

Egg plc

Interim Results

Analysts Presentation

22 July 2004

eggTM

Agenda

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| 1. Introduction | Paul Gratton |
| 2. Egg France | Paul Gratton |
| 3. Egg UK | Paul Gratton |
| 4. Financials | David Doyle |
| 5. Looking Forward | Paul Gratton |
| 6. Q & A | Paul Gratton |

Introduction

Our Context

- Prudential remains in discussions regarding the potential sale of its stake in Egg
- Auction has been a distraction and created significant uncertainty
- Card market has heated up – increased competition and rising base rates – but is still highly profitable
- That said our UK business has performed soundly in the first half against this background
- Exiting France will allow us to focus all our attention and resources on maximising the value of our assets in the UK
- We are confident in the business continuing to deliver profitable growth

Introduction

Results - Highlights

- **Group profit in Q2 2004 and half year losses reduced to £4m from £23m**
- **UK profit of £35m (H1 2003: £37m) despite increased competition and rising base rates with unsecured lending balance growth of £0.6bn (H1 2003: £0.7bn)**
- **Almost 300,000 net new customers acquired**
- **Card balances have broadly maintained market share**
- **Personal loan sales totalled £1.13bn up 60% on H1 2003 (£0.71bn)**
- **Credit quality remains strong with card arrears levels still well below industry average**

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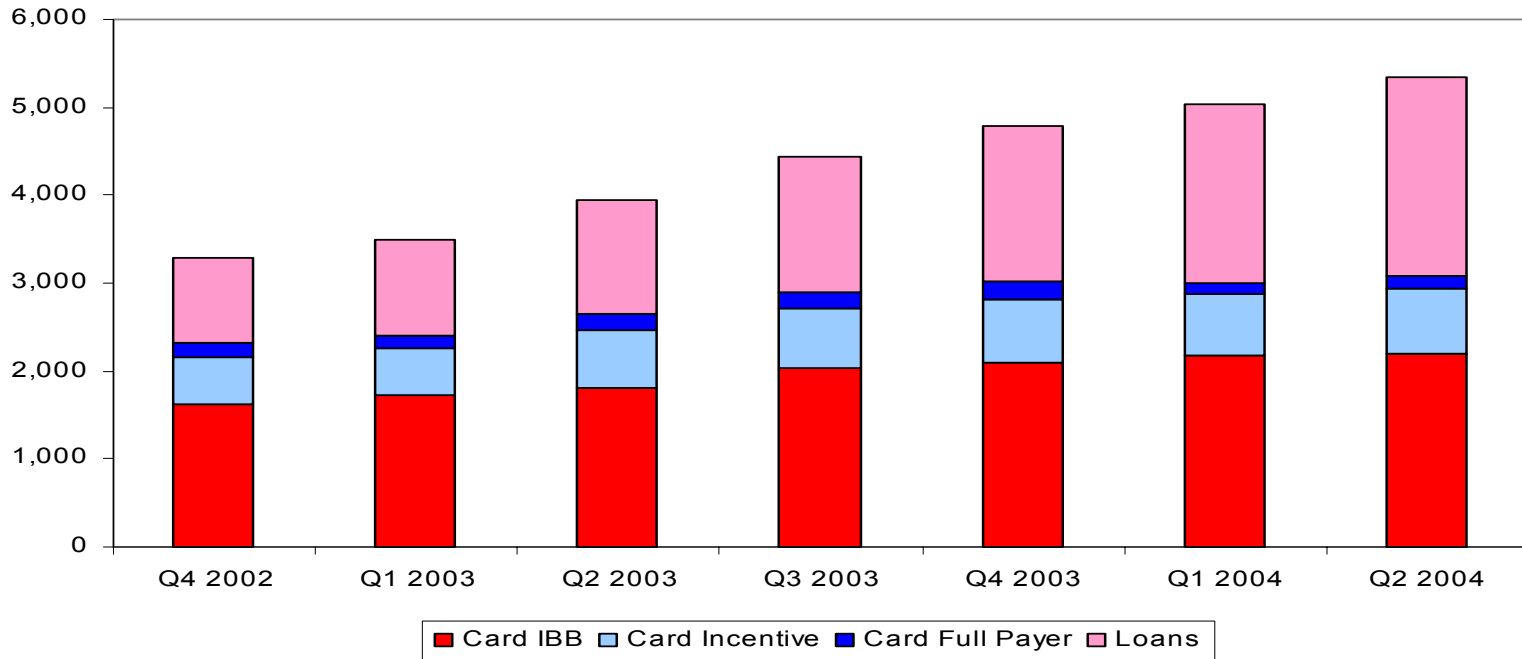
- **Likely to take 18 months to 2 years**
- **Exit costs estimated at €170 million (£113 million) and provided up front in July 2004**
 - Operating losses (including bad debts)
 - Redundancy and social plan costs
 - Asset impairment
 - Contract break costs
- **Local management team on board to complete the process sensitively and efficiently**

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Egg UK

Unsecured Lending – Strong Balance Growth



IBB has been stable at approx. 70% for the past 6 quarters

% of card book on incentive offers was 24% in H1 2004 consistent with 2003 level

full payers balances have reduced as a % of the card book down to stable 5% level in 2004

loans now represent 42% of the total unsecured book (2002: 29%) (2003: 37%)

- **CRM capability driving highly successful cross sales strategy**
- **Record disbursements of £1.1 billion (H1 2003: £0.7 billion)**
- **We have taken between 4% and 6% of the net flow of new loans each month for the past year and now have 3.9% of the total market (based on Major British Banking Group statistics)**
- **There is still lots of potential for further loan cross sales given 40% of our customer base has a loan somewhere and currently only 10% of them are with Egg**
- **PPI penetration at just over 60% and revenue per sale up 11% thanks to our new simplified product offering**

- **Card balance growth at £76 million has slowed reflecting the strong competition especially in Q1 2004**
- **We have seen some momentum again in recent weeks and are on track to exceed £50 million increase in card balances in month of July helped by our new MasterCard offering**
- **Card fee income is improving though with lower cashback and better CRP penetration**

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Financials

Group P&L – Analysis by Business Unit

	H1 2004 £m	H1 2003 £m
Egg UK	34.5	36.7
Egg France	(32.2)	(48.7)
Other International	-	(2.8)
Subsidiaries/Assoc/JV's	(1.7)	(2.8)
Restructuring	(2.1)	(5.2)
Transaction Costs	(2.6)	-
Group Loss Before Tax	(4.1)	(22.8)

UK profits reflect the tougher trading environment

France reflects “tick-over” mode in H1 2004

Transaction costs relate to the auction process

Financials

Egg UK - P&L

	H1 2004 £m	H1 2003 £m
Net Interest Income	143.8	125.9
Other Operating Income	94.5	73.6
Total Revenue	238.3	199.5
Ops/Admin Expenses	(79.7)	(67.2)
Brand and Marketing	(20.2)	(18.9)
Development	(10.6)	(9.5)
Depreciation	(10.7)	(7.4)
Total Costs	(121.2)	(103.0)
Bad Debt Provision	(82.6)	(59.8)
Profit Before Tax	34.5	36.7

Revenues up 19% despite 25bps increase in average base rates

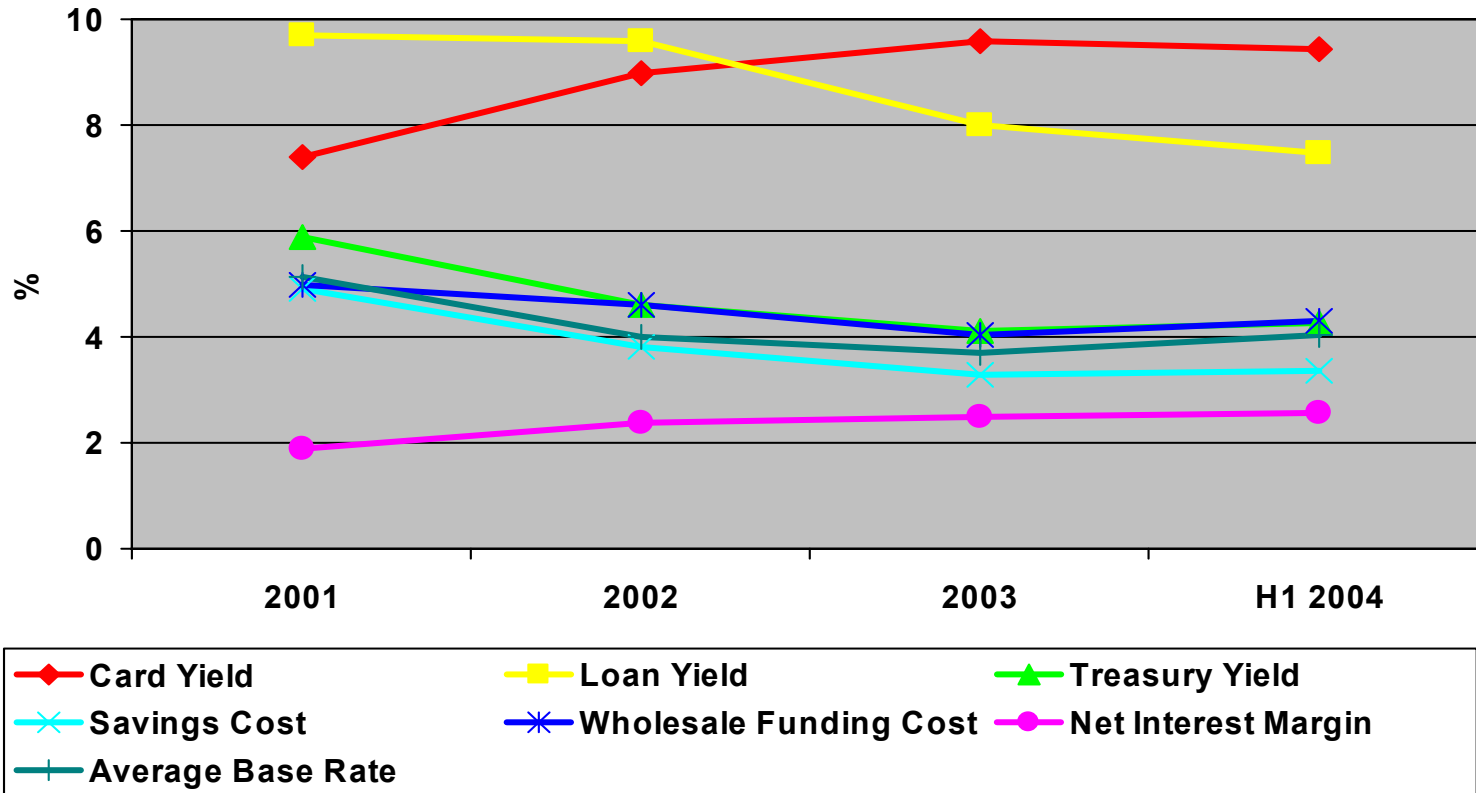
Ops/Admin costs increase by 19% while average customer numbers were up 22%

Unit marketing costs higher but still well below industry average

Retail credit quality remains strong

Financials

Asset and Liability Yields – Key Trends



Financials

Other Operating Income

	H1 2004 £m	H1 2003 £m
PPI (incl. profit share)	55.9	35.1
Card fees and commissions - insurance commissions	23.3	18.4
- other (incl. net interchange)	16.5	15.6
Other (incl. treasury)	(1.2)	4.5
Total	94.5	73.6

Strong growth in PPI commissions on back of record loans volumes (penetration running at 60%)

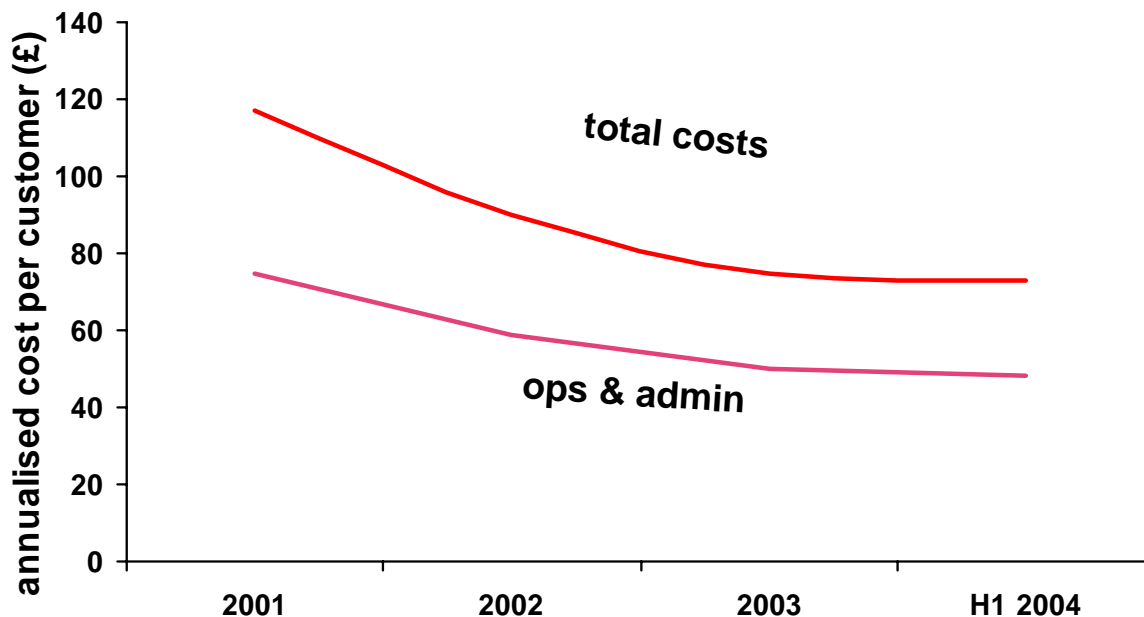
Increase in card fees reflects lower cashback and point of sale commissions selling CRP (35% run-rate on new business)

Other income fell slightly with lower profits on disposal of investments and higher fees re securitisation

Financials

Costs

<u>Costs Per Customer</u>	<u>H1 2004</u>	<u>2003</u>	<u>2002</u>
Total (excluding Bad Debts)	£73	£75	£90
Operational and Admin.	£48	£50	£59



Tactical investment in credit collections and cross sales in H1 2004 has slowed the emergence of economies of scale

Unit marketing costs slightly higher due to competition

Increased investment in development spend (Basel 2)

Financials

Bad Debt Provisions

	Cards		Loans	
	Jun 2004	Dec 2003	Jun 2004	Dec 2003
customer balance (£m)	3,091	3,015	2,256	1,773
period end provision (£m)	113	109	98	70
% provision held	3.7%	3.6%	4.3%	3.9%
impaired balances (£m)	105	86	97	73
impaired as % total	3.4%	2.8%	4.3%	4.1%
provisions as % of impaired balances	108%	126%	101%	96%
charge as % of average assets	2.2%	2.7%	4.9%	3.9%

Financials

Consolidated Balance Sheet

	June 2004 £m	June 2003 £m
Mortgages	1,837	2,222
Personal Loans	2,277	1,311
Credit Cards	3,226	2,642
Retail Assets	7,340	6,175
Wholesale Assets	4,453	4,388
Other Assets	431	593
Total Assets	12,224	11,156
Customer Deposits	6,546	7,317
Wholesale Liabilities	4,172	2,501
Subordinated Debt	451	451
Other Liabilities	616	446
Shareholders' Funds	439	441
Total Capital & Liabilities	12,224	11,156

Unsecured lending balances have increased by £1.6bn compared to 12 months ago

Savings outflows (£0.8bn) since June 2003 but net inflow of £0.2bn year to date

Wholesale liabilities (including securitisations) have increased by £1.7bn to fund asset growth and savings outflows

Financials

Capital Base

	Jun 2004	Dec 2003
Tier 1 Capital	£475m	£474m
Tier 2 Capital	£475m	£474m
Supervisory Deductions	(£89m)	(£89m)
Total Capital	£861m	£859m
Risk-weighted Assets	£5.2bn	£4.9bn
Risk asset Ratios		
- Tier 1	9.2%	9.7%
- Total	16.6%	17.5%

Capital ratios remain very strong

Target for tier 1 remains in the 7%-9% range

Capacity exists to absorb France exit provision

Retained earnings and securitisations will support future growth

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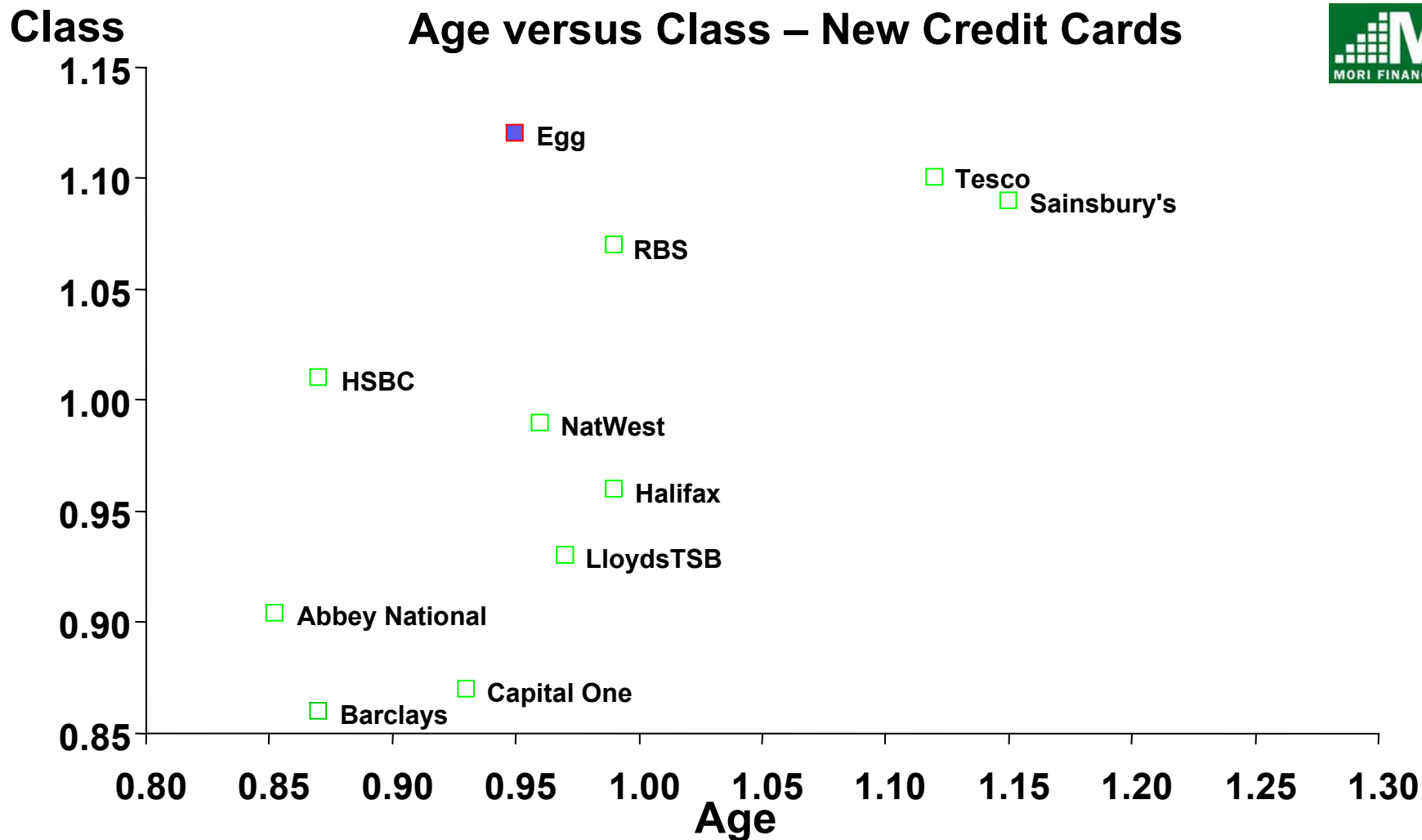
Looking Forward

Egg's Key Assets

- **A brand that is uniquely and clearly differentiated as a consumer-sided, transparent and modern financial services brand**
- **Consideration for the brand at an all-time high**
- **An upmarket customer base with high propensity to hold financial services products and willingness to transact with Egg**
- **Record levels of customer satisfaction**

Looking Forward

Young and Upmarket Customer Base



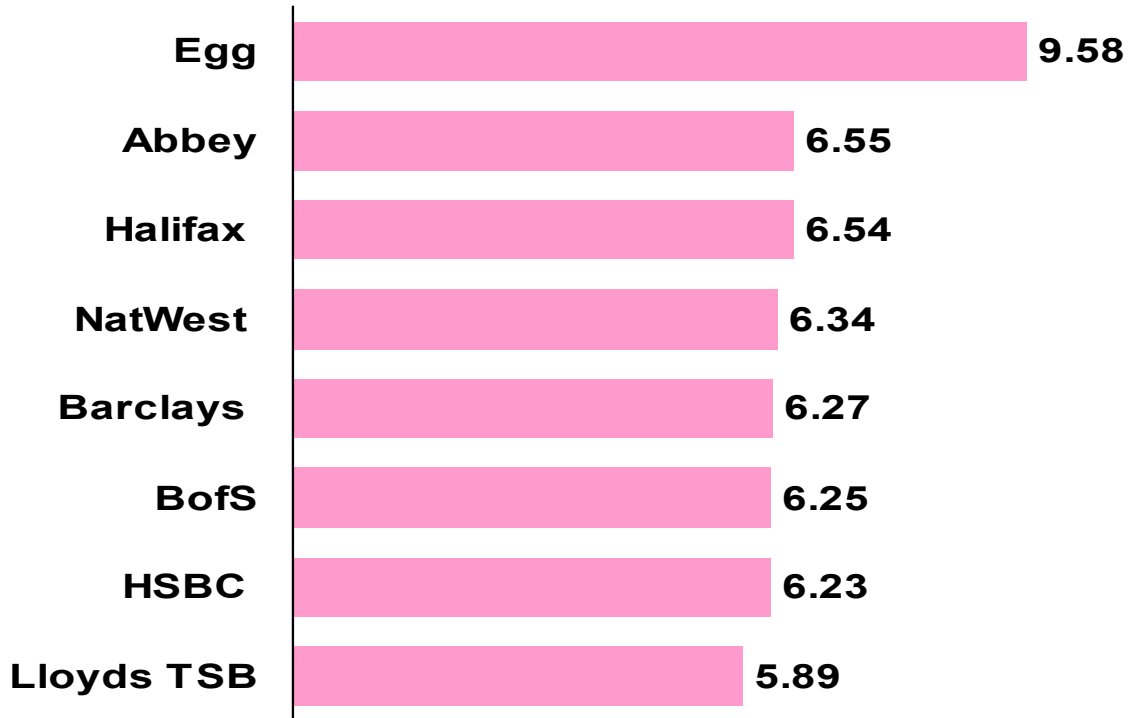
Note:

- Axes show index to market average, where 1 = market average

Looking Forward

Financially Sophisticated Customers

Number of Financial Products Per Customer



Looking Forward

A Trusted, Consumer-sided Brand

	Egg	Halifax	Barclays	Capital One	First Direct
You can trust them with your money	2 nd	1 st	4 th	5 th	8 th
They are on the consumers side	2 nd	1 st	8 th	5 th	7 th
They provide financial solutions that are right for me	2 nd	1 st	7 th	4 th	5 th
The financial solutions they offer help you simplify your finances	2 nd	1 st	9 th	3 rd	5 th
They treat customers as individuals	2 nd	1 st	8 th	4 th	7 th
They are the first with new ideas and services	1 st	2 nd	9 th	6 th	4 th
Are leaders in online financial services	1 st	2 nd	9 th	7 th	3 rd
They offer the best long term value in direct banking	2 nd	1 st	8 th	4 th	3 rd

Source: Hall and Partners

Looking Forward

Brand Consideration across Financial Services

Product being considered in next 5 years	Egg Target Market		Egg Customers	
	% Considering Egg	Rank to Other Brands being Considered	% Considering Egg	Rank to Other Brands being Considered
Current Account	23	3rd	50	1st
Savings Account	31	1st	56	1st
Investment	21	2nd	43	1st
Life Assurance	8	22nd	26	2nd
Personal Pension	10	13th	20	4th
Mortgage	11	14th	34	1st
Credit Card	49	1st	52	1st
Personal Loan	27	2nd	58	1st
Home Insurance	12	14th	36	1st
Motor Insurance	10	10th	31	3rd

Source: MORI

Looking Forward

Summary – Our focus in the next 12-18 Months

● Play to our Strengths

- Invest in the brand – act as a brand leader
- Compete for quality
- Increase the marketing and customer relationship budget as it's still highly valuable to acquire and existing customers want to buy more from Egg
- Lever our sales conversion capability to start to address the concentration risk and diversify the revenue mix
- Keep innovating and stay ahead of the next technology wave

● Resize our cost base in line with our focus on our core strengths and activities

● Continue to deliver profitable growth

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