

ELVA FUNDING PLC

(a public limited company under the laws of Ireland with a registered number of 376213)

issue under

EUR 20,000,000,000 Asset-Backed Medium Term Note Programme

of

SERIES 2012-A

EUR 300,000,000 Secured Floating Rate Notes

due 30 June 2015

This Securities Note has been prepared in connection with the EUR 20,000,000,000 Asset-Backed Medium Term Note Programme (the "**Programme**") of Elva Funding PLC and should be read in conjunction with registration document dated 29 June 2012 (the "**Registration Document**") issued by Elva Funding PLC. Terms defined in the Registration Document have the same meaning when used in this Securities Note.

This Securities Note has been prepared for the purpose of providing information with regard to the issue of Series 2012-A EUR 300,000,000 Secured Floating Rate Notes due 30 June 2015 (the "**Notes**").

The Securities Note has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under the Prospectus Directive 2003/71/EC. The Central Bank only approves this Securities Note as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive 2003/71/EC.

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market.

This Securities Note constitutes a "securities note" for the purposes of the Prospectus (Directive 2003/71/EC) Regulations 2005 (the "**Prospectus Regulations**") which implement Directive 2003/71/EC (the "**Prospectus Directive**") in Ireland). The Securities Note and the Registration Document together constitute a prospectus (the "**Prospectus**") for the purposes of the Prospectus Directive.

MORGAN STANLEY

9 July 2012

The Issuer accepts responsibility for the information contained in this Securities Note. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Securities Note is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer has only made very limited queries with regards to the accuracy and completeness of the information under the section entitled "*Business of the Counterparty and the Tri-Party Agent*" in this Securities Note (the "Third Party Information"). This information has been accurately reproduced from publicly available information identified by the relevant entities and, so far as the Issuer is aware, no facts have been omitted which would render the reproduced information inaccurate or misleading. Prospective investors in the Notes should not rely upon, and should make their own independent investigations and enquires in respect of, the accuracy and completeness of the Third Party Information.

The information set out under the heading "*The Counterparty*" in the section entitled "*Business of the Counterparty and the Tri-Party Agent*" has been provided to the Issuer by Morgan Stanley & Co. International plc. ("MSIP"). MSIP takes responsibility for such information and, to the best of the knowledge and belief of MSIP, the information set out under this heading is in accordance with the facts and does not omit anything likely to affect the import of such information.

No representation is made that this Securities Note may be lawfully distributed, or that Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to an exemption available thereunder, and no responsibility is assumed for facilitating any such distribution or offering. Accordingly, Notes may not be offered or sold, directly or indirectly, and neither this Securities Note nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

No person has been authorised to give any information or to make representations, other than those contained in this Securities Note, in connection with the issue or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or any of the parties mentioned herein.

Neither the delivery of this Securities Note nor any sale made in connection herewith shall, under any circumstances, create any implication that the information herein is correct as of any date subsequent to the issue of this Securities Note.

Before making an investment decision, prospective purchasers should inform themselves about, and make a detailed evaluation of, the nature and financial position of any obligor in respect of the Underlying Assets and the Charged Assets (each as defined below), the economic, social and political condition of the jurisdiction in which any such obligor is located and of the terms and conditions of the Underlying Assets and the Charged Assets. None of the Issuer, the Trustee or the Dealer referred to herein has had any access to any

such obligor for the purposes of conducting any such investigation or makes any representations as to the financial condition or creditworthiness of any such obligor. In addition, prospective purchasers should consider the nature and financial position of the Issuer of the Notes as well as the terms and conditions of the Notes and the other related transaction documents described below.

This Securities Note contains summaries of certain provisions of other documents executed in relation to the Notes, such as the Supplemental Trust Deed and the Underlying Repo Agreement (each as defined below). Such summaries are subject to, and are qualified by, the actual provisions of each of such documents, copies of which are available for inspection at the specified offices of the Paying Agents. Holders of the Notes to which this Securities Note relates, and any other person into whose possession this Securities Note comes, will be deemed to have notice of all provisions of the documents executed in relation to the Notes which may be relevant to a decision to acquire, hold or dispose of the Notes.

Save as set out below, whilst legal opinions relating to the issue of the Notes are being obtained with respect to the laws of England and Ireland, no such opinions have been obtained with respect to any other laws, including the laws of the country of incorporation of any of the obligors (other than the Issuer) in respect of the Underlying Assets or the Charged Assets, the laws of the country in which the Underlying Assets or Charged Assets are situated or the laws which are expressed to govern the Underlying Assets or Charged Assets any of which, depending upon the circumstances, may affect, inter alia, the validity and legal and binding effect of the Underlying Assets or Charged Assets and the effectiveness and ranking of the security for the Notes.

This Securities Note does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Securities Note in any jurisdiction where such action is required.

Unless the context otherwise requires, terms and expressions used herein and not otherwise defined shall have the meanings respectively ascribed to them by the provisions of the TBMA/ISMA Global Master Repurchase Agreement (October 2000) as published by The Bond Market Association and the International Securities Market Association.

To the extent that the Counterparty under the Underlying Repo Agreement (as defined below) or the Tri-Party Agent, in accordance with the terms of the Tri-Party Repo Agreement (as defined below), fails to make payments or deliveries to the Issuer on the due date therefor or the Underlying Repo Agreement or the Tri-Party Repo Agreement is terminated, the Issuer will be unable to meet its obligations (i) under the Underlying Repo Agreement; and/or (ii) in respect of the Notes, as and when they fall due. In any such event, the Notes may become repayable in accordance with the Conditions and the security therefor may become enforceable.

The Notes are also capable of being declared immediately due and payable prior to their due date for redemption following the occurrence of an Event of Default, a Mandatory

Redemption Event and in certain other circumstances. If the Notes are declared due and payable, the security therefor may in certain circumstances also become enforceable.

On any early redemption in whole of the Notes or enforcement of the security therefor, the net proceeds of the Charged Assets may be insufficient to pay all or any amounts due to all the Secured Creditors and all or any amounts due on redemption to the Noteholders. Any such shortfall shall be borne in accordance with the Application of Proceeds specified below, and any claims of the Noteholders remaining after a mandatory redemption in whole of the Notes or on realisation of the security therefor and application of the proceeds as aforesaid shall be extinguished. None of the Trustee, the shareholders of the Issuer, the Counterparty, the Dealer, the Arranger or any obligor in respect of any of the Charged Assets (other than the Issuer) has any obligation to the Trustee or any Noteholder for payment of any amount owing by the Issuer in respect of the Notes.

There can be no assurance that the amount payable on any early redemption of the Notes or enforcement of the security therefor will be equal to or greater than the principal amount outstanding of the Notes.

This communication is directed only at persons who (i) are outside the United Kingdom or (ii) have professional experience in matters relating to the investments or (iii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (all such persons together being referred to as "relevant persons"). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes may not be offered, sold or otherwise transferred except in a transaction outside the United States to persons that are not U.S. persons in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act. In addition, the Issuer has not been and will not be registered as an investment company under the U.S. Investment Company Act of 1940, as amended. Accordingly, the Notes may not be offered, sold or otherwise transferred within the United States or to a person that is a U.S. person or that is purchasing for the account or the benefit of a U.S. person. Any sale or transfer of the Notes to any U.S. person will be null and void. The Notes are in bearer form and are subject to U.S. tax law requirements.

The Issuer is not and will not be regulated by the Central Bank as a result of issuing the Notes. Any investment in the Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Central Bank or any other deposit protection scheme operated in any other jurisdiction.

The Securities Note as approved by the Central Bank will be filed with the Irish Companies Registration Office in accordance with Regulation 38(1)(b) of the Prospectus Regulations.

INVESTOR SUITABILITY

Prospective investors should determine whether an investment in the Notes is appropriate in their particular circumstances and should consult with their legal, business and tax advisers to determine the consequences of an investment in the Notes and to arrive at their own evaluation of the investment.

Investment in the Notes is only suitable for investors who:

- (i) have the requisite knowledge and experience in financial and business matters to evaluate the merits and risks of an investment in the Notes;
- (ii) are capable of bearing the economic risk of an investment in the Notes for an indefinite period of time;
- (iii) are acquiring the Notes for their own account for investment, not with a view to resale, distribution or other disposition of the Notes (subject to any applicable law requiring that the disposition of the investor's property be within its control); and
- (iv) recognise that it may not be possible to make any transfer of the Notes for a substantial period of time, if at all.

It should not be assumed that there will be a significant correlation between the market value of the Notes and the market value of the Underlying Assets.

It is an express term of these Notes that the Noteholder has made its own independent assessment as to whether purchasing the Notes is appropriate for it based upon its own judgement and upon advice from such advisers as it considers necessary. The Issuer is not acting as your financial advisor or in a fiduciary capacity in relation to the Notes. It is also an express term of these Notes that the Noteholder is not relying on any communication (written or oral) made by the Issuer as constituting either investment advice or a recommendation to purchase the Notes. No communication (written or oral) received by the Noteholder from the Issuer constitutes an assurance or guarantee as to the expected results or likely return under the Notes.

Investors should take into account when making a decision as to whether or not to invest in the Notes, that the timing of redemption of the Notes, the amount due to be paid upon redemption of the Notes and the timing and the amount of any interest and principal due on the Notes is dependent on the performance of the Counterparty under the Underlying Repo Agreement (as defined below) and the performance of certain agents of the Issuer of their contractual obligations (including the Tri-Party Agent, the Determination Agent and any Replacement Determination Agent (if any)).

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RISK FACTORS

The following is a description of certain additional aspects of the issue of the Notes of which any prospective Noteholder should be aware. It is not intended to be exhaustive and any prospective Noteholder should also read the detailed information set out elsewhere in this Securities Note and take its own tax, legal and other relevant advice as to the structure and viability of an investment in the Notes. Terms not defined herein shall have the meaning ascribed to them in the Applicable Supplement or the Underlying Repo Agreement, as applicable.

1. Credit Considerations

Suitability

Prospective purchasers of the Notes should ensure that they understand the nature of the Notes in which they are investing and the extent of their exposure to risk and that they consider the suitability of the Notes as an investment in the light of their own circumstances and financial condition. **Each Noteholder should have sufficient knowledge, experience and professional advice to make its own legal, tax, accounting and financial evaluation of the merits and risks of investment in the Notes and in purchasing the Notes is not relying on either the views or advice of, or any information with respect to, the Issuer, the Underlying Assets or the Repo Portfolio provided by the Arranger, the Dealer or any of their respective Affiliates.**

Obligations of the Issuer

The Notes are solely the obligations of the Issuer. In particular, the Notes are not the obligations or responsibility of, or guaranteed by, the Trustee, the Tri-Party Agent, the Arranger, the shareholders of the Issuer, the Dealer, the Paying Agents, the Determination Agent, the Calculation Agent, the issuer of the Eligible Collateral or the Counterparty. Apart from the Issuer, none of these persons will accept any liability whatsoever to the Noteholders in respect of any failure by the Issuer to pay any amount due under the Notes.

Subordination of the Notes

Payments of interest and principal in respect of the Notes are subordinated to the payment of certain amounts payable by the Issuer, as set out in the relevant Application of Proceeds specified in section 53 of the Applicable Supplement (*Application of Proceeds*).

There can be no assurance that the Noteholders will receive the full amounts payable by the Issuer under the Notes or that they will receive any return on their investment in the Notes.

Issuer's Ability to Pay Interest and Principal under the Notes is dependent on the Counterparty and the Tri-Party Agent

After payment in full has been made by the Issuer of all amounts due and owing which rank in priority thereto, the ability of the Issuer to meet its obligations to pay interest and principal on the Notes will be solely dependent on the performance by or on behalf of (i) the Counterparty

of its obligations under the Underlying Repo Agreement and (ii) the Tri-Party Agent under the Tri-Party Repo Agreement.

To the extent that the Counterparty and/or the Tri-Party Agent do not or does not perform its obligations under the Underlying Repo Agreement and/or the Tri-Party Repo Agreement, in particular if either the Counterparty defaults on its obligations under the Underlying Repo Agreement and/or the Tri-Party Agent defaults on its obligations under the Tri-Party Repo Agreement (including if the Tri-Party Agent fails to properly segregate the Eligible Collateral comprising the Repo Portfolio and subsequently becomes insolvent), Noteholders may not receive the full amounts payable by the Issuer in respect of the Notes nor may they receive any return on their investment.

Custodial and Tri-Party Agent Risk

The Repo Portfolio will be held by the Tri-Party Agent and is exposed to the risk of such Tri-Party Agent's failure to properly segregate such assets, particularly in the event of its insolvency. Furthermore, the Tri-Party Agent will be responsible for transferring Eligible Collateral on behalf of the Counterparty (pursuant to the terms of the Tri-Party Repo Agreement) into and out of the Issuer's account, in order to maintain the value of the Eligible Collateral at a certain level. Any failure by the Tri-Party Agent to carry out its obligations under the Tri-Party Repo Agreement in a timely manner in order to maintain Eligible Collateral in the Issuer's account in such amount may leave the Issuer with insufficient assets with which to repay the Notes in the event of a default by the Counterparty.

Determination Agent Adjustment Risk

The Determination Agent may, acting in good faith and in a commercially reasonable manner, make adjustments or take any other appropriate action if circumstances occur where the components relevant for determining the Interest Rate are affected by market disruption or in circumstances affecting normal activities. The Determination Agent will not be under any obligation to consult with the holder of the Notes in such circumstances.

Limited Recourse

The Notes are limited recourse obligations of the Issuer. The payment of principal, interest and other amounts on the Notes will be made solely from amounts received in respect of the Charged Assets. The fees and claims of, amongst others, the Trustee and any agent or receiver shall have priority over the claims of the Noteholders and Couponholders in respect of the Charged Assets and the net proceeds (if any) of any realisation of the security for the Notes may be insufficient to pay amounts due to the holders of the Notes and the Coupons relating thereto. In such event, the Issuer will not be obliged to pay, and the other assets of the Issuer will not be available for payment of, any such shortfall and the rights of the Noteholders, the Couponholders, the Trustee and other creditors to receive any further amount in respect of such obligations shall be extinguished and none of the Noteholders, the Couponholders, the Trustee or other creditors may take any further action to recover such amounts.

Non-Petition

None of the Noteholders, the Trustee or other creditors (nor any other person acting on behalf of any of them) shall be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, reorganisation, arrangement, insolvency or liquidation proceedings or other proceedings under any applicable bankruptcy or similar law in connection with any obligations relating to the Notes, the Coupons, the Trust Deed or the other documents relating to the issue of the Notes, save for lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgement as to the obligations of the Issuer.

Limited Ability to Enforce Rights with Respect to the Counterparty and the Eligible Collateral

Noteholders will have no contractual right to act directly with respect to the Eligible Collateral or to proceed directly against the Counterparty. Those rights are held by the Trustee who will act on the Noteholders' behalf and the ability to take any action in respect of the Eligible Collateral will be limited to rights exercisable by the Trustee. The Trustee is required to act to exercise such rights if so directed by an Extraordinary Resolution of the Noteholders, provided that it is indemnified and/or secured to its satisfaction by such Noteholders.

Liquidity Risk

None of the Issuer, the Arranger or the Dealer makes any representation as to the existence of a market for the Notes. There can be no assurance that any secondary market for any of the Notes will develop, or if a secondary market does develop, that it will continue or be sufficient to provide the Noteholders with needed liquidity and a potential purchaser must be prepared to hold the Notes until maturity. If a secondary market were to develop it would be affected by, amongst other things, supply and demand for the Notes, and, accordingly, it should not be assumed that there will be a significant correlation between the market value of the Notes and the market value of the collateral assets relating to such Series. The secondary market price of the Notes will depend on numerous factors including interest rates, interest rate volatility, perceptions of issuer credit quality and time remaining to maturity. In addition, 100 per cent. of the principal amount outstanding is only required to be paid by the Issuer at maturity. Accordingly, there is a risk that Noteholders may receive substantially less than 100 per cent. of the principal amount outstanding if they sell their Notes in the secondary market.

Market Risk and Exit Risk

The price of the Notes, if any, will be affected by many factors including, but not limited to, the remaining term of the Notes, interest rate volatility, perceptions of the Issuer's ability to meet its obligations under the Notes and the current market value of the Underlying Assets and the Repo Portfolio (as defined below). There is a risk that Noteholders may receive substantially less than the Redemption Amount due to be received at maturity should the Notes be redeemed prior to maturity.

Ratings

It is expected that the Notes will be rated "A" by Standard & Poor's Financial Services LLC through its business unit Standard & Poor's Ratings Services ("**S&P**"). A security rating is not a recommendation to buy, sell or hold the Notes. There is no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn by any Rating Agency if, in its judgment, circumstances in the future so warrant. In the event that a rating initially assigned to the Notes is subsequently lowered or withdrawn for any reason, no person is obliged to provide any additional support or credit enhancement with respect to the Notes and the market value of the Notes may be adversely affected.

Standard & Poor's Financial Services LLC is not established in the European Economic Area but the rating it has assigned to the Notes is endorsed by Standard & Poor's Credit Market Services Europe Limited, a rating established in the European Economic Area and registered under the Regulation 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (as amended) (the "**CRA Regulation**") by the relevant competent authority.

The Repo Portfolio and Eligible Collateral

Prospective purchasers of the Notes should consider, among other things, the criteria applicable to the selection of securities as Eligible Collateral that will comprise the Repo Portfolio (the "**Eligibility Criteria**"). This Securities Note does not include information regarding the Eligible Collateral that will comprise the Repo Portfolio on which the Notes will be secured and prospective holders will not have an opportunity to evaluate the financial condition and credit worthiness of the obligors of the Eligible Collateral and will be dependent on the Tri-Party Agent to maintain the Repo Portfolio in accordance with the Eligibility Criteria and to substitute new Eligible Collateral in accordance with the terms set out in the Tri-Party Repo Agreement and the Underlying Repo Agreement. None of the Issuer, the Trustee, the Arranger or the Dealer have made any investigations into the obligors of the Eligible Collateral comprising the Repo Portfolio.

If the Counterparty defaults, the Determination Agent shall liquidate the Repo Portfolio if so instructed by 100 per cent. of the Noteholders. The Noteholders are exposed to the market value risk of the Repo Portfolio. The value of the Repo Portfolio may fluctuate from time to time and there is a risk that, on realisation, the value of the Eligible Collateral comprising the Repo Portfolio will be less than the amount owed to the Issuer by the Counterparty.

To the extent that the Counterparty does not perform its obligations to pay any amounts due to the Issuer upon termination of the Underlying Repo Agreement and the liquidation proceeds of the Repo Portfolio and any other Eligible Collateral relating to the Notes is insufficient to meet the claims of the Issuer pursuant to the Underlying Repo Agreement, the Issuer will have an unsecured claim against the Counterparty. If the Counterparty becomes bankrupt, such unsecured claim will not have the benefit of any assets pledged as collateral to secure secured claims held by other creditors against the Counterparty and may not be paid in full.

To the extent that the Counterparty does not perform its obligations to provide additional Eligible Collateral in accordance with the terms of the Underlying Repo Agreement, none of

the Issuer, the Trustee, the Arranger, the Dealer, the Agents and the Tri-Party Agent or any of their Affiliates are under any obligation to maintain the value of the Repo Portfolio at any particular level and none of the Issuer, the Trustee, the Arranger, the Dealer, the Tri-Party Agent and the Agents or any of their Affiliates has any liability to the Noteholders as to the amount, or value of, or any decrease or shortfall in the value of the Repo Portfolio from time to time.

Dealings related to the Repo Portfolio

Morgan Stanley and any of its Affiliates will not be (nor be deemed to be acting as) the agent, fiduciary or trustee of the Issuer or the Noteholders in connection with the exercise of, or the failure to exercise, any of the rights or powers of Morgan Stanley or any of its Affiliates arising under or in connection with its holding (if any) of the Eligible Collateral comprising the Repo Portfolio. Morgan Stanley & Co. International Plc in its capacity as "Determination Agent" does not have any fiduciary duty to the Noteholders.

Morgan Stanley and its affiliates (i) may deal in any Eligible Collateral forming part of the Repo Portfolio, (ii) may accept information from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business transactions with any issuer or obligor of the Eligible Collateral forming part of the Repo Portfolio, (iii) may have placed, underwritten, held, arranged or structured any obligation of the issuer of any Eligible Collateral forming part of the Repo Portfolio and (iv) may act, with respect to transactions described in the preceding paragraphs (i), (ii) and (iii), in the same manner as if the Underlying Repo Agreement and the Notes did not exist and without regard as to whether such action might have an adverse effect on any Eligible Collateral forming part of the Repo Portfolio, any other obligation of the obligors or issuers of any Eligible Collateral forming part of the Repo Portfolio, the Issuer and the Noteholders. Although Morgan Stanley and/or its affiliates may have entered into and may from time to time enter into business transactions with the obligor or issuers of any Eligible Collateral forming part of the Repo Portfolio or the issuer of any asset which references any Eligible Collateral forming part of the Repo Portfolio, Morgan Stanley and/or its affiliates at any time may or may not hold obligations of the obligor or issuers of any Eligible Collateral forming part of the Repo Portfolio or have any business relationship with any such entity.

Early Redemption in Certain Circumstances

The Notes are subject to early redemption upon the occurrence of Mandatory Redemption Events specified in this Securities Note or upon the occurrence of an Event of Default. Without limitation to the other events which may constitute Mandatory Redemption Events, a Mandatory Redemption Event shall occur if the Counterparty exercises its option under the Underlying Repo Agreement to terminate the Underlying Repo Agreement (as described in the section in this Securities Note headed "Description of the Transaction — the Underlying Assets: the Underlying Repo Agreement"). In any such case, the Repo Portfolio will be liquidated by the Determination Agent or any Replacement Determination Agent and the proceeds applied in the order of priority set out in the Application of Proceeds described in section 52 of the Applicable Supplement (*Application of Proceeds*) by the Determination

Agent or any Replacement Determination Agent. The net proceeds (if any) of any realisation of the Repo Portfolio may be insufficient to pay amounts due to the holders of the Notes.

Where the Counterparty is the Defaulting Party (as defined below) under the Underlying Repo Agreement, the Issuer will have a right to terminate the Underlying Repo Agreement. In such circumstance, the Issuer will be reliant on the Determination Agent, acting on its behalf, to take the necessary steps to terminate the Underlying Repo Agreement, to declare a Mandatory Redemption Event and to redeem the Notes in accordance with such Mandatory Redemption Event. Where the Counterparty and the Determination Agent are the same entity, the Determination Agent may, in the case where the Counterparty is the Defaulting Party (as defined below) under the Underlying Repo Agreement, be unable to perform its obligations under the Transaction Documents and the Trade Documents.

Prior to making an investment decision, Noteholders should ensure that they have reviewed and fully understand all events that would result in an early redemption of the Notes and the way in which the early redemption amount will be determined.

Pursuant to the Conditions, the holders of 100 per cent. of the outstanding Notes may, subject to the satisfaction of certain conditions including providing the Issuer and the Trustee with such indemnification and/or prefunding as the Issuer and the Trustee may require, direct the Issuer to appoint a replacement Determination Agent who will be an internationally recognised financial institution with a principal office or branch in London, the United Kingdom or an Approved Counterparty (as defined in the Supplemental Trust Deed) as selected by such Noteholders (a "**Replacement Determination Agent**") and who will act on the Issuer's behalf to take the necessary steps to terminate the Underlying Repo Agreement, to declare a Mandatory Redemption Event and to redeem the Notes in accordance with such Mandatory Redemption Event. If the Determination Agent does not take any action and the holders of 100 per cent. of the outstanding Notes do not appoint a Replacement Determination Agent, the Notes will not be redeemed until such time as the Notes are accelerated following the occurrence of an Event of Default occurs in respect of the Notes or the Maturity Date of the Notes.

The Trustee is not responsible for monitoring compliance by the Issuer or any of its agents with their respective obligations and shall have no liability to any person if either the Issuer or any such agent fails to perform any such obligation. The Trustee shall not be responsible for the appointment of any agent of the Issuer or for any replacement for such agent or for any loss or liability which may arise to any person in the event that the Issuer is not able to perform any of its obligations because any of its agents is incapable or unwilling to perform obligations on its behalf.

Capacity of Morgan Stanley and its affiliates

Morgan Stanley and its affiliates are acting in a number of capacities, including as Counterparty, Determination Agent, Arranger and Dealer. Morgan Stanley and its affiliates, acting in the capacities in connection with the contemplated transactions shall have only the duties and responsibilities expressly agreed to by the relevant entities in the relevant capacity and shall not, by virtue of acting in any other capacity, be deemed to have other duties or

responsibilities or be deemed to hold a standard of care other than as expressly provided with respect to each such capacity. Morgan Stanley, whether in its capacity as Determination Agent, Counterparty or otherwise, does not have any fiduciary duty to the Issuer or the Noteholders and its interests may be adverse to those of the Noteholders.

Morgan Stanley and its affiliates, in their various capacities in connection with the contemplated transactions may enter into business dealings, including the acquisition of investment securities as contemplated by the Related Agreement, from which they may derive revenues and profits in addition to the fees stated in the Related Agreement, without any duty to account therefor. Morgan Stanley and its affiliates may have positions in, and may effect transactions in, securities and instruments of issuers mentioned herein and may also perform or seek to perform investment banking services for the issuers of such securities and instruments. Morgan Stanley and its affiliates may at the date hereof or at any time hereafter be in possession of information in relation to the issuers of such securities which is or may be material in the context of the Notes, and none of Morgan Stanley or its affiliates has any obligation to disclose its relationship with, or information on, such issuers.

In addition, from time to time, Morgan Stanley and its affiliates may own significant amounts of the Notes. Morgan Stanley and its affiliates have no fiduciary obligation whatsoever to the Issuer or the Noteholders in relation to the exercise (or non exercise) of their respective rights as a holder of Notes.

Conflicts of interest

Under the Trust Deed, the Trustee will hold a security interest in the property charged and assigned thereunder for the benefit of, among others, the Noteholders, whose rights in an enforcement of the security interest will be subordinate to the prior rights of certain other Secured Creditors.

2. Tax Considerations

Certain tax and accounting considerations may apply to certain types of taxpayers. Prospective investors should consult with their own tax or accounting advisors to determine any tax implications of an investment in the Notes.

No Gross up

The Issuer is not obliged to pay any additional amounts for, or on account of, any payments under the Notes or under the Underlying Repo Agreement that are the subject of a deduction or a withholding for or on account of any tax. The imposition of such withholding or deductions may lead to a mandatory redemption of the Notes.

Pursuant to the terms of the Underlying Repo Agreement, the Counterparty is not obliged to pay any additional amount for, or on account of, any payments under the Underlying Repo Agreement that are the subject of a deduction or withholding for or on account of any tax. The imposition of such withholding or deductions may lead to a mandatory redemption of the Notes.

3. EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

The European Commission announced on 13 November 2008 proposals to amend the EU Savings Directive. The European Parliament approved an amended version of this proposal on 24 April 2009. If implemented, the proposed amendments would, *inter alia*, extend the scope of the EU Savings Directive to (i) payments made through certain intermediate structures (whether or not established in a Member State) for the ultimate benefit of an EU resident individual, and (ii) a wider definition of interest subject to the EC Council Directive 2003/48/EC. Investors who are in any doubt as to their position should consult their professional advisers.

DOCUMENTS INCORPORATED BY REFERENCE

The following shall be deemed to be incorporated in, and to form part of the Prospectus:

- (i) The following sections of the registration document dated 7 June 2012 relating to Morgan Stanley, Morgan Stanley & Co. International plc, Morgan Stanley (Jersey) Limited and Morgan Stanley B.V.'s Program for the Issuance of Notes Series A and B, Warrants and Certificates (the "**Morgan Stanley Registration Document**"):
 - (A) the section headed "Risk Factors" in pages 5 to 18;
 - (B) the section headed "Description of Morgan Stanley & Co. International plc" on pages 64 to 69; and
 - (C) the section headed "Selected Financial Information of Morgan Stanley & Co. International plc on pages 70 to 72

The Morgan Stanley Registration Document was approved by the United Kingdom's Financial Services Authority. All other information in the Morgan Stanley Registration Document is of no relevance to potential investors in the Notes.

- (ii) The supplement to the Morgan Stanley Registration Document dated 25 June 2012 which has been approved by the United Kingdom's Financial Services Authority.
- (iii) The audited financial statements for the Issuer for the periods ended 30 June 2010 and 30 June 2011.

The documents incorporated by reference in the Prospectus shall not include any documents which are themselves incorporated by reference in such incorporated documents ("daisy chained" documents). Such daisy chained documents shall not form part of the Prospectus.

APPLICABLE SUPPLEMENT

ELVA FUNDING PLC

(a public limited company under the laws of Ireland with a registered number of 376213)

issue under

EUR 20,000,000,000 Asset-Backed Medium Term Note Programme
of

Series 2012-A

EUR 300,000,000 Secured Floating Rate Notes due 30 June 2015 (the "Notes")

The Notes shall have the terms and conditions set out in the Second Schedule to the Principal Trust Deed dated 6 October 2003, as amended and restated on 29 June 2012 (the "**Conditions**") (a copy of which is set out in Annex 1 to the Registration Document dated 29 June 2012 issued by the Issuer), as completed, modified, amended and supplemented by this applicable supplement.

This applicable supplement constitutes the Applicable Supplement as referred to in the Conditions.

The special conditions set out in Annex 1 to this applicable supplement (the "**Special Conditions**") shall supplement and modify the Conditions. In the event of any inconsistency between the Conditions and the Special Conditions, the Special Conditions shall prevail and the Conditions shall be deemed to be amended accordingly.

- | | | |
|----|---|--|
| 1. | Issuer: | Elva Funding PLC |
| 2. | Relevant Dealer: | Morgan Stanley & Co. International plc |
| 3. | Guarantor: | Not Applicable |
| 4. | Syndicated: | No |
| 5. | Other Dealers: | Not Applicable |
| 6. | Series number and, if not a new Series, the date from which the tranche being issued will form a single series with the other Notes comprised in that Series: | Series 2012-A |
| 7. | Specified Currency, (or Currencies in the case of Dual Currency Notes): | Euro (" EUR ") |
| 8. | Aggregate Nominal/Principal Amount: | EUR 300,000,000 |

9. Authorised Denomination(s): EUR 1,000,000
10. Issue Date: 9 July 2012
11. Issue Price: 100 per cent.
12. Trade Date: 1 June 2012
13. Notes to be listed: Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market.
14. Rating: The Notes will be rated A by S&P.
- Standard & Poor's Financial Services LLC is not established in the European Economic Area but the rating it has assigned to the Notes is endorsed by Standard & Poor's Credit Market Services Europe Limited, a rating established in the European Economic Area and registered under the Regulation 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (as amended) (the "**CRA Regulation**") by the relevant competent authority.

UNDERLYING ASSETS AND SECURITY

15. Underlying Assets: The Issuer's Rights, title and interest in and to the Underlying Repo Agreement (the "**Underlying Assets**") (as further described herein).
16. Security: In accordance with the Supplemental Trust Deed, the Security for the Notes shall comprise all of the following:
- (i) an assignment by way of security of the all the Issuer's Rights, title and interest (both present and future) in and to the Underlying Repo Agreement (as defined below) and all sums derived therefrom, subject to any right of set-off or netting agreed between the parties;
 - (ii) an assignment by way of security of

all of the Issuer's Rights, title and interest (both present and future) in and to the Custody Agreement in respect of the Notes, the Securities Account and the Cash Account (each as defined below) and all sums derived therefrom;

- (iii) a first fixed charge over all of the Issuer's Rights, title, interest and benefits (both present and future) in and to the Repo Portfolio (each as defined below) relating to the Notes held in the Securities Account, any other Eligible Collateral (as defined below) relating to the Notes held in the Securities Account (as defined below) and all sums derived therefrom;
- (iv) a first fixed charge over all of the Issuer's Rights, title and interest (both present and future) in and to the Retained Monies (as defined below) from time to time standing to the credit of the Cash Account (as defined below) and any sub-accounts in respect of the Underlying Assets and the Repo Portfolio and all other Retained Monies and including any interest accrued or accruing thereon; and
- (v) an assignment by way of security of all the Issuer's Rights, title and interest (both present and future) in and to the Agency Agreement in respect of the Notes including all Rights of the Issuer against each of the Determination Agent, the Issue Agent and the Calculation Agent under the Agency Agreement and the Issuer's Rights to any sums held by the Paying Agents to meet payments due in respect of the Notes,

all of which shall comprise the "**Charged Assets**" for this Series of Notes.

As continuing security for all monies and other Liabilities payable or owing by the Issuer under the Principal Trust Deed, the Issuer has under the Principal Trust Deed;

- (i) assigned absolutely with full title guarantee and by way of first fixed charge to the Trustee all of its rights, title and interest in and to, and the entire benefit of, the Programme Dealer Agreement and the Corporate Services Agreement (as defined below); and
- (ii) charged to the Trustee by way of first floating charge the whole of its undertaking and assets (other than the Issuer's rights under the amounts representing the Issuer's paid-up share capital) that are not charged by way of fixed charge or by any security created by or pursuant to any other supplemental trust deed or any security document executed in relation to any Series of Notes,

provided that such security may only be enforced after the security in respect of the notes of every Series then outstanding and issued by the Issuer has become enforceable.

17. Supplementary Security Document: Not Applicable

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18. Form of Notes: Registered.

Registered Global Note exchangeable for Registered Note Certificates in the limited circumstances specified in the Registered Global Note.

19. Bearer Notes: Not Applicable

20. **Registered Notes:** Applicable
Registered Note Certificates will only be issued in the limited circumstances specified in the Registered Global Note.
21. Details relating to Partly Paid Notes: Not Applicable
22. Status: Unsubordinated, secured, limited recourse obligations of the Issuer
23. Votes required for an Extraordinary Resolution: 75 per cent.
24. Cities required for definition of "business day" (Condition 8(j)): London and a TARGET Settlement Day
25. Other terms or special conditions: See Special Conditions in Annex 1 hereto.

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

26. Interest/Payment Basis; and if more than one, the dates during which each Interest/Payment Basis will apply and/or details as to if convertible automatically or at option of Issuer and/or Holders into Notes of another Interest/Payment Basis: Floating Rate Notes.
27. **Fixed Rate Notes:** Not Applicable
28. **Floating Rate Notes:** Applicable
- (i) Interest Payment Date(s): 9 January, 9 April, 9 July and 9 October of each year, commencing from 9 October 2012 and, in each case, subject to adjustment in accordance with the Business Day Convention.
- (ii) Interest Commencement Date: 9 July 2012
- (iii) Specified Duration: 3 months
- (iv) Business Day Convention: Modified Following Business Day Convention
- (v) Business Days: London and a TARGET Settlement Day

- (vi) Day Count Fraction: Actual/360
- (vii) Manner in which the Interest Rate is to be determined: Screen Rate Determination
 - (a) Page: Bloomberg Page EUR003M
 - (b) Representative Amount: EUR 1,000,000
 - (c) Relevant Time/ Interest Determination Date: At or about 11:00am (Brussels Time) two TARGET Settlement Days prior to the commencement of each Interest Period.
 - (d) Relevant Rate: EURIBOR
 - (e) Margin: +0.18 per cent.
 - (f) Minimum Interest Rate: Not Applicable
 - (g) Maximum Interest Rate: Not Applicable
- (viii) Relevant Financial Centre: London

29. **Zero Coupon Notes:** Not Applicable

PROVISIONS RELATING TO REDEMPTION, PURCHASE AND EXCHANGE

30. **Redemption at Maturity:**

- (i) Maturity Date: Unless previously redeemed in accordance with the Conditions, the Notes will be redeemed on 30 June 2015 (the "**Scheduled Maturity Date**").
- (ii) Redemption Month: See (i) above
- (iii) Redemption Amount: Unless previously redeemed in accordance with the Conditions, the Issuer shall redeem the Notes on the Scheduled Maturity Date at their Redemption Amount (as defined in Annex 1).

31. **Redemption by Instalments:** Not Applicable

32. **Mandatory Redemption:**
- (a) **Mandatory Redemption Event:** The Notes will be mandatorily redeemed upon the occurrence of such event in accordance with Condition 7(b)(i) as set out in Special Condition (A).
- (i) **Payment Default or Acceleration in respect of the Underlying Asset:** Not Applicable
- (ii) **Applicable grace periods:** Not Applicable
- (iii) **Termination of Related Agreement:** The Notes will be mandatorily redeemed upon the termination in full of the Related Agreement which is not replaced on or prior to such termination with the prior written approval of the Trustee acting pursuant to an Extraordinary Resolution of the Noteholders as set out in Special Condition (A).
- (iv) **Withholding Tax:** The Notes will be mandatorily redeemed upon the occurrence of any of the tax events set out in Special Condition (A).
- (v) **Restructuring of Underlying Assets:** Not Applicable
- (vi) **Illegality:** The Notes will be mandatorily redeemed if it becomes unlawful for the Issuer or the Counterparty to perform any obligation to make a payment or delivery or comply with any other obligation that either the Issuer or the Counterparty may have in connection with the Related Agreement, as set out in Special Condition (A).
- (b) **Mandatory Redemption following an Underlying Early Redemption Event (Condition 7(b)(ii)):** Condition 7(b)(ii) (as set out in the Second Schedule to the Principal Trust Deed) will not apply.
- (c) **Credit Event (Condition 7(b)(iii)):** Not Applicable
33. **Redemption at the Option of the Issuer (Condition 7(f)):** Not Applicable

34.	Redemption at the Option of the Noteholder (Condition 7(g)):	Not Applicable
35.	Redemption at the Noteholder's Option (where the Noteholder is the Counterparty) (Condition 7(h)):	Applicable. The Notes may be redeemed in accordance with Condition 7(h) as set out in Special Condition (D).
36.	Termination of Related Agreement at option of the Counterparty:	Not Applicable
37.	Purchase at Issuer's Option:	Not Applicable
38.	Exchange Option:	Not Applicable

DISTRIBUTION

39.	Details of the relevant stabilising manager (syndicated issue):	Not Applicable
40.	Selling restrictions:	
	United States:	Reg S/Not Rule 144A eligible TEFRA – Not Applicable
	Others:	United Kingdom and Ireland
41.	Commission Payable:	Not Applicable
42.	Selling Concession:	Not Applicable
43.	Expenses:	Not Applicable

OPERATIONAL INFORMATION

44.	ISIN:	XS0786987486
45.	Common Code:	078698748
46.	Settlement Procedures:	Customary Medium Term Note
47.	Common Depository:	The Bank of New York Mellon, London Branch
48.	Details of additional/alternative clearance system approved by the Issuer and the Agent:	Not Applicable

RELATED AGREEMENTS AND SECURITY

49.	Related Agreement:	The Underlying Repo Agreement
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50. Counterparty: Morgan Stanley & Co. International plc
51. Swap Guarantor: Not Applicable
52. Date of termination of the Underlying Repo Agreement: The Underlying Repo Agreement will terminate on the Maturity Date.
53. Application of Proceeds: All monies received by the Trustee in respect of the Security after payment of any amounts due to the Tri-Party Agent and any interest (or other income) earned shall, and subject as provided below, be held by the Trustee upon trust to apply the same:
- FIRST**, (in no order of priority *inter se*, but *pro rata* to the respective amounts then due) in payment or satisfaction of all amounts payable under Clause 18 and/or Clause 19.14 and/or any other relevant provisions of the Principal Trust Deed to the Trustee and/or any attorney, manager, Receiver, agent, delegate or other person appointed by it under the Trust Deed in respect of the Notes (including any taxes required to be paid, the costs of realising any security and the Trustee's remuneration);
- SECOND**, (in no order of priority *inter se*, but *pro rata* to the respective amounts then due) in meeting the claims (if any) of the Paying Agents for reimbursement of any amounts paid to any party in respect of the Notes to the extent that such sums have not been repaid to the Paying Agents under any other agreements;
- THIRD**, (in no order of priority *inter se*, but *pro rata* to the respective amounts then due) in payment or satisfaction of any Irish taxes and the fees, costs, charges, expenses, indemnity amounts and Liabilities of the Custodian, the Paying Agents, the Issue Agent, the Determination Agent and the Calculation Agent in respect of the Notes;

FOURTH, in meeting the claims (if any) of the Noteholders on a *pro rata* basis in the proportion which the principal amount of each Note bears to the aggregate principal amount of all the Notes;

FIFTH, in meeting the claims (if any) of the Counterparty under the Underlying Repo Agreement; and

SIXTH, in release of the balance (if any) to the Issuer.

54. Substitution of the Underlying Asset: Not Applicable

ADDITIONAL INFORMATION

55. Instructing Creditor: Noteholder

56. Principal Paying Agent: The Bank of New York Mellon, London Branch

57. Determination Agent: Morgan Stanley & Co. International plc

58. Calculation Agent: The Bank of New York Mellon, London Branch

59. Registrar: The Bank of New York (Luxembourg) S.A.

60. Trustee: BNY Mellon Corporate Trustee Services Limited

61. Tri-Party Agent: Euroclear S.A./N.V.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Applicable Supplement.

Signed on behalf of the Issuer:

By:

Date:

ANNEX 1
SPECIAL CONDITIONS

The Conditions shall be supplemented and modified by the following Special Conditions. In the event of any inconsistency between the Conditions and such Special Conditions, such Special Conditions shall prevail and the Conditions shall be amended accordingly.

(A) Condition 7(b)(i) will be deleted and replaced by the following:

"(i) *Mandatory Redemption Event*

If the Issuer (acting through the Determination Agent or a Replacement Determination Agent) determines, in its sole discretion, that any of the following events (each a "**Mandatory Redemption Event**") has occurred:

(A)

- (x) the Issuer (or any Paying Agent, in respect of the Notes only) on the occasion of the next payment date in respect of the Related Agreement or the Notes would be required by law to withhold or account for tax; or
- (y) the Issuer would be unable to make payment of any amount due on the Notes because (I) the Issuer becomes subject to tax in respect of its income with respect to the Underlying Assets or payments made to it under the Related Agreement, (II) the Issuer becomes subject to an obligation to deduct or withhold tax on payments made by it under the Related Agreement and to pay an additional amount under any such Related Agreement in respect thereof, or (III) the payments in respect of the Underlying Assets or payments made to the Issuer under any such Related Agreement are made net of any tax; or
- (z) any exchange controls or other currency exchange or transfer restrictions are imposed on the Issuer or any payments to be made to or by the Issuer, or for any reason the cost to the Issuer of complying with its obligations under or in connection with the Trust Deed or meeting its operating or administrative expenses (in the sole opinion of the Issuer) would be materially increased, the Issuer having used its reasonable efforts to procure the substitution of a company incorporated in another jurisdiction (in which jurisdiction the relevant tax, exchange control, or currency exchange or transfer restrictions does not apply) as the principal obligor in respect of the Notes, or the establishment of a branch office in another jurisdiction (in which jurisdiction the relevant tax, exchange control, or currency exchange or transfer restrictions does not apply) (in each case subject to the satisfaction of certain conditions as more fully specified in the Trust Deed) from which it may continue to carry out its functions under the Related Agreement, and the Issuer is unable to arrange such substitution before the next payment is due in respect of the Notes;

- (B) it is unlawful for the Issuer or the Counterparty to perform any obligation to make a payment or delivery or comply with any other obligation that either the Issuer or the Counterparty may have in connection with the Related Agreement; or
- (C) the Related Agreement is terminated (in full) as a result of a Related Agreement Event of Default and is not replaced on or prior to such termination with the prior written approval, of the Trustee acting pursuant to an Extraordinary Resolution,

then, as soon as reasonably practicable following such determination, the Determination Agent or a Replacement Determination Agent (on behalf of the Issuer) shall give notice of such Mandatory Redemption Event, in each case to the Issuer, the Trustee, the Counterparty, the Tri-Party Agent and the Principal Paying Agent (who shall give notice thereof to the Noteholders in accordance with Condition 15) (the "**Mandatory Redemption Notice**" and the date of such notice, the "**Mandatory Redemption Notification Date**"). The Mandatory Redemption Notice shall specify the relevant Mandatory Redemption Date on which the Notes shall be redeemed (in whole) at an amount equal to the applicable Redemption Amount (with a pro-rata amount being payable in relation to each Note).

Prior to giving a Mandatory Redemption Notice in respect of the circumstance set out in Condition 7(b)(i)(A) above, the Issuer shall deliver to the Trustee: (1) a certificate signed by a director of the Issuer certifying that the relevant Mandatory Redemption Event which has given rise to the obligations of the Issuer so to redeem has occurred; and (2) in the case of a redemption of Notes under Condition 7(b)(i)(A) (x) or (y) an opinion (in form and substance satisfactory to the Trustee) of legal advisers of recognised standing to the Issuer (previously approved by the Trustee) in the relevant jurisdiction to the effect that the Issuer has or will become obliged to withhold, account for or suffer such tax. The Trustee may rely on the aforementioned certificate and/or opinion without further enquiry.

Notwithstanding the foregoing, if any of the taxes referred to in Condition 7(b)(i)(A) (x) arises:

- (a) owing to the connection of any Noteholder, or any third party having a beneficial interest in the Notes or Coupon, with the place of incorporation or tax jurisdiction of the Issuer otherwise than by reason only of being a party to the Related Agreement (in the case of the Counterparty) or the holding of any Note or Coupon or receiving principal, the Redemption Amount, interest or the Interest Amount in respect thereof (in the case of any Noteholder or any third party having a beneficial interest in the Notes or Coupon); or
- (b) by reason of a failure by the Counterparty or the relevant Noteholder to comply with any applicable procedures required to establish non-residence or another similar claim for exemption from such tax; or

- (c) in respect of any Note or Coupon where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Union Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) in respect of any Note or Coupon presented for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or
- (e) any combination of the immediately preceding clauses (a) to (d) above,

then to the extent it is able to do so, the Issuer shall deduct such taxes from the amounts payable to the relevant Noteholder and shall not redeem the relevant Notes but this shall not affect the rights of the other Noteholders and Couponholders hereunder. Any such deduction shall not constitute an Event of Default under Condition 10.

Following the satisfaction of the above in respect of a Mandatory Redemption Event pursuant to Condition 7(b)(i)(A), or if a Mandatory Redemption Event occurs pursuant to Condition 7(b)(i)(B), the Repurchase Date of the Repo Transaction will be adjusted to the day that is the fifth Business Day following the Mandatory Redemption Notification Date pursuant to the terms of the Repo Transaction.

If a Mandatory Redemption Event occurs pursuant to Condition 7(b)(i)(C), and subject to Condition 7(b)(ii), the Repo Termination Amount shall be determined in accordance with the provisions of the Related Agreement and the Issuer (or the Determination Agent or a Replacement Determination Agent acting on the Issuer's behalf) shall arrange for the sale of the Eligible Collateral comprising the Repo Portfolio in accordance with Condition 7(l).

Following the occurrence of a Mandatory Redemption Event, the Notes shall be redeemed on the applicable Mandatory Redemption Date (in whole) at an amount equal to the Redemption Amount (and a pro rata amount will be payable in relation to each Note) *provided that*, if, in the case of a Mandatory Redemption Event as set out in Condition 7(b)(i)(B) the fact of such Mandatory Redemption Event prevents the repurchase date of the Repo Transaction from being accelerated in accordance with its terms (an "**Illegality Redemption Date Extension Event**"), notwithstanding any direction given pursuant to Condition 7(b)(ii)(C), the Determination Agent, in its sole discretion, shall determine the manner in which the Related Agreement shall be terminated and the Mandatory Redemption Date shall be adjusted as set out in the definition of "Mandatory Redemption Date".

Following the application of the amounts in accordance with the Conditions, no further amounts will be available to meet any remaining claims of the Noteholders and any such claims will be extinguished."

(B) Condition 7(b)(ii) shall be deleted and replaced with the following:

"(ii) *Notification of a Related Agreement Potential Event of Default or an Illegality Redemption Date Extension Event and Direction of the Issuer*

(A) *Notification of a Related Agreement Potential Event of Default*

If the Determination Agent determines that a Related Agreement Potential Event of Default has occurred or if the Issuer receives notice from the Counterparty, or is otherwise made aware, that an event that constitutes a Related Agreement Potential Event of Default has occurred, the Determination Agent (acting on behalf of the Issuer) shall give notice of the occurrence of such Related Agreement Potential Event of Default (or, if the Determination Agent fails to give such notice promptly, the Issuer or any Replacement Determination Agent shall procure that notice is given) to the Trustee, the Counterparty, the Issuer, the Tri-Party Agent and the Noteholders (in accordance with Condition 15) as soon as reasonably practicable after becoming aware of the occurrence of such event (such notice, the "**Related Agreement Potential Event of Default Notice**" and the date of such notice being the "**Related Agreement Potential Event of Default Notice Date**").

(B) *Notification of an Illegality Redemption Date Extension Event*

If the Determination Agent or any Replacement Determination Agent determines that an Illegality Redemption Date Extension Event has occurred, the Determination Agent or any Replacement Determination Agent (acting on behalf of the Issuer) shall give notice of the occurrence of such event to the Trustee, the Counterparty, the Issuer, the Tri-Party Agent and the Noteholders (in accordance with Condition 15) as soon as reasonably practicable after becoming aware of the occurrence of such event (such notice, the "**Illegality Redemption Date Extension Event Notice**" and the date of such notice being the "**Illegality Redemption Date Extension Event Notice Date**")

(C) *Direction of the Issuer following a Related Agreement Potential Event of Default or an Illegality Redemption Date Extension Event*

If any of the events or circumstances set out in clause 15.3 of the Agency Agreement occurs in respect of the Determination Agent or if the Determination Agent otherwise fails to perform any of its duties or to comply with any of its obligations under the applicable Transaction Documents and Trade Documents in relation to the Notes and such failure is continuing for a period of 3 days or more, the Issuer shall promptly notify the Noteholders (in accordance with Condition 15) and the Trustee. In such circumstances and in circumstances where the Noteholders have received a Related Agreement Potential Event of Default Notice (or otherwise become aware of a Related Agreement Potential Event of Default), the holders of 100 per cent. of the aggregate principal amount outstanding of the outstanding Notes shall be entitled (*provided that* they have presented evidence, to the satisfaction of the Issuer and the Trustee, of their noteholding and have provided to the Issuer and the Trustee such indemnification and/or prefunding as the Issuer and the Trustee may require), by a resolution in writing signed by or on behalf of all of them (whether contained in one document or

in several documents each in the same form), to direct the Issuer to appoint a Replacement Determination Agent to act as determination agent on behalf of the Issuer in respect of the Notes (and not in relation to any other Series of notes issued by the Issuer). Any Replacement Determination Agent shall be appointed on substantially the same terms as the Determination Agent to perform all of the functions of the Determination Agent in connection with the termination of the Repo Transaction and the redemption of the Notes pursuant to the applicable Transaction Documents and the Trade Documents.

The Replacement Determination Agent shall have the power to and, if so directed by the holders of 100 per cent. of the aggregate principal amount outstanding of the outstanding Notes, shall:

- (a) exercise any rights the Issuer may have pursuant to the terms of the Underlying Repo Agreement and the Tri-Party Repo Agreement, including but not limited to:
 - (i) serving a Default Notice or a Default Valuation Notice on the Counterparty;
 - (ii) notifying the Tri-Party Agent of the occurrence of an Related Agreement Event of Default;
 - (iii) arrange for the sale of some or all of the Eligible Collateral comprising the Repo Portfolio in accordance with Condition 7(l), including, without limitation, providing written instructions to the Tri-Party Agent to take such steps as may be required or necessary with regards to the Eligible Collateral credited to the Securities Account to enable the Determination Agent to sell any or all of such Eligible Collateral;
- (b) deliver a Mandatory Redemption Notice following the occurrence of a Mandatory Redemption Event pursuant to Condition 7(b)(i)(C); and
- (c) do all such other acts as may be necessary or desirable to give effect to Condition 7(b)(i)(C) in order to redeem the Notes.

At any time following an Illegality Redemption Date Extension Event, the holders of 100 per cent. of the aggregate principal amount outstanding of the outstanding Notes may, by a resolution in writing signed by or on behalf of all of them (whether contained in one document or several documents, each in the same form), direct the Issuer (or direct the Issuer to procure the Determination Agent) to take steps to effect the redemption of the Notes pursuant to Condition 7(b)(i)(B), including directing the Issuer (or directing the Issuer to procure the Determination Agent) to sell any Eligible Collateral which remains standing to the credit of the Securities Account following the termination of the Related Agreement, *provided that* the Issuer shall be entitled not to act upon any direction if, in the reasonable opinion of the Issuer, it would be illegal or impossible to comply with such direction."

(C) The following shall be included as Condition 7(l):

"7(l) Sales Procedure

(i) Notwithstanding the other provisions of the Conditions, a sale of the Eligible Collateral comprising the Repo Portfolio for the purposes of Condition 7(b)(i) will be conducted in accordance with the sales procedure (the "**Sales Procedure**") as set out in this Condition 7(l).

(ii) On any occasion that the Eligible Collateral comprising the Repo Portfolio falls to be sold by or on behalf of the Issuer, the Determination Agent or a Replacement Determination Agent acting on behalf of the Issuer will promptly (i) deliver such instructions to the Tri-Party Agent as may be necessary or desirable to facilitate the sale of the Eligible Collateral comprising the Repo Portfolio and (ii) arrange for the sale of such Eligible Collateral on any Business Day in the Applicable Sale Period by obtaining quotations from at least two recognised Market Makers in the appropriate market for such Eligible Collateral (as selected by the Determination Agent or a Replacement Determination Agent acting on the Issuer's behalf, in each case in its sole discretion, and which may be the Determination Agent, a Replacement Determination Agent or one of their Affiliates) and selling to the highest firm bid or offer (as applicable) received for the relevant Eligible Collateral from such Market Makers. If, after using commercially reasonable efforts, a portion of the Eligible Collateral remains unsold, the Determination Agent or a Replacement Determination Agent is unable to obtain any quotations or it would be commercially unreasonable to use any quotation obtained, in each case at the end of the Applicable Sale Period, then the Determination Agent or the Replacement Determination Agent acting on behalf of the Issuer may, in accordance with the terms of the Underlying Repo Agreement, determine the fair market value of such Eligible Collateral."

(D) Condition 7(h) shall be deleted and replaced with the following:

"(h) **Morgan Stanley Noteholder Option**

Morgan Stanley & Co. International plc and each of its Affiliates (each such person a "**Morgan Stanley Noteholder**") shall have the option, exercisable at any time and from time to time, to require the Issuer to redeem all or some only of the Notes held by it (or beneficially owned by it) (the "**Morgan Stanley Noteholder Option**"). The Morgan Stanley Noteholder Option shall be exercised by the relevant Morgan Stanley Noteholder giving at least 3 Business Days' notice to the Issuer, the Determination Agent, the Trustee, the Principal Paying Agent, the Counterparty and the Tri-Party Agent specifying the Principal Amount of the outstanding Notes to be redeemed and the Issuer shall be obliged to redeem such Notes at the Redemption Amount on the date specified in such notice (the "**Morgan Stanley Noteholder Optional Redemption Date**").

The Redemption Amount in respect of all the Notes to be redeemed in the event of an exercise of the Morgan Stanley Noteholder Option shall be an amount equal to the amount (if any) paid to the Issuer following the repricing of the Related Agreement in

accordance with its terms less an amount equal to all claims which rank in priority to the claims of the Noteholders as at the Morgan Stanley Noteholder Optional Redemption Date in each case as determined by the Determination Agent (and a *pro rata* amount will be payable in respect of each Note)."

(E) The following shall be included at the end of Condition 15 (*Notice*):

"For so long as the Notes are rated by Standard & Poor's Financial Services LLC, a copy of any notice to Noteholders shall also be sent by electronic delivery to: CDO_Surveillance@standardandpoors.com with a copy to Standard & Poor's Ratings Services, 55 Water Street, 41st floor, New York, New York 10041-0003, attention: Structured Credit Surveillance Group."

(F) **Definitions**

The following definitions shall apply to and be deemed to form part of the Conditions:

"**Affiliates**" means in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"**Applicable Sale Period**" means:

- (a) following delivery of a Default Notice in circumstances where the Counterparty is the Defaulting Party for the purposes of the Underlying Repo Agreement, the period from and including the day on which such Default Notice is delivered to and including the Default Valuation Time (as determined in accordance with the terms of the Underlying Repo Agreement);
- (b) following delivery of a Mandatory Redemption Notice following the occurrence of a Mandatory Redemption Event pursuant to Condition 7(b)(i)(C) in circumstances where the Issuer is the Defaulting Party for the purposes of the Related Agreement, the period from and including the Mandatory Redemption Notification Date to and including the date that is ten (10) Business Days following such Mandatory Redemption Notification Date; and
- (c) following delivery of an Illegality Redemption Date Extension Event Notice, the period from and including the Illegality Redemption Date Extension Event Notice Date to and including the day that is 10 Business Days after such Illegality Redemption Date Extension Event Notice Date (or such other date as may be agreed by the Issuer, the Counterparty and the Determination Agent).

"**Cash Account**" means the cash account with the Tri-Party Agent into which the Retained Monies and any cash or income in respect of the Underlying Assets and the Repo Portfolio is paid.

"**Cash Margin**" means cash transferred by the Counterparty to the Issuer in accordance with paragraph 4 of the Underlying Repo Agreement.

"**Defaulting Party**" means the party which is the subject of a Related Agreement Event of Default.

"**Default Notice**" shall have the meaning given to it in the Underlying Repo Agreement.

"**Default Valuation Notice**" means the notice described in paragraph 10(e) of the Underlying Repo Agreement.

"**Eligible Collateral**" means any securities fulfilling the eligibility criteria set out in Appendix A to the Repo Confirmation.

"**Mandatory Redemption Date**" means the day that is the tenth Business Day following the Mandatory Redemption Event Notification Date provided that if the Mandatory Redemption Event to which such Mandatory Redemption Date relates is:

- (i) a Mandatory Redemption Event described in Condition 7(b)(i)(B) and an Illegality Redemption Date Extension Event has occurred; or
- (ii) a Mandatory Redemption Event described in Condition 7(b)(i)(C),

the Mandatory Redemption Date shall mean the day that is the tenth Business Day following the Business Day on which the Issuer receives the Sale Proceeds of the Eligible Collateral comprising the Repo Portfolio pursuant to Condition 7(l).

"**Market Makers**" means a dealer in obligations of the type of the relevant Eligible Collateral.

"**Redemption Amount**" means:

- (a) if redemption of the Notes occurs on the Maturity Date, an amount equal to 100 per cent. of the aggregate principal amount outstanding of the Notes plus accrued but unpaid interest thereon;
- (b) if the redemption of the Notes occurs following the exercise of the Morgan Stanley Noteholder Option, an amount as calculated in accordance with Condition 7(h);
- (c) if redemption of the Notes occurs following a Mandatory Redemption Event pursuant to Condition 7(b)(i)(A), an amount in EUR equal to the Repurchase Price due to the Issuer (if any) *less* an amount equal to all claims which rank in priority to the claims of the Noteholders in accordance with the Application of Proceeds;
- (d) if redemption of the Notes occurs following a Mandatory Redemption Event pursuant to Condition 7(b)(i)(B), an amount in EUR equal to the sum of (i) the Sales Proceeds (if any) and (ii) the Repo Termination Amount (if any) due to

the Issuer *less* (x) an amount equal to the Repo Termination Amount (if any) due to the Counterparty and (y) an amount equal to all claims which rank in priority to the claims of the Noteholders in accordance with the Application of Proceeds, *provided that* if an Illegality Redemption Date Extension Event occurs, the Redemption Amount in respect of the Notes shall be determined by the Determination Agent acting in its sole discretion;

- (e) if redemption of the Notes occurs following a Mandatory Redemption Event pursuant to Condition 7(b)(i)(C), an amount in EUR equal to the sum of (i) the Sales Proceeds (if any) and (ii) the Repo Termination Amount (if any) due to the Issuer *less* (x) an amount equal to the Repo Termination Amount (if any) due to the Counterparty and (y) an amount equal to all claims which rank in priority to the claims of the Noteholders in accordance with the Application of Proceeds,

in each case as determined by the Determination Agent in its sole discretion, and a *pro rata* amount of the Redemption Amount will be payable in respect of each Note.

"Related Agreement Event of Default" means the occurrence of both (a) any event set out in paragraph 10(a) of the Underlying Repo Agreement and (b) delivery of a Default Notice.

"Related Agreement Potential Event of Default" means the occurrence of any event set out in paragraph 10(a) of the Underlying Repo Agreement which, following delivery of a Default Notice, would result in the occurrence of an event of default pursuant to the terms thereof in respect of which the Counterparty would be the Defaulting Party.

"Replacement Determination Agent" means an internationally recognised financial institution with a principal office or branch in London, the United Kingdom or any Approved Counterparty (as defined in the Supplemental Trust Deed) as selected by the holders of 100 per cent. of the aggregate principal amount outstanding of the outstanding Notes.

"Repo Confirmation" means the confirmation in respect of a repurchase transaction entered into between the Issuer and the Counterparty on or about the Issue Date and which supplements, forms part of, and is subject to the Underlying Repo Agreement.

"Repo Portfolio" means the Eligible Collateral for the time being standing to the credit of the Securities Account and the monies for the time being standing to the credit of the Cash Account and any other Cash Margin.

"Repo Termination Amount" means the net amount payable by one party to the other in respect of the Repo Transaction pursuant to the terms of the Related Agreement following any acceleration of the repurchase date of such Repo Transaction in accordance with its terms.

"Repo Transaction" means the repurchase transaction documented by the Repo Confirmation.

"Retained Monies" means any monies received by the Tri-Party Agent or by any person for the Tri-Party Agent's account, including for the credit of the Cash Account in respect of the Underlying Assets and the Repo Portfolio (together with any interest accrued or accruing thereon) which have been retained by the Tri-Party Agent pursuant to the Tri-Party Repo Agreement.

"Sales Proceeds" means the EUR proceeds of sale of any Eligible Collateral as arranged by the Issuer, acting through the Determination Agent or a Replacement Determination Agent, pursuant to Condition 7(l), *less* any costs incurred in effecting such sale by the Issuer, acting through the Determination Agent or any Replacement Determination Agent, as the case may be converted into EUR by the Determination Agent in accordance with customary market practice in relation to the applicable foreign exchange rate.

"Secured Creditors" means any person to whom any of the Secured Obligations are from time to time owed.

"Securities Account" means the securities account with the Tri-Party Agent into which the Eligible Collateral comprising the Repo Portfolio in relation to the Notes is deposited.

"Trade Documents" means the Notes, the Applicable Supplement, the Supplemental Trust Deed, the Underlying Repo Agreement and the Tri-Party Repo Agreement

"Tri-Party Agent" means Euroclear Bank S.A/N.V., as operator of the Euroclear System.

"Tri-Party Repo Agreement" means the collateral services agreement entered into by the Custodian, the Counterparty and the Tri-Party Agent dated on or about the Issue Date in respect of the Underlying Repo Agreement.

"Underlying Repo Agreement" means the global master repurchase agreement entered into between the Issuer and the Counterparty dated on or about the Issue Date which is based on the 2000 version of the Global Master Repurchase Agreement as published by The Bond Market Association and International Securities Market Association, as modified by Annex I thereto and supplemented by the Repo Confirmation.

DESCRIPTION OF THE TRANSACTION

The following provides information in relation to this transaction. This summary should be read in conjunction with, and is qualified in its entirety by reference to, the detailed information appearing elsewhere in this document and in the other documents relating to this transaction. In this section, reference is made to certain terms defined elsewhere in this document.

1. THE NOTES

The Series 2012-A EUR 300,000,000 Secured Floating Rate Notes due 30 June 2015 (the "Notes"), which are secured on certain assets and rights of the Issuer as described below.

2. THE SECURITY

(a) The Secured Obligations

The security described below is to be granted by the Issuer to secure certain obligations (the "Secured Obligations") of the Issuer; namely, after payment of any amounts due to the Tri-Party Agent, all monies, debts and liabilities which are now, or have been or at any time after the date hereof may be or become due, owing or incurred, actually or contingently, by the Issuer:

- (i) to the Trustee, in its capacity as such in respect of the Notes under or in connection with the Trust Deed (as defined below) and to any Receiver, attorney, manager, agent, delegate or other person appointed by it thereunder or pursuant thereto;
- (ii) to the Paying Agents for reimbursement of any amounts paid by such party to any other party in respect of the Notes to the extent that such sums have not been repaid to the Paying Agents under any other agreements;
- (iii) to the Custodian, the Determination Agent, the Calculation Agent, the Paying Agents and the Issue Agent under or in connection with the Agency Agreement, the Conditions and the Supplemental Trust Deed;
- (iv) the Noteholders in respect of any amounts payable in respect of the Notes; and.
- (v) to the Counterparty under or in connection with the Underlying Repo Agreement.

(b) The Charged Assets

Pursuant to a principal trust deed dated 6 October 2003 as amended and restated on 29 June 2012 by, amongst others, the Issuer and BNY Mellon Corporate Trustee Services Limited (the "Trustee") (the "Principal Trust Deed") as supplemented by a supplemental trust deed to be dated 9 July 2012 (the "Supplemental Trust Deed") between, amongst others, the Issuer, The Bank of New York Mellon, acting through its London Branch as custodian (the "Custodian"), as calculation agent (the "Calculation Agent") and as principal paying agent

(the "**Principal Paying Agent**"), Morgan Stanley & Co. International Plc as counterparty (the "**Counterparty**") and as determination agent (the "**Determination Agent**") and the Trustee, (together with the Principal Trust Deed, the "**Trust Deed**"), the Issuer with full title guarantee and as continuing security for the Secured Obligations referred to in paragraph 2(a) above has created security interests in favour of the Trustee for itself and as Trustee for the Paying Agents, the Issue Agent, the Determination Agent, the Calculation Agent, the Counterparty and the Noteholders as follows:

- (i) an assignment by way of security of all of the Issuer's Rights, title and interest (both present and future) in and to the Underlying Repo Agreement (as further described in (c) below) and all sums derived therefrom, subject to any right of set-off or netting agreed between the parties therein;
- (ii) an assignment by way of security of all of the Issuer's Rights, title and interest (both present and future) in and to the Custody Agreement in respect of the Notes, the Securities Account and the Cash Account and all sums derived therefrom;
- (iii) a first fixed charge over all of the Issuer's Rights, title, interest and benefits (both present and future) in and to the Repo Portfolio (as further described in (e) below) held in the Securities Account and all sums derived therefrom;
- (iv) a first fixed charge over all of the Issuer's Rights, title and interest (both present and future) in and to the Retained Monies from time to time standing to the credit of the Cash Account and any sub-accounts in respect of the Underlying Assets and the Repo Portfolio and all other Retained Monies and including any interest accrued or accruing thereon (as further described in (f) below); and
- (v) an assignment by way of security of all the Issuer's Rights, title and interest (both present and future) in and to the Agency Agreement in respect of the Notes including all Rights of the Issuer against each of the Issue Agent, the Determination Agent and the Calculation Agent under the Agency Agreement and the Issuer's Rights to any sums held by the Paying Agents to meet payments due in respect of the Notes (as further described in (g) below),

all of which comprise the "**Charged Assets**" for this Series of Notes.

Additionally, as continuing security for all monies and other Liabilities payable or owing by the Issuer under the Principal Trust Deed, the Issuer has under and pursuant to the Principal Trust Deed:

- (i) assigned absolutely with full title guarantee and by way of first fixed charge to the Trustee all of its rights, title and interest in and to, and the entire benefit of, the Programme Dealer Agreement and Corporate Services Agreement; and
- (ii) charged to the Trustee by way of first floating charge the whole of its undertaking and assets that are not charged by way of fixed charge (other than

the Issuer's rights under the amounts representing the Issuer's paid-up share capital) or by any security created by or pursuant to any Supplemental Trust Deed or any other security document executed in relation to any Series of Notes,

provided that such security may only be enforced after the security in respect of all Series of notes then outstanding and issued by the Issuer has become enforceable.

THE CHARGED ASSETS

(c) The Underlying Assets: the Underlying Repo Agreement

The Issuer will enter into an TBMA/ISMA Global Master Repurchase Agreement as amended by Annex I thereto dated as of the Issue Date (the "**GMRA**") with Morgan Stanley & Co. International Plc (the "**Counterparty**"). The terms of the GMRA together with the confirmation of the Repo Transaction (as described below) form a single agreement (the "**Underlying Repo Agreement**").

(i) *The Repo Transactions*

The Counterparty and the Issuer have entered into a confirmation dated as of the Issue Date confirming the terms of a repurchase transaction in respect of the Eligible Collateral comprising the Repo Portfolio (the "**Repo Transaction**"). The purchase date of the Repo Transaction shall be the Issue Date of the Notes and the repurchase date of the Transaction shall be the Maturity Date of the Notes (subject to the occurrence of an Event of Default pursuant to the terms of the Underlying Repo Agreement or an Event of Default or Mandatory Redemption Event pursuant to the Conditions).

On the purchase date of the Repo Transaction, the Issuer will pay an amount equal to the issuance proceeds of the Notes to the Counterparty (the "**Purchase Price**") and in exchange, the Counterparty will deliver Eligible Collateral (as defined below) to or to the order of the Issuer. The amount of Eligible Collateral that the Counterparty is required to deliver to the Issuer on the purchase date shall be an amount equal to the Purchase Price (or proportion thereof to which such Eligible Collateral corresponds) multiplied by the Margin Ratio applicable to such Eligible Collateral. The "**Margin Ratio**" applicable to any Eligible Collateral consisting of ABS, CDO, CMBS or Repack Securities (each as defined below) will be 1:1.10 and the Margin Ratio applicable to any Eligible Collateral consisting of Permitted Sovereign Securities (as defined below) will be 1:1.02. The criteria for determining what securities constitute Eligible Collateral is summarised in (e) below.

On the repurchase date of the Repo Transaction, the Counterparty will pay an amount in euro determined pursuant to the terms of the Repo Transaction to the Issuer (the "**Repurchase Price**") against which the Issuer will deliver equivalent Eligible Collateral to the Counterparty in an amount equal to all the Eligible Collateral previously delivered by the Counterparty to the Issuer which has not been substituted pursuant to the terms of the Underlying Repo Agreement.

The Net Exposure (as defined below) of each party will be determined daily by reference to the difference between the market value of the Repo Portfolio on such day (adjusted by the applicable Margin Ratio) and the Purchase Price after accounting for any amounts owed but not paid by one party to the other as well as any Eligible Collateral held by the Issuer on such date. Eligible Collateral with an aggregate value equal to the Net Exposure will be transferred to the Issuer by the Counterparty or by the Issuer to the Counterparty (as applicable). Determinations of Net Exposure, any resulting transfer of Eligible Collateral from the Issuer to the Counterparty or from the Counterparty to the Issuer and any other related activities will be undertaken by the Tri-Party Agent on behalf of the Issuer and the Counterparty in accordance with the terms of the Tri-Party Repo Agreement (as further described in (d) below).

For the purposes of the Underlying Repo Agreement, a party ("**X**") has net exposure to the other party ("**Y**") if the aggregate of (i) X's Transaction Exposures *plus* (ii) any amounts payable to X but unpaid *less* (iii) any net margin transferred to X exceeds the aggregate of (i) Y's Transaction Exposures *plus* (ii) any amounts payable to Y but unpaid *less* (iii) any net margin transferred to Y (the "**Net Exposure**"). The "**Transaction Exposure**" with respect to any Repo Transaction equals the difference between the Repurchase Price and the market value of equivalent Eligible Collateral at such time. The Issuer has a Transaction Exposure if the Repurchase Price exceeds the market value of equivalent Eligible Collateral; the Counterparty has a Transaction Exposure if the market value of equivalent Eligible Collateral exceeds the Repurchase Price.

Pursuant to the terms of the Underlying Repo Agreement, the Counterparty may, at any time between the Issue Date and the Maturity Date, substitute any Eligible Collateral delivered to the Issuer and forming part of the Repo Portfolio for any other security that is Eligible Collateral, subject to any adjustments to the value of such Eligible Collateral in accordance with the applicable Margin Ratio (the "**Substitute Eligible Collateral**") and such Substitute Eligible Collateral shall form part of the Repo Portfolio thereafter. The Tri-Party Agent, in accordance with the terms of the Tri-Party Repo Agreement, shall substitute Eligible Collateral by transferring the Eligible Collateral to be removed from the Repo Portfolio to the Counterparty and delivering the relevant Substitute Eligible Collateral to the Issuer.

The Repo Transaction contains provisions for the Repo Transaction to be repriced on each date that corresponds to an Interest Payment Date under the Notes and on each date on which the Notes are redeemed in part in accordance with the Conditions (each such date a "**Repricing Date**"). The net amount payable by the Counterparty to the Issuer on each Repricing Date shall be an amount equal to an amount of interest that would accrue for the period from and including the immediately preceding Repricing Date (or, in the case of the first Repricing Date, the purchase date corresponding to the Issue Date of the Notes) on an amount equal to the Purchase Price of the Repo Transaction (as adjusted following any redemption in part of the Notes in accordance with the Conditions) by reference to a rate equal to the 3 month EURIBOR rate

determined in respect of the corresponding Interest Period under the Notes plus a margin of +0.18 per cent. per annum.

(ii) ***Adjustment to the Repurchase Date of the Repo Transaction and termination of the Underlying Repo Agreement***

In the event that there is an Event of Default under the Notes or an event of default occurs pursuant to the Underlying Repo Agreement in respect of which the Issuer is the Defaulting Party (as defined in the Underlying Repo Agreement), the Counterparty shall have the right to accelerate the Repurchase Date in respect of the Repo Transaction by serving a Default Notice on the Issuer and thereby terminate the Underlying Repo Agreement.

In the event that an event of default occurs pursuant to the Underlying Repo Agreement in respect of which the Counterparty is the Defaulting Party (as defined in the Underlying Repo Agreement), the Issuer shall have the right to accelerate the Repurchase Date in respect of the Repo Transaction by serving a Default Notice on the Counterparty and thereby terminate the Underlying Repo Agreement. In any such event, the Issuer is dependent on the Determination Agent to perform such tasks on its behalf.

If any of the events or circumstances set out in clause 15.3 of the Agency Agreement occurs in respect of the Determination Agent or if the Determination Agent otherwise fails to perform any of its duties or to comply with any of its obligations under the applicable Transaction Documents and the Trade Documents in relation to the Notes and such failure is continuing for a period of 3 days or more, the Issuer shall promptly upon becoming aware of such fact notify the Noteholders (in accordance with Condition 15) and the Trustee. Pursuant to Condition 7(b)(ii)(C) of the Notes, the holders of 100 per cent. of the aggregate principal amount outstanding of the outstanding Notes shall be entitled to, subject to providing satisfactory evidence of their noteholding and such indemnification to the Issuer and the Trustee and/or prefunding to the Issuer and the Trustee as they may require, direct the Issuer to appoint a replacement Determination Agent (the "**Replacement Determination Agent**"). Such Replacement Determination Agent shall be an internationally recognised financial institution that has a principal office or branch in London or an Approved Counterparty (as defined in the Supplemental Trust Deed) selected by such Noteholders and will be appointed to act on the Issuer's behalf to take the necessary steps to terminate the Underlying Repo Agreement, declare a Mandatory Redemption Event and redeem the Notes in accordance with the Conditions, the applicable Transaction Documents and the Trade Documents.

Following the occurrence of a Mandatory Redemption Event pursuant to Condition 7(b)(i)(A) or Condition 7(b)(i)(B), the Repurchase Date of the Repo Transaction will be adjusted to the day that is the fifth Business Day following the Mandatory Redemption Notification Date pursuant to the terms of the Repo Transaction. In the case of Condition 7(b)(i)(B) where the Repurchase Date of the Repo Transaction cannot be adjusted, the Determination Agent, in its sole discretion, may decide on the most

appropriate manner of terminating the Underlying Repo Agreement, which may include arranging for the sale of the Repo Portfolio. In such situation, the Determination Agent, in its sole discretion, may determine the Redemption Amount in respect of the Notes.

In the event that the Repurchase Date of the Repo Transaction is accelerated or adjusted as set out above, one or both of the Issuer and the Counterparty may be required to pay amounts or deliver securities to the other party in accordance with the terms of the Underlying Repo Agreement.

(iii) ***Governing Law***

The Underlying Repo Agreement is governed by English law.

(d) **The Tri-Party Repo Agreement**

The Custodian, acting as "**Collateral Taker Representative**" of the Issuer, will enter into a collateral services agreement on the Issue Date with the Counterparty and the Tri-Party Agent (the "**Tri-Party Repo Agreement**"). Under the terms of the Tri-Party Repo Agreement, the Collateral Taker Representative and the Counterparty will be required to deliver any cash or Eligible Collateral to accounts held with the Tri-Party Agent and the Tri-Party Agent will be responsible for (without limitation) determining the Net Exposure of the parties, arranging for the transfer of Eligible Collateral between the Collateral Taker Representative and the Counterparty to give effect to the margining provisions in the Underlying Repo Agreement and any substitutions of Eligible Collateral in accordance with the terms of the Underlying Repo Agreement described in (e)(iii) below.

Pursuant the Tri-Party Repo Agreement, the ability of the Tri-Party Agent to perform its obligations (in certain circumstances) is dependent on the Counterparty and, in certain cases, the Collateral Taker Representative (or any agent acting on its behalf) providing instructions to the Tri-Party Agent relating to its obligations under the Tri-Party Repo Agreement. Such circumstances can include, but are not limited to:

- (i) where the Counterparty has not delivered sufficient securities on the purchase date pursuant to the Underlying Repo Agreement;
- (ii) where the Counterparty is required to provide additional Eligible Collateral as a result of the application of the margining provisions in the Underlying Repo Agreement; and
- (iii) where there has been an event of default under the Underlying Repo Agreement.

Where either the Counterparty or the Collateral Taker Representative (or any agent acting on its behalf) does not provide these instructions, the Tri-Party Agent is not obliged to take any further action until it is provided with such instructions.

The Tri-Party Agent's appointment can be terminated on 90 business days' prior written notice from the Issuer and the Counterparty and the Tri-Party Agent's fees shall be paid by the Counterparty upon termination of the Tri-Party Repo Agreement.

(e) **The Repo Portfolio and the Eligible Collateral**

(i) ***The Repo Portfolio***

The Eligible Collateral for the time being standing to the credit of the Securities Account in respect of the Notes comprise the repo portfolio (the "**Repo Portfolio**").

(ii) ***The Eligibility Criteria and the Eligible Collateral***

Any securities delivered to the Issuer in accordance with the Underlying Repo Agreement shall satisfy the following criteria (the "**Eligible Collateral**"):

- (A) The security must be one of following types of security: ABS, CDO, CMBS, Repack Securities or Permitted Sovereign Securities.
- (B) The security must be denominated in EUR, US dollars or Pounds Sterling.
- (C) If rated, not have a rating lower than BBB- by S&P or Fitch at the time of transfer or substitution.
- (D) The outstanding principal amount of any Eligible Collateral (other than a Permitted Sovereign Security) shall not, at the time of transfer or substitution, be lower than EUR 1,000,000.

For the purposes hereof:

"**ABS**" means any debt security which has the following characteristics:

- (a) the debt security entitles the holders thereof to receive payments of interest and/or repayment of principal the timing and/or amount of which depend on the cash flow from a financial asset or a pool of financial assets, whether fixed, revolving or managed; or
- (b) the debt security entitles the holder thereof to receive payments of interest and/or repayment of principal that are linked, directly or indirectly, to the credit of one or more obligors and/or value and/or price performance and/or cash flows of a financial asset or a pool of financial assets, whether fixed, revolving or managed (and whether or not such entitlement is also linked to other matters);
- (c) and, in each case, that by its terms converts into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the asset-backed securities.

"**CDO**" means any ABS (whether constituted by a single tranche or multiple tranches of securities) that constitutes a collateralised debt obligation, collateralised bond

obligation, collateralised loan obligation, collateralised synthetic obligation, any ABS that constitutes a combination of the foregoing features or any other ABS.

"**CMBS**" means securities (excluding, for the avoidance of doubt, any commercial loan or participation interest in a commercial loan) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from a commercial mortgage loan or a pool of commercial mortgage loans (including, without limitation, Conduit CMBS, Credit Tenant Lease CMBS and Large Loan CMBS).

"**Permitted Sovereign Securities**" means bonds issued by the governments of Austria, Finland, France, Germany, Italy, Sweden or the United Kingdom having a residual maturity of less than 10 years with local and foreign currency issuer rating of BBB- or above by S&P or Fitch.

"**Repack Securities**" means any securities where the underlying asset which (in conjunction with any related swap) is expected to generate the cash flows to service that security, is ABS, CDO or CMBS including, without limitation, the following unrated securities:

- | | | |
|-----|--------------------|---------------------|
| (a) | Hunter 2009-1A SPC | Cusip: 44572QAA6 |
| (b) | MSPRE 2009-1 B | ISIN: XS0469930639 |
| (c) | MSNPL 2010-1 A | ISIN: XS0568829286. |

If any Eligible Collateral forming part of the Repo Portfolio, no longer satisfies any of the Eligibility Criteria, the Tri-Party Agent will substitute these for Substitute Eligible Collateral in accordance with the terms of the Tri-Party Repo Agreement and the Underlying Repo Agreement as described in (e)(iii) below.

Fitch is not established in the European Economic Area but the rating it has assigned to Eligible Collateral is endorsed by Fitch Ratings Limited, a rating established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

S&P is not established in the European Economic Area but the rating it has assigned to Eligible Collateral is, with effect from 9 April 2012, endorsed by Standard & Poors Credit Market Services Europe Limited, a rating established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

(iii) *Substitution of Eligible Collateral*

The Counterparty, in accordance with the terms of the Underlying Repo Agreement, may at any time and without notice to the Issuer, substitute any Eligible Collateral forming part of the Repo Portfolio (the "**Existing Eligible Collateral**") for alternative Eligible Collateral.

The Tri-Party Agent, on behalf of the Counterparty, shall deliver Substitute Eligible Collateral to the Issuer upon receiving instructions from the Counterparty to substitute

any Existing Eligible Collateral (such affected security, the "**Affected Eligible Collateral**") for Substitute Eligible Collateral.

The Tri-Party Agent shall, in accordance with the terms of the Tri-Party Repo Agreement, arrange for the Affected Eligible Collateral to be delivered to the Counterparty and for the Substitute Eligible Collateral to be delivered to the Issuer.

(f) **Retained Monies**

"**Retained Monies**" means any monies received by the Tri-Party Agent or by any person for the Tri-Party Agent's account, including for the credit of the Cash Account in respect of the Underlying Assets and the Repo Portfolio (together with any interest accrued or accruing thereon) which have been retained by the Tri-Party Agent pursuant to the terms of the Tri-Party Repo Agreement.

(g) **Agency Agreement**

Pursuant to an agency agreement to which the Issuer dated 6 October 2003 and as amended and restated on 29 June 2012 by, amongst others, the Issuer, the Principal Paying Agent and the Trustee, the Issuer has certain rights owed to it by the Paying Agents who have agreed to hold funds from time to time on behalf of the Issuer, subject to the security created by the Supplemental Trust Deed and to make all payments in respect of the Notes. The Determination Agent, the Issue Agent and the Calculation Agent each have certain contractual obligations to the Issuer, subject to the Security created by the Supplemental Trust Deed.

BUSINESS OF THE COUNTERPARTY AND THE TRI-PARTY AGENT

The Counterparty

Morgan Stanley & Co. International plc is an indirect wholly-owned subsidiary of Morgan Stanley and a registered U.K. broker-dealer regulated by the Financial Services Authority. The Counterparty was incorporated in England in 1986 and its registered address is 25 Cabot Square, Canary Wharf, London, E14 4QA. The Counterparty is active in the following markets: commodities, fixed income and equity securities, equity and debt capital markets and foreign exchange. Information in relation to Morgan Stanley & Co. International plc can be found on pages 64 to 72 of the Morgan Stanley Registration Document in the sections headed "Description of Morgan Stanley & Co. International plc" and "Selected Financial Information of Morgan Stanley & Co. International plc" incorporated by reference on page 15 of this Securities Note.

Morgan Stanley & Co. International plc has debt securities listed on the main market of the London Stock Exchange as at the date of this Securities Note.

Morgan Stanley is a global financial services firm that, through its subsidiaries and affiliates, provides a wide variety of products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals. It maintains significant market positions in each of its business segments - Institutional Securities, Global Wealth Management Group and Asset Management.

Morgan Stanley's objects and purposes are set out in Article III of its Certificate of Incorporation and enable it to engage in any lawful act or activity for which corporations may be organised and incorporated under the General Corporation Law of the State of Delaware.

Morgan Stanley's common stock is listed on the New York Stock Exchange, Inc. and its principal executive offices are at 1585 Broadway, New York, New York 10036, U.S.A.

The Tri-Party Agent

Euroclear Bank S.A./N.V. ("**Euroclear**") provides settlement and related securities services for cross-border transactions involving domestic and international bonds, equities, derivatives and investment funds. Euroclear's tri-party collateral management services enable clients to collateralise exposures across products, instruments and counterparties. The Euroclear group is owned and governed by its users. The assets held by the Euroclear group for its clients are valued at more than EUR 22 trillion and the total value of securities transactions settled by the Euroclear group in 2011 was over EUR 580 trillion.

CREDIT, COMMERCIAL, LEGAL AND TAX CONSIDERATIONS

The following is a description of certain additional aspects of the issue of the Notes of which any prospective Noteholder should be aware. It is not intended to be exhaustive and any prospective Noteholder should also read the detailed information set out elsewhere in this document and take its own tax, legal and other relevant advice as to the structure and viability of investment in the Notes.

(1) *Credit Considerations*

The Notes are solely the obligation of the Issuer. In particular, the Notes are not the obligation or responsibility of, or guaranteed by, the Trustee, the Issue Agent, the Arranger, the Calculation Agent, the Dealer, the Paying Agents, the Determination Agent, the Tri-Party Agent or the Counterparty. Apart from the Issuer, none of those persons will accept any liability whatsoever to the Noteholders in respect of any failure by the Issuer to pay any amount due under the Notes.

The Issuer's ability to meet its obligations under the Notes

The ability of the Issuer to meet its obligations to pay the principal of and interest on the Notes, after payment in full has been made by the Issuer of all amounts due and owing which rank in priority thereto, will be dependent on (1) the performance by or on behalf of the Counterparty of its obligations under the Underlying Repo Agreement and (2) the performance by or on behalf of the Tri-Party Agent of its obligations under the Tri-Party Repo Agreement.

The Counterparty will make payments due from it under the Underlying Repo Agreement (other than any payments or deliveries intended to give effect to the provisions of paragraph 4 of the Underlying Repo Agreement) to the Principal Paying Agent who will apply such amounts in payment of amounts due, *inter alios*, to the Noteholders.

Enforcement of Security for the Notes: Limited Recourse

On an enforcement of the security in respect of the Notes, the Trustee will have recourse only to the Charged Assets. The Trustee will have no recourse to any other assets of the Issuer and, after realisation of the security, neither the Trustee, the Tri-Party Agent, the Issue Agent, the Calculation Agent, the Paying Agents, the Determination Agent, any Noteholders nor the Counterparty may take any further steps against the Issuer or any of its assets to recover any sums still unpaid in respect of the Trust Deed, the Notes, the Underlying Repo Agreement, the Tri-Party Repo Agreement and the Agency Agreement, as applicable, and all claims against the Issuer in respect of such sums shall be extinguished. In particular, neither the Trustee nor any Noteholders, nor the Counterparty nor any other Agent nor the Tri-Party Agent will be entitled to petition or take any other step for the winding-up of the Issuer, nor shall any of them have any claim in respect of any such sums over or in respect of any assets of the Issuer other than the Charged Assets.

(2) ***Commercial and Legal Aspects of the Transaction***

No investigations, searches or other enquiries have been made by or on behalf of the Issuer or Trustee in respect of the Charged Assets, the Underlying Assets or the Counterparty and no representations or warranties have been given to the Issuer in respect thereof. Prospective Noteholders should take their own tax, legal, accounting and other relevant advice as to the structure and viability of the Notes and their investment in them.

(3) ***Tax Considerations***

Neither the Issuer, nor the Counterparty is obliged to pay any additional amount for, or on account of, any payments under the Notes or the Underlying Repo Agreement (as the case may be) that are the subject of a deduction or withholding for or on account of any tax. The imposition of such withholding or deductions may lead to a mandatory redemption of the Notes.

(4) ***Expenses***

All payment of costs and expenses of the Issuer in connection with the issue of the Notes and the entry into the Underlying Repo Agreement will be met by the Counterparty. It is anticipated that no surpluses shall be accumulated by the Issuer in respect of the Notes.

(5) ***Administration***

Maples Fiduciary Services (Ireland) Limited (formerly MFD Limited) of Beaux Lane House, Mercer Street Lower, Dublin 2 is the corporate services provider (the "**Corporate Services Provider**") of the Issuer pursuant to a corporate administration agreement dated 5 October 2009 (the "**Corporate Services Agreement**"). Its duties include the provision of certain administrative and related services including acting as company secretary. The appointment of the Corporate Services Provider may be terminated and the Corporate Services Provider may retire upon 3 months' written notice.

In addition, the Corporate Services Agreement provides for termination of the Corporate Services Agreement by a party in certain circumstances of insolvency of the other party and/or in the event of a material breach of the Corporate Services Agreement by the other party. In the event of a termination of the existing Corporate Services Agreement (for whatever reason) appropriate alternative management arrangements will need to be put into place at the relevant time.

USE OF PROCEEDS

The net proceeds of the issue, which are expected to amount to EUR 300,000,000 will be used by the Issuer to enter into the Underlying Repo Agreement to obtain the Eligible Collateral forming part of the Repo Portfolio pursuant to the terms of the Underlying Repo Agreement on the Issue Date.

TAXATION

1. General

Purchasers of Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the issue price of each Note.

Potential purchasers who are in any doubt about their tax position on purchase, ownership, transfer or exercise of any Note should consult their own tax advisers. In particular, no representation is made as to the manner in which payments under the Notes would be characterised by any relevant taxing authority. Potential investors should be aware that the relevant fiscal rules or their interpretation may change, possibly with retrospective effect, and that this summary is not exhaustive. This summary does not constitute legal or tax advice or a guarantee to any potential investor of the tax consequences of investing in the Notes.

2. U.S. Federal Income Taxation

This Securities Note was not written and is not intended to be used and cannot be used by any taxpayer for purposes of avoiding U.S. federal income tax penalties and was written to support the promotion or marketing of this transaction. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

General

This summary does not purport to be a comprehensive description of all the U.S. federal income tax considerations that may be relevant to a particular investor's decision to purchase the Notes. In addition, this summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the U.S. federal income tax laws.

This summary is based on the U.S. federal income tax laws, regulations (final, temporary and proposed), administrative rulings and practice and judicial decisions in effect or available on the date of this Securities Note. All of the foregoing is subject to change or differing interpretation at any time, which change or interpretation may apply retroactively and could affect the continued validity of this summary.

This summary is included herein for general information only, and there can be no assurance that the U.S. Internal Revenue Service (the "IRS") will take a similar view of the U.S. federal income tax consequences of an investment in the Notes as described herein. ACCORDINGLY, PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, AND THE POSSIBLE APPLICATION OF STATE, LOCAL, FOREIGN OR OTHER TAX LAWS. IN PARTICULAR, NO REPRESENTATION IS MADE AS TO THE MANNER IN WHICH PAYMENTS

UNDER THE NOTES WOULD BE CHARACTERISED BY ANY RELEVANT TAXING AUTHORITY.

In general, if an entity or an arrangement is classified and treated for U.S. federal income tax as a partnership, the U.S. federal income tax treatment of the partners in the partnership generally will depend on the classification and treatment of the partners and the activities of the partnership. Prospective investors that are partnerships, and partners in such partnerships, should consult their own tax advisors to determine the U.S. federal income tax consequences to them of acquiring, owning and disposing of the Notes.

Tax Treatment of the Issuer

The U.S. Internal Revenue code of 1986, as amended (the "Code") and the U.S. Treasury regulations promulgated thereunder provide a specific exemption from net income based U.S. federal income tax to Non-U.S. corporations that restrict their activities in the United States to trading in stocks and securities (and any other activity closely related thereto) for their own account, whether such trading (or such other activity) is conducted by the corporation or its employees or through a resident broker, commission agent, custodian or other agent. This particular exemption does not apply to non-U.S. corporations that are engaged in activities in the United States other than trading in stocks and securities (and any other activity closely related thereto) for their own account or that are dealers in stocks and securities.

The Issuer intends to rely on the above exemption and does not intend to operate so as to be subject to U.S. federal income taxes on its net income. Notwithstanding the foregoing, if the IRS were to successfully assert that the Issuer were engaged in a U.S. trade or business and the Issuer had taxable income that was effectively connected with such U.S. trade or business, the Issuer would be subject under the Code to the regular U.S. corporate income tax on such effectively connected taxable income (and possibly to the 30 per cent. branch profits tax as well). The imposition of such taxes would materially affect the Issuer's financial ability to make payments with respect to the Notes and could materially affect the yield of the Notes.

Tax Treatment of the Credit Default Swap

Under current U.S. federal income tax law, the treatment of credit default swaps is unclear. Certain possible tax characterisations of a credit default swap, if adopted by the IRS and if applied to the Credit Default Swap to which the Issuer is then a party, could subject payments received by the Issuer under the Credit Default Swap to U.S. withholding or excise tax. It is also possible that because of such tax characterisations, the Issuer could be treated as engaging in a trade or business in the United States and therefore subject to net income tax, as described above.

U.S. Withholding Taxes

Although, based on the foregoing, the Issuer is not expected to be subject to U.S. federal income tax on a net income basis, income derived by the Issuer may be subject

to withholding taxes imposed by the United States or other countries. Generally, U.S. source interest income received by a foreign corporation not engaged in a trade or business within the United States is subject to U.S. withholding tax at the rate of 30 per cent. of the amount thereof. The Code provides an exemption (the "**Portfolio Interest Exemption**") from such withholding tax for interest paid with respect to certain debt obligations issued after 18 July 1984, unless the interest constitutes a certain type of contingent interest or is paid to a 10 per cent. shareholder of the payor, to a controlled foreign corporation related to the payor, or to a bank with respect to a loan entered into in the ordinary course of its business. The Issuer does not anticipate that it will derive material amounts of any items of income that would be subject to U.S. withholding taxes. Accordingly, subject to the foregoing qualifications, income derived by the Issuer will be free of or fully "grossed up" for any material amount of U.S. withholding tax. However, there can be no assurance that income derived by the Issuer will not generally become subject to U.S. withholding tax as a result of a change in U.S. tax law or administrative practice, procedure, or interpretations thereof. Any change in U.S. tax law or administrative practice, procedure, or interpretations thereof resulting in the income of the Issuer becoming subject to U.S. withholding taxes which would materially affect the Issuer's financial ability to make payments with respect to the Notes and could materially affect the yield of the Notes.

Tax Treatment of Non-U.S. Holders of Notes

As used in this section, the term "**Non-U.S. Holder**" means a beneficial owner of a Note that is for U.S. federal income tax purposes, a (i) non-resident alien individual, (ii) corporation, or an entity taxable as a corporation, not created or organised in, or under the laws of, the United States or any political subdivision thereof, or (iii) trust or estate the income of which is not subject to US federal income tax regardless of its source. In general, payments on the Notes to a Non-U.S. Holder and gain realised on the sale, exchange, redemption, retirement or other taxable disposition of the Notes by a Non-U.S. Holder, will not be subject to U.S. federal income or withholding tax, unless (i) such income is effectively connected with a trade or business conducted by such Non- U.S. Holder in the United States, or (ii) in the case of gain, such Non-U.S. Holder is a non-resident alien individual who holds the Notes as a capital asset and is present in the United States for more than 182 days in the taxable year of the sale, exchange, redemption, retirement or other taxable disposition and certain other conditions are satisfied.

Information Reporting and Backup Withholding

Payments of interest on, and of proceeds on the disposition of, Notes, that are made within the United States or through certain U.S.-related financial intermediaries may be subject to information reporting and to backup withholding unless the U.S. Holder establishes that it is a corporation or other exempt recipient or, in the case of backup withholding, the holder provides a correct taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information

reporting requirements and backup withholding tax. The amount of any backup withholding from a payment to a Holder will be allowed as a credit against the Holder's federal income tax liability, if any, and may entitle the holder to a refund, *provided that* the required information is timely furnished to the U.S. Internal Revenue Service.

3. **EU Directive on the Taxation of Savings Income**

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entities established in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entities established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entities established in one of those territories.

4. **Irish Taxation**

Introduction

The following is a summary of the principal Irish tax consequences for individuals and companies of ownership of the Notes based on the laws and practice of the Irish Revenue Commissioners currently in force in Ireland and may be subject to change. It deals with Noteholders who beneficially own their Notes as an investment. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, such as dealers in securities, trusts etc. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

Taxation of Issuer

It is intended that the Issuer will be a "qualifying company" for the purposes of Section 110 of the Taxes Consolidation Act, 1997 (as amended) ("TCA"). On that basis, the

income and gains of the Issuer will be subject to Irish corporation tax at the rate of 25%, but the Issuer will be entitled to deduct against its taxable income and gains, interest payable on the Notes and all other revenue outgoings incurred wholly and exclusively for the purposes of the Issuer's business in accordance with the accounting treatment applicable for tax purposes.

Taxation of Noteholders

Withholding Tax

In general, tax at the standard rate of income tax (currently 20 per cent.), is required to be withheld from payments of Irish source interest which should include interest or premium payable on the Notes. References in this disclosure to "interest" payable on the Notes shall also include premium payable on the Notes.

The Issuer will not be obliged to make a withholding or deduction for or on account of Irish income tax from a payment of interest on a Note where certain exemptions apply, in particular, so long as the interest paid on the relevant Note falls within one of the following categories:

1. *Interest paid on a quoted Eurobond:* The Issuer will not be obliged to make a withholding or deduction for or on account of Irish income tax from a payment of interest on a Note where:
 - (a) the Notes are Quoted Eurobonds i.e. securities which are issued by a company (such as the Issuer), which are listed on a recognised stock exchange (such as the Irish Stock Exchange) and which carry a right to interest; and
 - (b) the person by or through whom the payment is made is not in Ireland, or if such person is in Ireland, either:
 - (i) the Notes are held in a clearing system recognised by the Irish Revenue Commissioners; (DTC, Euroclear and Clearstream, Luxembourg are, amongst others, so recognised); or
 - (ii) the Noteholder is not resident in Ireland and has made a declaration to a relevant person (such as a paying agent located in Ireland) in the prescribed form; and
 - (c) one of the following conditions is satisfied:
 - (i) the Noteholder is resident for tax purposes in Ireland; or
 - (ii) the Noteholder is subject, without any reduction computed by reference to the amount of such interest or other distribution, to a tax in a relevant territory which generally applies to profits, income or gains received in that territory, by persons, from sources outside that territory; or

(iii) the Noteholder is not a company which, directly or indirectly, controls the Issuer, is controlled by the Issuer, or is controlled by a third company which also directly or indirectly controls the Issuer, and neither the Noteholder, nor any person connected with the Noteholder, is a person or persons:

- (A) from whom the Issuer has acquired assets;
- (B) to whom the Issuer has made loans or advances; or
- (C) with whom the Issuer has entered into a swap agreement,

where the aggregate value of such assets, loans, advances or swap agreements represents not less than 75 per cent. of the assets of the Issuer; or

(iv) at the time of issue of the Notes, the Issuer was not in possession, or aware, of any information which could reasonably be taken to indicate whether or not the beneficial owner of the Notes would be subject to tax on any interest payments.

where the term:

“relevant territory” means a member state of the European Union (other than Ireland) or a country with which Ireland has signed a double tax treaty (“**Relevant Territory**”); and

“swap agreement” means any agreement, arrangement or understanding that—

- I. provides for the exchange, on a fixed or contingent basis, of one or more payments based on the value, rate or amount of one or more interest or other rates, currencies, commodities, securities, instruments of indebtedness, indices, quantitative measures, or other financial or economic interests or property of any kind, or any interest therein or based on the value thereof, and
- II. transfers to a person who is a party to the agreement, arrangement or understanding or to a person connected with that person, in whole or in part, the financial risk associated with a future change in any such value, rate or amount without also conveying a current or future direct or indirect ownership interest in an asset (including any enterprise or investment pool) or liability that incorporates the financial risk so transferred.

Thus, so long as the Notes continue to be quoted on the Irish Stock Exchange, are held in DTC, Euroclear and/or Clearstream, Luxembourg, and one of the

conditions set out in paragraph 1(c) above is met, interest on the Notes can be paid by any paying agent acting on behalf of the Issuer free of any withholding or deduction for or on account of Irish income tax. If the Notes continue to be quoted but cease to be held in a recognised clearing system, interest on the Notes may be paid without any withholding or deduction for or on account of Irish income tax provided such payment is made through a paying agent outside Ireland and one of the conditions set out in paragraph 1(c) above is met.

2. *Interest paid by a qualifying company to certain non-residents:*

If, for any reason, the exemption referred to above ceases to apply, interest payments may still be made free of withholding tax *provided that:*

- (a) the Issuer remains a "qualifying company" as defined in Section 110 of the TCA and the Noteholder is a person which is resident in a Relevant Territory, and, where the recipient is a company, the interest is not paid to it in connection with a trade or business carried on by it in Ireland through a branch or agency. The test of residence is determined by reference to the law of the Relevant Territory in which the Noteholder claims to be resident. The Issuer must be satisfied that the terms of the exemption are satisfied; and
- (b) one of the following conditions is satisfied:
 - (i) the Noteholder is a pension fund, government body or other person (which satisfies paragraph 1(c)(iii) above), which is resident in a Relevant Territory and which, under the laws of that territory, is exempted from tax that generally applies to profits, income or gains in that territory; or
 - (ii) the Noteholder is subject, without any reduction computed by reference to the amount of such interest or other distribution, to a tax in a Relevant Territory which generally applies to profits, income or gains received in that territory, by persons, from sources outside that territory.

Encashment Tax

In certain circumstances, Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from interest on any Note, where such interest is collected or realised by a bank or encashment agent in Ireland on behalf of any Noteholder. There is an exemption from encashment tax where the beneficial owner of the interest is not resident in Ireland and has made a declaration to this effect in the prescribed form to the encashment agent or bank.

Income Tax, PRSI and Universal Social Charge

Notwithstanding that a Noteholder may receive interest on the Notes free of withholding tax, the Noteholder may still be liable to pay Irish tax with respect to such

interest. Noteholders resident or ordinarily resident in Ireland who are individuals may be liable to pay Irish income tax, social insurance (PRSI) contributions and the universal social charge in respect of interest they receive on the Notes.

Interest paid on the Notes may have an Irish source and therefore may be within the charge to Irish income tax. In the case of Noteholders who are non-resident individuals such Noteholders may also be liable to pay the universal social charge in respect of interest they receive on the Notes.

Ireland operates a self-assessment system in respect of tax and any person, including a person who is neither resident nor ordinarily resident in Ireland, with Irish source income comes within its scope.

There are a number of exemptions from Irish income tax available to certain non-residents. Firstly, interest payments made by the Issuer are exempt from income tax so long as the Issuer is a qualifying company for the purposes of Section 110 of the TCA, the recipient is not resident in Ireland and is resident in a Relevant Territory and, the interest is paid out of the assets of the Issuer. Secondly, interest payments made by the Issuer in the ordinary course of its trade or business to a company are exempt from income tax provided the recipient company is not resident in Ireland and is either resident for tax purposes in a Relevant Territory which imposes a tax that generally applies to interest receivable in that territory by companies from sources outside that territory or the interest is exempted from the charge to Irish income tax under the terms of a double tax agreement which is either in force or which will come in to force once all ratification procedures have been completed. Thirdly, interest paid by the Issuer free of withholding tax under the quoted Eurobond exemption is exempt from income tax where the recipient is a person not resident in Ireland and resident in a Relevant Territory. Finance Act 2012 extends the quoted Eurobond exemption to companies which are under the control, whether directly or indirectly, of person(s) who by virtue of the law of a Relevant Territory are resident for the purposes of tax in a Relevant Territory and are not under the control of person(s) who are not so resident, and to 75% subsidiary companies of a company or companies the principal class of shares in which is substantially and regularly traded on a recognised stock exchange. For the purposes of these exemptions and where not specified otherwise, residence is determined under the terms of the relevant double taxation agreement or in any other case, the law of the country in which the recipient claims to be resident. Interest falling within the above exemptions is also exempt from the universal social charge.

Notwithstanding these exemptions from income tax, a corporate recipient that carries on a trade in Ireland through a branch or agency in respect of which the Notes are held or attributed, may have a liability to Irish corporation tax on the interest.

Relief from Irish income tax may also be available under the specific provisions of a double tax treaty between Ireland and the country of residence of the recipient.

Interest on the Notes which does not fall within the above exemptions is within the charge to income tax, and, in the case of Noteholders who are individuals, the charge

to the universal social charge. In the past the Irish Revenue Commissioners have not pursued liability to income tax in respect of persons who are not regarded as being resident in Ireland except where such persons have a taxable presence of some sort in Ireland or seek to claim any relief or repayment in respect of Irish tax.

There can be no assurance that the Irish Revenue Commissioners will apply this practice in the case of any Noteholder.

Capital Gains Tax

A holder of Notes will not be subject to Irish tax on capital gains on a disposal of Notes unless such holder is either resident or ordinarily resident in Ireland or carries on a trade or business in Ireland through a branch or agency in respect of which the Notes were used or held.

Capital Acquisitions Tax

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions tax (which subject to available exemptions and reliefs, will be levied at 30 per cent) if either (i) the disponent or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponent is domiciled in Ireland irrespective of his residence or that of the donee/successor) on the relevant date or (ii) if the Notes are regarded as property situate in Ireland (i.e. if the Notes are physically located in Ireland or if the register of the Notes is maintained in Ireland).

Stamp Duty

No stamp duty or similar tax is imposed in Ireland (on the basis of an exemption provided for in Section 85(2)(c) of the Irish Stamp Duties Consolidation Act, 1999 assuming the proceeds of the Notes are used in the course of the Issuer's business), on the issue, transfer or redemption of the Notes.

EU Directive on the Taxation of Savings Income

The Council of the European Union has adopted a directive regarding the taxation of interest income known as the "European Union Directive on the Taxation of Savings Income (Directive 2003/48/EC) ("**Directive 2003/48/EC**"). Ireland has implemented the directive into national law. Accordingly, any Irish paying agent making an interest payment on behalf of the Issuer to an individual or certain residual entities resident in another Member State of the European or certain associated and dependent territories of a Member State will have to provide details of the payment to the Irish Revenue Commissioners who in turn will provide such information to the competent authorities of the state or territory of residence of the individual or residual entity concerned.

The Issuer, or certain other persons shall be entitled to require Noteholders to provide any information regarding their tax status, identity or residency in order to satisfy the disclosure requirements in Directive 2003/48/EC and Noteholders will be deemed by

their subscription for Notes to have authorised the automatic disclosure of such information by the Issuer, or any other person to the relevant tax authorities.

GENERAL INFORMATION

- (a) The Issuer has obtained all necessary consents, approvals and authorisations in Ireland (if any) in connection with the issue and performance of the Notes. The issue of the Notes was authorised by written resolution of a committee of the Board of Directors of the Issuer passed on 3 July 2012.
- (b) There are no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) involving the Issuer, which may have, or have had during the twelve months preceding the date of this Securities Note, a significant effect on the financial position of the Issuer.
- (c) Save as disclosed herein, there has been no material adverse change in the financial position or prospects of the Issuer since 30 June 2011 (the date of its last published audited financial statements).
- (d) Save as disclosed herein, there has been no significant change and no significant new matter has arisen since publication of the Registration Document.
- (e) For so long as any of the Notes are outstanding, copies of the following documents will be available in physical form from the date hereof, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection by Noteholders at the London office of the Principal Paying Agent and at the registered office of the Issuer:
 - (i) this Securities Note;
 - (ii) any document(s) incorporated by reference into the Prospectus, as specified on page 15 of this Securities Note;
 - (iii) the Supplemental Trust Deed;
 - (iv) the documents specified in paragraph 5 of "General Information" in the Registration Document dated 29 June 2012; and
 - (v) the Underlying Repo Agreement.
- (f) The Notes will initially be represented by a Registered Global Note which will be deposited with, and registered in the name of The Bank of New York Depository (Nominees) Limited as nominee for, The Bank of New York Mellon, London Branch, as common depository on behalf of Euroclear or Clearstream, Luxembourg and interests therein will be credited to the accounts of the Holders with Euroclear and/or Clearstream, Luxembourg. Interests in the Registered Global Note will also be exchangeable for definitive Notes if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention to cease business permanently or in fact does so, or if any Note becomes redeemable following an Event of Default.
- (g) Pursuant to the terms of the Principal Trust Deed, a Trustee may retire upon the giving of three months notice to the Issuer and each Secured Creditor or may be removed by an Extraordinary Resolution of the Holders of the relevant Series of Notes. In

circumstances of notice of retirement or removal the Issuer shall procure the appointment of a new trustee as soon as reasonably practicable and such retirement or removal shall not become effective until a successor trustee has been appointed.

- (h) The Notes are governed by and shall be construed in accordance with English law.
- (i) The Issuer has irrevocably agreed for the benefit of the Noteholders that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Notes and, for such purposes has irrevocably submitted to the jurisdiction of such courts.
- (j) The Issuer was registered and incorporated as a public company with limited liability (registration number 376213) with the name Elva Funding plc under the Irish Companies Acts 1963 - 2003 (as amended) on 25 September 2003. The Issuer has been incorporated for an indefinite period and was established as a special purpose vehicle for the purpose of issuing asset backed securities.
- (k) Application has been made to the Irish Stock Exchange and for the Notes to be admitted to the Official List and trading on its regulated market. The total expenses related to the admission to trading of the Notes are estimated to be approximately EUR 2,541.20.
- (l) The Issuer does not intend to provide post issuance transaction information regarding the Notes, the Underlying Assets or the Repo Portfolio, other than information which it is required to provide to Noteholders in accordance with the Conditions.
- (m) This Securities Note comprises an Applicable Supplement for the purposes of the Programme.
- (n) Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the regulated market of the Irish Stock Exchange for the purposes of the Prospectus Directive.

REGISTERED OFFICE OF THE ISSUER

Elva Funding PLC
2nd Floor
Beaux Lane House
Mercer Street Lower
Dublin 2, Ireland

ARRANGER AND DEALER

Morgan Stanley & Co. International Plc
25 Cabot Square
Canary Wharf
London E14 4QA

TRUSTEE

**BNY Mellon Corporate Trustee Services
Limited**
One Canada Square
London E14 5AL

**ISSUE AGENT, PRINCIPAL PAYING AGENT,
CALCULATION AGENT AND CUSTODIAN**

The Bank of New York Mellon
acting through its London Branch
One Canada Square
London E14 5AL

**DETERMINATION AGENT AND
COUNTERPARTY**

Morgan Stanley & Co. International Plc
25 Cabot Square
Canary Wharf
London E14 4QA

TRI-PARTY AGENT

Euroclear Bank S.A./N.V.
1 Boulevard du Roi Albert II
1210 Brussels
Belgium

REGISTRAR

The Bank of New York Mellon (Luxembourg) S.A.
2-4 rue Eugene Ruppert
Vertigo Building – Polaris
L-2453, Luxembourg

LEGAL ADVISERS

*to the Dealer and the Trustee as to
English law*

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
England

to the Issuer as to Irish law

Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2, Ireland

IRISH LISTING AGENT

Arthur Cox Listing Services Limited
Earlsfort Centre
Earlsfort Terrace
Dublin 2, Ireland