

Egg plc Interim Results

Analyst Presentation

27 July 2005

Agenda

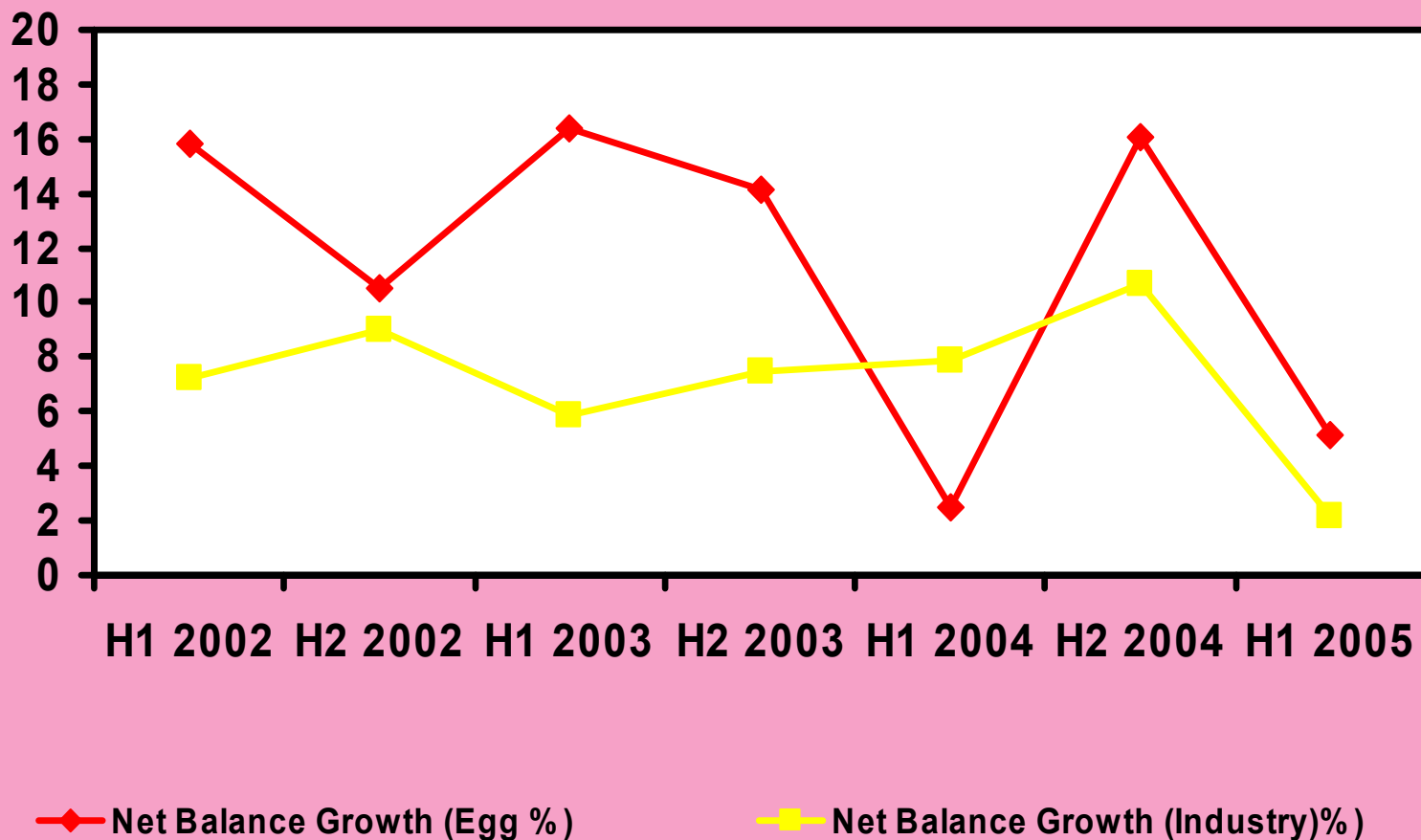
- **Executive Summary** **Paul Gratton**
- **Business Review** **Paul Gratton**
- **Financials** **Mark Nancarrow**
- **Questions and Answers** **Paul Gratton**

Executive Summary

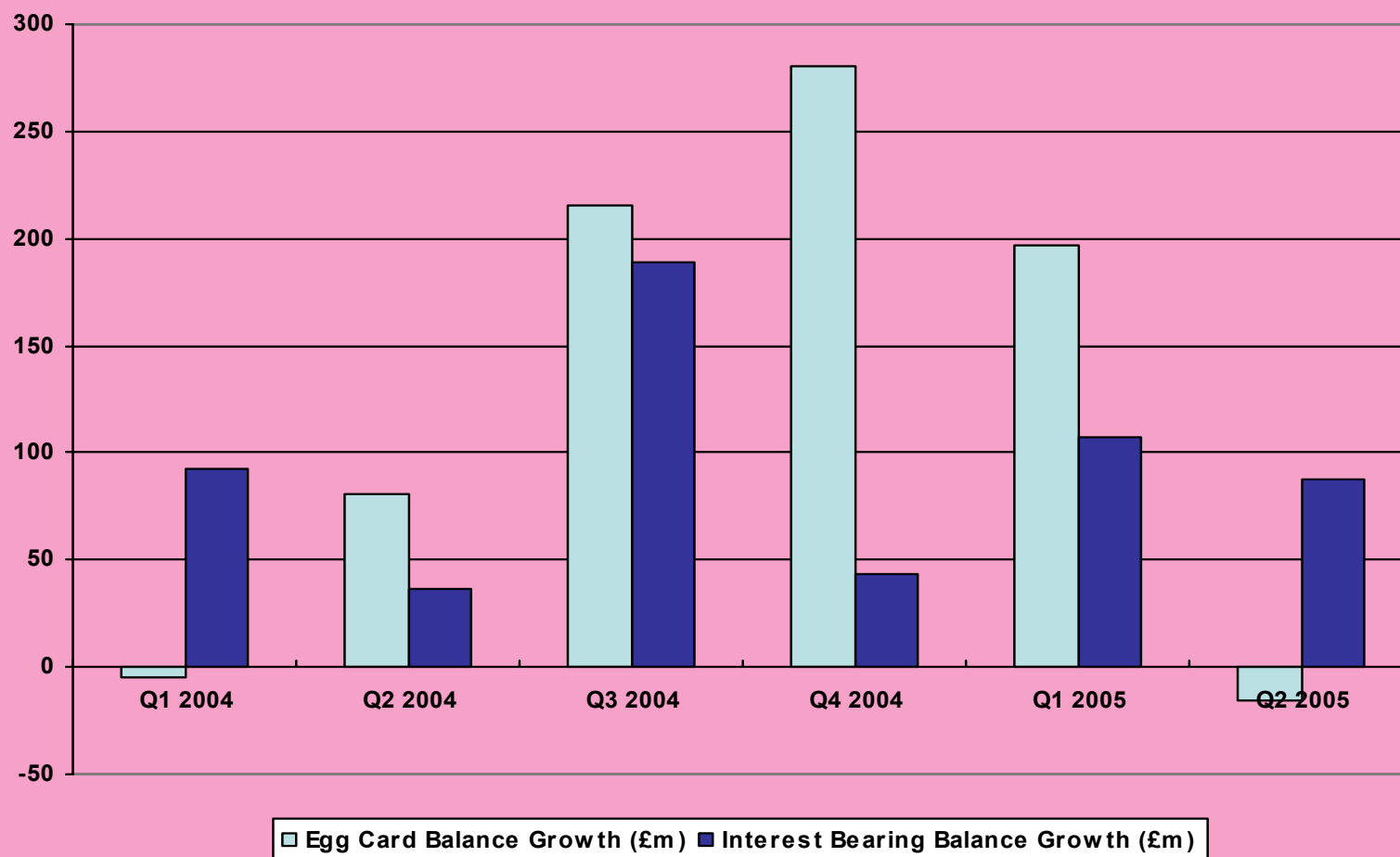
- **Card business performing well with balance growth more than double the industry average**
- **Growth in loan book has slowed following tightening of credit quality**
- **Revenues affected by regulatory changes impacting PPI penetration and margins slightly lower as funding costs have risen with base rates**
- **Costs well controlled and cost/income ratio falling in line with our plans**
- **Credit quality still strong and quarterly impairment charge has reduced as forecast**
- **Remain confident about H2 and excited about new customer and product propositions in the pipeline**

Business Review

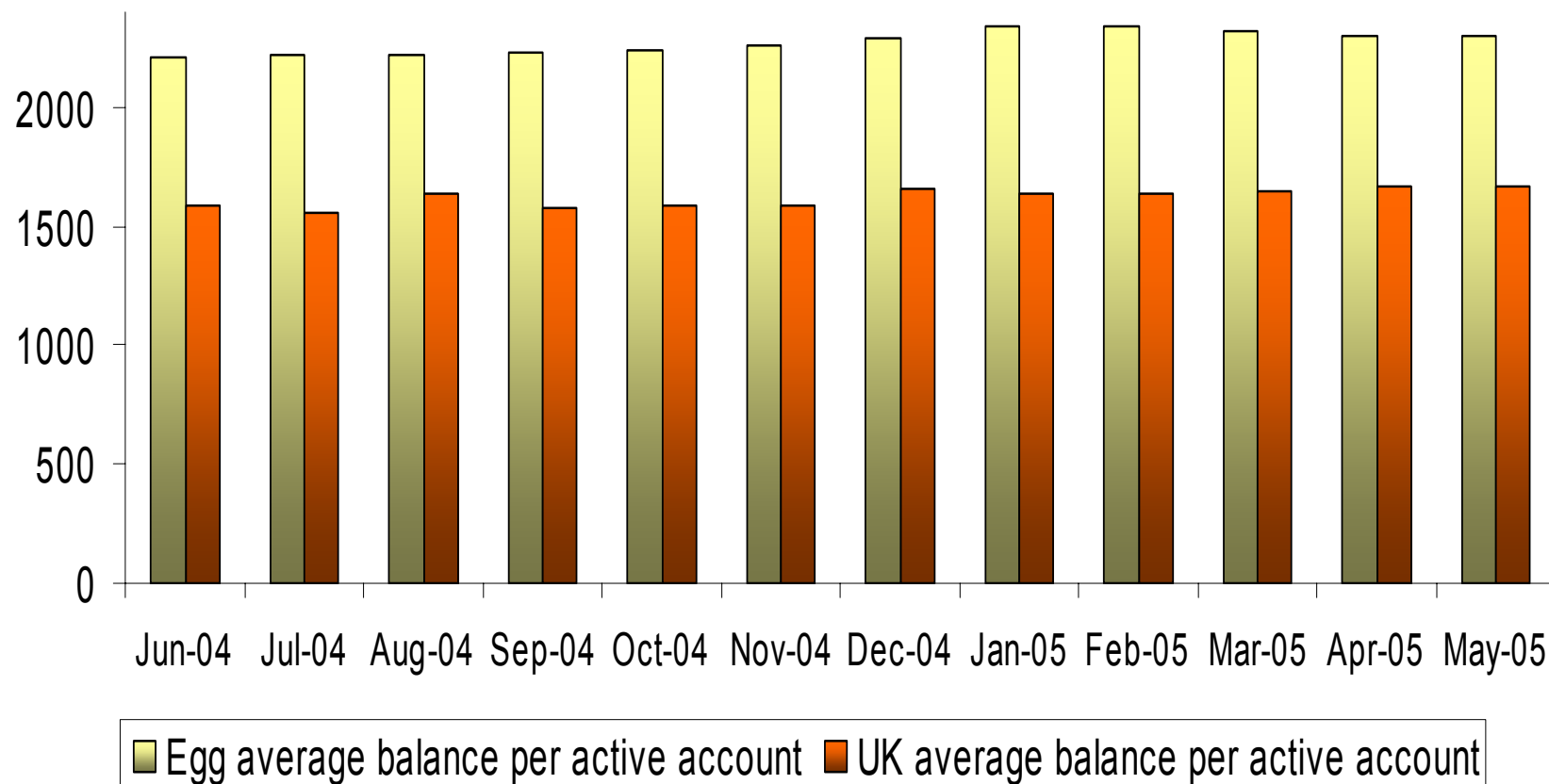
Card Balances – Out-performing the Industry



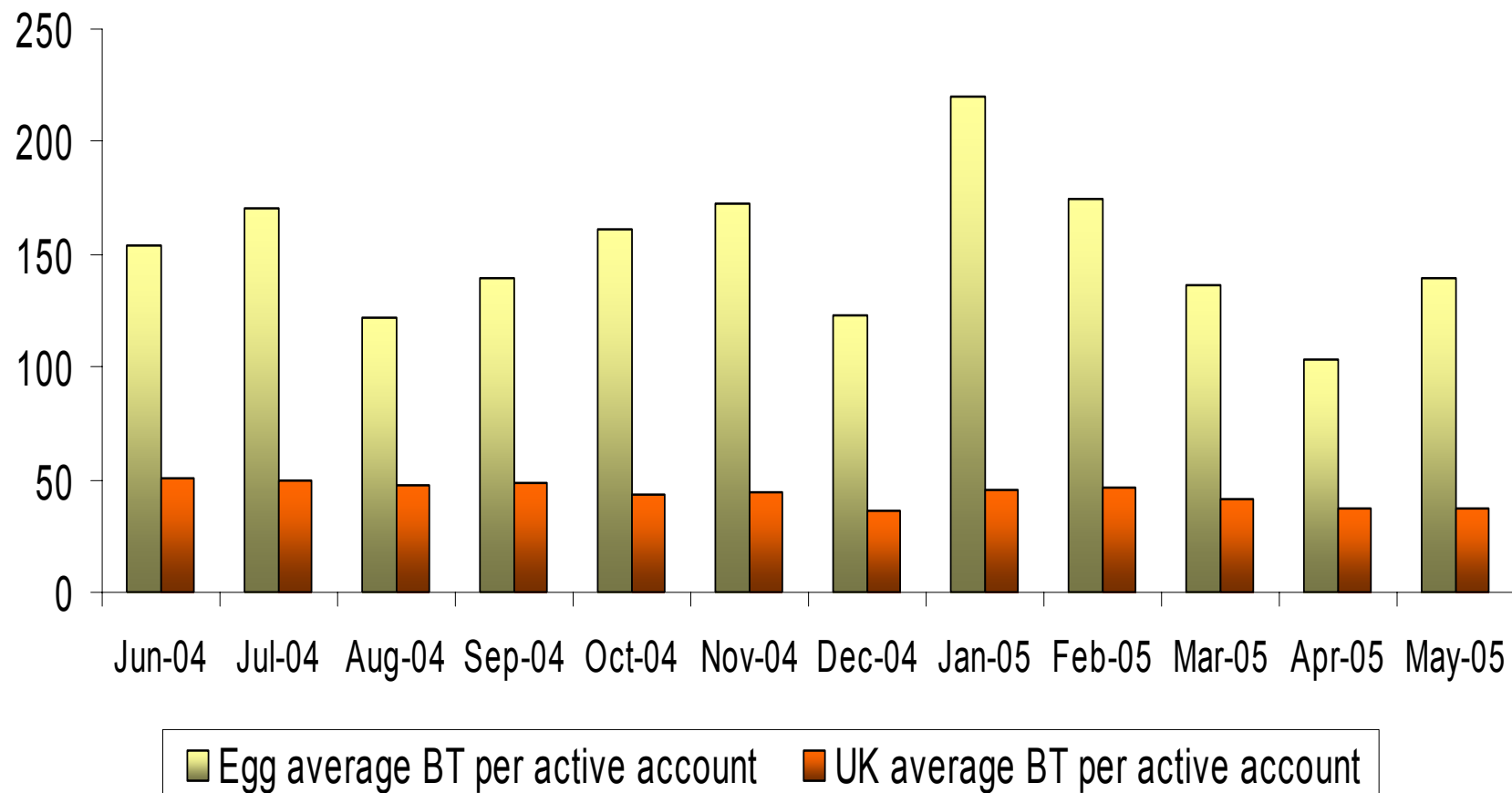
Card Balances – Growing Profitably



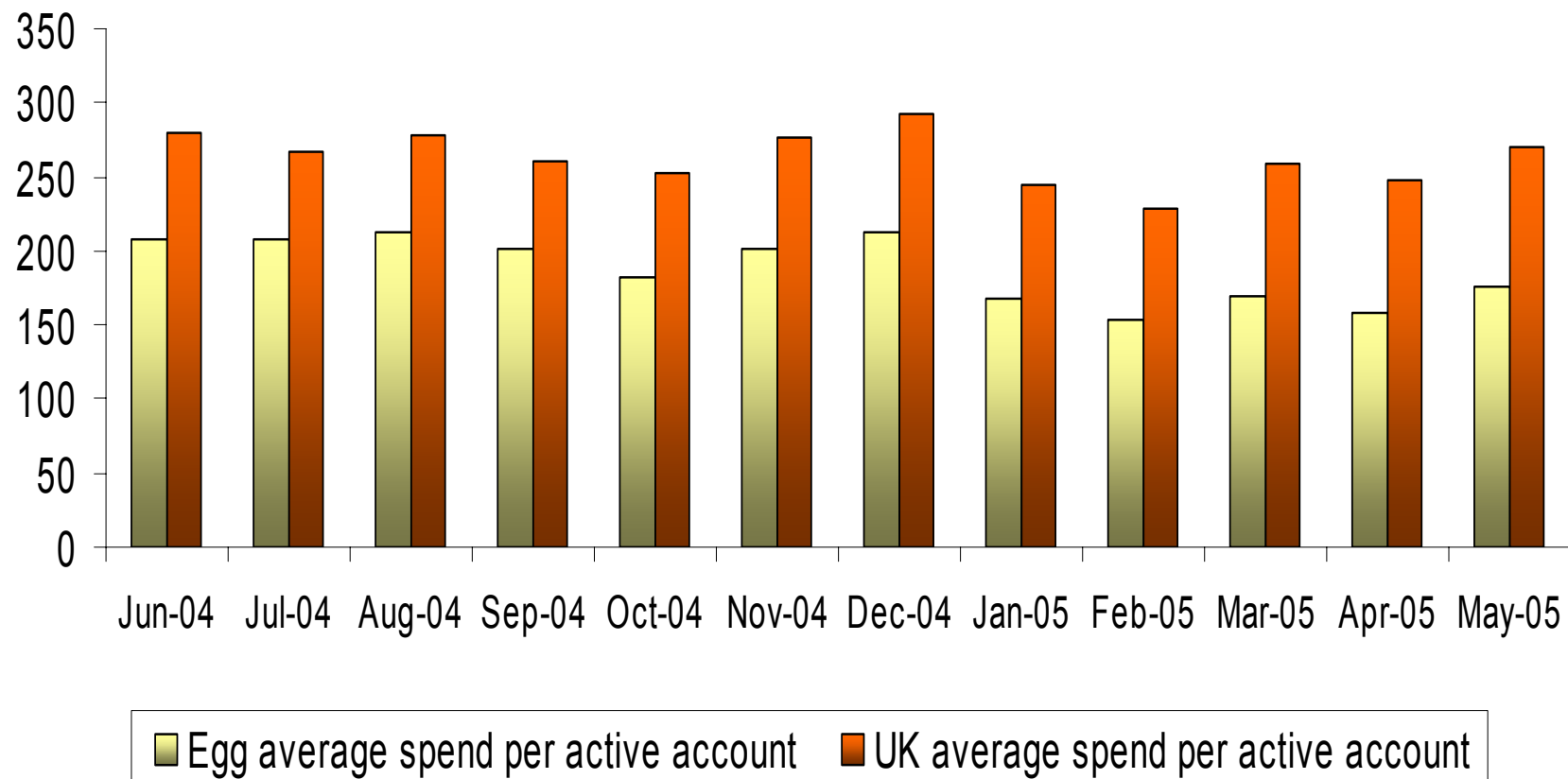
Card Book Analysis – Above Industry Average Balance



Card Book Analysis – Successful BT Strategy

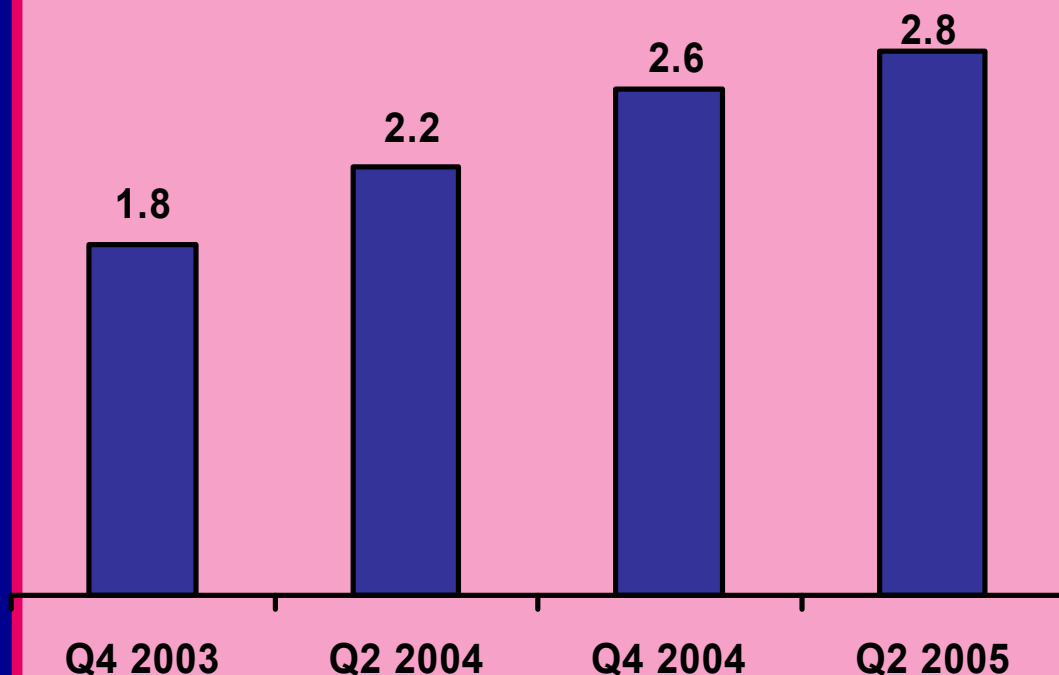


Card Book Analysis – Below our Market Share on Spend



Loans – Planned Slowdown in Growth

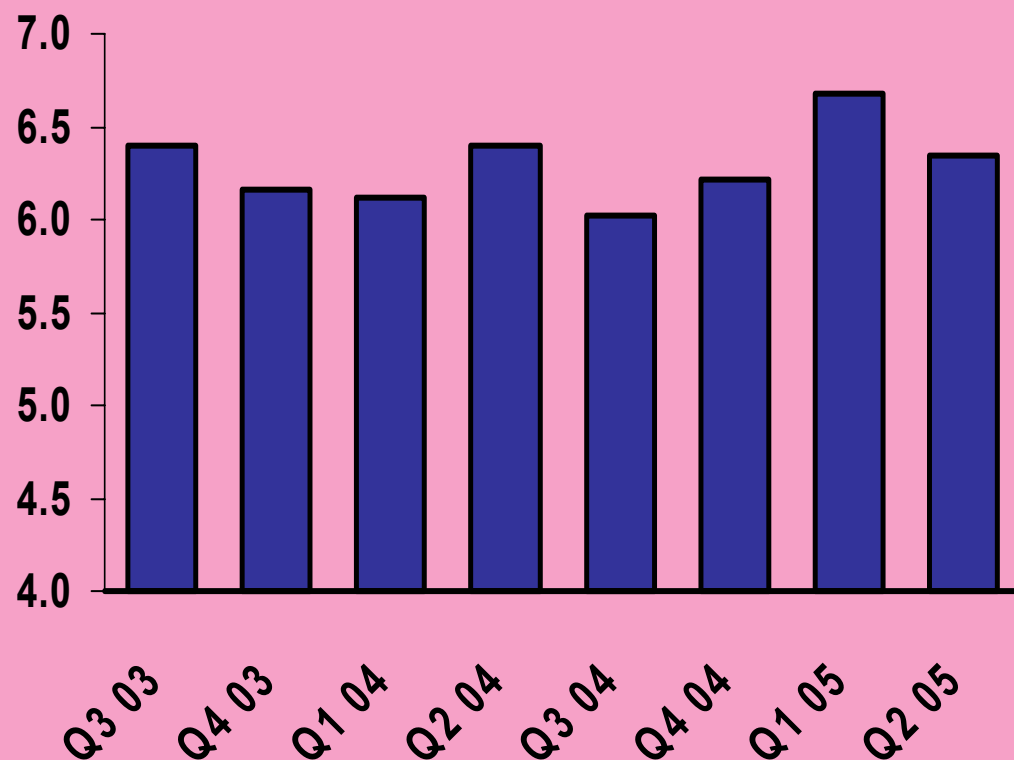
Loan Balances, £bn



- Tightened lending criteria
- Market also slowing
- Still cross sold

Savings – Stable Balances

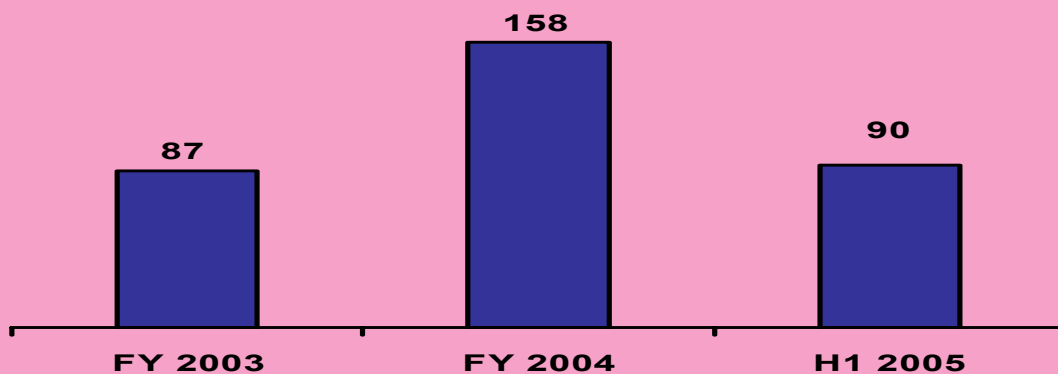
Egg UK Savings Balances, £bn



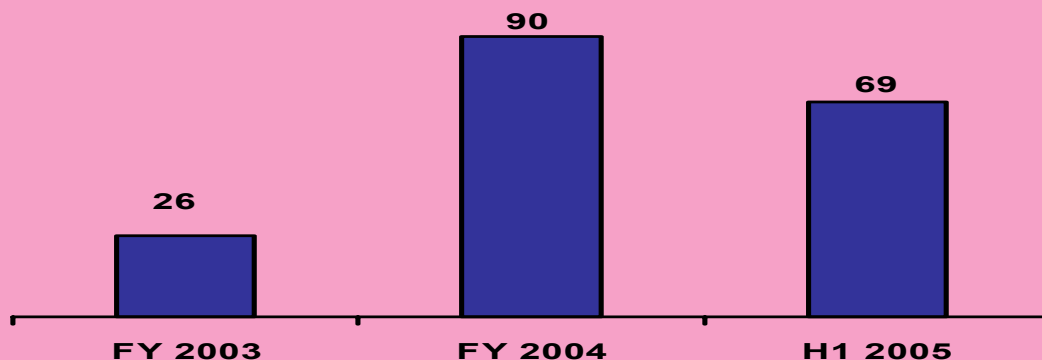
- Tactical use of bonus account to access funding over past 2 years
- Relatively stable profile (small net inflow in H1 2005)
- Expect balances to erode going forward

Other Products – Steady Growth

GI Sales (inc renewals), 000



Egg Money Manager Sales, 000



- On track for record year for insurance
- Travel policies are the biggest seller
- Egg Money Manager sales increasing also
- Other Products mainly cross sold
- No direct marketing

Financials

Profit and Loss Account - Analysis by Business Unit

	H1 2005 £m	H1 2004 £m
Egg UK	23	36
Egg France	5	(32)
Subsidiaries/Assoc/JVs	(3)	(1)
Transaction Costs	-	(3)
Restructuring	(10)	(2)
Group Profit/(Loss) Before Tax	15	(2)

Egg UK profit emergence has different time profile in 2005

France exit almost complete with small provision release

Funds Direct exit cost provision (£3m)

Restructuring delivering significant cost savings

Profit and Loss Account – Egg UK

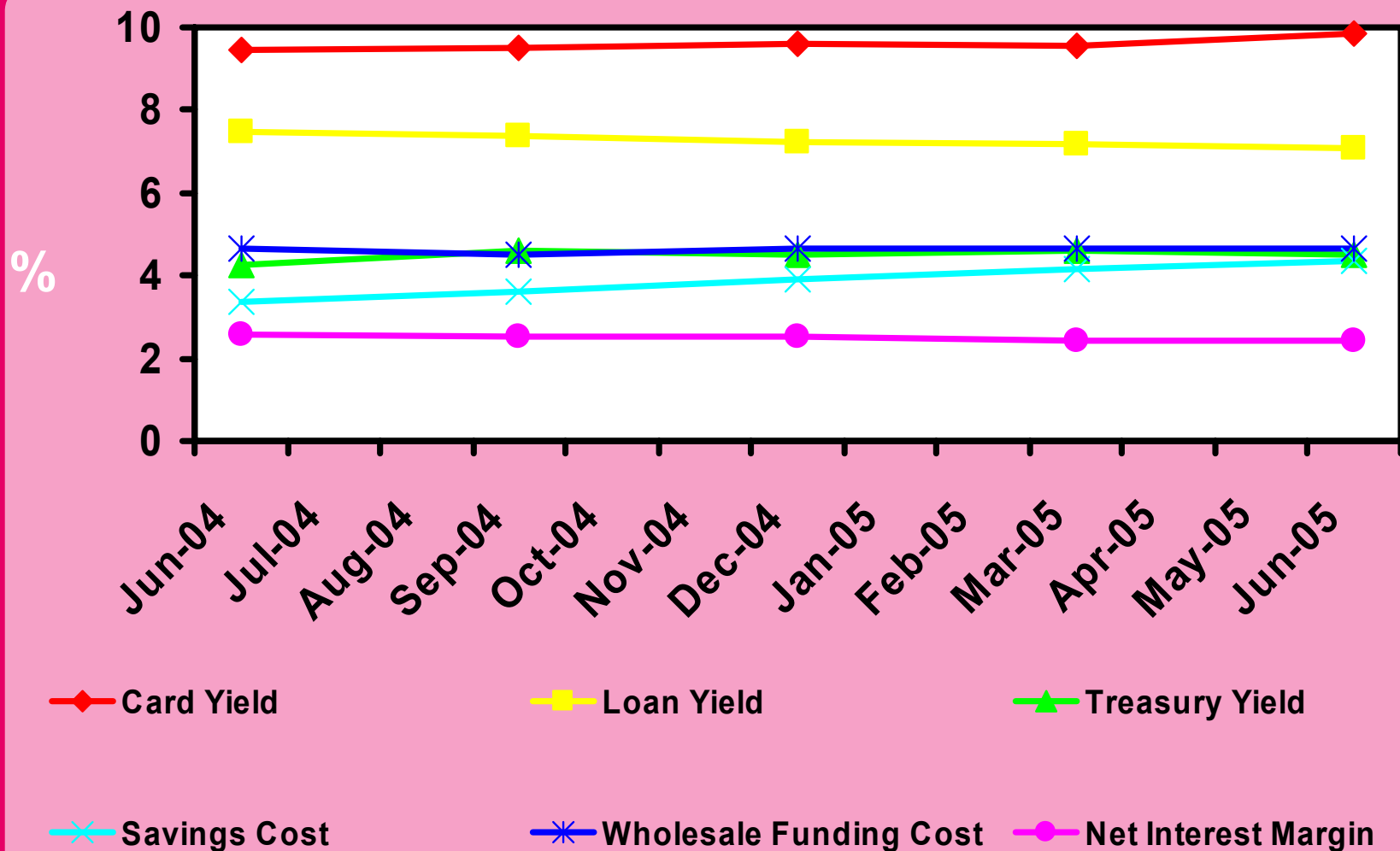
	H1 2005 £m	H1 2004 £m
Net Interest Income	146	144
Other Operating Income	105	95
Total Revenue	251	239
Ops/Admin Expenses	(74)	(78)
Brand and Marketing	(17)	(20)
Development	(6)	(11)
Depreciation	(14)	(12)
Total Costs	(111)	(121)
Impairment Losses	(117)	(82)
Profit/(Loss) Before Tax	23	36

Revenues up 5% despite margin pressure from base rates and PPI income falling £11m

Costs down 8% following actions on overheads and reduced level of development investment required re Basel and IFRS

Credit quality remains strong and quarterly charge fell in Q2 2005

Asset and Liability Yields



Non Interest Income

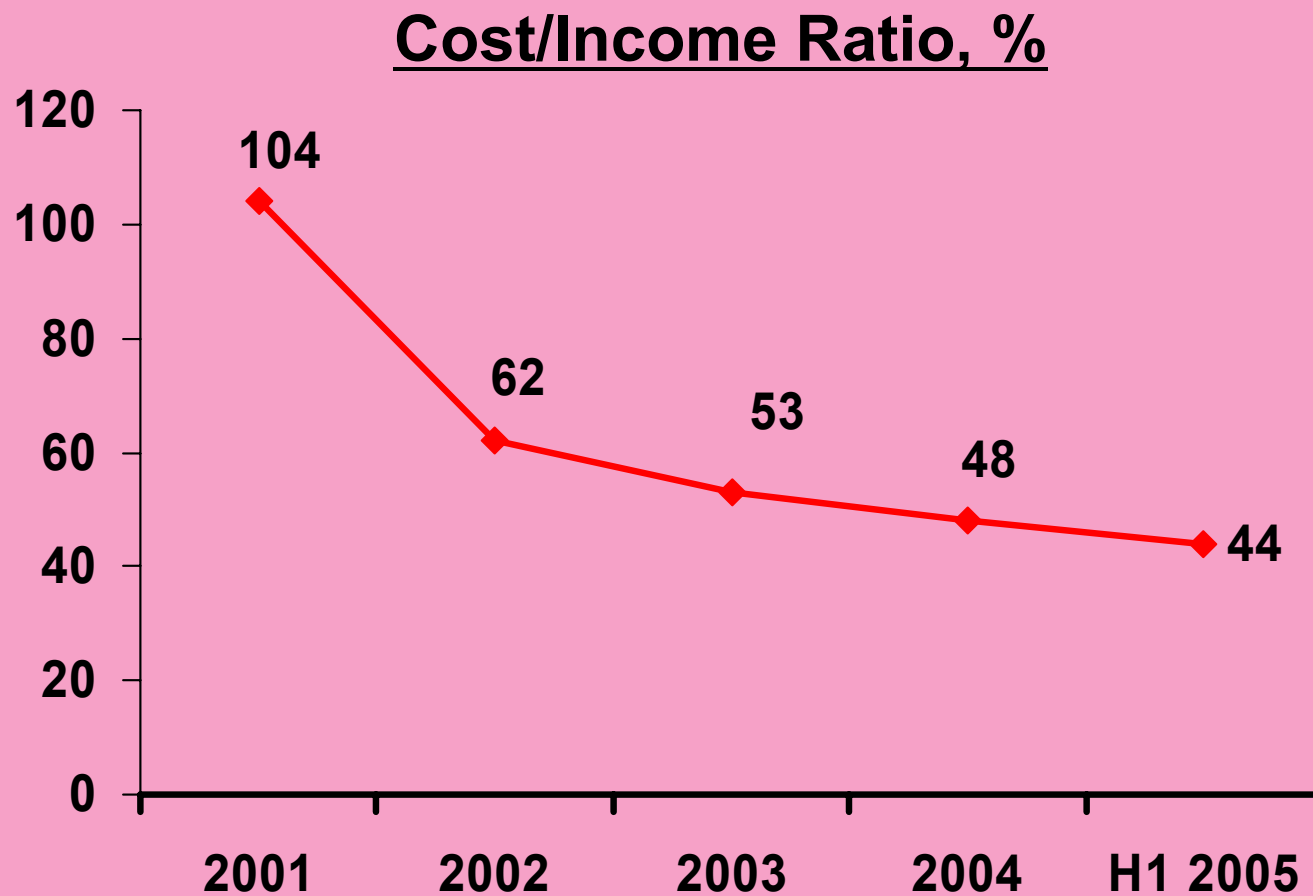
	H1 2005 £m	H1 2004 £m
PPI (incl. profit share)	45	56
Card insurance commissions	32	23
Card fee income (incl. net interchange)	22	17
Other income (incl. treasury)	6	(1)
Total	105	95

Reduction in PPI commission income reflects both the tactical decision to lower sales volumes and lower penetration (48% versus 60%)

Card insurance commissions and other fee income have increased due to larger book and improvement in penetration rates on CRP

Other income has increased primarily due to FX gains which were previously absorbed in the interest margin under UK GAAP but are now accounted for separately in this caption

Costs



Impairment – Quarterly Trends

Impairment Charge (£m)



- Increase in historic charge driven by loan book growth
- Card book continues to perform well
- Improvements in collections having positive impact
- Scorecard tightening in December on loans will further benefit H2 2005

Credit Quality

- **Credit quality maintained**
- **External benchmarking continues to show card portfolio stability and industry out-performance**
- **Trends in line with plans with significant improvement expected on loans in H2**

12 month lagged performance

	Jun 2005	Dec 2004
Card	2.6%	2.4%
Loan	6.1%	6.2%
Combined	4.0%	3.8%

Consolidated Balance Sheet

	H1 2005 £m	H1 2004 £m
Mortgages	1,657	1,837
Personal Loans	2,753	2,227
Credit Cards	3,771	3,226
Retail Assets	8,181	7,340
Impairment Provisions	(288)	(231)
Wholesale Assets	3,263	4,453
Other Assets	265	663
Total Assets	11,421	12,225
Customer Deposits	6,451	6,546
Wholesale Liabilities	3,888	4,172
Subordinated Debt	468	451
Other Liabilities	278	616
Shareholders' Funds	336	440
Total Capital & Liabilities	11,421	12,225

Unsecured lending
balances still
growing strongly

Savings base has
been stable

Wholesale balance
sheet being
contracted for
capital efficiency
given strong
liquidity position

Net reduction in
shareholders' funds
due to France
closure provision

Capital

	June 2005	June 2004
Total Capital	£671m	£863m
Risk-weighted Assets	£5.1bn	£5.2bn
Risk asset Ratios		
-Total	13.3%	16.5%
Egg Banking Ratios		
-Tier 1	9.1%	9.6%
-Total	15.0%	16.8%

£2.5bn of card securitisation to manage RWAs

Credit Derivatives over £1.5bn of mortgages and £0.8bn of ABS/MBS assets

Share capital reconstruction completed on 6 July

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