

mediterraneanbank

wealth management - savings - investments

Summary Note dated 3 November 2014

This Summary Note is issued in accordance with the provisions of Chapter 4 of the Listing Rules issued by the Listing Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012, Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 and Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014.

Issue of euro equivalent of

€15,000,000

in 6% Subordinated Unsecured Bonds due 2019-2024

issued in Euro (EUR Bonds) and Pounds Sterling (GBP Bonds)

(or Euro equivalent of €25,000,000 in case of exercise of the Over-Allotment Option)

by

Mediterranean Bank plc

(registered with limited liability in the Republic of Malta)

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APPROVED BY THE DIRECTORS

Henry C. Schmeltzer on behalf of
Francis J. Vassallo, Frederick Mifsud Bonnici, Benjamin Hollowood,
Mark A. Watson, Joaquin Vicent, Vincent Chatard

Henry C. Schmeltzer
Executive Director

Legal Counsel

CAMILLERI PREZIOSI
ADVOCATES

Sponsor

Jesmond Mizzi
FINANCIAL ADVISORS

Manager & Registrar

MALTA STOCK EXCHANGE plc

1 IMPORTANT INFORMATION

THIS SUMMARY NOTE CONSTITUTES PART OF A PROSPECTUS AND CONTAINS INFORMATION IN RELATION TO MEDITERRANEAN BANK PLC (THE “ISSUER”), ITS BUSINESS AND THE SECURITIES BEING ISSUED IN TERMS OF THE PROSPECTUS. THIS DOCUMENT INCLUDES INFORMATION GIVEN IN COMPLIANCE WITH: (A) THE COMPANIES ACT (CAP. 386 OF THE LAWS OF MALTA) AND COMMISSION REGULATION (EC) NO. 809/2004 OF 29 APRIL 2004 IMPLEMENTING DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AS REGARDS INFORMATION CONTAINED IN PROSPECTUSES AS WELL AS THE FORMAT, INCORPORATION BY REFERENCE AND PUBLICATION OF SUCH PROSPECTUSES AND DISSEMINATION OF ADVERTISEMENTS (AS AMENDED BY COMMISSION DELEGATED REGULATION (EU) NO. 486/2012 OF 30 MARCH 2012, COMMISSION DELEGATED REGULATION (EU) NO. 862/2012 OF 4 JUNE 2012, COMMISSION DELEGATED REGULATION (EU) NO. 759/2013 OF 30 APRIL 2013) AND COMMISSION DELEGATED REGULATION (EU) NO. 382/2014 OF 7 MARCH 2014); AND (B) THE RULES AND REGULATIONS APPLICABLE TO THE ADMISSION OF SECURITIES ON THE OFFICIAL LIST OF THE MSE.

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IT IS THE RESPONSIBILITY OF ANY PERSON IN POSSESSION OF THIS DOCUMENT TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE APPLICANTS FOR ANY SECURITIES THAT MAY BE ISSUED BY THE ISSUER SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR ANY SUCH SECURITIES AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE LISTING AUTHORITY AND THE MSE, AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES. APPLICATION HAS BEEN MADE TO THE LISTING AUTHORITY FOR THE APPROVAL OF THE PROSPECTUS AND FOR THE ADMISSION OF THE ISSUER'S BONDS ON A REGULATED MARKET. APPLICATION HAS ALSO BEEN MADE TO THE MSE FOR THE BONDS TO BE ADMITTED TO THE OFFICIAL LIST OF THE MSE. **A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISER.**

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THE VALUE OF INVESTMENTS CAN RISE OR FALL AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. IF YOU NEED ADVICE WITH RESPECT TO THE BOND ISSUE, YOU SHOULD CONSULT A LICENSED STOCKBROKER OR AN INVESTMENT ADVISER LICENSED UNDER THE INVESTMENT SERVICES ACT (CAP. 370 OF THE LAWS OF MALTA).

THIS DOCUMENT AND ALL AGREEMENTS, ACCEPTANCES AND CONTRACTS RESULTING THEREFROM SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF MALTA, AND ANY PERSON ACQUIRING ANY BONDS PURSUANT TO THE PROSPECTUS SHALL SUBMIT TO THE JURISDICTION OF THE MALTESE COURTS, WITHOUT LIMITING IN ANY MANNER THE RIGHT OF THE ISSUER TO BRING ANY ACTION, SUIT OR PROCEEDING, IN ANY OTHER COMPETENT JURISDICTION, ARISING OUT OF OR IN CONNECTION WITH ANY PURCHASE OF BONDS, OR AGREEMENT, ACCEPTANCE OR CONTRACT RESULTING HEREFROM, OR THE PROSPECTUS AS A WHOLE.

STATEMENTS MADE IN THIS DOCUMENT ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THERETO.

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This Summary Note is prepared in accordance with the requirements of the Commission Regulation (EU) No. 809/2004 of 29 April 2004, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012, Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012, Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 and Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014.

Summaries are made up of disclosure requirements known as 'Elements'. These elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of such element being 'not applicable'.

In this Summary Note the following words and expressions shall bear the following meanings except where the context otherwise requires:

Act	the Companies Act (Cap. 386 of the Laws of Malta);
AnaCap	AnaCap Financial Partners II L.P., a limited liability partnership incorporated under the laws of Guernsey with company number 1027;
Applicant	a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
Application/s	the application to subscribe for Bonds made by an Applicant/s by completing an Application Form/s and delivering same to the Issuer or to any of the other Authorised Financial Intermediaries;
Application Form	the forms of application for the subscription for EUR Bonds or GBP Bonds, specimens of which are contained in Annex I of this Prospectus;
Appropriateness Test	the test conducted by any licensed financial intermediary, when providing an investment service (other than investment advice or portfolio management) in relation to the subscription for and the trading of Bonds, for the purpose of such licensed financial intermediary determining (after collecting the necessary information) whether the investment service or the Bonds are appropriate for an Applicant or prospective transferee. In carrying out this assessment, the licensed financial intermediary shall ask the Applicant or prospective transferee to provide information regarding the Applicant or transferee's knowledge and experience so as to determine that the Applicant or transferee has the necessary experience and knowledge in order to understand the risks involved in relation to the Bonds or investment service offered or demanded, in accordance with Part BI of the ISR. In the event that the licensed financial intermediary considers, on the basis of the test conducted, that the transfer of Bonds is not appropriate for the Applicant or prospective transferee, the licensed financial intermediary shall reject the Applicant or prospective transferee's request to subscribe for or acquire Bonds, irrespective of whether the Applicant or transferee is warned that the investment in the Bonds is not appropriate for the Applicant or transferee;
Authorised Financial Intermediaries	the licensed stockbrokers and financial intermediaries listed in the Securities Note;
Bond(s)	together, the EUR Bonds and the GBP Bonds;
Bondholder	a holder of Bonds;
Bond Issue	the issue of the Bonds;
Bond Issue Price	save as far as otherwise set out in the Securities Note in so far as Existing Bondholders subscribing for Bonds through an Exchangeable Bond Transfer are concerned, the price of €100 per Bond in the case of the EUR Bonds, and the price of £100 per Bond in the case of the GBP Bonds;
Business Day	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
CSD	the Central Securities Depository of the MSE situated at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
CRR	Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012;
Cut-Off Date	3 November 2014;
Designated Early Redemption Date	any Interest Payment Date falling in the years 2019 to 2023 as the Issuer may determine by giving 30 days' prior notice to the Bondholders further to obtaining the prior approval of the MFSA;
Directors or Board	the directors of the Issuer who are, as of the date hereof: <ul style="list-style-type: none"> Francis J. Vassallo – Chairman & Non-Executive Director Frederick Mifsud Bonnici – Non-Executive Director Benjamin Hollowood – Non-Executive Director Mark A. Watson – Executive Director - Chief Executive Officer Henry C. Schmeltzer – Executive Director - Legal & Regulatory Joaquin Vicent – Executive Director - Credit & Investments Vincent Chatard – Executive Director - Chief Operating Officer

EUR Bonds	the 6 % Subordinated Unsecured Bonds due 2019-2024 of a face value of €100 per bond redeemable at their nominal value on the Redemption Date or any of the Designated Early Redemption Dates, bearing interest at the rate of 6% per annum, which in aggregate with the GBP Bonds would not exceed the Euro equivalent of €15,000,000 (or €25,000,000 in case of exercise of the Over-Allotment Option) in value of Bonds issued pursuant to this Prospectus;
Euro or €	the lawful currency of the Republic of Malta;
Events of Default	the events of default in relation to the Bonds contained in section E.3 of this Summary Note under the heading “Events of Default”;
Exchangeable Bond Transfer	the subscription for EUR Bonds by an Existing Bondholder settled, after submitting the appropriate pre-printed Application Form (received by mail directly from the Issuer), by the transfer to the Issuer of all or part of the Exchangeable Bonds held by such Existing Bondholder as at the Cut-Off Date, subject to a minimum application of €25,000, including Cash Top-Up as may be necessary, and subject to a maximum aggregate Euro equivalent of €15,000,000 in face value of EUR Bonds being issued by way of consideration payable to Existing Bondholders exercising an Exchangeable Bond Transfer;
Exchangeable Bonds	the 6.25% bonds due to mature on 30 October 2015 having ISIN MT0000551219, amounting as at the date of the Prospectus to €14,539,600 in aggregate;
Existing Bondholder	a holder of Exchangeable Bonds as at the Cut-Off Date;
GBP Bonds	the 6% Subordinated Unsecured Bonds due 2019-2024 of a face value of £100 per bond redeemable at their nominal value on the Redemption Date or any of the Designated Early Redemption Dates, bearing interest at the rate of 6% per annum, which in aggregate with the EUR Bonds would not exceed the Euro equivalent of €15,000,000 (or €25,000,000 in case of exercise of the Over-Allotment Option) in value of Bonds issued pursuant to this Prospectus;
Group	the group of companies of which Medifin Holding Limited is the parent company;
Interest Payment Dates	annually, on 28 November of each year commencing on 28 November 2015 and ending with and including the Redemption Date, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
Intermediaries’ Offer	shall consist of the entry into conditional subscription agreements by the Issuer with Authorised Financial Intermediaries for the subscription of Bonds whereby the Issuer will be conditionally bound to issue, and each Authorised Financial Intermediary will bind itself to subscribe for, a number of Bonds subject to being admitted to trading on the Official List;
ISR	the Investment Services Rules for Investment Services Providers, the Standard License Conditions applicable to Investment Services License Holders (excluding UCITS Management Companies), issued by the MFSA, as amended from time to time;
Issue Date	3 November 2014;
Issuer or Bank	Mediterranean Bank plc, a public limited liability company registered in Malta with company number C 34125 having its registered office at 10, St Barbara Bastion, Valletta, VLT 1961, Malta;
Listing Authority	the MFSA, as appointed in terms of the Financial Markets Act, (Cap. 345 of the laws of Malta);
Listing Rules	the listing rules, issued by the Listing Authority;
Malta Stock Exchange or MSE	the Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act, (Cap. 345 of the laws of Malta), having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta, and bearing company registration number C 42525;
M&A	the memorandum and articles of association of the Issuer in force at the time of publication of the Prospectus;
MFSA	the Malta Financial Services Authority, incorporated in terms of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);
New Capital Regulations	any regulations, requirements, guidelines and policies adopted by the MFSA or the European Parliament, European Council or European Commission that substantially replace or materially amend the CRR in respect of capital adequacy of banks in Malta;
Official List	the list prepared and published by the MSE as its official list in accordance with the MSE Bye-Laws;
Over-Allotment Option	the option of the Issuer, at its sole and absolute discretion, to increase the Bond Issue by a maximum of an additional Euro equivalent of €10,000,000 in EUR Bonds and/or GBP Bonds, in the event of over-subscription;
Prospectus	the Registration Document, the Securities Note and this Summary Note;
Redemption Date	28 November 2024, or a Designated Early Redemption Date, or earlier in the case of a Regulatory Change Event;
Redemption Value	the nominal value of each Bond;
Registration Document	the registration document issued by the Issuer dated 3 November 2014, forming part of the Prospectus;

Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in a prospectus and dissemination of advertisements, as amended by: Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities; and Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 amending Regulation (EC) No. 809/2004 as regards to regulatory technical standards for publication of supplements to the prospectus;
Regulatory Change Event	a Regulatory Change Event shall be deemed to have occurred if, in terms of Article 78(4)(a) of the CRR, aspects of the CRR relating to the capital adequacy of banks in Malta are replaced or materially amended in respect of credit institutions by New Capital Regulations, the result of which is or would be that the Bonds are not or would no longer be eligible to qualify in whole or in part for inclusion (save where such exclusion is only as a result of any applicable limitation on the amount of such capital) in the Tier 2 Capital of the Issuer;
Securities Note	the securities note issued by the Issuer dated 3 November 2014, forming part of the Prospectus;
Subordination	means that the rights and claims of Bondholders in respect of the payment of capital and interest on the Bonds will, in the event of dissolution and winding up of the Issuer, rank after the claims of all unsubordinated debt and will not be repaid until all other unsubordinated debt outstanding at the time has been settled, and any reference to the term “ Subordinated ” shall be construed accordingly;
Suitability Test	<p>the process through which a licensed financial intermediary providing investment advice or portfolio management services in relation to the subscription for and the trading of Bonds obtains such information from an Applicant or prospective transferee as is necessary to enable the licensed financial intermediary to recommend to or, in the case of portfolio management, to effect for, the Applicant or prospective transferee, the investment service and trading in Bonds that are considered suitable for him/her, in accordance with Part BI of the ISR. The information obtained pursuant to this test must be such as to enable the licensed financial intermediary to understand the essential facts about the Applicant or prospective transferee and to have a reasonable basis for believing, giving due consideration to the nature and extent of the service provided, that the specific transaction to be recommended, or to be entered into in the course of providing a portfolio management service, satisfies the following criteria:</p> <p>(a) it meets the investment objectives of the Applicant or prospective transferee in question;</p> <p>(b) it is such that the Applicant or prospective transferee is able financially to bear any related investment risks consistent with investment objectives of such Applicant or prospective transferee; and</p> <p>(c) it is such that the Applicant or prospective transferee has the necessary experience and knowledge in order to understand the risks involved in the transaction or in the management of his or her portfolio;</p>
Terms and Conditions	the terms and conditions of the Bonds, a summary of which is contained in section E.3 of this Summary Note;
Tier 2 Capital	tier 2 capital shall refer to the Tier 2 Capital as defined under Article 71 of the CRR.

SECTION A INTRODUCTION AND WARNINGS

A.1 Prospective investors are hereby warned that:

- i. This summary is being provided to convey the essential characteristics and risks associated with the Issuer and the securities being offered pursuant to this document. This part is merely a summary and therefore should only be read as an introduction to the Prospectus. It is not and does not purport to be exhaustive and investors are warned that they should not rely on the information contained in this summary in making a decision as to whether to invest in the securities described in this document. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor;
- ii. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of Malta, have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and
- iii. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, and who applied for its notification, but only if the summary, when read together with the other parts of the Prospectus: is misleading, inaccurate or inconsistent; or does not provide key information in order to aid investors when considering whether to invest in such securities.

A.2 Consent required for use of the Prospectus during the Issue Period: prospective investors are hereby informed that:

- i. For the purposes of any subscription for Bonds through any of the Authorised Financial Intermediaries in terms of the Securities Note and any subsequent resale, placement or other offering of Bonds by such Authorised Financial Intermediaries in circumstances where there is no exemption from the requirement to publish a prospectus under the Prospectus Directive, the Issuer consents to the use of this Prospectus (and accepts responsibility for the information contained therein) with respect to any such subsequent resale, placement or other offering of Bonds, provided this is limited only:
 - (a) in respect of Bonds subscribed for through the Authorised Financial Intermediaries;
 - (b) to any resale or placement of Bonds subscribed for as aforesaid taking place in Malta;
 - (c) to any resale or placement of Bonds subscribed for as aforesaid taking place within the period of 60 days from the date of the Prospectus.
- ii. **In the event of a resale, placement or other offering of Bonds by an Authorised Financial Intermediary, the Authorised Financial Intermediary shall be responsible to provide information to investors on the terms and conditions of the resale, placement or other offering at the time such is made.**
- iii. Any new information with respect to Authorised Financial Intermediaries unknown at the time of the approval of this Prospectus will be made available through a company announcement which will also be made available on the Issuer's website: <http://www.medbank.com.mt/>

SECTION B ISSUER

B.1 The legal and commercial name of the Issuer is Mediterranean Bank plc.

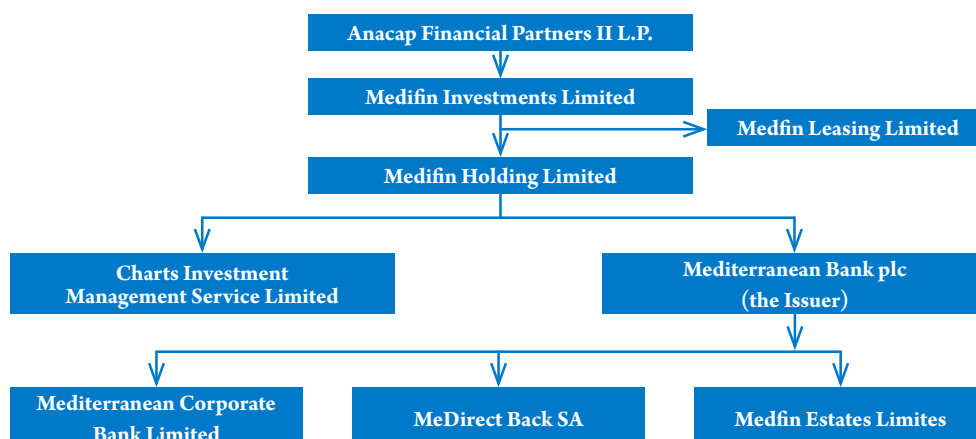
B.2 The Issuer was registered in Malta in terms of the Act on 11 June 2004, as a public limited liability company. The Issuer is domiciled in Malta.

B.4b The global economy in 2014 got off to a bumpy start as a result of poor weather in the United States, financial market volatility, conflict in Ukraine and lacklustre growth in the Euro Area. Euro Area-wide manufacturing and service PMIs showed broadly based improvement in activity in the first quarter of the financial year ended 2013, while the labour market indicated that it may be bottoming out, with unemployment rates starting to creep downwards. The impacts of loose monetary policy from the European Central Bank (ECB) and an extended period of historically low interest rates have driven capital toward riskier assets and the Issuer has observed a significant rally in peripheral European debt which has stabilised the funding situation of all programme countries and beyond. Concerns remain however in Europe regarding sluggish economic growth with an increasing focus on the threat of pan European deflation as the core European countries have so far failed to provide a robust economic engine. This has been compounded by the impact of the Euro which has continued to trade as a very strong currency. In June 2014, the ECB loosened monetary policy substantially through cuts in its benchmark rate in tandem with an injection of liquidity and credit easing measures in a bid to spur lending to both households and firms.

Malta continues to outperform economically with 2013 annual GDP growth of 2.4% in comparison with the European Union average of 0.1%. This strong performance continued into the quarter ended March 2014, with real GDP up 3.5% in annual terms. The Maltese banking system continues to operate with strong levels of capital and access to robust liquidity from the deposit-rich domestic market. Likewise, the Issuer continues to operate with prudent capital ratios of 14.25% and strong liquidity ratios of 148.7%. The trends described above have had a positive effect on the Issuer's business, its funding cost and securities portfolios. Increased stability in the international capital markets is also expected to have a positive effect on the Issuer's wealth management and investment services businesses.

The above should be construed in light of the fact that the Eurozone macroeconomic environment remains challenging and that any reversal of the positive trends described above would have a corresponding negative effect on the Issuer's asset portfolios and businesses.

B.5 The organisational structure of the Group is illustrated in the diagram below:



The organisational structure set out overleaf does not include Medifin Estates, a subsidiary of the Issuer which as at the date of this Prospectus does not constitute a material part of the Issuer's business. The financial statements of the Issuer are not consolidated to include this entity. Medifin Estates is a partnership *en nom collectif* registered under the laws of Malta with partnership number P 1408, set up for the purpose of acquiring by way of lease, emphyteusis or other title, immovable property for the purpose of investment, commercial speculation, development or sublease. It is a 96.7% owned subsidiary of the Issuer.

- B.9** Not Applicable: the Registration Document forming part of the Prospectus does not contain profit forecasts or estimates.
- B.10** Not Applicable: the audit report on the audited financial statements for the financial year ended 31 March 2014 does not contain any qualifications.
- B.12** The historical financial information for the financial period ended 31 March 2012 and the financial years ended 31 March 2013 and 2014 are set out in the consolidated financial statements of the Issuer as audited by KPMG. Copies of the aforementioned financial statements are available from the Issuer's registered office.

The following are extracts from the consolidated audited financial statements of the Issuer for the financial period ended 31 March 2012 and the financial years ended 31 March 2013 and 2014.

STATEMENT OF COMPREHENSIVE INCOME	2014 €'000	2013 €'000	2012* €'000
Interest income	64,567	50,945	64,067
Interest expense	(33,589)	(27,668)	(34,327)
Net interest income	30,978	23,277	29,740
Fee and commission income	1,878	926	253
Fee and commission expense	(1,244)	(2,752)	(424)
Net fee and commission income / (expense)	634	(1,826)	(171)
Net trading income	4,175	5,267	1,799
Other operating income	28,028	27,534	48,931
Total operating income	63,815	54,252	80,299
Net impairment	(2,081)	(676)	(62,885)
Administrative and other expenses	(17,186)	(9,920)	(9,020)
Personnel expenses	(13,785)	(11,164)	(6,461)
Depreciation and amortisation	(877)	(945)	(772)
Operating expenses	(33,929)	(22,705)	(79,138)
Profit before income tax	29,886	31,547	1,161
Income tax expense	(10,490)	(11,064)	(453)
Profit for the year/period	19,396	20,483	708

* 15 month period from 1 January 2011 to 31 March 2012

STATEMENT OF FINANCIAL POSITION	At 31 March	At 31 March	At 31 March
	2014	2013	2012
	€'000	€'000	€'000
Assets			
Balances with Central Bank of Malta, treasury bills and cash	18,091	70,055	63,656
Loans and advances to financial institutions	87,714	20,131	27,804
Loans and advances to customers	571,144	402,174	27,666
Investments	1,477,940	1,564,034	1,415,493
Derivative assets held for risk management	404	1,152	2,572
Derivative assets held for trading	404	-	-
Investment in subsidiaries	1	65	63
Property and equipment	1,908	2,485	2,880
Intangible assets	128	228	351
Other assets	18,889	13,598	15,649
Prepayments and accrued income	23,261	27,996	19,442
Deferred tax assets	3,764	-	244
Total assets	2,203,648	2,101,918	1,575,820
Liabilities			
Amounts owed to financial institutions	1,008,976	1,368,995	1,093,753
Amounts owed to customers	776,715	566,047	379,555
Debt securities in Issue	230,127	15,664	19,672
Derivative liabilities held for risk management	2,973	-	-
Subordinated liabilities	22,385	12,341	-
Current tax	10,794	7,660	166
Other liabilities	1,109	1,100	682
Accruals and deferred income	15,409	9,966	6,606
Deferred tax liability	-	5,062	-
Total Liabilities	2,068,488	1,986,835	1,500,434
Equity			
Share capital	98,050	62,350	56,030
Share premium	13,464	13,464	13,464
Reserve for general banking risks	91	-	-
Retained earnings	19,496	21,191	7,029
Fair value reserve	(5,691)	9,578	(1,137)
Shareholders' contribution	9,750	8,500	-
Total Equity	135,160	115,083	75,386
Total liabilities and equity	2,203,648	2,101,918	1,575,820

The remaining components of Element B.12 are Not Applicable, given that:

- there has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements, that is 31 March 2014;
- there were no significant changes in the financial or trading position of the Issuer since the end of the financial period to which the last published audited financial statements relate, that is 31 March 2014.

B.13 Not Applicable: the Issuer is not aware of any recent events which are to a material extent relevant to the evaluation of its solvency.

B.14 In July 2014 a corporate restructuring of the Group took place pursuant to which Medifin Investments Limited acquired 99.9% of the shareholding in the parent company of the Group, Medifin Holding Limited, with its previous shareholders receiving shares in Medifin Investments Limited. As a result of the restructuring process, Medifin Investments Limited became the direct parent of Medifin Holding Limited, which in turn is the parent company of the Issuer. The majority of the issued share capital of Medifin Investments Limited is subscribed to by AnaCap, a specialist private equity firm focused on making investments in the financial services sector across Europe, and in terms of the voting rights attached to the shares held by AnaCap in Medifin Investments Limited indirect control of the Issuer is vested in Anacap.

The remaining component of Element B.14 is Not Applicable, given that the Issuer is not dependent upon any other entities within the Group.

B.15 As at the date of this Prospectus, the principal objectives of the Issuer are to carry on the business of banking from within Malta and to undertake, carry on and execute all kinds of banking operations with persons, companies or entities as may be allowed by the competent authorities, to engage in international financial business, to engage in investment banking business and to provide investment services in terms of the Investment Services Act (Cap. 370 of the laws of Malta).

The principal customer-related activities of the Issuer in Malta comprise, *inter alia*: the provision of term savings and wealth management products; receipt and acceptance of customers' monies for deposit in savings and fixed term deposit accounts, denominated in euro and other major currencies; trading for account of customers in foreign exchange; provision of money transmission services; and the provision of safe custody services with a wide range of custom-tailored solutions as well as administration and safekeeping of securities. Through its acquisition of Mediterranean Corporate Bank Limited (previously Volksbank Malta), the Issuer intends to develop the corporate banking platform of the Mediterranean Bank group in Malta and to broaden and deepen its relationships with corporate customers in the Maltese market.

The main markets in which the Issuer operates and competes are the Maltese and the Belgian markets. The banking, investment and wealth management services of the Issuer are provided to an array of Maltese and international individuals and corporate clients. Using the infrastructure created by the Issuer in Malta and supported by the Issuer's Maltese processing capability, the Issuer has launched in Belgium an investment services and wealth management offering directed toward the mass affluent audience, the principal customer-related activities of which comprise the provision of: term savings and wealth management products; receipt and acceptance of customers' monies for deposit in savings and fixed term deposit accounts, denominated in Euro and other major currencies; investment advice to customers of MeDirect; brokerage services and the execution of transactions for the purchase and sale of equities, bonds, equity trading funds and mutual funds; and portfolio management services.

- B.16** As at the date of this Prospectus, Medifin Holding Limited holds all of the issued share capital of the Issuer save for one share held by FJV Management Limited. Medifin Investments Limited holds all the issued share capital of Medifin Holding Limited save for one share held by Mark Watson Holdings Limited. Anacap holds a majority of the issued share capital in Medifin Investments Limited and accordingly indirect control of the Issuer is vested in AnaCap. As at the date of the Prospectus the Issuer is not aware of any existing arrangements between the Issuer and any potential acquirer which may result in a change of control. As a private equity investor, AnaCap regularly undertakes strategic reviews of its investments, including its investment in Medifin Investments Limited, in order to assess its future options, and receives, from time to time, approaches and/or expressions of interest from third parties that are interested in investing in, or acquiring, Medifin Investments Limited and/or the Bank. It is therefore possible that during the term of the Bonds, one or more of these approaches and/or expressions of interest could ultimately lead to a change in control of Medifin Investments Limited and/or the Bank. At present, however, the Issuer is not aware of any existing arrangements between the Issuer and any potential acquirer which may result in a change of control.
- B.17** Not Applicable: The Issuer has not sought the credit rating of an independent rating agency, and there has been no assessment by any independent rating agency of the Bonds issued by the Issuer.

SECTION C SECURITIES

- C.1** The Issuer shall issue an aggregate principal amount of the Euro equivalent value of €15,000,000 in EUR Bonds and GBP Bonds having a face value of €100 per EUR Bond or £100 per GBP Bond respectively, subject to exercise of the Over-Allotment Option in virtue of which, in the event of oversubscription, the Issuer may, at its sole and absolute discretion, issue (at par) additional EUR Bonds and/or GBP Bonds not exceeding the Euro equivalent aggregate of €10,000,000 in value, subject further to minimum subscriptions of €25,000 and integral multiples of €1,000 thereafter (in the case of EUR Bonds) or £20,000 and integral multiples of £1,000 thereafter (in the case of GBP Bonds). The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD. On admission to trading the EUR Bonds will have ISIN MT0000551268 and the GBP Bonds will have ISIN MT0000551276. The Bonds shall bear interest at the rate of 6% per annum and shall be repayable in full upon maturity on 28 November 2024 unless previously re-purchased, cancelled or redeemed, provided that the Issuer reserves the right to redeem any one or more of the Bonds or any part thereof on any of the Designated Early Redemption Dates, as the Issuer may determine with the prior approval of the MFSA on giving not less than thirty (30) days' notice to Bondholders.
- C.2** The EUR Bonds are denominated in Euro (€) and the GBP Bonds are denominated in Pounds Sterling (£).
- C.5** The Bonds are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time and in accordance with the following requirements: trading in the EUR Bonds and GBP Bonds shall take place on the MSE in multiples of €1,000 and £1,000 respectively subject to the retention of a minimum holding of €25,000 (or £20,000, as applicable) by each individual holder of EUR Bonds or GBP Bonds, which shall be maintained at all times throughout such holder's investment in the respective type of Bond; and if EUR Bonds and GBP Bonds are held by financial intermediaries on behalf of clients under one or more nominee accounts, the minimum holding of €25,000 (or £20,000, as applicable) shall apply to each underlying beneficial owner. With respect to subsequent trading in the Bonds, any licensed financial intermediary effecting a transfer of Bonds in the secondary market shall be required to carry out an Appropriateness Test and, if providing advice, a Suitability Test, in respect of the transferee and be satisfied, based on the results of such test, that an investment in the Bonds may be considered appropriate and/or suitable for such transferee.
- C.8** Investors wishing to participate in the Bonds will be able to do so by duly executing an Application Form in relation to the Bonds. Execution of the Application Form will entitle an approved Applicant to:
- (i) the payment of capital;
 - (ii) the payment of interest;
 - (iii) ranking with respect to other indebtedness of the Issuer as follows:

The Bonds are unsecured and Subordinated. Subordination means that the rights and claims of Bondholders in respect of the payment of capital and interest on the Bonds will, in the event of dissolution and winding up of the Issuer, rank after the claims of all unsubordinated debt and will not be repaid until all other unsubordinated debt outstanding at the time has been settled. The Bonds constitute the general, direct, unconditional, Subordinated and unsecured obligations of the Issuer and shall at all times rank equally and rateably without any priority or preference among themselves and with other Subordinated unsecured debt.

The Bonds shall rank subsequent to any other outstanding, unsubordinated and unsecured obligations of the Issuer, present and future. The Issuer may incur further borrowings or indebtedness and may create or permit to subsist other security interests upon the whole or any part of its present or future, undertaking, assets or revenues (including uncalled capital).

The Bonds shall also rank subsequent to any prior ranking security interest created for the purpose of securing the Issuer's secured interbank funding lines and repurchase agreements. Such interbank funding lines and repurchase agreements are used to finance the Issuer's investment portfolio;

- (iv) attend, participate in and vote at meetings of Bondholders in accordance with the terms and conditions of the Bond; and
- (v) enjoy all such other rights attached to the Bonds emanating from the Prospectus.

- C.9** The Bonds shall bear interest from and including 28 November 2014 at the rate of 6% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date, the first Interest Payment Date being 28 November 2015, provided that any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day. The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at Redemption Date is six per cent (6%).

Redemption shall take place on 28 November 2024, provided that the Issuer reserves the right to redeem any one or more of the Bonds or any part thereof on any of the Designated Early Redemption Dates, as the Issuer may determine with the prior approval of the MFSA, on giving not less than thirty (30) days' notice to Bondholders.

Without prejudice to the preceding paragraph, in the event that a Regulatory Change Event were to occur, the Issuer shall, at its sole discretion but subject to the prior approval of the MFSA, have the option to redeem the Bonds in full prior to the scheduled Redemption Date or any possible Designated Early Redemption Date. In the event that the MFSA were to grant its approval to such early redemption, the Issuer may, subject to giving not less than thirty (30) nor more than sixty (60) days' notice to Bondholders, redeem the Bonds in whole but not in part on the date specified in such notice (the "**Regulatory Redemption Date**") at a redemption price equal to par plus interest accrued to but excluding the Regulatory Redemption Date.

The remaining component of Element C.9 is Not Applicable, given that no representative of debt security holders has been appointed.

- C.10** Not Applicable: there is no derivative component in the interest payments on the Bonds.
- C.11** The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 3 November 2014. Application has been made to the MSE for the Bonds being issued pursuant to the Prospectus to be listed and traded on the Official List of the MSE. The Bonds are expected to be admitted to the MSE with effect from 9 December 2014 and trading is expected to commence on 10 December 2014.

SECTION D RISKS

Holding of a Bond involves certain risks. Before deciding to acquire Bonds prospective investors should carefully consider, with their own independent financial and other professional advisers, the following risk factors and other investment considerations as well as all the other information contained in the Prospectus. Prospective investors are warned that by investing in the Bonds they may be exposing themselves to significant risks that may have the consequence of them losing a substantial part or all of their investment. This document contains statements that are, or may be deemed to be, "forward-looking statements", which relate to matters that are not historical facts and which may involve projections of future circumstances. These forward-looking statements are subject to a number of risks, uncertainties, assumptions and important factors that could cause actual risks to differ materially from the expectations of the Issuer's Directors. No assurance is given that the future results or expectations will be achieved.

The risk factors set out below are a summary of the principal risks associated with an investment in the Issuer and the Bonds – there may be other risks which are not mentioned in this summary. Investors are therefore urged to consult their own financial or other professional advisors with respect to the suitability of investing the Bonds. The following is a summary of the principal risks:

D.2 Key information on the key risks specific to the Issuer:

- i. **Exposure to Credit Risk:** The Issuer currently holds no specific impairment provisions in respect of its securities portfolio, based on the view that accounting standards do not currently require or permit specific provisions unless a loss has been deemed to have occurred. The Issuer holds specific impairment provisions in respect of approximately 0.4% of the principal amount of its loan portfolio. Adverse changes in the credit quality of the Issuer's assets, either specific to individual obligors or caused by a general deterioration in European or global economic conditions, or by systemic risks in the financial system, could affect the recoverability and value of the Issuer's assets and either lead to write-offs or require provisions for impairment. Write-offs or provisions for impairment could also be dictated by a change in accounting standards.
- ii. **Liquidity Risk:** A material portion of the Issuer's financing is derived from international wholesale funding markets. In the event that funding from such markets were to become less available or more expensive, or in the event that it becomes difficult to sell financial assets close to their fair value, the Issuer may be adversely affected.
- iii. **Interest Rate Risk:** As is common to all banks, the Issuer runs a mismatch between its liabilities and assets.
- iv. **Foreign Exchange Risk:** Currently the Issuer is not exposed to any material foreign exchange risk as a result of its hedging activities. However, in the future, the Issuer may decide to reduce the level of its hedging activities, in which case, subject to maintaining the necessary controls and limitations, the Issuer may be exposed to fluctuations in foreign currency exchange rates.
- v. **Concentration Risk:** The investments made by the Issuer are primarily denominated in Euro. Most such securities are issued by EU entities. In addition, the deposit base of the Issuer primarily consists of customers located in Malta and other European Union countries. As a result of the composition of the Issuer's investment portfolio and deposit base, any broadly negative economic trends affecting the European Union may have an adverse effect on the Issuer. In addition, the majority of the Issuer's securities portfolio consists of covered bonds which are secured on residential mortgages, primarily located in European Union countries. Accordingly, negative developments in European property markets may also have an adverse effect on the Issuer.
- vi. **Operational Risk:** The Issuer was acquired by AnaCap in 2009 and, as a result, new management, policies, procedures and systems have been implemented, including a disaster recovery plan and a new core banking system. In addition, the Issuer is introducing for its customers new online banking and investment services, together with systems to support

such services. New systems that are being implemented include an e-banking system, an e-brokerage system, a revamped public website and a range of other wealth management tools and functions. The Issuer is exposed to the risk that such policies, procedures and systems being implemented will not perform to the level expected and may have a negative impact on the financial performance of the Issuer. Any losses arising from the failure of the Issuer's system of internal controls could have a material adverse effect on its business, financial condition, results of operations and prospects, and could materially adversely affect its reputation.

- vii. **Reputational Risk:** Reputational risk is the risk that damage to the Issuer's reputation, potentially incurred as the result of one of the events described above, results in a material adverse effect on the operations and performance of the Issuer.
- viii. **Risks relating to Information Technology:** The Issuer depends on its information technology systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of the Issuer's business and operating data. The proper functioning of the Issuer's financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks between its branches and main data processing centres, are critical to the Issuer's business and ability to compete effectively. The Issuer's business activities would be materially disrupted if there were a partial or complete failure of any of these information technology systems or communications networks. Any failure or delay in recording or processing the Issuer's transaction data could subject it to claims for losses and regulatory fines and penalties.
- ix. **Expansion:** In 2013 the Issuer was approved to establish its first international branch, in Belgium. As part of the establishment of the branch, the Issuer will need to devote significant time and resources to the build out of systems, infrastructure and organisational structure for the branch. Moreover, the Belgian market is a new market for the Issuer, with which the Issuer has less familiarity.

The Issuer expanded its presence in Malta through the acquisition of Mediterranean Corporate Bank Limited (previously Volksbank Malta Limited) through which it intends to develop its corporate banking platform. As a result of the anticipated expansion of its activities in Malta (through Mediterranean Corporate Bank Limited), the Issuer will have a greater exposure to the local market, and any fluctuations therein could have a material adverse effect on the Issuer's business. Moreover, the expansion subjects the Issuer to increased risks relating to, *inter alia*, portfolio management issues, the success or otherwise of integrating operations and personnel within the group and a possible decrease in the overall credit quality of the group's lending portfolio.

Were these new ventures not to prove successful, whether for commercial or other reasons, this may result in a material adverse effect on the operations and performance of the Issuer.

- x. **Regulatory Matters:** The Issuer, through its operations in Malta and Belgium, is subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure their compliance with economic and other objectives and limit their exposure to risk. The Issuer is also required to comply with applicable know your customer, anti-money laundering and counter-terrorism financing laws and regulations in Malta and Belgium and applicable anti-corruption laws. To the extent that the Issuer fails or is perceived to fail to comply with these and other applicable laws and regulations, its reputation could be materially damaged, with consequent adverse effects on its business, financial condition, results of operations and prospects.

Any failure or delay in receiving any required regulatory approvals or the enactment of new and adverse regulations or regulatory requirements may have a material adverse effect on the Issuer's business. Furthermore, changes in the regulatory environment could ultimately place increased regulatory pressure on the Issuer, and could have a material adverse effect on its business, financial condition, results of operation and cash flow. Moreover, there is a risk of noncompliance associated with the complexity of regulation. Failure to comply with current or future regulation could expose the Issuer's business to various sanctions, including fines or the withdrawal of authority to conduct certain lines of business.

- xi. **External Factors:** The Issuer's overall performance and results may also be adversely affected by external factors beyond the Issuer's control. These include changes in economic conditions, increased level of local and EU-wide regulation, business cycles, volatility in financial markets and increased competitive pressure in the financial services sector.

D.3 Key information on the key risks specific to the Bonds:

An investment in the Bonds involves certain risks, including those set out below in this section. In deciding whether to make an investment in the Bonds, prospective investors are advised to carefully consider, with their own independent financial and other (including tax, accounting, credit, legal and regulatory) professional advisers, the following risk factors (not listed in order of priority) and other investment considerations, together with all the other information contained in the Prospectus.

- i. The existence of an orderly and liquid market for the Bonds depends on a number of factors including, but not limited to the presence of willing buyers and sellers of the Issuer's Bonds at any given time and the general economic conditions in the market in which the Bonds are traded. Such factors are dependent upon the individual decisions of investors and the general economic conditions of the market, over which the Issuer has no control. Accordingly, there can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Furthermore, there can be no assurance that an investor will be able to sell or otherwise trade in the Bonds at or above the Bond Issue Price or at all.
- ii. There can be no assurance that the Bond Issue Price will correspond to the price at which the Bonds will trade in the market subsequent to the Bond Issue.
- iii. Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

- iv. A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€ in the case of the EUR Bonds and £ in the case of the GBP Bonds) and the Bondholder's currency of reference, if different.
- v. No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time.
- vi. The Bonds are unsecured and Subordinated. Subordination means that the rights and claims of Bondholders in respect of the payment of capital and interest on the Bonds will, in the event of dissolution and winding up of the Issuer, rank after the claims of all senior indebtedness and will not be repaid until all other senior indebtedness outstanding at the time has been settled. The Bonds constitute the general, direct, unconditional, Subordinated and unsecured obligations of the Issuer and shall at all times rank equally and rateably without any priority or preference among themselves and with other Subordinated unsecured debt. The Issuer draws Existing Bondholders' attention to the fact that unlike in the case of the Bonds, the Exchangeable Bonds were not Subordinated. Existing Bondholders subscribing for Bonds through a Exchangeable Bond Transfer would, accordingly, be surrendering bonds having a higher level of priority than the Bonds received in exchange therefor.

The Bonds shall rank subsequent to any other outstanding, unsubordinated and unsecured obligations of the Issuer, present and future. The Bonds would also rank subsequent to any Exchangeable Bonds remaining outstanding following this Issue. The Issuer may incur further borrowings or indebtedness and may create or permit to subsist other security interests upon the whole or any part of its present or future, undertaking, assets or revenues (including uncalled capital). The Bonds shall also rank subsequent to any prior ranking security interest created for the purpose of securing the Issuer's secured interbank funding lines and repurchase agreements. Such interbank funding lines and repurchase agreements are used to finance the Issuer's investment portfolio.

- vii. In the event that the Issuer wishes to amend any of the provisions of and/or conditions contained or in any other part of the Prospectus, including the Terms and Conditions of the Bonds set out in the Securities Note the Directors of the Issuer shall call a meeting of Bondholders by giving all Bondholders listed on the register of Bondholders as at a date being not more than thirty (30) days preceding the date scheduled for the meeting not less than fourteen (14) days' notice in writing. Subject to having obtained the necessary approval by the required majority of Bondholders any such decision shall subsequently be given effect to by the Issuer. Accordingly, defined majorities are in a position to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.
- viii. The Terms and Conditions of this Bond Issue are based on Maltese law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of this Prospectus.
- ix. By purchasing the Bonds, the Bondholder agrees to waive his or her right of enforcement against the Issuer in the case of non-performance of the Issuer's obligations under the Bond, including the non-payment of interest and principal. The only remedy available to the Bondholder in the event of a default by the Issuer shall be the petitioning for the winding up of the Issuer, which shall constitute an Event of Default.
- x. The Bonds are redeemable in whole or in part at the option of the Issuer prior to the Redemption Date on any of the Designated Early Redemption Dates upon giving 30 days' notice to the Bondholders, subject to obtaining the prior approval of the MFSA. Furthermore, the Bonds are redeemable in whole at any time during the term of the Bond in the case of a Regulatory Change Event taking place. The feature allowing for optional redemption on a Designated Early Redemption Date may condition the market value of the Bonds and there can be no guarantee that the Bondholders may be able to re-invest the proceeds of such redemption at equivalent or higher rates of return. The occurrence of a Regulatory Change Event and the implementation of New Capital Regulations leading to such event are not within the control of the Issuer. If a Regulatory Change Event were to occur, the Issuer would have the right to redeem the Bonds prior to their scheduled maturity at par plus accrued interest.
- xi. Directive 2014/59/EU of the European Parliament and the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2004/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council, known as the Bank Recovery and Resolution Directive (also referred to as the Crisis Management Directive), entered into force on 2 July 2014 (for the purposes of this Risk Factor, the "Directive"). Member States have until 31 December 2014 to adopt and publish laws, regulations and administrative provisions necessary to comply with this Directive, prior to adopting such measures from 1 January 2015. The Directive grants regulators resolution powers to, *inter alia*, write down the debt of a failing bank (or to convert such debt into capital) to strengthen its financial position and allow it to continue as a going concern, subject to appropriate restructuring measures being taken. It is currently unclear whether measures ultimately adopted in this area will apply to any debt currently in issue.

Pursuant to the Directive or other resolution or recovery rules which may in the future be applicable to the Issuer, new powers shall be given to the MFSA, as "Resolution Authority", which could be used in such a way as to result in the Bonds absorbing losses ("Statutory Loss Absorption"). Pursuant to the exercise of any Statutory Loss Absorption measures, the Bonds could become subject to a determination by the Resolution Authority, or the Issuer following instructions from the Resolution Authority, that all or part of the principal amount of the Bonds, including accrued but unpaid interest in

respect thereof, must be written off, converted into common equity Tier 1 capital or otherwise applied to absorb losses. Such determination shall not constitute an Event of Default and Bondholders will have no further claims in respect of any amount so written off, converted to equity or otherwise applied to absorb losses as aforesaid as a result of such Statutory Loss Absorption. Potential investors should consider the risk that a Bondholder may lose all of its investment in such Bonds, including the principal amount plus any accrued but unpaid interest, if those Statutory Loss Absorption measures were to be taken.

SECTION E OFFER

E.2b The proceeds from the Bond Issue, which net of Issue expenses are estimated to amount to approximately €14,750,000 (or €24,650,000 in the case of exercise of the Over-Allotment option), will be used by the Issuer for the following purposes, in the amounts and order of priority set out below:

- (i) a maximum amount of €15,000,000 of the proceeds from the Bond Issue will be used by the Issuer for the purpose of purchasing Exchangeable Bonds from Existing Bondholders, for cancellation; and
- (ii) the remaining balance of the net issue proceeds, including proceeds raised in the event of the exercise of the Over-Allotment Option, will be used by the Issuer to meet part of its general financing requirements, and will constitute Tier 2 Capital of the Issuer in terms of the CRR.

In the event that the Bond Issue is not fully subscribed, the Issuer will proceed with the listing of the Bonds subscribed for.

E.3 The EUR Bonds are open for subscription by: (i) holders of Exchangeable Bonds applying for EUR Bonds by Exchangeable Bond Transfer; (ii) holders of Exchangeable Bonds applying for EUR Bonds in excess of the aforesaid, solely where the Existing Bondholder has transferred such holder's entire holding in Exchangeable Bonds, by completing the relevant section of the Application Form submitted to an Authorised Financial Intermediary; and (iii) Authorised Financial Intermediaries either for their own account or on behalf of clients. The above is subject to the minimum holding requirement applicable to each individual subscriber (or underlying client, as applicable), that is a minimum holding of €25,000 in EUR Bonds per Bondholder. The GBP Bonds are open for subscription by Authorised Financial Intermediaries, either for their own account or on behalf of clients. A minimum holding of £20,000 in GBP Bonds per holder of GBP Bonds shall apply.

Where EUR Bonds are allocated to an Existing Bondholder as consideration for an Exchangeable Bond Transfer, such Existing Bondholder shall benefit from a 4% discount on the amount of EUR Bonds allocated, in the form of a one-time cash payment to be effected by the Registrar on behalf of the Issuer of €4.00 for every EUR Bond being subscribed to in consideration of the surrender and cancellation of such Existing Bondholder's holding of Exchangeable Bonds.

Existing Bondholders applying for EUR Bonds may elect to settle all or part of the amount due on the EUR Bonds applied for by the transfer to the Issuer of Exchangeable Bonds held by them as at the Cut-Off Date, subject to a minimum holding of €25,000 in EUR Bonds. Any Existing Bondholders whose holding in Exchangeable Bonds is less than €25,000 shall be required to pay the difference together with the submission of an Application Form ("**Cash Top-Up**").

Existing Bondholders electing to subscribe for EUR Bonds through the transfer to the Issuer of all or part of the Exchangeable Bonds held by them as at the Cut-Off Date shall be allocated such number of EUR Bonds representing the nominal value of Exchangeable Bonds transferred to the Issuer (including Cash Top-Up, where applicable).

In the event that the aggregate face value of EUR Bonds applied for by Existing Bondholders by way of Exchangeable Bonds Transfer is in excess of €15,000,000, then the Issuer, acting through the Registrar, shall first scale down each Application by Existing Bondholders to the minimum subscription amount of €25,000 per Application ("**Scaling Down**"). Where notwithstanding Scaling Down the aggregate face value of EUR Bonds applied for by Existing Bondholders by way of Exchangeable Bonds Transfer remains in excess of €15,000,000, a ballot shall be held in accordance with the allocation policy to be issued in terms of section 8.2.19 of the Securities Note. Pursuant to such ballot, only the drawn Applications shall be allocated a €25,000 complement in EUR Bonds. As a result, there is the possibility that not all Existing Bondholders seeking to subscribe for EUR Bonds by Exchangeable Bond Transfer will be allocated EUR Bonds.

The transfer of Exchangeable Bonds to the Issuer in consideration for the subscription for EUR Bonds shall cause the obligations of the Issuer with respect to such Exchangeable Bonds to be extinguished, and shall give rise to obligations on the part of the Issuer under the EUR Bonds.

Existing Bondholders wishing to apply for a number of Bonds exceeding in value the aggregate nominal value of Exchangeable Bonds held by them as at the Cut-Off Date (the "**Excess**") may do so by completing the relevant section of the Application Form, and shall be required to settle any balance by way of Cash-Top Up.

Following the preferred allocation to Existing Bondholders applying for EUR Bonds by way of Exchangeable Bond Transfer, up to a maximum amount of €15,000,000, any remaining EUR Bonds, and all Bonds issued in the event of the Issuer exercising the Over-Allotment Option, shall form part of an Intermediaries' Offer. In the event that the sum of the aggregate value of Exchangeable Bonds transferred to the Issuer as consideration for subscription for EUR Bonds and the aggregate of the subscription agreements received from Authorised Financial Intermediaries in terms of the Intermediaries' Offer is in excess of the equivalent of €15,000,000 (or €25,000,000 in the event of exercise of the Over-Allotment Option), then: the Issuer (acting through the Registrar) shall scale down each Application received from Authorised Financial Intermediaries in terms of the Intermediaries' Offer in accordance with the allocation policy to be announced by the Issuer.

The following is a synopsis of the general terms and conditions applicable to the Bonds. A Bondholder is deemed to have invested only after having received, read and understood the contents of the Prospectus, including the full terms and conditions contained in the Securities Note:

1. General

Subject to the right of the Issuer, with the prior approval of the MFSA, to redeem all or part of the bonds on any Designated Early Redemption Date, unless previously redeemed, purchased and cancelled, the Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 28 November 2024 in the currency in which the Bonds are designated.

2. Form, Denomination and Title

The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD. The Bonds will be issued without interest coupons, in minimum subscriptions of €25,000 (in the case of EUR Bonds) and £20,000 (in the case of GBP Bonds) and thereafter in integral multiples of €1,000 (in the case of EUR Bonds) or £1,000 (in the case of GBP Bonds). Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments) as the absolute owner of such Bond. Any person becoming entitled to a Bond in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may from time to time properly be required by the Issuer or the CSD, elect either to be registered himself as holder of the Bond or to have some person nominated by him registered as the transferee thereof. All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations. Any licensed financial intermediary effecting a transfer of Bonds in the secondary market shall be required to carry out an Appropriateness Test and, if providing advice, a Suitability Test, in respect of the transferee, and be satisfied, based on the results of such test (or tests, as applicable), that an investment in the Bonds may be considered appropriate and/or suitable (as applicable) for such transferee.

3. Interest

The Bonds shall bear interest from and including 28 November 2014 at the rate of 6% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date, with the first Interest Payment Date being 28 November 2015. Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business fifteen (15) days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in Euro or Pounds Sterling, as the case may be, and held with any licensed bank in Malta. Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day.

4. Status of the Bonds

The status of the Bonds is described in section C.8(iii) of this Summary Note. The Bonds are unsecured and Subordinated. Subordination means that the rights and claims of Bondholders in respect of the payment of capital and interest on the Bonds will, in the event of dissolution and winding up of the Issuer, rank after the claims of all unsubordinated debt and will not be repaid until all other unsubordinated debt outstanding at the time has been settled. The Bonds constitute the general, direct, unconditional, Subordinated and unsecured obligations of the Issuer and shall at all times rank equally and rateably without any priority or preference among themselves and with other Subordinated unsecured debt.

The Bonds shall rank subsequent to any other outstanding, unsubordinated and unsecured obligations of the Issuer, present and future. The Issuer may incur further borrowings or indebtedness and may create or permit to subsist other security interests upon the whole or any part of its present or future, undertaking, assets or revenues (including uncalled capital). The Bonds shall also rank subsequent to any prior ranking security interest created for the purpose of securing the Issuer's secured interbank funding lines and repurchase agreements. Such interbank funding lines and repurchase agreements are used to finance the Issuer's investment portfolio.

5. Payments

Payment of the principal amount of a Bond together with any outstanding interest accrued to the Redemption Date will be made in the currency in which that Bond is designated to the person in whose name such Bonds are registered at the close of business on the Redemption Date, by direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in Euro or Pounds Sterling, as the case may be, and held with any licensed bank in Malta. The Issuer shall not be responsible for any loss or delay in transmission.

6. Redemption

Unless previously purchased and cancelled, the Issuer will redeem the Bonds (together with payment of interest accrued thereon) at their nominal value on 28 November 2024, provided that the Issuer may exercise the option to redeem the Bonds early on a Designated Early Redemption Date with the MFSA's prior approval or upon a Regulatory Change Event occurring, as explained in section C.9 of this Summary Note. All Bonds purchased by the Issuer on its own account will be cancelled forthwith and may not be re-issued or re-sold.

7. Events of Default

The only circumstances under which the Bonds will become immediately due and repayable at their principal amount together with accrued interest before the Redemption Date shall be in the event that an order is made or resolution passed or other action taken for the dissolution, termination of existence, liquidation, winding up or bankruptcy of the Issuer.

8. Transferability of the Bonds

The Bonds are freely transferable and, once admitted to the Official List, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time and in accordance with the following requirements: trading in the EUR Bonds and GBP Bonds shall take place on the MSE in multiples of €1,000 and £1,000 respectively subject to the retention of a minimum holding of €25,000 (or £20,000, as applicable) by each individual holder of EUR Bonds or GBP Bonds, which shall be maintained at all times throughout his/her investment in respective type of Bond; and if EUR Bonds and GBP Bonds are held by financial intermediaries on behalf of clients under one or more nominee accounts, the minimum holding of €25,000 (or £20,000, as applicable) shall apply to each underlying beneficial owner.

All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations. The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the Issuer. The Issuer will not register the transfer or transmission of Bonds for a period of fifteen (15) days preceding the due date for any payment of interest on the Bonds.

9. Register of Bondholders

Certificates will not be delivered to Bondholders in respect of the Bonds given the fact that the entitlement to Bonds will be represented in an uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer by the CSD. There will be entered in such electronic register the names, addresses, identity card numbers, registration numbers and MSE account numbers of the Bondholders and particulars of the Bonds held by them respectively, and the Bondholders shall have, at all reasonable times during business hours, access to the register of Bondholders held at the CSD for the purpose of inspecting information held on their respective account.

10. Further Issues

The Issuer may, from time to time, without the consent of the Bondholders, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities either having the same terms and conditions as any outstanding debt securities of any series (including the Bonds) and so that such further issue shall be consolidated and form a single series with the outstanding debt securities of the relevant series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue.

11. Meetings of Participation Bondholders

The provisions of the Prospectus may be amended with the approval of the Bondholders at a meeting called for that purpose by the Directors of the Issuer. Such meeting of Bondholders shall be called by giving all Bondholders listed on the register of Bondholders as at a date being not more than thirty (30) days preceding the date scheduled for the meeting, not less than fourteen (14) days' notice in writing. Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment of the Prospectus that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of Bondholders the Issuer shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.

12. Governing Law and Jurisdiction

The Bonds have been created, and the Bond Issue relating thereto is being made, in terms of the Act. From their inception the Bonds, and all contractual arrangements arising therefrom, shall be governed by and shall be construed in accordance with Maltese law. Any legal action, suit, action or proceeding against the Issuer arising out of or in connection with the Bonds shall be brought exclusively before the Maltese Courts and the Bondholder shall be deemed to acknowledge that it is submitting to the exclusive jurisdiction of the Maltese Courts as aforesaid.

- E.4** The M&A of the Issuer provide that in the event that a Director has a material interest, either directly or indirectly, in any contract or arrangement with the Issuer, such Director is not entitled to vote on any decisions taken in connection therewith. The Act provides that Directors are obliged, in addition to complying with their general fiduciary obligations as directors, to ensure that their personal interests do not conflict with the interests of the Issuer. To the extent known to the Issuer there are no conflicting interests, including potential conflicts of interests, between any duties of the Directors and their private interests and/or other duties which may be considered material to the Bond Issue.
- E.7** Professional fees, costs related to publicity, advertising, printing, listing and registration, a 1% selling commission, as well as sponsor, manager and registrar fees and other miscellaneous expenses in connection with this Bond Issue, are estimated not to exceed €350,000 and shall be borne by the Issuer. The overall amount of the commission payable to Authorised Financial Intermediaries will not exceed €250,000.

TIME-TABLE

Application Forms mailed to holders of Exchangeable Bonds as at the Cut-Off Date	6 November 2014
Closing date for applications to be received from holders of Exchangeable Bonds as at Cut-Off Date	20 November 2014
Intermediaries' Offer Period	21 November 2014
Announcement of basis of acceptance	28 November 2014
Commencement of interest on the Bonds	28 November 2014
Expected dispatch of allotment advices & refunds of unallocated monies	5 December 2014
Admission to trading	9 December 2014
Commencement of trading	10 December 2014