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Under Embargo until 07.00h, 23rd February 2005

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Preliminary Results Announcement

(Year Ended 31 December 2004)

"In the core UK business Egg made an operating profit of £74 million for the twelve months to 31 December 2004 compared to the £73 million profit for the same period last year. Increased competition in the credit card and personal loan markets, rising interest rates and the uncertainty created by the potential sale of Prudential's stake in Egg adversely impacted performance in the first half of 2004 but we are encouraged by a good recovery in the second half. In Q4 2004 we delivered an operating profit of £20 million and saw unsecured lending balances grow strongly again with our new MasterCard proposition, helping us to increase our share of the credit card market to 6%.

"As we said in October, Egg people are now firmly focused on the future development of our core UK business and 2004 has seen us take action consistent with that focus. Following our decision to withdraw from the French market we can report that the exit process is ahead of schedule and we expect total costs will be in line with our provision of £113 million. In addition we sold our investments business to Fidelity at a small loss, which will release approximately £20 million of capital back to our core banking business in 2005 and lastly, in conjunction with Prudential, we have put Funds Direct, our investment wrap platform business, up for sale and booked a £17 million impairment charge in the year end accounts against the full carrying value of the underlying assets. The Group result for the full year reflecting these actions is a loss before tax of £107 million.

"We are looking forward to 2005 and beyond with confidence. We will continue to secure the value inherent in our existing unsecured lending business. In addition, given the strong brand consideration that exists among both our customers and the wider UK population, we are in the process of broadening our product range and are delighted with our initial success in sales of general insurance policies."

Paul Gratton, CEO, Egg plc

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Highlights:

Analysis of Group Profit and Loss Account:

	2004	2003
	£m	£m
Egg UK	**73.6**	72.8
Egg France (i)	**(147.8)**	(89.1)
Other International	**-**	(4.2)
Subsidiaries/Associates/JV's (ii)	**(21.0)**	(3.6)
Transaction Costs	**(6.4)**	-
Restructuring Costs	**(5.1)**	(10.3)
Group Loss before Tax	**(106.7)**	(34.4)

(i) Includes both the operating loss before tax of £35.0 million for the period from 1 January 2004 to 13 July 2004, the date on which Egg announced its intention to withdraw from the French market and the total provision raised for the estimated costs of exiting the French market of £112.8 million.

(ii) Includes Funds Direct exceptional impairment charge of £17 million

Group

- Group operating income up 19% to £505 million (2003: £424 million)
- Group loss before tax of £107 million (2003: £34 million loss)
- Group loss per share was 11.1p (2003: 4.0p)
- Total group assets of £12.0 billion (2003: £11.7 billion)

UK

- Egg UK delivered a Q4 operating profit of £20 million (Q4 2003: £16 million) leading to full year operating profit of £74 million (2003: £73 million)
- Return on equity was 13.0% (2003: 11.4%)
- Net interest margin was 2.5% (2003: 2.5%)
- Cost/Income ratio was 48% (2003: 53%)
- Unsecured lending balances grew by £1.4 billion (2003: £1.5 billion) leading to period end balances of £6.2 billion (2003: £4.8 billion)
- Personal loan drawdowns were £2.2 billion, up 30% on 2003 (£1.7 billion)
- MasterCard launched in June 2004 with year end balances of almost £140 million
- Credit quality remains good and benchmarks continue to show Egg's card portfolio significantly outperforming industry norms

France

- Unsecured lending, savings and brokerage businesses have all been sold
- Exit expected to be completed within the £113 million (€170 million) provision.

Chief Executive Paul Gratton said:

"Our core UK business has delivered a good set of results with a particularly encouraging performance in the second half of 2004. We made an operating profit of £74 million for the twelve months to 31 December 2004 compared to the £73 million profit for the same period last year. This represents a solid result considering the increased competition and rising interest rates that have impacted the credit card and personal loan markets and the uncertainty created by the potential sale of Prudential's stake in Egg.

"We have seen strong net growth in unsecured lending of £1.4 billion in the twelve months taking total balances to £6.2 billion up 30% on last year end. The successful cross selling of personal loans into our credit card customer base has been complemented by the MasterCard proposition launched in June, which is proving popular and has now achieved almost £140 million in balances.

"Revenues in the UK in 2004 of £497 million grew by almost 20% compared to the previous year, with non-interest income providing the majority of the increase. Margins were under pressure throughout the year from both increased competition, especially in the first half, and rising base rates. Against this background we were pleased that net interest income grew by almost 10% year on year. Other income grew impressively, up 34% to £209 million, with a particularly strong showing in the final quarter. Record loan disbursements and good card balance growth, with associated revenue from cross sales of insurances, were the main factors in this result. We are keeping tight control on costs and credit quality remains good with increased provision levels reflecting the continuing growth in the unsecured lending portfolio, the stage in the life cycle of the card and loan books and the increasing proportion of personal loans in the book.

"The Group result for the full year is a loss before tax of £107 million, which includes £148 million incurred in respect of Egg France. Following our decision to withdraw from that market we have sold the unsecured lending, savings and brokerage portfolios and we have now closed the current account business in 2005. Our expectations with regard to the total exit costs remain unchanged. In addition, consistent with our stated intention to focus on our successful UK business we have sold our investments business to Fidelity at a small loss, which will release approximately £20 million of capital back to our core banking business in 2005 and we have, in conjunction with Prudential, put Funds Direct, our investment wrap platform business, up for sale and booked a £17 million impairment charge in Q4 2004 against the full carrying value of the underlying assets.

Outlook

"Looking forward we have a highly attractive unsecured lending portfolio with the opportunity to grow it further and deliver healthy returns. In addition we will be building on our strong relationship with our customers and the encouraging levels of their consideration to buy other products from Egg as evidenced by the strong growth in general insurance cross sales in the fourth quarter. To this end we will look to offer a broader range of products and services in 2005 and beyond."

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Overview of Group Results

Summary profit and loss account by quarter (Unaudited)

	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003
UK	**£m**	£m	£m	£m	£m
Net Interest Income	**73.3**	70.4	70.1	73.7	72.5
Other Operating Income	**66.3**	48.3	49.9	44.7	39.4
Egg UK Operating Income	**139.6**	118.7	120.0	118.4	111.9
Operational and Administrative Expenses	**(40.7)**	(34.5)	(38.4)	(41.3)	(39.7)
Brand and Marketing Costs	**(12.4)**	(9.0)	(10.6)	(9.6)	(8.5)
Development Costs	**(6.2)**	(5.2)	(4.7)	(5.9)	(4.5)
Depreciation and Amortisation	**(7.1)**	(4.3)	(5.6)	(5.2)	(6.5)
Amounts written off Fixed Asset Investment	**-**	-	-	-	(4.3)
Provisions for Bad and Doubtful Debts	**(52.8)**	(47.1)	(41.3)	(41.2)	(32.3)
Egg UK Operating Profit	**20.4**	18.6	19.4	15.2	16.1
France					
Net Interest Income	**0.8**	1.8	2.1	1.9	1.5
Other Operating Income	**(0.3)**	0.9	(0.1)	-	(0.2)
Egg France Operating Income	**0.5**	2.7	2.0	1.9	1.3
Operational and Administrative Expenses	**(10.1)**	(8.5)	(9.9)	(9.1)	(10.4)
Brand and Marketing Costs	**-**	-	(0.9)	(1.6)	(3.2)
Development Costs	**-**	-	(0.2)	(0.4)	(0.9)
Depreciation and Amortisation	**(0.4)**	(3.1)	(2.0)	(1.7)	(2.1)
Provisions for Bad and Doubtful Debts	**(5.8)**	(3.9)	(5.5)	(4.9)	(4.3)
Utilisation of Exit Cost Provision	**15.8**	10.1	-	-	-
Egg France Operating Loss	**-**	(2.7)	(16.5)	(15.8)	(19.6)
Other International	**-**	-	-	-	(0.7)
Subsidiaries/Associates/JV's	**(18.1)**	(1.2)	(1.0)	(0.7)	(0.2)
Transaction Costs	**(2.7)**	(1.1)	(1.3)	(1.3)	-
Provision for France Exit Costs	**-**	(112.8)	-	-	-
Restructuring Costs	**(3.0)**	-	0.2	(2.3)	(5.1)
Group Profit/(Loss) Before Tax	**(3.4)**	(99.2)	0.8	(4.9)	(9.5)

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Revenues

Net interest income in Q4 2004 was £73.3 million increasing in line with expectations on the back of the re-pricing of the credit card portfolio offset slightly by higher funding costs arising from the increase in savings balances at bonus rates. For the full year net interest income increased by almost 10% to £287.5 million compared to 2003 on the back of growth in retail balances and holding our margins flat, which is a good result against the background of stiff competition for card balances and the margin pressure caused by base rate rises during 2004.

Egg saw significant growth in non-interest income in Q4 2004 to £66.3 million (Q3 2004: £48.3 million). The quarterly increase reflected strong loan sales and increases in card balances with higher revenues emerging from commission for sales of associated insurances. This accounted for almost £10 million of the increase quarter on quarter. Sales of general insurance policies in Q4 were also much higher adding £1.5 million to revenues. Q4 also saw £5.8 million of profit on disposal of investment securities (Q3: £0.4 million loss) with full year profit of £7.5 million in 2004 (2003: £5.3 million). Looking at 2004 as a whole, non-interest income grew strongly by 34% to £209 million compared to 2003. This excellent growth rate was driven by record personal loan sales with resulting commission income on selling associated insurances.

In 2005 we expect other income to continue to grow but the rate of growth will slow compared to 2004. This primarily reflects a tactical decision in December to tighten lending criteria at this stage in the interest rate and credit cycles. This is expected to lower our personal loans sales volumes in particular with resulting impact on commission income on associated insurances.

<u>Costs</u>

Operational and administrative costs at £40.7 million for the quarter remain tightly managed (Q3: £34.5 million). The quarterly variance is predominantly due to the £4.4 million release in Q3 in the provision no longer required for the cost of the various share schemes in operation to incentivise Egg staff. For the full year operational and administrative costs were up 8% to £154.9 million (2003: £143.7 million). This compares to revenue growth of 18% and is a key factor in the improvement in the cost/income ratio to 48% from 53%. Moving forward we expect to achieve further economies of scale as we focus on our core UK business and continue to target a cost/income ratio of 40% by 2007.

Brand and marketing costs were £12.4 million in Q4 2004 (Q3: £9.0 million). This reflected a tactical increase in credit card marketing activity after the traditionally slower summer season in Q3 and further investment in the brand and marketing effort supporting the increased sales of general insurance and the bonus savings accounts. Sales performance on cards was also satisfactory with 119,000 new accounts acquired in the final quarter and strong growth in balances (£280 million). The full year spend reached £41.6 million (2003: £33.9 million) which was in line with our revised expectations following the strong competition experienced in the first half of the year.

Development costs were £6.2 million for the quarter, a slight increase on Q3 (£5.2 million) in line with our plans bringing the total expenditure for 2004 to £22.0 million, up £2.1 million on the previous year. The increase reflects the investment in systems and processes in preparation for IFRS, Basel 2 and other regulatory changes.

Depreciation and amortisation at £7.1 million in Q4 2004 reflects the fact that the Q3 charge was understated due to some errors made on transition of the fixed asset register to a new system in August. The full year charge of £22.2 million is higher than 2003 (£18.3 million) reflecting the investment in assets in the period.

Bad Debt Provisions

Credit quality remains good and the increasing provision levels reflect the continuing growth in the unsecured lending portfolio, the stage in the life cycle of the card and loan books and the increasing proportion of personal loans in the book. The Q4 charge for bad and doubtful debts of £52.8 million was in line with expectations given the strong growth in lending balances in the quarter. Similarly the full year charge of £182.4 million (2003: £126.7 million) reflects the increased balance growth and the greater mix of loans in the unsecured book with the charge as a percentage of 12 month lagged assets remaining stable at 3.8% year on year for the unsecured lending portfolio. However within the portfolio we have seen the credit card bad debt charge improve to 2.4% of lagged assets in 2004 driven by higher recoveries than expected (2003: 3.1%) and the personal loan charge deteriorate to 6.2% of lagged assets due to the stage in the life cycle of the portfolio given the relative immaturity of the book (2003: 5.4%). Moving forward the impact of our decision to tighten lending criteria, allied to the fact that the personal loan book will have matured further should see the charge as a percentage of lagged assets reduce significantly on loans. This should more than offset the projected small increase in credit card charges, given the benefit of the improved recoveries performance has now been reflected in the provisions.

At the year end bad debt provisions on the balance sheet represented 3.2% of assets compared to 2.8% in 2003 with the higher mix of unsecured borrowing as compared to mortgages in the retail asset portfolio, the main factor behind the increase.

Egg France and Provision for Exit Costs

In Q4 2004 the operating losses in France were all charged to the exit costs provision and thus had nil impact on the profit and loss account. Of the £113 million (€170 million) provided in July 2004, £96 million has now been utilised (including exchange adjustments of £4 million) leaving £17 million on the balance sheet to cover the remaining exit costs which include closing out various contracts, completing the handover of the lending and savings businesses and winding down the current account business. We expect the total exit costs to remain in line with our provision.

Subsidiaries/Associates/JV's

The £18.1 million net loss in Q4 2004 primarily reflects the impairment charge of £16.6 million booked against the full carrying value of Funds Direct's underlying assets following the decision, in conjunction with Prudential, to put the company up for sale. On consolidation £0.8 million of this charge is reversed within the minority interest calculation.

The full year charge of £21.0 million reflects £19.7 million for Funds Direct (including the £16.6 million impairment charge), a loss after goodwill amortisation of £1.6 million on IfOnline and a small profit from Marlborough Stirling Mortgage Services.

Transaction Costs

These costs relate to incremental expenses incurred in relation to the process whereby Prudential was considering proposals for its shareholding in Egg. The Q4 costs of £2.7 million include the final settlement of all legal and investment banking fees (£1.1 million) and retention bonuses for the management team (£1.0 million). The largest cost within the £6.4 million for the full year was the loyalty bonus scheme for all Egg UK people that paid out in October and was used as a retention tool during the auction process.

Restructuring Costs

As previously announced the £3.0 million cost in Q4 relates to the migration and other exit costs associated with the transfer of our funds supermarket business, which has assets under management of around £170 million, to Fidelity FundsNetwork and this will lead to future annual savings of a similar amount. In addition this disposal will free up approximately £20 million of capital during 2005 to be reallocated to the core banking business in the UK.

The remaining £2.1 million within the full year charge related to exit costs on one of our leased properties within Egg France in Q1 2004 prior to the decision to withdraw from the market.

Preparation for IFRS

Following the adoption of Regulation No. 1606/2002 on the 19 July 2002 by the European Parliament, Egg, along with all other European listed entities, will be required to prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) from 1 January 2005.

Egg will apply IFRS in its annual report for the year ended 31 December 2005, and will prepare 2004 comparatives under IFRS, excluding the impact of IAS 32 and 39. The Group's first reporting period under IFRS will be for the three months ended 31 March 2005.

The introduction of IFRS will not significantly affect Egg's underlying business or its cash flows. However, it does represent a significant change to its accounting and reporting. The following is a summary of the likely key impacts of these changes. For this purpose, we have assumed that all existing standards from the International Accounting Standards Board (IASB) will be fully endorsed by the EU for the year ended 31 December 2005.

Wholesale assets will be classified as available for sale and held at fair value with unrealised gains and losses reflected in equity rather than the income statement. Liabilities will be measured at amortised cost with no effect compared to UK GAAP except where set-up fees had been previously expensed but should now, under IFRS, be capitalised and amortised.

Derivatives will be the only products for which changes in fair value will affect the result for the year. However, for interest rate swaps which economically hedge fixed rate personal loans, by matching them against the variable rate savings book, Egg will apply macro cash flow hedge accounting under IAS 39. Changes in the fair value of these hedges will be recorded direct to equity in the balance sheet and not the income statement (except where hedging is ineffective).

The impact of the other IAS 39 changes to the accounting for retail products such as adjustments for effective interest rate calculations, dormant accounts, and bad debts is dependant on a range of factors but, based on current indications, is expected to be relatively neutral overall.

Of the remaining standards, IFRS 2 on share-based payment represents the biggest change. Egg will now recognise an annual charge in the profit and loss account over the relevant vesting period based on the fair value of the share and option schemes as calculated using option pricing models at grant date.

Overall, we anticipate that the impact of IFRS on earnings in 2005 will not be material compared to the current market consensus profit before tax for Egg's UK business, which has been prepared on a UK GAAP basis. In addition the impact on shareholders' funds on transition is expected to be a reduction of less than 5%. The impact on regulatory capital will likely be even lower if as expected the fair value adjustments are excluded by the FSA from the calculation of risk-asset ratios.

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Summary New Business Figures by Quarter

	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003
Products	**£m**	£m	£m	£m	£m
- Egg Card Balance Growth	**280**	215	81	(5)	122
- Egg Personal Loan Drawdowns	**599**	496	574	563	526
- Egg Mortgage Drawdowns	**61**	54	57	60	58
- Egg Savings Flows (net)	**193**	(339)	244	(47)	(229)

Cumulative Figures

	31 Dec 2004	31 Dec 2003
Product balances	**£m**	£m
- Egg Card	**3,578**	3,015
- Egg Savings	**6,215**	6,164
- Egg Personal Loans	**2,618**	1,773
- Egg Mortgages	**1,102**	1,197
- Prudential Savings	**121**	185
- Prudential Mortgages	**591**	798
- Prudential Personal Loans	**1**	2

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Customers

Egg has 3.1 million customers who are defined as “marketable” based on their activity levels. Moving forward, in line with our strategy, we are focused on how we grow lending balances and fee income through a mix of both acquisition and cross sales rather than by customer acquisition as the key growth metric.

Unsecured Lending

Net lending balance growth was an impressive £495 million in Q4 (Q3: £362 million) bringing the total net increase to £1.4 billion for the year. Within this, credit card balance growth was a £280 million net increase in the fourth quarter building on the momentum established in Q3 and reflects the success of our new MasterCard offer, stronger acquisition of new Visa Card customers and the continuing impact of our retention programme which includes the anniversary balance transfer offer to existing customers. Q4 also saw record volumes of personal loan sales with almost £600 million disbursed to take the year end total to £2.2 billion. The product remains predominantly cross sold to card customers.

We have had a strong start to 2005 on card volumes, acquiring 75,000 new accounts in January, which was our highest month ever. Reflecting the tactical changes we have made to credit scorecards, loan volumes are, as expected, tracking behind the record levels achieved in Q4. The impact of these two factors is likely to lead to lower profits in the first half of 2005 as compared to recent quarterly trends but to substantially increased profits in the second half.

Savings

Q4 2004 saw a net inflow on Egg deposits of £193 million. This was in line with our expectations following the re-introduction of the bonus account in October and gives an overall result of a £51 million net inflow for the full year compared to £1,545 million net outflow last year. The reduction in outflows reflects the success of our tactical use of the bonus account offering as part of Egg’s funding strategy.

Investments

We announced in October 2004 an agreement with Fidelity whereby from Q1 2005, Egg will host Fidelity's FundsNetwork on its website as its exclusive investment platform. This partnership will significantly increase the level of funds Egg can offer its customers to over 900 funds from 56 managers, from its current level of 220 funds from 25 managers. The new platform will also offer enhanced tools, information and services to all Egg Invest users.

As part of this agreement we have agreed to sell our existing funds supermarket business, which has assets under management of around £170 million, to Fidelity FundsNetwork. The transaction has resulted in one-off costs of £3 million and will lead to annual savings of a similar amount moving forward.

Insure

Egg Insure had an excellent quarter with almost 60,000 new policies sold reflecting an increased focus and some marketing effort. This compares to our previous run-rate of 15,000-25,000 a quarter. These were predominantly travel and motor insurance policies. This is consistent with our intention to extend our product range given research in our customer base shows a high propensity to buy general insurance policies from Egg. We will continue to raise awareness of our general insurance product range in 2005.

Mortgages

The fourth quarter continued the trend seen over the past year of approximately £60 million of disbursements each quarter. The Egg Discount Tracker product is one of the best value mortgage offers in the market over both the short and the long term and is consistent with Egg's brand positioning.

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Financial Review

This section analyses Group results for the twelve months ended 31 December 2004 compared to the same period last year, as set out in the consolidated profit and loss account and balance sheet.

Net interest income increased by 9% to £294 million for the year (2003: £269 million). Margins have remained stable at 2.5% and the increase reflects the growth in interest earning assets during 2004 which were also up 9% to £11.5 billion.

Other operating income increased by £56 million (36%) to £211 million. This has largely resulted from the continued success of our cross sales strategy in unsecured personal loans, with commissions and profit share from selling creditor insurance on loans in the UK up by £32 million (31%) to £110 million. In addition, non-interest income on credit cards in the UK increased by £17 million to £93 million reflecting the larger book and the reduction in cashback during the year.

Operational and administrative expenses increased by £5 million (2%) to £208 million. This has resulted from a combination of factors; there has been an increase in the core UK operational costs of £11 million (8%) demonstrating economies of scale, offset by savings of £6 million in France reflecting the increased cost control as the business is being wound down. Elsewhere transaction and restructuring costs (excluding France exit costs) were £10 million in each year.

Brand and marketing costs have decreased by £16 million (25%) to £44 million. This reflects the fact that Egg France reduced its investment in marketing by £24 million given the decision to withdraw from the market. In the UK costs were £8 million higher than in 2003 reflecting both the competitive market for unsecured lending and marketing support for the bonus savings accounts and general insurance products.

Development costs have decreased by £3 million (12%) to £23 million. There was a decrease in costs relating to France of £2 million. In the core UK business costs were £2 million higher in 2004 due to preparations for the additional regulatory burden but this was offset by the fact that R&D expenditure in the USA of £2 million was not repeated this year.

Depreciation and amortisation increased by £19 million (72%). Within the UK, depreciation has increased by £4 million in line with expectations following the occupation of an additional building in Derby and the investment in our Customer Data Warehouse and new finance, risk and treasury systems as part of preparation for Basel 2 and IFRS. In addition there has been an exceptional impairment charge of £17 million to write down the carrying value of goodwill and fixed assets related to Funds Direct.

The charge for bad and doubtful debts was £203 million (31 December 2003: £137 million). The increase in this figure over the previous year has predominantly resulted from strong growth in the UK personal loan book due to the success of the cross-sales strategy and the increasing mix of unsecured lending in the overall retail asset portfolio. Our delinquency levels on cards remain well below the industry average. The Egg France bad debt charge doubled to £20 million in line with growth in the book prior to the sale of the unsecured lending business to Banque Accord.

Provision for loss on termination of discontinued operation of £113 million represents the provision for exit costs booked in July on announcement of the intention to exit the French market. The main components of the cost are the provision for future operating losses of £32 million of which £26 million has been utilised in the period to 31 December 2004, the loss on disposal of the lending, savings and brokerage businesses of £39 million, redundancy costs of £25 million, a write down of goodwill and fixed assets of £9 million and other costs of £8 million including costs of exiting various contracts.

The tax credit was £14 million (31 December 2003: £1 million). The increase in the tax credit reflects the higher group loss following the France exit costs provision.

Loss attributable to ordinary shareholders after tax and minority interests was £91 million compared to a loss of £33 million for the twelve month period to 31 December 2003.

Loss per share was 11.1p compared to 4.0p for the twelve month period to 31 December 2003.

Total assets increased to £12.0 billion as at 31 December 2004 (31 December 2003: £11.7 billion) mainly due to the ongoing growth in UK unsecured lending balances partly offset by a reduction in wholesale assets as part of our balance sheet and capital management strategies.

Total liabilities increased to £11.7 billion as at 31 December 2004 (31 December 2003: £11.3 billion), largely due to a further securitisations of credit cards of £750 million in 2004 offset by a net reduction in wholesale funding of approximately £300 million.

Capital ratios for Egg Banking plc at 31 December 2004 were 8.6% (tier 1) and 14.3% (total) (31 December 2003: 10.0% (tier1) and 17.5% (total)). On a consolidated basis the total capital ratio was 12.5% (2003: 17.5%). The reduction in capital ratios predominantly reflects the provision for exit costs in France and impairment of Funds Direct.

Egg remains well capitalised and the Board believes that future retained profits and other capital management options available to Egg will enable us to grow the business in line with our plans and maintain the bank's tier 1 capital ratio in our target range of 7% to 9%.

During 2005, we intend to undertake a restructuring of share capital and reserves with a view to eliminating the Company's profit and loss deficit against other reserves including the share premium account. This restructuring will allow the payment of dividends as and when sufficient distributable reserves have been generated and the Board considers it to be in the best interests of the Company. This process will require approval of a Special Resolution to be presented to the Company's shareholders at the forthcoming Annual General Meeting and, following that, approval by the High Court.

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Consolidated profit and loss account

	Continuing	**Discontinued**	**2004**	Continuing	Discontinued	2003
	£m	**£m**	**£m**	£m	£m	£m
Interest receivable	**902.9**	**15.4**	**918.3**	821.8	9.0	830.8
Interest payable	**(615.7)**	**(8.8)**	**(624.5)**	(558.6)	(3.4)	(562.0)
Net interest income	**287.2**	**6.6**	**293.8**	263.2	5.6	268.8
Other operating income	**210.4**	**0.5**	**210.9**	156.6	(1.3)	155.2
Operating income	**497.6**	**7.1**	**504.7**	419.6	4.4	424.0
Administrative expenses						
- operational and administrative expenses	**(168.0)**	**(39.7)**	**(207.7)**	(157.3)	(45.3)	(202.6)
- brand and marketing costs	**(41.7)**	**(2.4)**	**(44.1)**	(34.0)	(26.0)	(60.0)
- development costs	**(22.0)**	**(0.6)**	**(22.6)**	(22.3)	(3.4)	(25.7)
	(231.7)	**(42.7)**	**(274.4)**	(213.6)	(74.7)	(288.3)
Depreciation and amortisation						
- non-exceptional	**(22.4)**	**(7.3)**	**(29.7)**	(18.4)	(8.5)	(26.9)
- exceptional	**(16.6)**	**-**	**(16.6)**	-	-	-
	(39.0)	**(7.3)**	**(46.3)**	(18.4)	(8.5)	(26.9)
Provisions for bad and doubtful debts	**(182.4)**	**(20.1)**	**(202.5)**	(126.7)	(10.3)	(137.0)
Amounts written off fixed asset investment	**-**	**-**	**-**	(4.3)	-	(4.3)
Utilisation of provision for loss on termination of discontinued operations	**-**	**25.9**	**25.9**	-	-	-
Operating profit/(loss)	**44.5**	**(37.1)**	**7.4**	56.6	(89.1)	(32.5)
Provisions for loss on termination of discontinued operations	**-**	**(112.8)**	**(112.8)**	-	-	-
Share of operating profit of joint ventures	**0.3**	**-**	**0.3**	0.1	-	0.1
Share of associates losses	**(1.6)**	**-**	**(1.6)**	(2.0)	-	(2.0)
Profit/(loss) on ordinary activities before tax	**43.2**	**(149.9)**	**(106.7)**	54.7	(89.1)	(34.4)
Tax credit on loss on ordinary activities			**13.9**			1.4
Minority interests			**1.4**			0.2
Retained loss for the financial year			**(91.4)**			(32.8)
Loss per share (pence per share)			**(11.1p)**			(4.0p)

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Consolidated statement of total recognised gains and losses

	2004	2003
	£m	£m
Retained loss for the financial year	**(91.4)**	(32.8)
Currency translation differences on foreign currency net investments	**(7.4)**	4.4
Prior year adjustment to reserves in respect of recognition of own shares held for Employee Share Option Plans as a result of UITF 17 (Revised) and UITF 38 see note (a)	**-**	(2.2)
Total recognised losses related to the year	**(98.8)**	(30.5)

Note on prior year adjustment:

Total recognised gains and losses related to year as above	**(98.8)**
Prior year adjustment (see note (a))	**(2.2)**
Total losses recognised for 2004	**(101.0)**

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Consolidated balance sheet

	2004	2003 Restated
	£m	£m
Assets		
Cash and balances at central banks	**14.0**	13.3
Loans and advances to banks	**615.9**	329.6
Securities purchased under agreements to resell	**319.4**	-
Loans and advances to customers	**7,642.0**	6,718.0
Debt securities	**3,119.7**	4,156.5
Shares in joint ventures	**1.2**	0.9
Investment in associated undertakings	**3.8**	5.4
Intangible fixed assets	**-**	6.1
Tangible fixed assets	**96.5**	95.3
Other assets	**129.1**	268.6
Deferred tax	**28.2**	23.3
Prepayments and accrued income	**58.3**	75.5
Total assets	**12,028.1**	11,692.5
Liabilities		
Deposits by banks	**2,352.0**	1,610.4
Securities sold under agreements to repurchase	**130.5**	829.2
Customer accounts	**6,607.4**	6,451.7
Debt securities issued	**1,806.5**	1,422.9
Other liabilities	**110.5**	340.1
Accruals and deferred income	**215.0**	153.7
Provisions for liabilities and charges	**16.8**	-
Subordinated liabilities		
- Dated loan capital	**450.8**	450.8
Total liabilities	**11,689.5**	11,258.8

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	2004	2003 Restated
	£m	£m
Shareholders' funds		
Called up share capital	**412.2**	410.3
Share premium account	**111.0**	107.5
Capital reserve	**359.7**	359.7
Profit and loss account	**(544.2)**	(445.0)
Shareholders' funds (all attributable to equity interests)	**338.7**	432.5
Minority interests (equity)	**(0.1)**	1.2
Total liabilities and shareholders' funds	**12,028.1**	11,692.5

Figures for 2003 have been restated where necessary following implementation of UITF Abstract 17 (Revised) "Employee Share Schemes" and UITF Abstract 38, "Accounting for ESOP Trusts" (see note a))

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Consolidated Cash Flow Statement

	2004	2003
	£m	£m
Net cash outflow from operating activities	**(817.1)**	(259.9)
Return on investments and servicing of finance	**(32.6)**	(25.9)
Taxation:		
Group relief received/(tax paid)	**15.0**	(3.8)
Capital expenditure and financial investment:		
Sale proceeds on sale of France unsecured loan book	**96.5**	-
Purchase of tangible fixed assets	**(59.6)**	(46.7)
Proceeds on sale of France tangible fixed assets	**3.1**	-
Restricted share plan purchase of shares	**-**	(3.0)
Purchase of investments	**(6,447.7)**	(5,960.7)
Sale of investments	**7,435.3**	5,996.9
Net cash inflow/(outflow) from capital expenditure and investment	**1,027.6**	(13.5)
Financing:		
Issue of dated loan capital	**-**	249.1
Issue of share capital	**5.4**	0.4
Net cash inflow from financing	**5.4**	249.5
Increase/(decrease) in net cash	**198.3**	(53.6)

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Reconciliation of operating profit/(loss) to net operating cash flows

	2004	2003
	£m	£m
Operating profit/(loss)	**7.4**	(32.5)
Provision for loss on termination of discontinued operations	**(60.5)**	-
Decrease in prepayments and accrued income	**16.1**	0.6
Increase in accruals and deferred income	**64.1**	8.1
Provision for bad and doubtful debts	**80.1**	64.2
Profit on sale of financial investments	**(7.5)**	(5.3)
Depreciation, impairment and amortisation	**68.8**	47.6
Interest on subordinated liabilities	**32.6**	25.9
Net increase in loans and advances to banks and customers	**(1,195.9)**	(1,379.0)
Net (increase)/decrease in securities purchased under agreements to resell	**(319.4)**	150.0
Net increase/(decrease) in deposits by banks and customer accounts	**860.4**	(455.2)
Net (decrease)/increase in securities sold under agreements to repurchase	**(698.7)**	829.2
Net increase in debt securities in issue	**383.6**	408.0
Net decrease/(increase) in other assets	**92.6**	(47.1)
Net (decrease)/increase in other liabilities	**(161.2)**	165.8
Net decrease/(increase) in settlement balances	**27.2**	(44.9)
Other non-cash movements	**(6.8)**	4.7
Net cash outflow from operating activities	**(817.1)**	(259.9)

Reconciliation of movement in shareholders' funds

	2004	2003
	£m	£m
At beginning of year – as previously stated	**434.7**	460.2
Prior year adjustment for UITF 38 (note a))	**(2.2)**	(2.2)
At beginning of the year as restated	**432.5**	458.0
Retained loss for the financial year	**(91.4)**	(32.8)
Exchange and other adjustments	**(6.7)**	4.5
Increase in share capital	**1.9**	0.2
Share premium	**3.5**	0.2
Awards under incentives schemes	**(1.1)**	2.4
Balance at end of year	**338.7**	432.5

Notes on financial information

a) The financial information has been prepared on the basis of the accounting policies set out in the Notes to the Financial Statements within the Egg plc Annual Report and Accounts for the year ended 31 December 2004. The Group has adopted accounting policies which, in the opinion of the Directors, are the most appropriate to its circumstances during the year. In particular it has adopted UITF 17 (Revised) "Employee Share Schemes" and UITF Abstract 38 "Accounting for ESOP Trusts" during the year to reflect new guidance on the accounting for Employee Share Option Plan trusts. The impact of this was to classify own shares of £2.2 million to the profit and loss reserves in shareholders' funds. The comparative balance sheet has been restated accordingly. There has been no material impact on the profit for the year or prior year.

b) The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 December 2004 or 2003, but is derived from those accounts. Statutory accounts for 2003 have been delivered to the registrar of companies, and those for 2004 will be delivered following Egg plc's annual general meeting. The auditors have reported on both those sets of accounts: their reports were unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

c) Group operating loss is stated after charging provisions for bad and doubtful debts of £202.5 million (31 December 2003: £137.0 million). The balance sheet provisions for bad and doubtful debts and movements thereon were:

	General	Specific	**Total**
	£m	£m	**£m**
Balance at 1 January 2004	51.2	142.2	**193.4**
Exchange adjustments	-	0.4	**0.4**
Amounts written off		(124.4)	**(124.4)**
New and additional provisions	7.5	195.0	**202.5**
Net charge against profit and loss	7.5	195.0	**202.5**
Release of provision on disposal of France credit card and personal loan book	(2.2)	(19.4)	**(21.6)**
Balance at 31 Dec 2004	56.5	193.8	**250.3**
Balance at 31 Dec 2003	51.2	142.2	**193.4**

Provisions at 31 December 2004 were 3.2% of advances to customers (31 December 2003: 2.8%).

d) The movement on the provision for loss on termination of discontinued operations in France is as follows:

	2004	2003
	£m	£m
Opening balance	**-**	-
Provision raised	**112.8**	-
Amounts utilised	**(99.8)**	-
Exchange adjustments	**3.8**	-
Closing balance	**16.8**	-

The amounts utilised represent operating losses of £25.9 million, the loss on disposal of the lending, savings and brokerage businesses of £39.3 million, write off of goodwill and fixed assets of £9.6 million and redundancy costs of £25.0 million.

e) The taxation charge assumes a UK corporation tax rate of 30% (2003: 30%) and comprises:

	2004	2003
	£m	£m
Tax credit	**13.9**	1.4

f) Loss per share of 11.1p (31 December 2003: 4.0p) is calculated by dividing the loss after tax for the financial year of £91.4 million (31 December 2003: £32.8 million) by the weighted average of 820 million (31 December 2003: 815 million) ordinary shares in issue during the year.

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

	2004	2003
	£m	£m
Gross assets	**2.6**	2.9
Gross liabilities	**(1.4)**	(1.9)
Shares in joint ventures	**1.2**	1.0

h) The table below analyses the Group results for the 12 months to 31 December 2004 by the geographical area in which business is generated. Certain costs incurred in the UK on behalf of France are included in the results of France.

	UK	**France**	**Group**
	£m	**£m**	**£m**
Interest receivable	**902.9**	**15.4**	**918.3**
Fees and commissions receivable	**220.7**	**4.5**	**225.2**
Other operating income	**14.9**	**-**	**14.9**
Gross income	**1,138.5**	**19.9**	**1,158.4**
Operating profit/(loss)	**44.5**	**(37.1)**	**7.4**
Provision for loss on termination of discontinued operations	**-**	**(112.8)**	**(112.8)**
Share of operating profit of joint venture	**0.3**	**-**	**0.3**
Share of operating loss of associates and amortisation of goodwill	**(1.6)**	**-**	**(1.6)**
Profit/(loss) before taxation	**43.2**	**(149.9)**	**(106.7)**

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Average Balance Sheet (UK Business Only)

(£m, except percentages)

	31 December 2004		31 December 2003	
	Avg. Balance	**Avg. Rate %**	Avg. Balance	Avg. Rate %
Assets				
Wholesale assets	**4,212**	**4.51**	4,345	4.11
Mortgages	**1,835**	**5.09**	2,210	4.74
Personal loans	**2,228**	**7.25**	1,326	8.03
Credit cards	**3,175**	**9.61**	2,650	9.59
Total average interest-earning assets	**11,450**	**6.55**	10,531	6.12
Fixed and other assets	**155**		159	
Total assets	**11,605**		10,690	
Liabilities				
Customer accounts	**6,280**	**3.90**	7,149	3.32
Wholesale liabilities and subordinated debt	**4,540**	**4.67**	2,875	5.00
Total average interest-bearing liabilities	**10,819**	**4.22**	10,024	3.80
Other liabilities	**387**		234	
Total liabilities	**11,207**		10,258	
Shareholders' funds	**398**		432	
Total liabilities and shareholders funds	**11,605**		10,690	

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

Average Yields (UK Business Only)

	31 December 2004 Average rate %	31 December 2003 Average rate %
Interest income as a percentage of average interest-earning assets	**6.55**	6.12
Interest expense as a percentage of average interest-bearing liabilities	**4.22**	3.80
Interest spread	**2.33**	2.32
Net interest margin (includes interest on off-balance sheet items)	**2.50**	2.50

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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Notes to Editors:

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

2. Egg plc floated on 12 June 2000 and is listed on the London Stock Exchange. Prudential plc holds 78% of the share capital.