Pillar Funding Series 2003-1

Egg Banking plc
Credit Card
UK

CLOSING DATE
29 May 2003

Lead Analyst

Stefan Augustin
Associate Analyst
London
(44) 20 7772 5436
Stefan.Augustin@moodys.com

Backup Analyst

George Skelton, PhD
Associate Analyst
London
(44) 20 7772 5578
George.Skelton@moodys.com

New York

Marie Erickson
Investor Liaison Specialist
(212) 553 4796
Marie.Erickson@moodys.com

Client Service Desk
London: (44) 207 772 5454
csdlondon@moodys.com

Monitoring
London: (44) 20 7772 5399
monitor.london@moodys.com

Frankfurt: (49) 69 7073 0731
monitor.frankfurt@moodys.com

Paris: (33) 1 53 30 1074
monitor.paris@moodys.com

Madrid: (34) 91 702 6601
monitor.madrid@moodys.com

Milan: (39) 02 5821 5596
monitor.milan@moodys.com

WEBSITE
www.moodys.com

RATINGS

Class	Rating	Amount	% of Total	Legal Final Maturity	Maturity Expected
A1	**Aaa**	€200,000,000	28.5	2010	2008
A2	**Aaa**	£100,000,000	20.0	2010	2008
A3	**Aaa**	$316,000,000	38.5	2010	2008
B	**A2**	£40,000,000	5.00	2010	2008
C1	**Baa2**	€40,000,000	5.70	2010	2008
C2	**Baa2**	£11,500,000	2.30	2010	2008
Total		£500,000,000	100		

The ratings address the ultimate payment of interest, and ultimate payment of principal at par on or before the rated final legal maturity date. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks, such as those associated with the timing of principal prepayments and other market risks, have not been addressed and may have a significant effect on yield to investors.

OPINION

Strengths of the Transaction

- The credit quality of the portfolio;
- The level of protection against losses provided by the Class B Notes and the Class C Notes;
- The expertise of Egg Banking plc ("Egg") (**A2/Prime-1**) as an originator and servicer of credit card receivables in the UK. Egg is 79% owned by Prudential plc;
- All customers are required to make the minimum required monthly payments by direct debit which results in a low delinquency rate; and
- All accounts to be included will be at least six months seasoned, which puts the account beyond the teaser or promotional interest rate period featured in the first 6 months. This also adds comfort in terms of origination fraud.

Weaknesses and Mitigants

- Egg writes off receivables when they have been outstanding for more that 360 days. This longer than average write-off policy impacts the support of excess spread in the transaction. However Moody's took this into account when sizing the credit enhancement for this transaction;
- Revolving period of approximately four years which could introduce some uncertainly in the quality of the portfolio over time, which will be largely dependent upon Egg's underwriting criteria. However this risk is mitigated through the average portfolio yield trigger;
- The gross yield which is lower than other UK credit card master trusts. This is mitigated by lower than average charge-offs;
- There is no back-up servicer in place at closing however, Moody's takes comfort in the high rating of Egg and the rating of its parent; and
- The company was launched in 1996 hence relatively little historical data is available and its portfolio has grown rapidly. However Egg shows a significant amount of sophistication.

STRUCTURE SUMMARY

Issuer:	Pillar Funding Series 2003-1
Seller/Originator:	Egg (**A2**/**Prime-1**)
Servicer:	Egg
First Interest Payment:	15th August 2003
Principal Payment:	Soft Bullet
Credit Enhancement/Reserves:	Available Excess Spread for all classes, 13.0% subordination for Class A, 8% for Class B and Spread Account for Class C
Swap Counterparty:	Deutsche Bank AG London ("DBAG")
Principal Paying Agent:	JP Morgan Chase Bank (**Aa3**/**Prime-1**)
Security Trustee:	JP Morgan Corporate Trustee Services Limited
Note Trustee:	JP Morgan Corporate Trustee Services Limited
Arranger/Lead Manager:	DBAG and Bank of America Securities Ltd

COLLATERAL SUMMARY

Receivables:	UK Credit Card Receivables
Number of Contracts:	1,292,603
Total Trust Balance	1,887,769,039.79
Geographic Diversity:	South East – 22.8%
Seasoning:	24 months
Delinquency (31 – 60 Days):	0.9%
Delinquency (61 – 90 Days):	0.4%
Loss Experience:	2.46%

CREDIT SUPPORT

Class	Subordination	Reserve Fund	Total
A-1	13.0%	0.00%	13.00%
A-2	13.0%	0.00%	13.00%
A-3	13.0%	0.00%	13.00%
B	8.00%	0.00%	8.00%
C-1	0.00%	Excess Spread Account	Excess Spread Account
C-2	0.00%	Excess Spread Account	Excess Spread Account

TRAPPING OF EXCESS SPREAD

Trigger	Spread Account Required Amount
If Spread > 3.5%	1.5%
If Spread $\leq$ 3.5%	3.0%
If Spread $\leq$ 2.5%	4.0%
If Spread $\leq$ 2.0%	5.0%

STRUCTURAL AND LEGAL ASPECTS

Receivables Trust

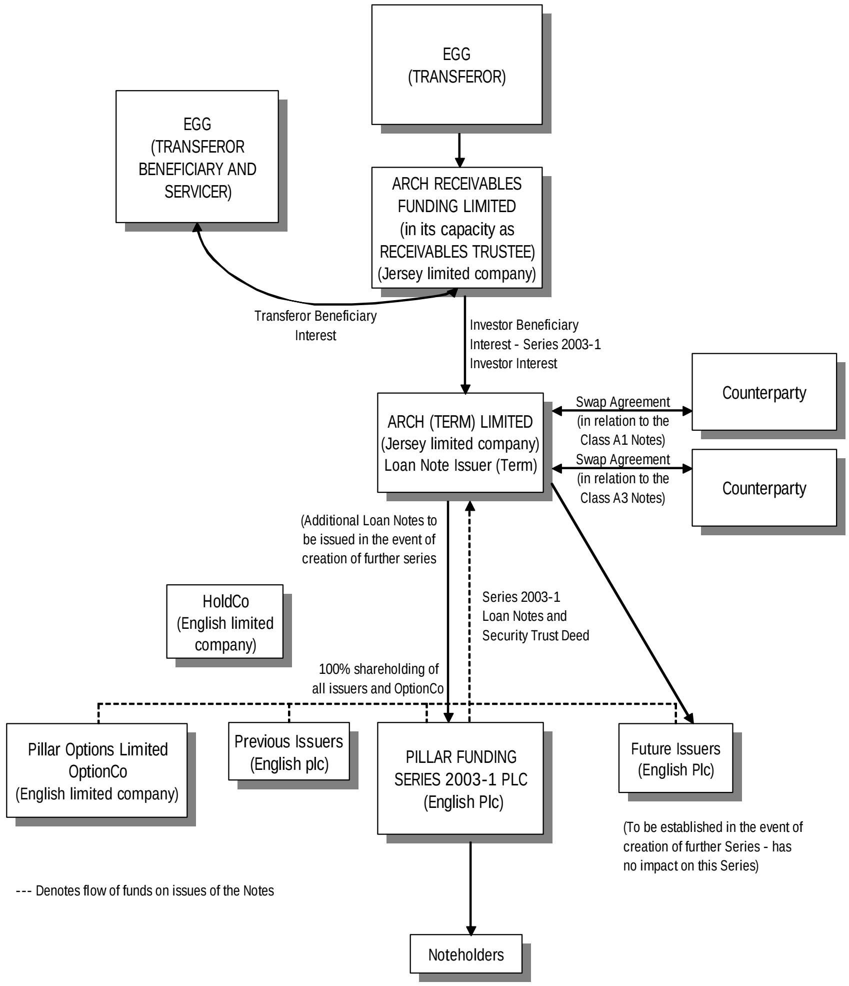
The Receivables Trust was formed pursuant to the Receivables Trust Deed and Servicing Agreement (the "RTDSA") made among the Loan Note Issuer (Term), the Loan Note Issuer (CP), the Loan Note Issuer (Developments), (together the "Investor Beneficiaries"), Egg (in its capacity as Servicer, Transferor and Transferor Beneficiary) and the Receivables Trustee. The Receivables Trust is structured similarly to other UK credit card receivables master trusts, whereby the Transferor assigns to the Receivables Trustee its beneficial interests in the Receivables arising under certain Designated Accounts, but retains the accounts themselves. The assets of the Receivables Trust are allocated among the beneficiaries on a pari passu basis in undivided shares according to the aggregate principal amount of the beneficial interest of each Beneficiary in the Receivables Trust.

The Receivables Trustee holds and will hold the Receivables on trust for Egg, as Transferor Beneficiary, and for three special purpose companies incorporated in Jersey, Channel Islands, called Arch (Term) Limited (the "Loan Note Issuer (Term)"), Arch (CP) Limited (the "Loan Note Issuer (CP)") and Arch (Developments) Limited (the "Loan Note Issuer (Developments)") as Investor Beneficiaries.

The Loan Note Issuer (Term), will fund a Contribution to the Receivables Trust by issuing a series of limited recourse loan notes to the Issuer (the "Series 2003-1 Loan Notes" and the "Series 2003-1 Related Debt"). The limited recourse nature of the Series 2003-1 Loan Notes will ensure that the Loan Note Issuer (Term) is only ever liable to the Issuer for payments in an amount not to exceed payments received by the Loan Note Issuer (Term) from the Receivables Trustee in respect of the Series 2003-1 Investor Interest. The Issuer, in turn, will finance its purchase of the Series 2003-1 Loan Notes by issuing a series of Notes to investors.

The proceeds of the issue of the Notes will be used to purchase three separate classes of Series 2003-1 Loan Notes issued by the Loan Note Issuer (Term), comprised of the Class A Loan Notes (comprised of the Class A1, Class A2 and Class A3 Loan Notes), the Class B Loan Note and the Class C Loan Note. The Loan Note Issuer (Term) will use the aggregate proceeds of the Series 2003-1 Loan Notes (together with an amount drawn under the Expenses Loan Agreement) to fund the Contribution to the Trust Property in the Receivables Trust referred to above. The portion of the Loan Note Issuer (Term)'s Aggregate Investor Interest that represents the increased beneficial interest will be evidenced by annotation of the Trust Interest Register which will also evidence the beneficial interest of Loan Note Issuer (Term) in respect of Series 2003-1 - See "The Issuer" and "Loan Note Issuer (Term)" and will be set out in an Investor Certificate. In the future, the Loan Note Issuer (Term) may use the proceeds of further loan notes ("Loan Notes") to increase the size of its beneficial interest in the Receivables Trust through the creation of an additional Investor Interest or to repay principal on an existing Loan Note. It may also experience charge-offs on Receivables in the Receivables Trust, which will reduce the size of its beneficial interest in the Receivables Trust. By virtue of owning its beneficial interest in the Receivables Trust, the Loan Note Issuer (Term) will be entitled to receive payments from the Receivables Trustee in respect of interest, principal and certain other fees paid by Obligors. The size of the Loan Note Issuer (Term)'s share of the Collections from the Obligors will be in proportion to the size of its beneficial interest in the whole of the Receivables Trust.

Figure 1
Transaction Structure



Account Additions

The number of accounts that can be added to the Receivables Trust without requiring a rating confirmation from Moody's of all outstanding Associated Debt (the so called Maximum Addition Amount) is limited to both (1) in any 3 month period, 15% of the number of Designated Accounts at the start of the period, and (2) in any 12 month period, 20% of the number of Designated Accounts at the start of the period.

Moody's satisfactorily reviewed an account addition in April 2003 which brought the total trust balance to £1,887,769,047.

Pay Out Events

The structure identifies two types of **Pay Out Event** ("Trust Pay Out Event" and "Series 2003-1 Pay Out Event"), which can variously trigger two types of early amortisation of the Investor Interest ("Regulated Amortisation" and "Rapid Amortisation"), as described below.

The **Series 2003-1 Pay Out Events** include the following:

(a) failure on the part of the Transferor acting in its capacity as Servicer to make payments/deposits or observe covenants/agreements required by the terms of the Receivables Securitisation Deed, unless remedied within certain periods;

(b) the Transferor making incorrect representations or warranties in the Receivables Securitisation Deed, unless remedied within certain periods;

(c) the 3 months average portfolio yield on the receivables being less than the average expense rate for any three consecutive months;

(d) the average Transferor Interest being less than the Minimum Transferor Interest of 7% for a period of 30 days, and the Transferor not remedying this within a certain period (This 7% interest is available to absorb dilution, and other adjustments to the balance of the receivables. Examples of dilution would include set-off by account holders, the issue of credit notes, or the occurrence of buy-backs), or on any record date, the aggregate amount of principal receivables being less than the Minimum Aggregate Principal Receivables amount and failing to increase to be at least equal to the Minimum within a certain period;

(e) Servicer default;

(f) the Series 2003-1 Investor Interest not being reduced to zero on the Scheduled Redemption Date;

(g) deduction or withholding of amounts from payments by the Loan Note Issuer (Term) in respect of Series 2003-1 for tax or regulatory reasons.

The **Trust Pay Out Events** include various events relating to the insolvency of the Transferor or changes in the tax or legal position of the Transferor or the Trustee.

Revolving Period, Controlled Accumulation Period, Regulated Amortisation Period and Rapid Amortisation Period

The **Revolving Period** begins on the Closing Date and lasts until the earlier of the beginning of the Controlled Accumulation Period, the Regulated Amortisation Period or the Rapid Amortisation Period. During the Revolving Period, the Receivables Trustee uses principal collections allocable to the Investor Interest to purchase new receivables for the Trust arising under the Designated Accounts.

Unless a Pay Out Event occurs, the **Controlled Accumulation Period** is scheduled to begin in 2007 and will end on the earlier of the beginning of the Regulated Amortisation Period, the beginning of the Rapid Amortisation Period or the Scheduled Redemption Date. However, the Revolving Period may under certain conditions be extended by postponing the commencement of the Controlled Accumulation Period until no later than 2008. The effect of this is to permit a reduction in the length of the Controlled Accumulation Period based on the investor interest of other series that are scheduled to be in their revolving periods or if there has been an increase in the principal payment rate on the receivables. The length of the Controlled Accumulation Period will not be less than one month. During the Controlled Accumulation Period, certain amounts of Principal Collections allocable to the Series 2003-1 Investor Beneficiary will be credited by the Receivables Trustee to the Series 2002-A Principal Funding Ledger of a trust account. On the Series 2003-1 Scheduled Redemption Date, such amounts as have accumulated therein will be used to redeem the Series 2003-1 Loan Notes, which amount will in turn be used by the Loan Note Issuer (Term) first to redeem the Class A Notes, then to redeem the Class B Notes, then to redeem the Class C Notes.

The **Regulated Amortisation Period** (a UK regulatory requirement) begins upon the occurrence, if any, of one of the events (c) or (d) of the Series 2003-1 Pay Out Events described above, and will continue until the earlier of the beginning of the Rapid Amortisation Period, the reduction of the Series 2003-1 Investor Interest to zero or the Final Redemption Date. During the Regulated Amortisation Period, Principal Collections allocable to the Series 2003-1 Investor Interest will, to the extent that they are available for distribution, be distributed monthly by the Receivables Trustee to the Series 2003-1 Loan Note Issuer up to an amount not to exceed the Maximum Controlled Deposit Amount. The Maximum Controlled Deposit Amount is defined for Group 1 in such a way as to ensure that the Regulated Amortisation Period shall never be less than 12 months.

The **Rapid Amortisation Period** begins upon the occurrence, if any, of a Series 2003-1 Pay Out other than (c) or (d) or upon the occurrence, if any, of a Trust Pay Out Event, and will continue until the earlier of the reduction of the Series 2003-1 Investor Interest to zero, the Final Redemption Date or the dissolution of the Receivables Trust. During the Rapid Amortisation Period, all Principal Collections allocable to the Series 2003-1 Investor Beneficiary will be accumulated by the Receivables Trustee and transferred monthly to the Series 2003-1 Loan Note Issuer for distribution to the Noteholders in a sequential fashion.

RECEIVABLES TRUST PORTFOLIO

The Receivables assigned, or which may in the future be assigned, to the Receivables Trustee by the Transferor arise, or will arise, in the credit card accounts of customers of Egg Banking plc which have been selected from the bank portfolio on the basis of eligibility criteria set out in the Receivables Securitisation Deed. These Designated Accounts constitute the Receivables Trust Portfolio.

Portfolio Composition

Table 1 shows the main portfolio characteristics compared to other recent UK master trust issuances.

Table 1:

Comparison of Recent Issuances from UK Credit Card Master Trusts

	PILLAR 2003-1 (March 2003)		PILLAR 2002-1		GCF No.2		Affinity 001		Cards 2002-A		Sherwood 2002-1	
Class A	87.0%	**Aaa**	87.0%	**Aaa**	90%	**Aaa**	84.5%	**Aaa**	88%	**Aaa**	84%	**Aaa**
Class B	5.0%	**A2**	5.0%	**A2**	5%	**A1**	6.5%	**A1**	5%	**A1**	7%	**A2**
Class C	8.0%	**Baa2**	8.0%	**Baa2**	5%	**Baa2**	9%	**Baa2**	7%	**Baa2**	9%	**Baa2**
PPR (% per month)	18.4%		19.0%		19.61%		20.4%		15.6%		14.2%	
Yield (% per annum)	16.0%		13.5%		16.55%		14.6%		17.9%		20.3%	
Charge Offs (% per annum)	2.6%		3.0%		4.13%		4.3%		4.3%		3.7%	
Delinquencies (30+days)	4.4%		2.3%		3.83%		3.6%		3.5%		5.22%	
Delinquencies (90+days)	3.1%		2.0%				1.7%		1.6%		2.31%	

Historical Performance

The following Figures are based on historical data extracted from the portfolio of Egg Banking plc, as of March 2003. There is only limited historical data available and since losses are expected to occur after 12 – 18 months there are still only few data points. Vintage curves do however exist but due to the lack of history, Moody’s has taken a conservative approach to estimating Losses.

Figure 2:
Portfolio Growth

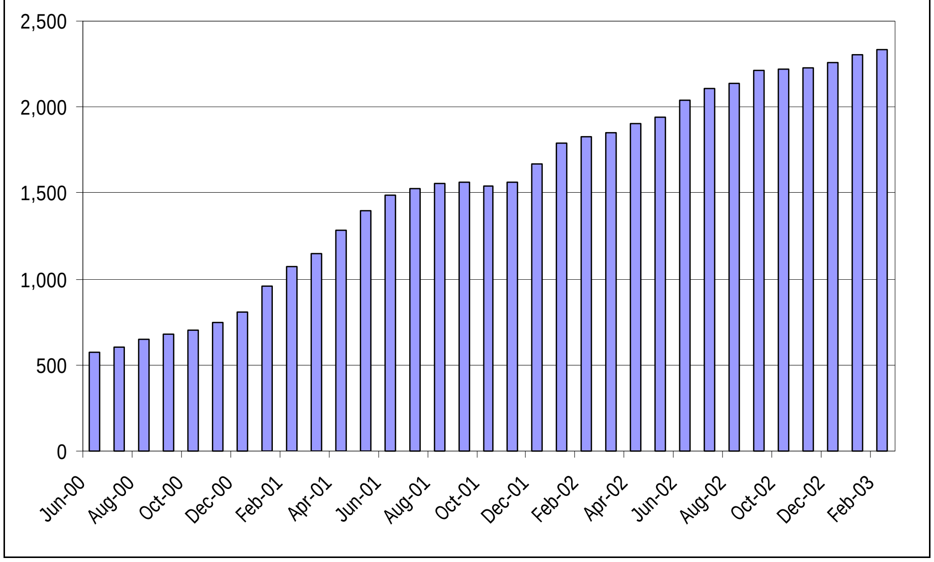


Figure 2 illustrates the evolution of the Receivables Trust Portfolio growing steadily over the past two years.

Figure 3:
Gross Charge-offs

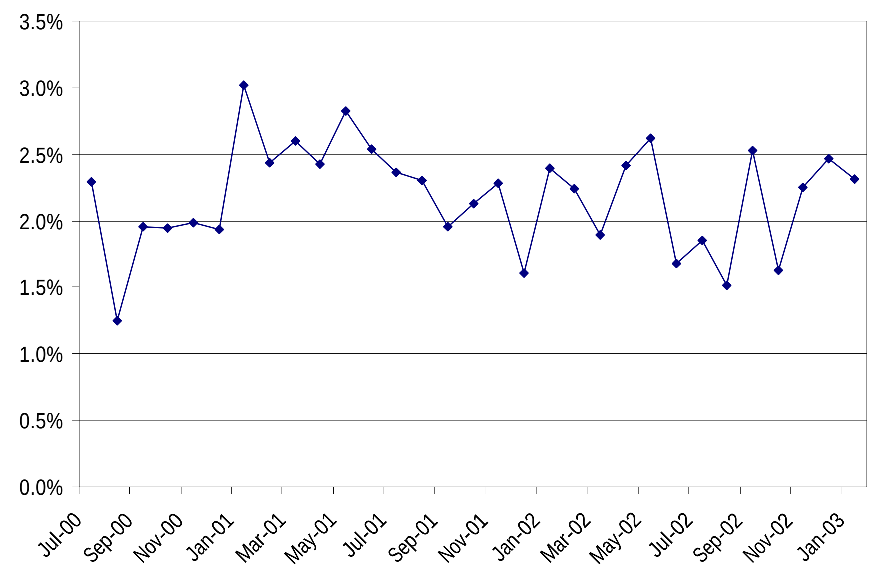


Figure 3 shows the history of charge offs (un-lagged) within the portfolio over the last two years. For Moody's analysis the charge-offs have been divided by balances that have been lagged to counterbalance the growth effect.

In November 2001 Egg implemented a change in charge-off accounting policy from 180 to 360 days. For the purpose of Figure 5 this has been ignored. *Figure 3* presents the average gross charge-offs corresponding to a 180 day write-off policy which is industry norm. As can be observed the evolution of gross charge-offs displays a stable behaviour and is currently less than its peers. However this may change upon the seasoning of the accounts.

Figure 4 illustrates the yield within the portfolio, which has increased steadily since February 2000. The yield remains below other UK credit card master trusts.

After an initial teaser rate period of six months the portfolio reaches relatively stable rates of yield, and payment rate.

Figure 4:
Yield

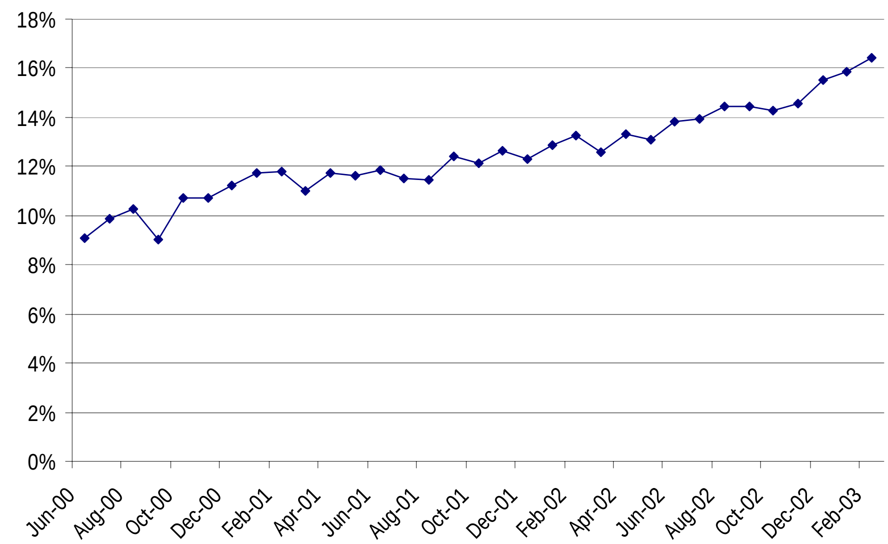
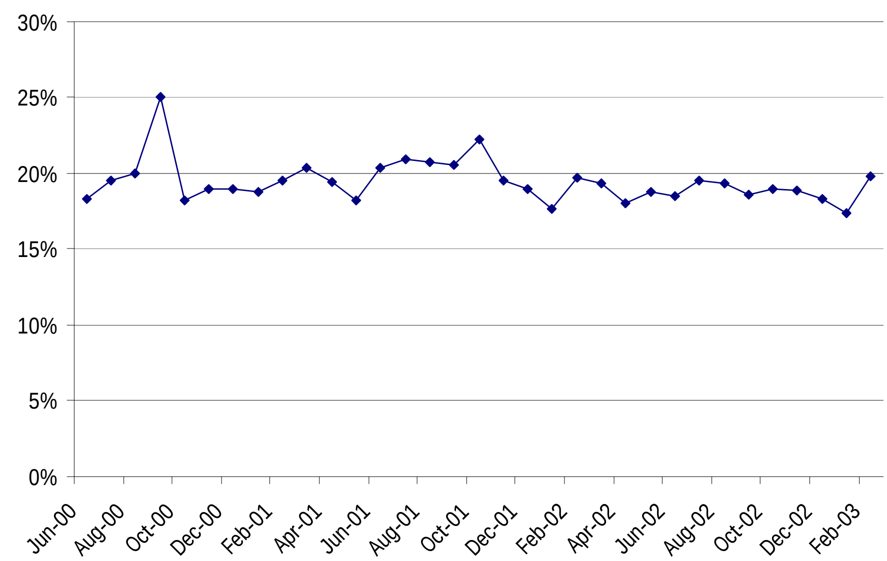


Figure 5 illustrates the weighted average monthly principal payment rate within the portfolio. As can be seen, the payment rate reaches a fairly stable level (which happens after a slight spike following the end of the teaser period, as cardholders pay off a proportion of the balances that they had maintained on the teaser rates). Generally the payment rate has remained high by comparison with other UK credit card master trusts.

Figure 5:
Total Payment Rate



SERVICING

Egg is Europe's leading digital financial services provider, providing banking, insurance, investments, mortgages and a shopping portal through its internet site and other distribution channels. It was launched in 1996 as a banking subsidiary of Prudential plc, the UK-based financial services group. The group has quickly developed into a digitally focussed scale provider of financial services.

Egg floated on 12 June 2000 and is listed on the London Stock Exchange. Prudential plc continues to hold 79% of the share capital. In line with plans disclosed in its June 2000 IPO, Egg broke even during Q4 2001. As it reaches the limits to growth domestically, Egg intends to expand the core model internationally. This process commenced with the acquisition of Zeebank in France in May 2002, which was relaunched as Egg S.A. in November 2002.

After visiting with management on-site Moody's believes that Egg is in a good position both to service on a day-to-day basis the portfolio of credit card receivables under the Receivables Trust and to manage the underwriting of new accounts. Egg is in a position to attract prime customers, with targeted marketing and competitive pricing. A low risk appetite combined with sophisticated retail credit risk analysis and good management means that the card has low charge-off rates. The servicing of Egg card is designed towards customer convenience and administrative efficiency. Customers can manage their accounts online and automate payment. While customer interfaces, the website and telephone support are retained in-house, other elements of the card servicing are outsourced to First Data Europe ("FDE") who carry out the main data processing operations. This includes managing the account and transaction database as well as calculating and processing payments.

All card acceptance and limit allocation is controlled by Egg's Retail Credit Department through proprietary credit scorecards overlaid with Egg's credit policy rules. Output may result in "accept", "refer" or "decline". "Refer" decisions are handled by internal underwriting specialists while "accept" and "decline" credit decisions are communicated immediately on-line. There is a small number of manual overrides for "accept" and "decline decision which is below 1%.

Egg Banking plc is regulated by the FSA. It has Moody's senior long term credit ratings of **A2** and short term ratings of **Prime-1**.

Egg Bank plc has been appointed by the Receivables Trustee as initial Servicer under the terms of the RTDSA, which provides that Egg service and administer the Receivables, and collect payments due in relation to the Receivables, in accordance with its usual servicing procedures. The appointment may be terminated in two circumstances (1) by the Receivables Trustee if it is instructed to do so by all the Beneficiaries acting unanimously or (2) upon the occurrence of a defined Servicer Default. Following such a termination, the Receivables Trustee must attempt to appoint a Successor Servicer.

MOODY'S ANALYSIS

Modelling

Moody's credit card model focuses on the following performance parameters: (1) level of charge offs, (2) interest rates on the Notes issued, (3) servicing fees, (4) size of the Transferor Interest, (5) the portfolio yield which is required for a credit card issuer to break even and (6) the principal payment rate on the portfolio. Charge offs, portfolio yield and principal payment rate are severely stressed in various Trust amortisation scenarios to determine the expected loss and hence the required credit enhancement for the different ratings. The credit enhancement necessary to support the Class C Notes is determined by quantifying the amount of Excess Spread which would be trapped in various yield and charge off stress scenarios.

Based on the above analysis, Moody's believes that the credit enhancement available for the transaction is consistent with the ratings assigned to the Notes.

MONITORING

For each Series issued out of the Receivables Trust, Moody's will reassess the credit enhancement levels available and confirm the rating on the Notes outstanding before issuing ratings for the new Series. Furthermore, Moody's will closely monitor new account additions by evaluating the potential risks inherent in new accounts (mainly limited seasoning) and determining whether the additions will change the risk profile of the Receivables Trust. Moody's will closely monitor performance information received from the Servicer on an ongoing basis and publish the Series performance on Moody's Performance Overviews on the Moody's website.

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