth in the retail asset portfolio. In particular the proportion of unsecured lending, especially personal loans, has increased within the portfolio. Underlying credit quality remains strong.

The tax charge was £2.7 million (Q1 2002: £0.9 million). This can largely be attributed to the fact that the UK business is generating profits and no tax relief has as yet been reflected for the losses incurred in France.

Loss attributable to ordinary shareholders after tax was £18.3 million compared to a profit of £1.5 million for the period to 31 March 2002.

Loss per share was 2.2p compared to earnings per share of 0.2p in Q1 2002.

Total assets increased to £10.5 billion as at 31 March 2003 (31 March 2002: £8.8 billion). Debt securities grew by £0.4 billion to £4.1 billion due to the strong inflow of savings balances since the start of Q2 2002, which created additional liquidity. In addition retail assets grew by £0.9 billion to £5.7 billion (31 March 2002: £4.8 billion) mainly due to the continued success of the credit card business which accounted for £0.5 billion of the increase (31 March 2003: £2.4 billion, 31 March 2002: £1.9 billion) and the increase in personal loans by £0.5 billion to £1.1 billion from £0.6 billion. Mortgage balances reduced by £0.1 billion to £2.3 billion, due to the Prudential branded book remaining in run-off.

Total liabilities increased to £10.1 billion as at 31 March 2003 (31 March 2002: £8.4 billion), largely as a result of a strong inflow of funds into customer deposit accounts (the bonus savings account) in the second and third quarters of 2002.

Capital adequacy ratios at 31 March 2003 were 10.9% (tier 1) and 14.6% (total) (31 March 2002: 9.5% (tier1) and 12.9% (total)). Following a public securitisation of £500 million of credit card receivables in 2002, a further £500 million of assets have been securitised in the first quarter. A credit default swap over £1.7 billion of the mortgage book has also been transacted in Q1 replacing the previous £0.9 billion swap. These transactions along with tight management of risk-weighted assets has resulted in improved capital ratios which enables us to absorb the planned additional investment in France and positions us well for future growth.

Independent review report by KPMG Audit Plc to Egg plc

Introduction

We have been engaged by the company to review the financial information set out on pages 17 to 25 and we have read the other information contained in the first quarter's 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 first quarter's report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing interim reports in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

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 Egg plc 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 three months ended 31 March 2003.

KPMG Audit Plc
Chartered Accountants
23 April 2003
London

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Consolidated profit and loss account (Unaudited)

	Three months to 31 March 2003	Three months to 31 March 2002	(Audited) Full year 2002
	£m	£m	£m
Interest receivable	**202.7**	136.7	664.7
Interest payable	**(137.4)**	(81.4)	(440.8)
Net interest income	**65.3**	55.3	223.9
Other operating income	**29.9**	18.4	103.4
Operating income	**95.2**	73.7	327.3
Administrative expenses			
- operational and administrative expenses	**(52.1)**	(32.4)	(158.9)
- brand and marketing costs	**(15.5)**	(7.8)	(48.6)
- development costs	**(8.6)**	(6.8)	(26.1)
Depreciation and amortisation	**(6.2)**	(5.2)	(21.7)
Amounts written off fixed asset investment	**-**	-	(3.1)
Provisions for bad and doubtful debts	**(27.9)**	(18.6)	(85.4)
Operating (loss)/profit	**(15.1)**	2.9	(16.5)
Share of operating loss of joint ventures	**(0.1)**	-	(0.1)
Share of Associates losses	**(0.5)**	(0.5)	(3.5)
Profit on partial disposal of continuing operation	**-**	-	3.5
(Loss)/profit on ordinary activities before tax	**(15.7)**	2.4	(16.6)
Tax charge on (loss)/profit on ordinary activities	**(2.7)**	(0.9)	(2.2)
Minority interests	**0.1**	-	-
Retained (loss)/profit for the financial period	**(18.3)**	1.5	(18.8)
Basic and diluted (loss)/earnings per share (pence per share)	**(2.2p)**	0.2p	(2.3p)

All of the Group's losses arose from continuing operations.

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Consolidated statement of total recognised gains and losses

	Three Months to March 2003 £m	Three Months to March 2002 £m	(Audited) Full Year 2002 £m
Retained loss for the financial period	**(18.3)**	1.5	**(18.8)**
Currency translation differences on foreign currency net investments	**3.9**	-	**0.7**
Total recognised losses related to the period	**(14.4)**	1.5	**(18.1)**

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Consolidated balance sheet (Unaudited)

	31 March 2003 £m	31 March 2002 £m	(Audited) 31 December 2002 £m
Assets			
Cash and balances at central banks	**13.3**	9.1	13.0
Loans and advances to banks	**253.1**	52.0	238.6
Securities purchased under agreement to resell	**75.0**	-	150.0
Loans and advances to customers	**5,692.9**	4,846.3	5,546.3
Debt securities	**4,127.2**	3,687.3	4,267.6
Shares in joint ventures	**0.7**	0.9	0.8
Investment in associated undertakings	**6.9**	10.1	7.4
Intangible fixed assets	**6.5**	2.0	6.7
Tangible fixed assets	**78.4**	51.5	74.1
Own shares	**2.2**	2.2	2.2
Deferred tax	**19.4**	14.8	18.5
Other assets	**152.2**	64.7	164.1
Prepayments and accrued income	**76.0**	110.5	76.1
Total assets	**10,503.8**	8,851.4	10,565.4
Liabilities			
Deposits by banks	**1,050.4**	85.5	501.0
Securities sold under agreements to repurchase	**-**	926.7	-
Customer accounts	**7,672.3**	5,580.8	8,016.4
Debt securities issued	**719.5**	1,418.2	1,014.9
Other liabilities	**271.1**	152.4	223.1
Accruals and deferred income	**141.3**	85.9	146.6
Subordinated liabilities			
- Dated loan capital	**201.7**	123.6	201.7
Total liabilities	**10,056.3**	8,373.1	10,103.7

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	31 March 2003 £m	31 March 2002 £m	(Audited) 31 December 2002 £m
Shareholders' funds			
Called up share capital	**410.1**	409.6	410.1
Share premium account	**107.3**	106.3	107.3
Capital reserve	**359.7**	359.7	359.7
Profit and loss account	**(430.9)**	(397.3)	(416.9)
Shareholders' funds (all attributable to equity interests)	**446.2**	478.3	460.2
Minority interests (equity)	**1.3**	-	1.5
Total liabilities and shareholders' funds	**10,503.8**	8,851.4	10,565.4

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Consolidated Cash Flow (Unaudited)

	Three months to 31 March 2003	Three months to 31 March 2002	(Audited) Full year 2002
	£m	£m	£m
Net cash (outflow)/inflow from operating activities	**(169.0)**	621.7	1,298.1
Return on investments and servicing of finance	**(3.4)**	(2.1)	(11.2)
Taxation:			
Tax (paid)/group relief received	**(0.3)**	5.8	12.5
Capital expenditure and financial investment:			
Purchase of tangible fixed assets	**(11.1)**	(1.7)	(31.6)
Sale of tangible fixed assets	**0.1**	-	0.1
Restricted share plan purchase of shares	**(0.9)**	-	(2.7)
Purchase of investments	**(1,526.9)**	(785.7)	(6,154.3)
Sale of investments	**1,695.7**	170.1	5,028.6
Net cash inflow/(outflow) from capital expenditure and investment	**156.9**	(617.3)	(1,159.9)
Acquisition and disposals			
- Purchase of subsidiary	**-**	(2.9)	(28.4)
- Purchase of associated undertaking	**-**	(1.1)	(1.2)
Net cash outflow from acquisitions and disposals	**-**	(4.0)	(29.6)
Financing:			
Subsidiary share issue	**-**	-	5.0
Issue of dated loan capital	**-**	-	78.1
Issue of share capital	**-**	0.1	1.6
Net cash inflow from financing	**-**	0.1	84.7
(Decrease)/increase in net cash	**(15.8)**	4.2	194.6

Reconciliation of loss before tax to net operating cash flows (Unaudited)

	Three months to 31 March 2003 £m	Three months to 31 March 2002 £m	(Audited) Full year 2002 £m
Operating (loss)/profit	**(15.1)**	2.9	(16.5)
Decrease/(increase) in prepayments and accrued income	**0.1**	(35.9)	0.5
(Decrease)/increase in accruals and deferred income	**(5.3)**	(41.2)	18.0
Provision for bad and doubtful debts	**11.8**	10.6	45.2
Profit on sale of financial investment	**(2.5)**	-	(9.1)
Depreciation and amortisation	**9.7**	11.4	41.6
Interest on subordinated liabilities	**3.4**	2.1	11.2
Net increase in loans and advances to banks and customers	**(189.0)**	(124.5)	(836.9)
Net decrease/(increase) in securities sold under agreements to resell	**75.0**	-	(150.0)
Net decrease in deposits by banks and customer accounts	**205.3**	(283.0)	2,411.3
Net increase/(decrease) in securities sold under agreements to repurchase	**-**	542.5	(384.2)
Net (decrease)/increase in debt securities in issue	**(295.4)**	503.2	99.9
Net increase in other assets	**(15.5)**	(10.2)	(36.9)
Net increase in other liabilities	**71.1**	43.9	74.4
Net (decrease)/increase in settlement balances	**(26.5)**	(0.1)	28.9
Other non-cash movements	**3.9**	-	0.7
Net cash (outflow)/inflow from operating activities	**(169.0)**	621.7	1,298.1

Reconciliation of movement in shareholders' funds (Unaudited)

	Three months to 31 March 2003	Three months to 31 March 2002	(Audited) Full year 2002
	£m	£m	£m
Retained profit/(loss) for the financial period	**(18.3)**	1.5	(18.8)
Exchange and other adjustments	**3.9**		0.7
Increase in share capital	**-**	-	0.5
Share premium	**-**	0.1	1.1
Awards under incentives schemes	**0.4**	0.8	0.8
Net increase/(decrease) in shareholders' funds	**(14.0)**	2.4	(15.7)
Opening shareholders' funds	**460.2**	475.9	475.9
Closing shareholders' funds	**446.2**	478.3	460.2

Notes on financial information

a) The financial information has been prepared on the basis of the accounting policies set out on pages 53 to 55 of the Egg plc Annual Report and Accounts for the year ended 31 December 2002 and are unchanged for the period to 31 March 2003.

b) The comparative figures for the financial year ended 31 December 2002 are not the company's statutory accounts for that financial year. Those accounts 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 a statement under section 237(2) or (3) of the Companies Act 1985.

c) Group operating (loss)/profit is stated after charging provisions for bad and doubtful debts of £27.9 million (31 March 2002 - £18.6 million). The balance sheet provisions for bad and doubtful debts and movements thereon were:

	General	Specific	**Total**
	£m	£m	**£m**
Balance at 1 January 2003	36.1	92.6	**128.7**
Exchange adjustment on opening balances	-	0.1	**0.1**
Amounts written off	-	(16.0)	**(16.0)**
New and additional provisions	1.9	26.0	**27.9**
Net charge against profit and loss	1.9	26.0	**27.9**
Balance at 31 March 2003	38.0	102.7	**140.7**
Balance at 31 March 2002	29.0	62.4	**91.4**

Provisions at 31 March 2003 were 2.41% of advances to customers (31 March 2002: 1.89%).

d) The taxation charge assumes a UK corporation tax rate of 30% (2002: 30%) and comprises:

	Three months to 31 March 2003	Three months to 31 March 2002
	£m	£m
Corporation tax payable	**(2.7)**	(0.9)

e) Basic loss per share of 2.2p (31 March 2002: earnings per share of 0.2p) are calculated by dividing the loss after tax for the financial period of £18.3 million (31 March 2002: £1.5 million profit after tax) by the weighted average of 814.7 million (31 March 2002: 813.4 million) ordinary shares in issue during the period. Fully diluted loss per share of 2.2p (31 March 2002: fully diluted earnings per share of 0.2p) is calculated by dividing the loss after tax for the financial period of £18.3 million (31 March 2002: £1.5 million profit after tax) by the weighted average of 814.8 million (31 March 2002: 814.8 million) ordinary shares and options in issue during the period.

f) Egg's share of the gross assets and liabilities in respect of joint venture undertakings are as follows:

	March 2003	March 2002
	£million	£million
Gross assets	**3.0**	3.1
Gross liabilities	**(2.3)**	(2.2)
Shares in joint ventures	**0.7**	0.9

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Average Balance Sheet (UK Business Only)

(£m, except percentages)

	Three months ended 31 March 2003		Three months ended 31 March 2002		Year ended 31 December 2002	
	Avg. Balance	**Avg. Rate %**	Avg. Balance	Avg. Rate %	Avg. Balance	Avg. Rate %
Assets						
Wholesale assets	**4,371**	**4.26**	3,394	5.09	4,111	4.68
Mortgages	**2,336**	**4.86**	2,415	5.10	2,392	5.00
Personal loans	**1,043**	**8.75**	609	9.64	722	9.59
Credit cards	**2,370**	**9.92**	1,856	8.27	2,081	8.99
Total average interest-earning assets	**10,120**	**6.19**	8,274	6.14	9,306	6.10
Fixed and other assets	**114**		146		134	
Total assets	**10,234**		8,420		9,440	
Liabilities						
Customer accounts	**7,744**	**3.49**	5,714	3.45	7,069	3.77
Wholesale liabilities and subordinated debt	**1,811**	**5.44**	1,918	4.70	1,703	4.60
Total average interest-bearing liabilities	**9,555**	**3.86**	7,632	3.70	8,772	3.93
Other liabilities	**214**		311		188	
Total liabilities	**9,769**		7,943		8,960	
Shareholders' funds	**465**		477		480	
Total liabilities and shareholders funds	**10,234**		8,420		9,440	

Note: The above analysis represents interest earned or borne on on-balance sheet assets and liabilities only.

Average Yields (UK Business Only)

	Three months ended 31 March 2003 Average rate %	Three months ended 31 March 2002 Average rate %	Year ended 31 December 2002 Average rate %
Interest income as a percentage of average interest-earning assets	**6.19**	6.14	6.10
Interest expense as a percentage of average interest-bearing liabilities	**3.86**	3.70	3.93
Interest spread	**2.33**	2.44	2.17
Net interest margin	**2.54**	2.67	2.40

ends

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Notes to Editors:

1. Egg plc is the world's largest online bank, providing financial services products through its Internet site and other distribution channels.

2. Egg plc floated on 12 June 2000 raising proceeds of approximately £150 million and is listed on the London Stock Exchange. Prudential plc continues to hold 79% of the share capital.