Registration Document
dated 3 June 2019

This Registration Document 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 (the "**Prospectus Regulation**").

BANK OF VALLETTA P.L.C.

A PUBLIC LIMITED LIABILITY COMPANY REGISTERED UNDER THE LAWS OF MALTA
WITH COMPANY REGISTRATION NUMBER C 2833

ISIN: MT0000021353

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APPROVED BY THE BOARD OF DIRECTORS

Alfred Lupi

Signing in his capacity as Director of the Issuer
and as a duly appointed agent of all the other Directors of the Issuer.

Legal Counsel

CAMILLERI PREZIOSI
ADVOCATES

Joint Sponsors

CURMI & PARTNERS

Jesmond Mizzi
FINANCIAL ADVISORS

Manager & Registrar

BOV
Bank of Valletta

IMPORTANT INFORMATION

THIS REGISTRATION DOCUMENT CONTAINS INFORMATION IN RELATION TO THE ISSUER AND ITS BUSINESS, AND IS DRAWN UP IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES, THE ACT AND THE PROSPSECTUS REGULATION.

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THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR SECURITIES: (I) BY ANY PERSON IN ANY JURISDICTION IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED OR IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO; OR (II) TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THE PROSPECTUS IN CERTAIN JURISDICTIONS MAY BE RESTRICTED AND, ACCORDINGLY, PERSONS INTO WHOSE POSSESSION IT IS RECEIVED ARE REQUIRED TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, SUCH RESTRICTIONS.

THE PROSPECTUS AND THE OFFERING, SALE OR DELIVERY OF ANY SECURITIES PURSUANT THERETO MAY NOT BE TAKEN AS AN IMPLICATION: (I) THAT THE INFORMATION CONTAINED IN THE PROSPECTUS IS ACCURATE AND COMPLETE SUBSEQUENT TO ITS DATE OF ISSUE; OR (II) THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN THE FINANCIAL POSITION OF THE ISSUER SINCE SUCH DATE; OR (III) THAT ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE PROSPECTUS IS ACCURATE AT ANY TIME SUBSEQUENT TO THE DATE ON WHICH IT IS SUPPLIED OR, IF DIFFERENT, THE DATE INDICATED IN THE DOCUMENT CONTAINING THE SAME.

THE CONTENTS OF THE BANK'S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE BANK'S WEBSITE DO NOT FORM PART OF THIS PROSPECTUS. ACCORDINGLY, NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN ANY SECURITIES ISSUED BY THE BANK.

ALL THE ADVISERS TO THE ISSUER HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE BANK IN RELATION TO THIS PROSPECTUS AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION OR RESPONSIBILITY TOWARDS INVESTORS IN RELATION TO THE PROSPECTUS. NONE OF THE ADVISERS ACCEPT ANY RESPONSIBILITY TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE CONTENTS OF AND ANY INFORMATION CONTAINED IN THE PROSPECTUS, ITS COMPLETENESS OR ACCURACY OR ANY OTHER STATEMENT MADE IN CONNECTION THEREWITH.

THE DIRECTORS OF THE ISSUER CONFIRM THAT WHERE INFORMATION INCLUDED IN THIS PROSPECTUS HAS BEEN SOURCED FROM A THIRD PARTY, SUCH INFORMATION HAS BEEN ACCURATELY REPRODUCED, AND AS FAR AS THE DIRECTORS OF THE ISSUER ARE AWARE AND ARE ABLE TO ASCERTAIN FROM INFORMATION PUBLISHED BY THAT THIRD PARTY, NO FACTS HAVE BEEN OMITTED WHICH WOULD RENDER THE REPRODUCED INFORMATION INACCURATE OR MISLEADING.

THE VALUE OF INVESTMENTS CAN RISE AS WELL AS FALL AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. INVESTORS MAY LOSE ALL OR PART OF THEIR CAPITAL INVESTED BY INVESTING IN ANY SECURITIES ISSUED BY THE BANK. PROSPECTIVE INVESTORS SEEKING TO INVEST IN THE SAID SECURITIES, ARE URGED TO CONSULT A LICENSED STOCKBROKER OR AN INVESTMENT ADVISER LICENCED UNDER THE INVESTMENT SERVICES ACT (CAP. 370 OF THE LAWS OF MALTA) PRIOR TO MAKING AN INVESTMENT DECISION.

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

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE LISTING AUTHORITY IN SATISFACTION OF THE LISTING RULES, THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS, AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES, IN ACCORDANCE WITH THE ACT.

TABLE OF CONTENTS

IMPORTANT INFORMATION		**20**
1.	**DEFINITIONS**	**24**
2.	**GLOSSARY**	**27**
3.	**PERSONS RESPONSIBLE**	**29**
3.1	Persons responsible for information	29
3.2	Declaration of responsibility	29
4.	**STATUTORY AUDITORS AND ADVISERS**	**29**
4.1	Statutory auditors of the issuer	29
4.2	Advisers	29
5.	**RISK FACTORS**	**30**
5.1	General	30
5.2	Risk factors relating to the Issuer and the Group	31
5.2.1	Risks relating to the economy and general business conditions	31
5.2.2	Exposure to credit risk	31
5.2.3	Counterparty credit risk on derivatives	31
5.2.4	Risks associated with capital adequacy	32
5.2.5	Liquidity risk	32
5.2.6	Market risk	33
5.2.7	Concentration risk	33
5.2.8	Operational risk	34
5.2.9	Risks relating to Information Technology	34
5.2.10	Cyber-security risk	34
5.2.11	Internet failure	35
5.2.12	Information security risk	35
5.2.13	Reputational risk	35
5.2.14	Business risk	35
5.2.15	Risks related to the competitive nature of the banking industry	35
5.2.16	Strategic risk	36
5.2.17	Risks associated with the implementation of risk management policies	36
5.2.18	Risks connected with legal proceedings in progress and supervisory authority measures	36
5.2.19	Risks associated with the evaluation methods of the Issuer's assets and liabilities	36
5.2.20	Systemic risk	36
5.2.21	Risks arising from the Issuer's Custody Business	37
5.2.22	Risks arising from the Issuer's Trusts Business	37
5.2.23	Risks arising from the Bank's International Corporate Centre	38
5.2.24	Risks connected with the collection, processing and storage of personal data	38
5.2.25	Risks connected with the performance of the property market	38
5.2.26	Risk of downgrade in Issuer's credit rating	39

6.	**INFORMATION ABOUT THE ISSUER**	**39**
6.1	History and development of the Issuer	39
7.	**BUSINESS OVERVIEW**	**40**
7.1	Principal activities of the Group	40
8.	**TREND INFORMATION - MARKETS, BUSINESS AND REGULATIONS**	**43**
9.	**ORGANISATIONAL STRUCTURE**	**49**
9.1	Group Companies And Associated Companies	49
10.	**ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES**	**50**
10.1	The Board of Directors	50
10.2	Company secretary	52
10.3	Potential conflicts of interest	52
10.4	Composition and functions of Board of Directors’ committees	52
10.5	Management committees	54
11.	**FINANCIAL INFORMATION**	**57**
12.	**MAJOR SHAREHOLDERS**	**58**
13.	**LEGAL AND ARBITRATION PROCEEDINGS**	**58**
14.	**MATERIAL CONTRACTS**	**58**
15.	**INCORPORATION BY REFERENCE/DOCUMENTS ON DISPLAY**	**59**

1. DEFINITIONS

In this Registration Document, the following words and expressions shall bear the following meanings whenever such words and expressions are used in their capitalised form, except where the context otherwise requires:

Act	the Companies Act (Cap. 386 of the laws of Malta);
Articles of Association	the articles of association of the Issuer;
Associated Companies	each of MAPFRE Middlesea p.l.c. (C 5553) and MAPFRE MSV Life p.l.c. (C 15722);
Bank or **Issuer**	Bank of Valletta p.l.c., a credit institution licenced by the MFSA and registered as a public limited liability company under the laws of Malta with company registration number C 2833 and with registered address at 58, Zachary Street, Valletta VLT 1130, Malta;
Banking Act	the Banking Act (Cap. 371 of the laws of Malta);
Board or **Board of Directors** or **Directors**	the board of directors of the Issuer whose names are set out in section 10.1 of this Registration Document under the heading "*The Board of Directors*";
BOV Asset Management Limited or **BOVAM**	BOV Asset Management Limited, a private limited liability company registered under the laws of Malta bearing company registration number C 18603 and with registered address at 58, Zachary Street, Valletta VLT 1130, Malta;
BOV Fund Services Limited or **BOVFS**	BOV Fund Services Limited, a private limited liability company registered under the laws of Malta bearing company registration number C 39623 and with registered address at 58, Zachary Street, Valletta VLT 1130, Malta;
BRRD	Directive 2014/59/EU of the European Parliament and of 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, 2002/47/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;
Central Bank of Malta or **CBM**	the Central Bank of Malta established by the Central Bank of Malta Act (Cap. 204 of the laws of Malta);
CRD IV	Directive 2013/36/EU of the European Parliament and Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as may be amended from time to time;
CRR	Regulation (EU) No 575/2013 of the European Parliament and Council of 26 June 2013 relating to prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, as may be amended from time to time;

ECB	the European Central Bank;
EU	the European Union;
EU Member States	the member states of the EU;
Euro or **€**	the lawful currency of the Republic of Malta and of the Eurozone;
External Auditors or **Statutory Auditors**	the external auditors of the Issuer, details of which are set out in section 4.1 of this Registration Document;
GDPR	Regulation (EU) No. 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data;
Group	the Issuer and its Subsidiaries;
IFRS or **IAS** or **International Accounting Standards**	all the International Financial Reporting Standards, all the International Accounting Standards (IAS), all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC), adopted by the European Union;
Investment Services Act or **ISA**	the Investment Services Act (Cap. 370 of the laws of Malta);
Listing Authority	the Board of Governors of the MFSA, appointed as 'Listing Authority' for the purposes of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);
Listing Rules	the listing rules issued by the Listing Authority, as may be amended and/or supplemented from time to time;
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), with company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
Memorandum and Articles	the memorandum and articles of association of the Issuer;
MFSA	the Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);
Prospectus	collectively, this Registration Document, the Securities Note and the Summary Note, as such documents may be amended, updated, replaced and/or supplemented from time to time;
Registration Document	this document in its entirety;
Registrar of Companies	the person appointed as registrar of companies in accordance with the provisions of the Act;

Regulatory Authorities	collectively, the MFSA and the ECB;
Securities Note	the securities note dated 3 June 2019, forming part of the Prospectus;
Senior Management	the management board of the Issuer, details of which appear in section 10.5 of the Registration Document;
Subsidiaries	each of BOVAM and BOVFS; and
Summary Note	the summary note dated 3 June 2019, forming part of the Prospectus.

2. GLOSSARY

The following technical terms are used in this document as a means of explaining *inter alia* the regulatory framework within which the Issuer operates. The terms are explained in this glossary to facilitate the reading and understanding of this document.

Banking Union	the banking union in the EU which was initiated in 2012 as a response to the Eurozone crisis and which entails the transfer of responsibility for banking policy from the national to the EU level in several countries of the EU for the purpose of ensuring that EU banks are stronger and better supervised;
Basel II	the international agreement on capital requirements for banks in relation to the risks that they assume. This agreement has been assimilated, at national level, by the respective supervisory authorities, including, for the Republic of Malta, the MFSA;
Basel III	the international agreement modifying Basel II adopted in December 2010, containing amendments to the prudential regulations on bank capital and liquidity, with the new prudential requirements gradually coming into force from 1 January 2014 until 31 December 2019;
Common Equity Tier 1 or **CET1** or **Tier 1**	the primary component of capital under Basel III rules, consisting principally of paid-up ordinary share capital, related premium reserves, profit for the period, reserves, shareholders' equity attributable to minority interests (which can be included within limits set by the rules) and such other components as may be detailed in the CRR from time to time, as the same may be amended and/or updated;
Core Banking Transformation Programme or **Core Banking System** or **CBT**	the replacement of the Issuer's core IT system and the simultaneous upgrade of other key systems used by the Issuer. The IT implementation is being complemented by a thorough review of business processes with the aim of improving efficiency in customer service;
EBA	the European Banking Authority established by Regulation (EU) No. 1093/2010 of the European Parliament and of the Council of 24 November 2010;
FinTech	technology-enabled innovation in financial services that could result in new business models, applications, processes or products with an associated material effect on the provision of financial services;
IMF	the International Monetary Fund;
Oracle	Oracle Hellas Distribution of Software and Information Systems SMLLC;
RegTech	any range of applications of FinTech for regulatory and compliance requirements and reporting by regulated financial institutions, as well as any firms which offer such applications;
SEPA	the Single Euro Payments Area;

SREP	the Supervisory Review and Evaluation Process governed by the CRD IV to which banks are subject, with an annual frequency, conducted by the Regulatory Authorities;
Tier 2 Capital	Tier 2 capital constitutes supplementary capital under the Basel III rules and primarily consists of capital instruments and subordinated loans where certain conditions are met and share premium accounts related to capital instruments (which can be included within limits set by the rules) and such other components as may be detailed in the CRR from time to time, as the same may be amended and/or updated; and
UCITS	undertakings for collective investment in transferable securities established in terms of the UCITS Directive (Directive 2009/65/EC), as amended.

3. PERSONS RESPONSIBLE

3.1 PERSONS RESPONSIBLE FOR INFORMATION

The Issuer and its Directors, whose names are set out in section 10.1 of this Registration Document, accept responsibility for the completeness of the data and information contained in the Prospectus.

3.2 DECLARATION OF RESPONSIBILITY

The Directors hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. The Directors and the Issuer accept responsibility accordingly.

4. STATUTORY AUDITORS AND ADVISERS

4.1 STATUTORY AUDITORS OF THE ISSUER

The Bank appointed KPMG of Portico Building, Marina Street, Pieta' PTA 9044, Malta, jointly with KPMG LLP, of 15 Canada Square, Canary Wharf, London E14 5GL, United Kingdom, as the Statutory Auditors of the Issuer by virtue of a shareholders' resolution at the annual general meeting of the Issuer on the 17 December 2014, and their re-appointment has ever since been approved during subsequent annual general meetings. KPMG is registered as a partnership of certified public accountants holding a practising certificate to act as auditors in terms of the Accountancy Profession Act (Cap. 281 of the laws of Malta). KPMG LLP is a limited liability partnership incorporated in England and is a member of the Institute of Chartered Accountants in England and Wales.

The consolidated financial statements of the Issuer as at 31 December 2017 and 31 December 2018 (incorporated by reference herein pursuant to section 15 of this Registration Document) have been audited by the Statutory Auditors. There were no adverse opinions on the part of the Statutory Auditors with respect thereto.

4.2 ADVISERS

LEGAL COUNSEL	Name: Address:	**Camilleri Preziosi** Level 3, Valletta Buildings, South Street, Valletta VLT 1103, Malta.
JOINT SPONSORS	Name: Address:	**Curmi & Partners Ltd.** Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102, Malta.
	Name: Address:	**Jesmond Mizzi Financial Advisors Ltd.** 67, Level 3, South Street, Valletta VLT 1105, Malta.
MANAGER & REGISTRAR	Name: Address:	**Bank of Valletta p.l.c.** 58, Zachary Street, Valletta VLT 1130, Malta.

5. RISK FACTORS

5.1 GENERAL

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 THIS PROSPECTUS, BEFORE MAKING ANY INVESTMENT DECISION WITH RESPECT TO ANY OF THE LISTED FINANCIAL INSTRUMENTS THAT WILL BE OFFERED BY THE ISSUER PURSUANT TO THIS REGISTRATION DOCUMENT. SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES WHICH MAY OR MAY NOT OCCUR AND THE ISSUER IS NOT IN A POSITION TO EXPRESS ANY VIEWS ON THE LIKELIHOOD OF ANY SUCH CONTINGENCIES OCCURRING. THE SEQUENCE IN WHICH THE RISKS BELOW ARE LISTED IS NOT INTENDED TO BE INDICATIVE OF ANY ORDER OF PRIORITY OR OF THE EXTENT OF THEIR CONSEQUENCES.

IF ANY OF THE RISKS DESCRIBED BELOW WERE TO MATERIALISE, THEY COULD HAVE A SERIOUS EFFECT ON THE BANK'S FINANCIAL RESULTS, FINANCIAL CONDITION AND TRADING PROSPECTS. THE RISKS AND UNCERTAINTIES DISCUSSED BELOW ARE THOSE IDENTIFIED AS SUCH BY THE DIRECTORS, BUT THESE RISKS AND UNCERTAINTIES MAY NOT BE THE ONLY ONES THAT THE BANK FACES. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE WHICH THE DIRECTORS ARE NOT CURRENTLY AWARE OF, MAY WELL RESULT IN A MATERIAL IMPACT ON THE FINANCIAL CONDITION AND OPERATIONAL PERFORMANCE OF THE BANK.

THIS REGISTRATION DOCUMENT IS NOT INTENDED TO CONSTITUTE, AND SHOULD NOT BE CONSTRUED AS CONSTITUTING, A RECOMMENDATION BY THE ISSUER, THE ADVISERS LISTED IN SECTION 4.2 OR ANY AUTHORISED FINANCIAL INTERMEDIARY TO PURCHASE ANY OF THE LISTED FINANCIAL INSTRUMENTS THAT WILL BE OFFERED BY THE ISSUER PURSUANT TO THIS REGISTRATION DOCUMENT. PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS AND SHOULD CONSIDER ALL OTHER PARTS OF THE PROSPECTUS. THE RISK FACTOR DESCRIPTIONS GIVEN BELOW SHOULD BE READ IN CONJUNCTION WITH THE OTHER INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT, INCLUDING THE DOCUMENTS AND INFORMATION REFERRED TO HEREIN, AS WELL AS THE INFORMATION AND OTHER RISK FACTORS DESCRIBED IN THE SECURITIES NOTE RELATING TO THE LISTED FINANCIAL INSTRUMENTS THAT THE ISSUER MAY OFFER PURSUANT TO THIS REGISTRATION DOCUMENT.

FORWARD-LOOKING STATEMENTS

The Prospectus and the documents incorporated therein by reference include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places within the Prospectus and include statements regarding the intentions, beliefs or current expectations of the Bank and/or the Directors concerning, amongst other things, capital requirements, results of operations, financial condition, liquidity, prospects and the market in which it operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and should therefore not be construed as such. The Issuer's actual results of operations, financial condition and liquidity may differ materially from the impression created by the forward-looking statements contained in the Prospectus. In addition, even if the results of operations, financial condition, and liquidity of the Bank are consistent with the forward-looking statements contained in the Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include, but are not limited to, changes in economic conditions, legislative and regulatory developments, changes in fiscal regimes and the availability of suitable financing.

Potential investors are advised to read the Prospectus in its entirety, and, in particular, all the risk factors set out in this Prospectus, for a description of the factors that could affect and/or vary the Bank's future performance. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur. All forward-looking statements contained in this document are based on information

available as at the date of the Prospectus. Subject to applicable legal and regulatory obligations, the Bank and its Directors expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

5.2 RISK FACTORS RELATING TO THE ISSUER AND THE GROUP

5.2.1 Risks relating to the economy and general business conditions

The Group may be negatively impacted by a deterioration in the economic and general business climate, both at a global and domestic level. The Maltese economy has been performing well in recent years, characterised by healthy economic growth and low unemployment levels. Any deterioration in the economy could adversely affect the financial performance and financial condition of the Group. Challenging economic conditions could reduce demand for products and services, increase expenses, lower disposable income of customers and their profitability, increase impairments and negatively impact collateral value (in particular property assets).

Whilst the Group operates primarily in the Maltese market, the Group's operations may also be affected by conditions in the global economy. For instance, a significant economic downturn may affect the Group's financial performance and financial condition, both directly and indirectly (by impacting the Group's customers). Additionally, changes in the overall business climate, economic growth, international trade, consumer and business spending, inflation, unemployment and other factors, may adversely affect the Group's overall performance and results.

5.2.2 Exposure to credit risk

Risks arising from adverse changes in the credit quality and recoverability of loans, securities and amounts due from counterparties are inherent in the Issuer's business. The financial and capital strength of the Issuer, and its profitability, depend on the creditworthiness of its customers, among other things. Credit risk is, therefore, an important factor in assessing the financial condition and performance of the Issuer.

Credit risk involves the possibility that the Issuer's contractual counterparties may not fulfil their payment obligations as a result of various factors, including the borrower's loss of capacity to service and repay debt (due to, for instance, a lack of liquidity or insolvency) and/or the emergence of circumstances not specifically related to the economic/financial conditions of the debtor but to the general economic environment in which the debtor operates.

Credit risk may also arise as the Issuer may, based on incomplete, untrue or incorrect information, grant credit that otherwise would not have been granted or that would have been granted under different conditions. In addition, in carrying out its credit activities, the Issuer is exposed to the risk that an unexpected change in the creditworthiness of a counterparty may generate a corresponding change in the value of the associated credit exposure and give rise to the partial or total write-down of the credit granted, or require provisions for impairment.

Other banking activities, besides the traditional lending and deposit activities, can also expose the Issuer to credit risks. Non-traditional credit risk can, for example, arise from the Issuer: (i) entering into derivative contracts; (ii) buying and selling securities and/or currencies; or (iii) custody of third-party securities. The counterparties of said transactions, or the issuers of securities held by the Issuer (as the case may be), could fail to comply with their payment obligations due to insolvency, political or economic events, a lack of liquidity, operating deficiencies, or other reasons, all or any of which could negatively impact the Bank.

5.2.3 Counterparty credit risk on derivatives

Counterparty risk is a form of credit risk that emanates from the risk that a counterparty may fail to perform its obligations. The Bank is exposed to the risk that counterparties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. The Bank is, in particular, exposed to counterparty credit risk arising from over-the-counter ("OTC") derivative transactions. This risk, which is increased by volatility in the financial markets, may arise if counterparties to derivative transactions entered into by the Issuer default before settling their obligations under the respective transaction. Said risk may also arise when netting agreements and collateral arrangements are in place, if such arrangements/agreements are (or become) unenforceable, or, if collateral provided in favour of the Issuer may not be realised or liquidated at a value that is sufficient to cover the exposure under the relevant derivative contract/s.

5.2.4 Risks associated with capital adequacy

The Issuer is required to adhere to capital adequacy regulations which necessitate that it maintains appropriate capital resources both in terms of quantity and quality. Given that the Issuer has been assessed as an Other Systemically Important Institution ("O-SII") by European banking authorities, it must fulfil supplementary requirements concerning the amount of CET1 capital it must hold as a buffer. In addition, as a result of the SREP to which the Issuer is subject to once a year, the Regulatory Authorities may impose further requirements as to capital.

Non-compliance with applicable capital requirements may have a significant impact on the Bank's operations and future sustainability. In particular, a perceived or actual shortage of capital held by the Issuer could result in actions by Regulatory Authorities, including public censure and/or the imposition of sanctions. This may also affect the Issuer's capacity to access funding, continue its business operations, generate a sufficient return on capital, pay variable remuneration to staff, pay future dividends or pursue strategic opportunities, any or all of which could affect future growth potential.

5.2.5 Liquidity risk

Liquidity risk refers to the possibility that the Issuer may find itself unable to meet its current and/or future, anticipated and/or unforeseen cash payments and delivery obligations without impairing its day-to-day operations or financial position. The activity of the Issuer is subject, in particular, to funding liquidity risk, market liquidity risk, mismatch risk and contingency risk.

(i) Funding liquidity risk

Funding liquidity risk refers to the risk that the Issuer may not be able to meet its payment obligations, including financing commitments, when due. The availability of liquidity needed to carry out the Issuer's various activities and its ability to access long-term funding are essential for the Issuer to be able to meet its anticipated and/or unforeseen cash payment and delivery obligations, so as not to impair its day-to-day operations or financial position. If, for some reason, the Bank is unable to access the necessary liquidity to conduct its operations and/or meet its obligations, this could negatively impact the Bank's financial condition and performance.

(ii) Market liquidity risk

Economic and market conditions, or unforeseen risks which the Issuer might be faced with, could curtail the Issuer's access to deposits and other forms of funding. Given that a significant portion of the Issuer's financing is derived from local customer deposits, a decrease in customer confidence could limit the Issuer's capacity to access retail funds. In addition, a decrease in confidence could limit the Issuer's capacity to access funds through the issuance of financial instruments.

Furthermore, sudden changes in market conditions (in particular, interest rates and creditworthiness) can have significant effects on the time necessary for the Bank to sell securities, including high-quality assets (such as government securities) without incurring losses. The consequences of a possible downgrade of issuers of securities in which the Issuer is invested could also make it difficult to guarantee that such financial instruments can be easily liquidated under favourable economic terms.

If the Issuer faces liquidity problems due to any one or more of the factors set out above, this could impact its ability to meet regulatory requirements, and could also have negative effects on the operating results and/or on the financial position of the Issuer and/or of the Group.

(iii) Mismatch risk

Mismatch risk arises from differences in the amounts or maturities of incoming and outgoing cash flows, and could impact, amongst others, the ability of the Issuer to meet its liabilities as they fall due. Should such risk materialise, this could have a negative impact on the Bank.

(iv) Contingency risk

The Issuer must also manage the risk that (potentially unexpected) future requirements (for instance, use of credit lines and/or withdrawal of deposits) may use a greater amount of liquidity than may have been anticipated as being necessary for day-to-day activities. This may also have a negative impact on the Bank.

5.2.6 Market risk

The Bank may face a number of market risks in the normal course of its business. Market risk refers to the adverse impact of movements in market prices or rates such as interest rates, credit spreads and foreign exchange rates. Market risk stems from all the positions included in Banks' investment portfolios, commodity and foreign exchange positions, interest income and the market value of assets and liabilities.

In the event that market risks were to occur, the Issuer may experience significant losses in the value of its investment portfolio, declines in the level of interest income, and negative movements in the fair values of its assets and liabilities which would consequently have a significant adverse impact on the operations and financial performance of the Bank. The following are the principal identifiable market risks:

(i) Interest rate risk

Fluctuations in interest rates are influenced by factors outside the Issuer's control (such as the fiscal and monetary policies of governments and central banks and political and economic conditions in the countries in which it operates) and can affect the interest rate margin. The Issuer is exposed to interest rate risk in its banking book arising from the mismatch between interest sensitive assets and liabilities held in the banking book.

Changes in interest rates, including the level thereof and the shape of the yield curve, affect the sensitivity of earnings in the short term by changing the Issuer's net interest income and the level of other interest sensitive income and expenses.

Furthermore, interest rate risk arises from the different re-pricing characteristics of the Bank's interest-sensitive assets and liabilities. Variations in interest rates also affect the present value and timings of future cash flows. This, in turn, changes the underlying value of the Bank's assets, liabilities and off-balance sheet items. For this reason, movements in interest rates not only have an effect on the net interest margin, but may also impact the Issuer's results and profitability.

Additionally, the persistence of exceptionally low and negative interest rates for a further prolonged period could have an adverse impact on the Bank's financial performance and condition and is much more pronounced for banks with high reliance on deposit funding compared to other banks.

(ii) Foreign Exchange risk

The Issuer conducts the principal part of its business in Euro, however, it performs some of its activities in other currencies. In light of this, the Issuer may be impacted by foreign exchange risk, which is the risk of adverse movements in the monetary value of assets and liabilities, and additionally of income and expenses, from the fluctuation of exchange rates in relation to the Euro, as the Issuer's base currency.

5.2.7 Concentration Risk

Concentration risk arises due to a high level of exposure by the Bank to: (i) individual issuers or counterparties (single name concentration); (ii) a group of connected clients; (iii) industry sectors and geographical regions (sectoral concentration); (iv) a single currency; and/or (v) credit exposures secured by a single security. Due to concentration risk, the associated credit risks could be significantly greater than those where no such high levels of exposure or connections exist. Given the size and nature of the domestic financial sector and the local economy, the Bank is exposed to concentration risk in its credit business.

The Bank's investment portfolio may also be exposed to concentration risk derived from excessive reliance on the same country, counterparty, sector or currency.

In addition, the deposit base of the Issuer primarily consists of customers located in Malta and other EU countries, and, as a result, the Issuer is highly exposed to any economic trends affecting Malta specifically and the EU generally, which, if negative, may have an adverse effect on the Issuer, its business and results of operations and financial condition.

Any major downturn in economic activity in markets where the Bank is exposed to concentration risk could have a significant adverse impact on the financial performance and financial condition of the Bank.

5.2.8 Operational Risk

Operational risk is the risk of loss due to errors, infringements, interruptions and damages caused by failures or inadequacies in internal processes, personnel, systems, or due to external events.

The Bank's exposure to such operational risk and consequent losses can result from a wide range of factors, including, amongst others, fraud, errors by employees, inadequate employment practices and workplace safety measures, client claims, failure of the Issuer's systems or internal controls, failure to document transactions properly, failure to obtain proper internal authorisations, failure to comply with increasingly complex regulatory requirements and conduct of business rules, systems and equipment failures, failure to protect the Bank's operations from increasingly sophisticated cyber-crime, loss or corruption of customer data or other sensitive information, damage to the Bank's physical assets, natural disasters or the failure of external systems (for example, those of the Issuer's counterparties or vendors).

Any losses arising from the above failures could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects and could materially adversely affect its reputation.

5.2.9 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 core client banking system, risk management tools, 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 communication networks.

Such failures can be caused by a variety of factors, many of which are wholly or partially outside the Issuer's control including natural disasters, extended power outages and cyber-security issues, ranging from computer viruses to third-party hackers (please refer to section 5.2.10 "*Cyber-security risk*" hereunder). The proper functioning of the Issuer's information technology systems also depends on accurate and reliable data and other system inputs, which are subject to human errors. In addition, given the Issuer's high volume of transactions, errors may be repeated or compounded before they are discovered and rectified. Furthermore, any failure or delay in recording or processing the Issuer's transaction data could subject the Issuer to claims for losses and regulatory fines and penalties.

5.2.10 Cyber-security risk

The activities of the Group are reliant on the continuous and proper functioning of its operating systems, including its I.T. systems and other technological arrangements. The Group is susceptible to a variety of risks relating to the continuous and proper functioning of these systems, including, but not limited to, the risks of cyber-attacks (such as malware attacks, ransomware, phishing, hacking, or any other form or type of cyber-attack), data theft or other unauthorised use of data, errors, bugs, malfunctions, inadequate maintenance service levels, or other malicious interference with or disruptions to their systems.

In addition, to the extent that the Group is reliant upon technologies and operating systems (including I.T. systems and other technological arrangements) developed by third parties for the efficient running of its business, it will be exposed to the risk of failures, errors or other interruptions in such systems. There can be no assurance that the maintenance and service level agreements and disaster recovery plans intended to ensure continuity and stability of these systems will prove effective in ensuring that the service or systems will not be disrupted.

If any such risks were to materialise this could adversely affect the Group's financial performance and financial condition.

5.2.11 Internet failure

As the operations of the Group utilise and may be intrinsically dependent on the internet, their activities may become subject to an internet failure, disruption or other interruption. Such event may arise as a result of various factors that may be out of the control of the Group as a result of and without limitation to, natural disasters, electricity outages and/or technical malfunctions which could be malicious, due to negligence or *force majeure*. If such failure, disruption or other interruption, even temporary, were to occur, the activities of the Group could be interrupted for the period of time for which such event subsists, which lack of access could adversely affect the Group's financial performance and financial condition.

5.2.12 Information security risk

Information security risk refers to the risk of loss caused by deliberate or accidental loss, alteration, falsification or leakage of information, or by destruction, disruption, errors or misuse of information systems. Loss or leakage of confidential information could have a material adverse effect on the operations and performance of the Issuer.

5.2.13 Reputational Risk

Reputational risk is the current or future risk of a loss or decline in profits as a result of a negative perception of the Issuer's image by relevant stakeholders (including but not limited to shareholders, directors, employees, customers, counterparties and investors). Negative publicity may arise from a number of activities, including but not limited to:

- **Breach of or facing allegations of having breached legal and regulatory requirements such as money laundering, anti-terrorism financing and capital adequacy requirements;**
- **Acting or facing allegations of having acted unethically;**
- **Failing to address potential conflicts of interest;**
- **Technology failures;**
- **Poor company performance;**
- **Failing to maintain appropriate standards of customer privacy, customer service and record keeping;**
- **Competition in the banking industry;**
- **Claims relating to the Bank's investment services business and/or other business lines; and/or**
- **Negative reporting on the Issuer by the media, including social media.**

The Issuer believes that if any one or more of these risks were to occur, relevant stakeholders may become unwilling to do business with the Issuer, thereby potentially resulting in a material adverse effect on the operations and performance of the Issuer.

5.2.14 Business risk

Business risk is defined as a measurement of the unanticipated unfavourable variance between actual profit margins of the Issuer and those forecasted. Business risk may originate from a significant deterioration in market conditions, unpredictable customer preferences and behaviour, and changes in the applicable regulatory framework. If any one or more of these risks were to materialise, this could lead to serious losses and may impact the Issuer's capital, financial performance and financial condition.

5.2.15 Risks related to the competitive nature of the banking industry

The financial services industry, both in Malta and globally, is a competitive one. Competitive pressures could increase due to general developments in the market, regulatory changes, shifts in customer demand, shifts in competitors' strategies, technological enhancements, and other factors that are beyond the Bank's control.

If the Bank is not able to respond adequately to any increases or changes in competitive pressures, for example by introducing innovative products and services, it may not succeed in developing its business or may lose market share. In turn, this could have a negative impact on the Bank's financial performance and condition.

5.2.16 Strategic risk

Strategic risk is the risk of suffering potential losses due to, amongst others, radical changes in the business environment or a lack of responsiveness to changes in the business environment, and/or improper implementation of strategic decisions. This may have a negative impact on the Bank's risk profile, and, consequently, on its capital positioning, profitability, earnings, as well as its overall strategic direction in the long-run.

5.2.17 Risks associated with the implementation of risk management policies

The Bank has in place a number of processes and structures that have the objective of developing and implementing risk management policies, procedures and controls, in order to monitor the risks inherent in the nature of its activities. Unanticipated, unforeseeable, or unidentified risks, by their nature, may not be considered within the Bank's risk management policies and processes. Additionally, some of the methods used to monitor and manage risks may involve certain assumptions, observations of past conditions and/or statistical models, which may be inadequate for the management of certain risks. This could result in losses.

5.2.18 Risks connected with legal proceedings in progress and supervisory authority measures

As at the date of this Registration Document, the Bank and the Subsidiaries are defendants in several legal proceedings. Moreover, from time to time, past and present directors, officers and employees may be involved in civil and/or criminal proceedings, the details of which the Group may not lawfully know about or communicate.

The Group is also required to deal appropriately with various legal and regulatory requirements in relation to certain aspects of its activity, such as conflicts of interest, ethical issues, anti-money laundering laws, client assets, competition law, privacy and information security rules, amongst others. Actual or alleged failure to do so may lead to additional litigation and investigations and subject the Group to claims for damages, regulatory fines, other penalties and/or reputational damages, any or all of which may have a negative impact on the Group.

5.2.19 Risks associated with the evaluation methods of the Issuer's assets and liabilities

In conformity with the framework dictated by International Accounting Standards, the Issuer should formulate evaluations, estimates and policies regarding the amounts of assets, liabilities, costs and revenues reported in the financial statements (as well as information relating to contingent assets and liabilities). The evaluations, estimates and related policies are based on past experience and other factors considered reasonable in the specific circumstances and are adopted to assess the assets and liabilities whose book value cannot easily be deduced from other sources.

The application of IAS by the Issuer reflects its interpretation and decisions made with regard to said standards, which may be applied or interpreted differently by other relevant stakeholders.

Any of the foregoing could give rise to risks to the Issuer, which could affect its financial position and financial performance, including in particular a write-down of its assets.

5.2.20 Systemic risk

The Bank may be negatively affected by "systemic" risk, which is the risk that a default of any one institution could lead to defaults by other institutions. Concerns about, or a default by, or a governmental "bail out" of, or "bail in" of, one institution could lead to significant liquidity problems, including increases in the cost of liquidity, losses or defaults by other institutions. Several factors could lead to enhanced systemic risk including contagion in financial markets, imbalances in financial systems, asymmetric information, or other events of a systemic nature. Such systemic risk could have a material adverse effect on the Issuer's ability to raise new wholesale funding, which could affect its business, financial condition, results of operations, liquidity and/or prospects.

5.2.21 Risks arising from the Issuer's Custody Business

The Issuer acts as custodian to a number of professional investor funds ("PIFs"), UCITS funds and alternative investment funds ("AIFs") (collectively "CISs"). As custodian, the Issuer provides safekeeping services to CISs and also performs monitoring and oversight functions in respect of such CISs, amongst other services. The Issuer has global custody network access by means of a custody agreement entered into with RBC Investor Services Trust, London Branch (the UK branch of a trust company incorporated under the laws of Canada), further to which the Issuer delegates certain of its safekeeping functions.

When acting as custodian of UCITS, AIFs and PIFs marketed to experienced investors, the Issuer is (broadly) in terms of applicable regulation: (a) liable for loss of financial instruments held in custody (unless it can prove that the loss arose as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary); and (b) is also liable for all other losses suffered by such investment funds and unit holders therein as a result of the Issuer's negligent or intentional failure to properly fulfil its obligations pursuant to applicable law. The liability of the Issuer is not affected by any delegation of services. Investors should note that unit holders in UCITS funds, AIFs and PIFs targeting experienced investors may invoke liability of the Issuer, as custodian, directly or indirectly, through the management company or the fund.

When acting as custodian of PIFs marketed to qualifying and extraordinary investors, the Issuer is, in terms of applicable regulation (broadly) liable for any loss or prejudice suffered by the PIF or the unit holders due to the Issuer's fraud, wilful default or negligence including the unjustifiable failure to perform in whole or in part the custodian's obligations arising pursuant to applicable law and the relevant custody agreement in place. With respect to PIFs marketed to qualifying and extraordinary investors, the Issuer's liability is similarly not affected by delegation of safekeeping functions, however it may (in certain instances) be varied or reduced with the written consent of the PIF or the manager acting on behalf thereof.

In providing custody services, liability of the Issuer (as described above) could materialise due to, amongst others, the loss of financial instruments held in custody (including due to fraud and possible failures of the Issuer in segregating assets of the CISs), negligence of the Issuer in performing its custody functions, failures in clearing and settlement systems and/or the insolvency, negligence or fraudulent conduct of the Issuer's sub-custodian (or delegates thereof). In the event that such liability arises, this could impact the financial performance of the Issuer.

The Issuer has decided to wind down its custody business. However, until such time as the custody business is wound down, and, possibly even thereafter, the Issuer may still be exposed to the risks mentioned above.

5.2.22 Risks arising from the Issuer's Trusts Business

The Bank's trust unit was established in 2005, when the Bank was granted authorisation by the MFSA to offer trustee services in terms of the Trusts and Trustees Act (Cap. 331 of the laws of Malta).

It is inherent in the creation of a trust that ownership of assets passes from the existing owner (settlor) to the trustee which effectively means complete transfer of control of the trust assets to the trustee. In addition, the setting up of discretionary trusts implies that the trustee has discretion on what to distribute to beneficiaries. Also, setting up and maintaining a trust involves certain costs. In addition, in very limited scenarios, the income which is generated by the asset under trust may suffer a higher rate of tax than if the income remained in the hands of the settlor.

The Issuer has decided to wind down its trust business. However, until such time as the trust business is wound down and, possibly even thereafter, liability of the Issuer could materialise in respect of the Bank's trust business due to (amongst others), negligence of the Issuer in the performance of its functions, loss of assets settled on trust and any breaches of the Issuer's contractual obligations. In the event that such liability arises, this could impact the financial performance of the Issuer.

5.2.23 Risks arising from the Bank's International Corporate Centre

The Issuer's international corporate centre ("ICC") houses a large number of deposit accounts held by the Issuer's international corporate clients.

International corporate clients present a higher degree of risk than is normally associated with local clients. This is particularly pronounced in the level of information required in order for the Issuer to comply with know-your-customer and other due diligence requirements which may be very cumbersome when international corporate clients are comprised of complex corporate structures. In such instances, the identification of the ultimate beneficial owners and/or the sources of funds and wealth may be difficult to determine.

Such situations present serious legal, regulatory and reputational risks for the Issuer and potential financial risks due to the fact that the Issuer may not be able to detect money laundering and terrorist financing in respect of its international clients.

5.2.24 Risks connected with the collection, processing and storage of personal data

Whenever personal data is collected, processed and stored by the Group, the activity conducted is subject to the rules governing the processing of personal data in terms of the Data Protection Act (Cap. 586 of the laws of Malta) and subsidiary legislation issued thereunder (the "DPA") and the GDPR.

The Group is subject to a number of obligations concerning the processing of personal data, including but not limited to ensuring that: (i) personal data is processed fairly, lawfully and in a transparent manner; (ii) personal data is always processed in accordance with good practice; (iii) personal data is only collected for specific, explicitly stated and legitimate purposes and not further processed in a manner that is incompatible with those purposes; (iv) all reasonable measures are taken to complete, correct, restrict, block or erase personal data to the extent that such data is incomplete or incorrect, having regard to the purposes for which they are processed; (v) personal data collected is adequate, limited and relevant to what is necessary in relation to the purposes for which they are processed; (vi) personal data is not kept for a period longer than is necessary; and (vii) personal data is processed in a manner that ensures appropriate security of the personal data. Additionally, prior to processing personal data, the Group must ensure that the personal data undergoing processing is justified under at least one of the lawful bases stipulated within the GDPR. Where consent is deemed to be the appropriate legal basis, the Group must ensure that the person to whom the personal data relates has unambiguously, freely, specifically and informatively given his consent for such processing.

The Group has adapted its internal procedures to comply with the DPA and the GDPR. However, the Issuer remains exposed to the risk that personal data collected could be damaged or lost, disclosed or otherwise unlawfully processed for purposes other than as permitted in the DPA and the GDPR. The possible damage, loss, unauthorised processing or disclosure of personal data could have a negative impact on the activity of the Group, in reputational terms too, and could lead to the imposition of fines.

In addition, any changes to the applicable laws and/or regulations, even at an EU level, could have a negative impact on the Group's activities, including the need to incur costs for adapting to the new regulations.

5.2.25 Risks connected with the performance of the property market

The Group is exposed to the risks of the property market, as a result of, amongst others: (i) investments held directly in properties owned by it and through which it operates; (ii) loans granted by the Issuer to companies operating in the property sector where the cash flow is generated mainly by the rental or sale of properties (commercial real estate); and (iii) loans granted to clients where the collateral securing the loan is immovable property.

With respect to (i) above, any downturn in the property market could result in the Group having to make impairments to the real estate it owns at a value that is higher than the recoverable value, with consequent negative effects, including significant ones, on the operating results and capital and financial position of the Issuer and/or the Group.

With respect to (ii) above, any downturn in the real estate market could lead to a fall in market prices and a consequent fall in the demand for real estate. As a result, the Issuer's customers operating in the property sector may face a decrease in transaction volumes and margins, an increase in commitments resulting from financial expenses, as well as greater difficulties in refinancing, with negative consequences on the profitability of their activities, which could have a negative impact on their ability to repay the loans granted by the Issuer.

With regard to (iii) above, a fall in property prices could translate into a reduction in the value of the collateral that could potentially be realised in the case of enforcement if the debtor defaults. In addition, poor market conditions and/or, more generally, a protracted economic or financial downturn could lead to a fall in value of the collateral properties as well as create significant difficulties in terms of monetisation of the said collateral under the scope of enforcement procedures, with possible negative effects in terms of realisation times and values, as well as on the operations and financial position of the Issuer and/or the Group.

5.2.26 Risk of downgrade in Issuer's credit rating

The Bank is currently rated by Standard and Poor's ("S&P") & Fitch Ratings ("Fitch"). The Issuer's long-term issuer default rating assigned by S&P is 'BBB' while the short-term rating is "A-2" with a negative outlook. The Issuer's long-term issuer default rating as assigned by Fitch is 'BBB' whilst the short term rating is 'F2' with a stable outlook. A downgrade to the Issuer's credit rating/s or outlook could have a negative impact on the financial position of the Bank. Even though a substantial portion of the Bank's funding is derived from local customer deposits, a credit rating downgrade could adversely impact access to other sources of funding, including wholesale and capital markets. In turn this could have a negative effect on the Bank's business, liquidity position, financial performance and condition.

6. INFORMATION ABOUT THE ISSUER

6.1 HISTORY AND DEVELOPMENT OF THE ISSUER

Legal name of the Issuer:	The Issuer's legal name is Bank of Valletta p.l.c.
Commercial name of the Issuer:	The Issuer is commercially referred to as BOV.
Place of registration of the Issuer and its registration number:	The Issuer is duly registered in Malta with company registration number C 2833.
The date of incorporation and the term of the Issuer:	The Issuer was registered and incorporated on 21 March 1974 for an indefinite period.
Registered address:	58, Zachary Street, Valletta VLT 1130, Malta.
Place of registration and domicile:	Malta
Legal Form:	The Issuer is lawfully existing and registered as a public limited liability company under the Act.
Telephone number:	+356 2275 3556
Fax number:	+356 2275 3711
Email:	iro@bov.com
Website:	www.bov.com

There are no recent events particular to the Issuer which are materially relevant to the evaluation of the Issuer's solvency.

7. BUSINESS OVERVIEW

7.1 PRINCIPAL ACTIVITIES OF THE GROUP

Core services

The Issuer is a commercial bank, operating, together with its Subsidiaries, predominantly in Malta. The Group offers banking, financial and investment services and connected activities within the domestic Maltese market. The Group has four representative offices in each of Milan, Brussels, Libya and London (with the latter having opened recently, in March 2018). With respect to the representative office in Libya, the Bank has retained its licence to operate the office, but has temporarily suspended operations in view of the prevailing situation in Libya. The Issuer does not operate any licensable activities in any of these jurisdictions.

The principal activities of the Group comprise the following:

Deposit taking activities

The Bank receives and accepts customers' monies for deposit in current, savings and term accounts which may be denominated in Euro and other major currencies.

The Bank accepts deposits from customers principally at call and for various maturities, and seeks to earn interest margins through lending operations to both corporate and personal borrowers with a range of credit standings. Such exposures involve principally on-balance sheet loans and advances, as well as guarantees and other commitments (such as performance and other bonds and letters of credit).

The Bank seeks to increase margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due. The Bank also earns interest by investing monies advanced through its deposit taking activities in high-quality assets.

Loans and other advances

Another principal activity of the Bank is the provision of finance through loans and advances, trade finance facilities and other credit products to customers. This business segment includes the provision of finance at varying maturities to both corporate and personal customers of various credit standings.

With respect to corporate customers, the Bank is highly involved in all market sectors and provides business finance to large corporates as well as smaller business ventures. The loans and advances provided include project finance, credit facilities and overdraft facilities to finance working capital requirements.

With respect to personal customers, the Bank provides a suite of products aimed principally at consumer lending, with home finance being an important pillar of this business segment.

Investment services

The Bank provides a comprehensive suite of investment products and services that meet customers' needs throughout their lifecycle, including stockbroking, advisory and discretionary portfolio management services. Such services are offered to both retail as well as institutional clients.

Investment services are considered to be one of the main fee generating pillars for the Bank, and the Bank considers investment services as an area for potential growth.

Stockbroking and wealth management services are amongst the principal investment services offered by the Issuer, and are described in further detail hereunder.

Stockbroking

The Bank's stockbroking unit handles the processing and execution of local and international secondary market transactions relating to debt, equities, Exchange Traded Funds ("ETFs") and other funds. On the local scene, the Bank is a member of the MSE, and is one of the largest brokers (excluding the CBM as market maker for government stocks).

The Bank has direct real-time access to international equity markets through agreements with a number of international and reputable brokers, whilst also having access to liquidity providers specifically for Exchange Traded Products ("ETPs"). The Bank also has trading lines with over 40 market makers in the OTC debt markets, thus enabling competitive execution prices.

In addition, the Bank's global custodian provides access to its fund platform, thus opening up investment opportunities to a large selection of mutual funds and closed ended funds.

Wealth Management services

The Bank provides a selection of its customers with an investment advisory service through its six investment centres located across Malta and Gozo. The financial advisers working from within these centres are provided with the necessary tools and market-led information to enable them to provide professional investment advice to customers on an array of instruments and products, which include a comprehensive range of investment funds, bancassurance products, bonds and equities.

The Bank also has a fully-fledged wealth management centre through which it provides a range of investment services (including discretionary management and investment advice) to a sub-set of niche customers, premised upon a highly personalised service which is driven by professionalism and trust. In view of the highly bespoke nature of this service, the financial advisers and portfolio managers at the Bank's wealth management arm invest time and effort to get to know their customers and build long-term relationships, adopting a detailed planning process to ensure that customers' investment portfolios are tailored to meet their objectives and needs.

With a view to enhance its service offering, the Bank has further strengthened its house view committee as well as its research and analysis committee, both considered to be key structures to the overall investment services proposition across the Bank's various customer touchpoints.

The Group also provides a number of other services, including:

Bancassurance: the Bank acts as a tied intermediary to the Associated Companies to offer insurance and life assurance products to customers. All policies sold through the Bank's branch network are issued and underwritten by the Associated Companies;

Corporate Advisory: the corporate advisory team at the Bank is considered as one of the major players on the local market for initial public offerings and primary bond issues. It offers the whole spectrum of services for an entity intending to list on the local exchange, including the services of manager, registrar and/or sponsor;

Fund Management and Discretionary Management: BOVAM provides investment management services for collective investment schemes and portfolio management services for professional institutional clients. BOVAM manages 17 sub-funds, 14 of which are sub-funds of Vilhena Funds SICAV p.l.c. and 3 of which are sub-funds of BOV Investment Funds. The total value of assets under management across all of the afore-mentioned sub-funds as at 29 March 2019 amounts to approximately €909,572,000;

Fund Administration: BOVFS is one of the largest fund administrators in Malta providing its services to numerous funds, with the total assets under administration amounting to over 32% of the local market as at 31 December 2018. BOVFS has been at the forefront in ensuring that additional services required by funds and fund managers arising out of the spate of new regulations can be catered for.

Licensable activities performed by the Issuer

For the most part, the activities of the Issuer are licensable activities regulated under the domestic and EU financial regulatory framework. In this respect, the Issuer is licensed by the MFSA:

i. as a credit institution under the Banking Act;

ii. as a category 3 and category 4A licence holder in terms of the ISA, authorising it to provide the above-mentioned types of investment services to retail, professional and eligible counterparties;

iii. as a trustee or co-trustee in terms of the Trusts and Trustees Act (Cap. 331 of the laws of Malta). Notwithstanding that the Issuer still holds this licence, pursuant to a decision of the Board, it was resolved to wind down this business; and

iv. as tied insurance intermediary of each of the Associated Companies under the Insurance Business Act (Cap. 403 of the laws of Malta).

Licensable activities performed by the Subsidiaries

BOVAM is a Maltese licensed UCITS management company and is in possession of a category 2 investment services licence under the ISA, and is also licenced to provide investment management services to retirement schemes and retirement funds in terms of the Retirement Pensions Act (Cap. 514 of the laws of Malta).

BOVFS is a recognised fund administrator under the ISA and is registered to act as a company service provider in terms of the Company Service Providers Act (Cap. 529 of the laws of Malta).

8. TREND INFORMATION - MARKETS, BUSINESS AND REGULATIONS

There has been no material adverse change in the prospects of the Issuer since 31 December 2018 (date of the Issuer's last published audited financial statements).

At the date of publication of the Prospectus, with the exception of the macroeconomic conditions and market conditions generally, as well as the impact of legislation and regulations applicable to the Issuer and to other financial institutions within the Eurozone, the Issuer does not anticipate any trends, uncertainties, demands, commitments or events outside the ordinary course of business that could be deemed likely to have a material effect on the upcoming prospects of the Issuer's business for at least up to the end of the current financial year.

Global and Local Economic Outlook

The economic deterioration experienced in the fourth quarter of 2018 in major economies has spilled into the first quarter of 2019. Although idiosyncratic factors (new fuel emission standards in Germany, natural disasters in Japan) weighed on activity in large economies, these developments occurred against a backdrop of weakening financial market sentiment, trade policy uncertainty and tariff hikes, a deterioration in manufacturing confidence, and concerns about China's outlook. Although robust labour markets and resilient domestic demand have partially offset this weakness, the IMF[1] is anticipating global growth to decline to 3.3% in 2019 before picking up slightly to 3.6% in 2020. This pick up is mainly supported by growth in China and India and stabilisation in a few big emerging market economies such as Argentina and Turkey.

This growth pattern reflects a persistent decline in the growth rate of advanced economies from above-trend levels occurring more rapidly than previously anticipated, together with a temporary decline in the growth rate for emerging market and developing economies in 2019. Specifically, growth in advanced economies is projected to slow down from an estimated 2.3% in 2018 to 2.0% in 2019 and 1.7% in 2020. This is coupled with a very benign inflationary scenario, leading to a dovish shift by the major central banks.

Growth in the Euro area is set to moderate from 1.8% in 2018 to 1.3% in 2019 and 1.5% in 2020. Growth rates have been marked down for many economies, notably Germany (due to soft private consumption, weak industrial production following the introduction of revised auto emission standards, and subdued foreign demand); Italy (due to weak domestic demand and higher borrowing costs as sovereign yields remain elevated); and France (due to the negative impact of street protests and industrial action). The ECB has also confirmed that monetary policy will remain accommodative and any upward interest rate revisions will only be reviewed well into 2020. On the other hand, potential US tariffs on EU imports and a hard Brexit can significantly exacerbate the weak economic scenario.

There is substantial uncertainty around the unchanged baseline projection of about 1.5% growth in the United Kingdom in 2019-20, offsetting the negative effect of prolonged uncertainty surrounding the outcome of Brexit and the positive impact from fiscal stimulus announced in the 2019 budget. This baseline projection assumes that a Brexit deal is reached in 2019 and that the UK transitions gradually to the new regime. However, fundamental uncertainties relating to future investment and export market access can have a negative impact on growth.

The Maltese economy continued with its strong performance, providing a supportive environment for business activity. Local economic growth continued apace, with Malta's gross domestic product (GDP) growing by 6.9% in 2018 in real terms (2017: 6.7%), with the strongest growth driver being consumption expenditure. The Labour Force Survey for the third quarter of 2018 estimated an unemployment rate of 3.7%, down from 4.0% for the same quarter in 2017. During the same period an increase in both the labour force and activity rate was noted. The Central Bank of Malta is anticipating an increase in total employment of 3.3% and an unemployment rate of 3.8% for 2019. Total employment is expected to increase by a further 3.0% in 2020 and the unemployment rate is expected to stand at 3.9%.

[1] International Monetary Fund, 'Global Prospects and Policies', (April 2019)
<www.imf.org/en/Publications/WEO/Issues/2019/03/28/world-economic-outlook-april-2019>

Capital overview

The Group's main strategic objective is to safeguard the long-term stability and sustainability of the Bank through the strengthening of its capital. The chief source of ongoing capital accretion by the Issuer is profit retention, that is, the reinvestment of profits within the business.

Another important objective for the Group is that of managing its capital in an integrated way by seeking to fulfil the regulatory requirements, ensure solvency, and maximise profit. Through this holistic approach the Group is able to achieve long-term sustainability and identify growth opportunities that provide a sustainable risk-return performance. This capital management approach aims to ensure a sufficient level of capitalisation to absorb unexpected losses.

The Group has a comfortable solvency position which exceeds the minimum requirements of the ECB and other regulations. The Group's CET1 ratio was reported at 18.3% as at end 2018. This improvement in its capital position enabled the Bank to comply with increases in the regulatory capital requirements and to implement its strategic initiatives.

In November 2014, the Issuer became a systemically important bank falling under the direct supervision of the Joint Supervisory Team made up of representatives from the ECB as well as from the Malta Financial Services Authority. This has had a substantial impact on the Bank, its conduct, operations and ultimately its capital base.

Capital instruments

The Group's capital base is composed of CET1 and Tier 2 Capital, as defined in Part Two of the CRR. The Group is continuously focused towards further strengthening its CET1 capital which is the highest form of quality capital, thus providing the greatest level of protection against losses. The Group's capital base is primarily composed of issued ordinary shares and retained earnings, which form part of CET1 capital – the Group's core capital.

Recent and forthcoming capital issuances

In line with the Bank's main strategic objective stated above, the issued share capital of the Bank was increased by a nominal amount of 105 million ordinary shares (following a rights issue completed in FY 2017).

In furtherance of its strategic objective, the Bank will be issuing a subordinated bond as set out in terms of this Prospectus, which bond will replace the one maturing in June 2019 and the proceeds of which will constitute Tier 2 Capital of the Bank.

During the second half of 2019, the Bank also intends to issue an additional tier contingent instrument, commonly referred to as AT1 bond to the tune of €150 million and which will be targeted to institutional investors. This instrument will carry a significant loss absorption capacity and will qualify as additional Tier 1 capital leading to a substantial increase in the Bank's Tier 1 capital ratio.

These capital issues will ensure that the Bank is prepared and compliant with the EBA proposed SREP guidelines which were issued in 2018. It will also place the Bank in a strong position to meet the additional regulatory measures for stronger provisioning methodologies that will become effective in the coming years.

Distribution of dividends

Being constantly faced with a number of challenges ranging from intensifying competition, legacy litigation cases, the need for more advanced anti-financial crime and anti-money laundering measures, extreme low level of interest rates and new regulations requiring further IT development and the training of staff, have led the Board to decide, in consultation with the supervisory authorities, against the distribution of cash dividends for FY 2018. The Board thus gave priority to the long-term stability of the Bank over the short-term return, in furtherance of the Bank's main strategic objective. It is the Board's intention to resume dividend payments in line with its dividend policy as soon as prudent judgement so permits and with guidance from its supervisors.

Selected financial information

The information contained in this sub-section depicts key financial information extracted from, or otherwise based on, the Issuer's audited consolidated annual financial statements for the financial years ending 31 December 2017 and 31 December 2018. The Issuer's audited consolidated annual financial statements which are incorporated by reference in, and form part of, this Prospectus (see section 15 headed *"Incorporation by Reference/Documents on Display"*), should be considered in their entirety by potential investors.

(i) The following table provides selected financial information in respect of the Group:

	As at 31 Dec 2018	**As at 31 Dec 2017**
Authorised share capital (ordinary shares of €1.00 each) ('000)	1,000,000	1,000,000
Ordinary shares in issue of €1.00 each ('000)	530,772	525,000
Total assets (€'000)	12,146,988	11,820,630
Total liabilities (€'000)	11,152,855	10,858,543
Total equity (€'000)	994,133	962,087
CET1 ratio	18.3%	16.1%
Total Capital Ratio	21.1%	19.4%

(ii) Selected financial performance figures of the Group for the financial year ending December 2018:

- The Bank recorded a profit before tax of €71.2 million for FY 2018 after providing for a litigation provision of €75 million. Profit before deducting the provision thus amounted to €146.2 million - a 5.8% increase on the annualised results for 2017. The €146.2 million is equivalent to a post-tax return on equity of 9.9% per annum compared to 7.3% average return on equity for banks in the Euro area.
- Group operating income totalled €257.8 million, comprising interest margin (€156.5 million), fee income (€81.1 million), trading and dividend income (€18.0 million) and fair value gains on investments (€2.0 million). Interest margin and fee income both showed strong growth over the corresponding 12 month period last year, while the other two income sources showed a decline.
- Interest margin remained the Group's core source of income, accounting for 60.7% of total operating income. Growth in interest income was driven by a strong performance by the credit business. Loans and advances, net of provisions, grew by almost 5%, and this compensated for a slight easing of average interest rates receivable on lending. Growth was registered across all areas of lending, but especially in the home loans portfolio, which increased by €120 million over the year.
- Fee income also registered a healthy growth, the main drivers being credit-related fees, credit card services, payment services and deposit products. On the other hand, trading and exchange income showed a decrease, caused mostly by competitive pressure on exchange margins and by the Group's ongoing de-risking programme.
- Income from the Group's insurance and life assurance interests also came under pressure, due mainly to continuing low yields and adverse movements on investment market prices.
- Operating expenses of €130.6 million were, on average, 8% higher than the previous period.
- Group results were, however, boosted by substantial recoveries on impaired lending, which led to a net impairment reversal of €10.8 million. This is the result of the Group's continued focus on improving the credit quality of its asset portfolios. Non-performing loans made up 5.3% of the credit book, a significant improvement over the 6.5% reported in December 2017. In turn, expected credit losses covered 33.4% of these non-performing exposures, most of which remain well and tangibly secured.
- Customer deposits grew by €314 million, or 3.1%, to reach €10.4 billion. This inflow, in turn, fuelled the €326 million (2.8%) growth recorded in total assets, which have now exceeded €12 billion. Advances at amortised cost, net of provisions, grew by €201 million, or 4.8%, and stood at €4.4 billion. Investments and Bank balances amounted to €7.4 billion, a growth over 2017 of 1.7%.
- The Group's equity base increased to €994 million, an increase of 3.3% during the FY 2018.

Strategic initiatives of the Bank

The Board has articulated clear corporate goals for the Bank and has set strategic initiatives for the years 2018 to 2020. These goals, which describe what the Bank aims to achieve in the long-term, are as follows:

1) Financial stability and sustainability;
2) Protection of the interests of depositors; and
3) Provision of a sustainable and equitable return to shareholders.

The Board has further identified a number of corporate strategies, which define the ways in which the Bank plans to achieve its corporate goals. The principal strategies are:

• Digitalisation
The Bank has stepped up its digitalisation strategy with the aim of facilitating the electronic distribution of products and services through different channels. The objective is to transform the Bank into the most accessible financial services provider on the local market in the digital age. Furthermore, during 2018, the Bank launched an improved version of its internet banking platform which featured a number of improved functionalities and provided a significantly improved customer experience.

• Core Banking Transformation
The Core Banking Transformation Programme, which the Bank expects to implement towards the end of this year, comprises the change of the core IT system and the re-engineering of associated processes. The scope of the original programme was widened to embrace further IT and process changes, and has now been structured as a holistic transformation programme. The ultimate focus of the CBT Programme is improved customer service.

• Long-term financial stability
As stated above, the Issuer is a local systemically important institution, and is consequently required to hold capital buffers which are higher than those which would be required of less significant banks. The further strengthening by the Bank of its capital is, in fact, to build up the necessary capital buffers, not only with the aim of compliance with supervisory demands, but also to ensure the long-term viability of the Issuer as a stable institution with sufficient capital to absorb any future unexpected losses. Regulations in respect of these additional buffers entered into force as from January 2016, with full application as from January 2019.

• Governance and regulation
The Bank is taking steps to continue improving its governance framework, including changes to its Memorandum and Articles, with the aim of enhancing Board effectiveness and continuity and also to ensure the right balance of skills and experience within the Board at an individual and on a collective basis.

Regulation is a constantly evolving field to which the Bank allocates significant resources, major amongst which is the strengthening of its anti-money laundering and countering of financing of terrorism defences.

• Revision of the business model
The Group has continued with the restructuring of its business model, with the objective of lowering its risk profile through a de-risking programme. The de-risking programme is multi-faceted, and includes: (i) the winding down of certain business lines, namely the trusts and custody businesses; (ii) the re-dimensioning of other business lines notably the termination of thousands of customer relationships within the Bank's ICC which no longer fit within the Bank's risk appetite; (iii) the revision of the Bank's risk appetite framework; (iv) the enhancement of risk policies such as the revision of the customer acceptance policy whereby the Bank is no longer considering relationships with customers that have no nexus with Malta - a criterion which has been articulated in precise and concrete terms; and (v) comprehensive training programmes covering the entire organisation from the Board of Directors downwards.

• Resourcing
Human resources ("**HR**") and information technology are the two principal resources available to the Bank in carrying out its operations. It is therefore inevitable that the Bank should give prime consideration to these two areas.

The main IT initiative currently being undertaken by the Bank is the Core Banking Transformation Programme referred to above.

With respect to human resources, the Issuer's HR strategy includes:

- A new training philosophy, supported by the opening of new state-of-the-art training facilities;
- A focus on ethics, which is backed by a revised and updated code of ethics and a conflict of interest policy; and
- The setting up of an HR steering committee to oversee roll-out of the remaining strategic initiatives, including:-
  - The determination of an optimal headcount at institutional and departmental level;
  - A career progression strategy; and
  - Succession planning.

Litigation provisioning

The Bank is currently involved in a number of litigation cases. Management remains convinced, on the basis of counsel's advice, that the Bank's legal position in these cases is strong. Nevertheless, the Board has deemed it prudent to set aside the amount of €75 million as a provision against potential losses from litigation and claims. This is a judgement call based on the situation prevailing as at December 2018, and is subject to ongoing review in the light of developments. As a result of these legacy legal issues, the Board, following extensive discussion with its banking supervisors (as described above), decided to suspend cash dividends for 2018.

Improving cyber resilience

On 13 February of this year, the Issuer suffered a very sophisticated cyber-attack which resulted in 11 fraudulent payment transactions totalling an equivalent of €12.9 million. The Bank's business continuity plans were immediately set into action with a number of its services resuming after a few hours. In fact, operations throughout the Bank's branch network, ATMs and internet banking channel (including SEPA payments) were fully operational the following day, with the exception of payments to third parties outside the Euro area.

Nevertheless, the Bank has already commenced modernising and enhancing its security infrastructure with a view to strengthening its cyber-security programme thereby building a stronger cyber-resilient ecosystem to stay ahead of threat actors.

The strengthening of its cyber-security programme includes a commitment by the Board to enhance its oversight with the establishment of an information technology oversight committee to be chaired by an independent non-executive director. Said committee will assist the Board in fulfilling its oversight responsibilities in relation to the digital ecosystem including cyber-security, the Core Banking Transformation Programme, and innovative technologies including FinTech and RegTech. The committee will include specialised technical personnel to assist and advise the Bank on the digital ecosystem.

Regulatory framework

Recent and future changes in the laws and regulations applicable to credit institutions may have a significant impact on the Bank. Measures that were recently adopted or which are (or whose application measures are) in the process of being adopted, have had or are likely to have an impact on the Bank, principally amongst which are the following:

- The Capital Requirements Directive IV ("CRD IV")/the Capital Requirements Regulation ("CRR") and the Bank's designation as a systemically important bank by the Financial Stability Board. Three years on from the CRD IV/CRR being finalised, the EU's banking sector now faces a revised CRD and CRR package ("CRD V and CRR II") and a host of other legislative amendments including amendments to the BRRD, and a new international standard for total-loss absorbing capacity ("TLAC");

- On 24 November 2015, the European Commission proposed a regulation to establish a European Deposit Insurance Scheme ("EDIS") for deposits of all credit institutions which are members of any of the current national statutory depositor compensation schemes of EU Member States participating in the Banking Union. The European Commission's proposal envisages a progressive integration of existing national schemes in three stages, from a re-insurance of national depositor compensation schemes, to a co-insurance system, and then to the final stage, which would be reached in 2024, when the EDIS would fully insure all relevant national depositor compensation schemes in case of failure of a credit institution;

- The new Markets in Financial Instruments Directive ("MiFID II") and Markets in Financial Instruments Regulation ("MiFIR"), which became effective as of January 2018 and which were enacted with the aim of restoring confidence in the industry after the financial crisis imposed more reporting requirements and tests to increase transparency and improve investor protection;

- The GDPR became effective on 25 May 2018, moving the European data confidentiality environment forward and improving personal data protection within the European Union. Non-compliance with the standards set by the GDPR may result in severe penalties. The GDPR applies to all banks providing services to European citizens;

- The second Payment Services Directive ("PSD 2") updates and enhances the EU rules put in place by the first Payment Services Directive. The PSD 2 entered into force in January 2016 with transposition happening by 13 January 2018. The major change brought about by the PSD 2 is the opening up by the payments industry through the "account information service" rule and the "payment initiation service" rule which oblige banks to provide third party payment service providers access to customer account information subject to customer approval;

- The ongoing stringent requirements required by the EU and local anti-money laundering and the countering of terrorist financing regulatory framework requiring credit institutions to have ever increasing anti-financial crime and anti-money laundering systems and controls;

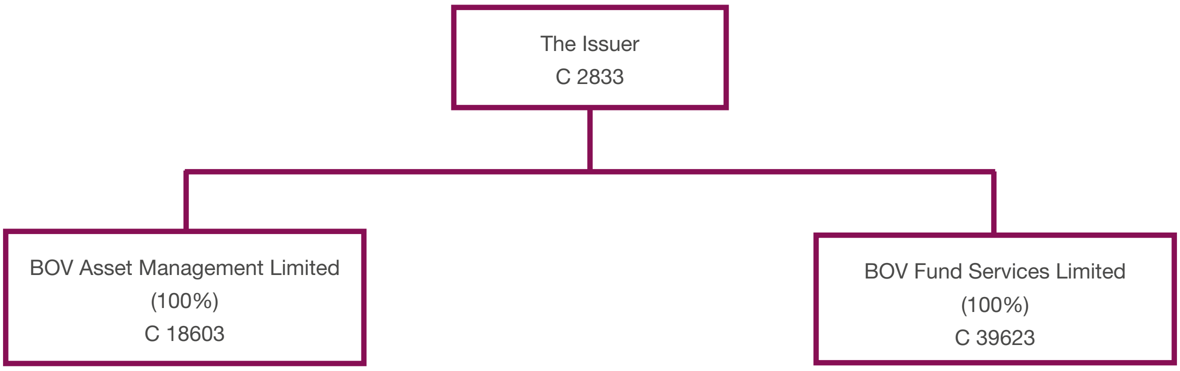
- The adoption by the Maltese tax authorities of what are commonly referred to as Foreign Account Tax Compliance Act ("FATCA") and Common Reporting Standard ("CRS") under the Cooperation with other Jurisdiction on Tax Matters Regulations whereby Maltese credit institutions including the Issuer, became obliged to collect or review information on all their clients and, where required, to report same to the local tax authorities;

- The adoption by the Group of IFRS 9 on 1 January 2018 which resulted in changes in accounting policies relating to the classification and measurement and impairment of financial assets.

9. ORGANISATIONAL STRUCTURE

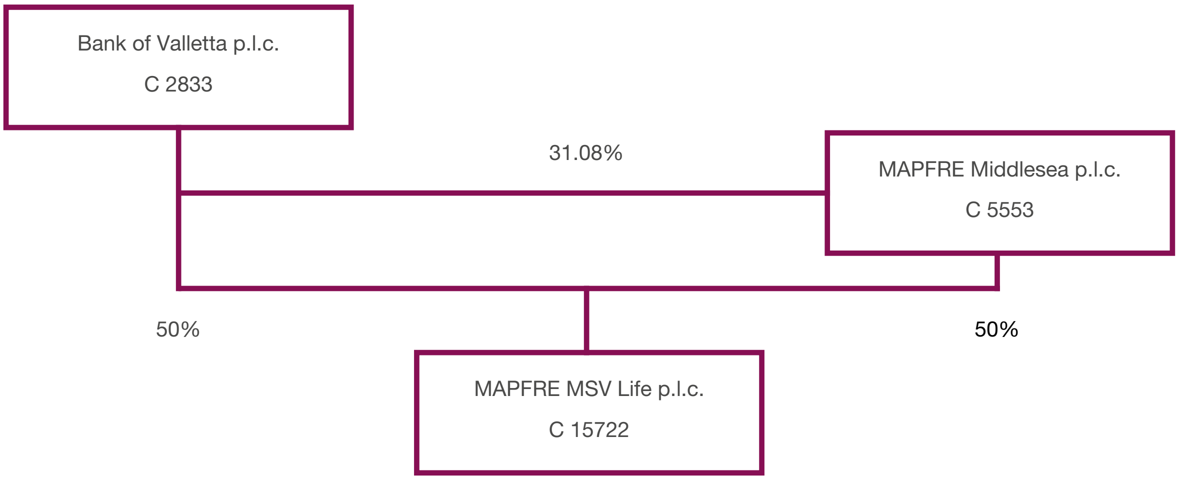
9.1 GROUP COMPANIES AND ASSOCIATED COMPANIES

The Issuer is the parent company of the Group and is the sole direct shareholder of the Subsidiaries. The organisational chart for the companies forming part of the Group as at the date of this Prospectus is as set out below:



Details of the activities conducted by the Subsidiaries are set out in section 7 (“*Business Overview*”).

The following organisation chart depicts the relationship between the Issuer and the Associated Companies:



The Issuer holds a 50% equity interest in MAPFRE MSV Life p.l.c., a company that operates as a life assurance business and which is licensed under the Insurance Business Act (Cap. 403 of the laws of Malta). MAPFRE MSV Life p.l.c. is registered as a public limited liability company in Malta under the Act with registration number C 15722 and has its registered office at The Mall, Triq il-Mall, Floriana FRN 1470, Malta.

The Issuer also holds 31.08% equity interest in MAPFRE Middlesea p.l.c., a company that operates the business of insurance, including group life assurance and which is licensed under the Insurance Business Act (Cap. 403 of the laws of Malta). MAPFRE Middlesea p.l.c. is registered as a public limited liability company in Malta under the Act with registration number C 5553 and has its registered office at Middlesea House, Floriana FRN 1442, Malta. MAPFRE Middlesea p.l.c.’s equity securities have been admitted to listing and trading on the Official List of the MSE. MAPFRE Middlesea p.l.c. holds a 50% equity interest in MAPFRE MSV Life p.l.c.

10. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

10.1 THE BOARD OF DIRECTORS

The Board of Directors is the corporate organ which is ultimately collectively responsible for the Issuer's business and its supervision. The Board of Directors is entrusted with the overall direction and oversight of the Issuer and is endowed with all the powers required for the Board to conduct the direction and oversight of the business, with the exception of the powers reserved by law to the shareholders' meeting, to be exercised in accordance with the provisions of the Act, other regulatory provisions in force, the Articles of Association, as well as other applicable principles and criteria indicated in "*The Code of Principles of Good Corporate Governance*" in the Listing Rules.

The Board meets regularly to establish and review the policies and strategies of the Issuer and to monitor the implementation thereof and the overall performance of the Issuer.

As at the date of publication of the Prospectus, the Board of Directors is composed of the following persons:

Taddeo Scerri (Chairman and Independent Non-Executive Director)
Taddeo Scerri was appointed chairman of the Bank in December 2016. Mr Scerri had been serving as director of the Bank as from April 2013. Mr Scerri used to chair the Bank's audit committee and was a member of the Bank's remuneration committee and of the asset liability management committee. He currently chairs the Board's nominations and governance committee, the remuneration committee and the credit committee. A qualified accountant by profession, Mr Scerri was the managing partner of RSM Malta until his retirement in 2015. He was the chairman of the local UEFA Clubs Licensing Board and was also a member of the Malta Football Association's finance committee.

Stephen Agius (Independent Non-Executive Director)
Appointed to the Board in December 2016. Mr Stephen Agius chairs the IT oversight committee and is currently a member of the nominations and governance committee and the audit committee. Mr Agius works as a chief of information and development with the National Telecom Regulatory Authority. Apart from his role in strategic information management, he is currently coordinating a number of national initiatives aimed at supporting E-inclusion and digital participation. For five years, Mr Agius served as member of the board of directors of Enemalta p.l.c. and Engineering Resources Limited. Prior to his current role, Mr Agius occupied various positions where he was responsible for a number of large scale projects both locally and abroad in areas related to enterprise resource planning, billing, integration, business intelligence and data warehousing and process modelling. Mr Agius is also a visiting senior lecturer at the University of Malta. He studied computer science and information systems and gained an honours Bachelor degree from the University of Greenwich (UK) followed by an MBA in e-Business from the University of Malta.

Alan Attard (Non-Executive Non-Independent Director)
Appointed to the Board in December 2016. Mr Attard is currently a member of the compliance and crime prevention committee and the risk management committee. He joined the Bank in 1987. For the past fourteen years, he has held various managerial positions including serving as branch manager of several branches. At present, Mr Attard is the branch manager of Floriana branch which is classified as one of the Bank's premier branches. In July 2015, he was elected as trustee on the board of trustees of the BOV employees' foundation serving as secretary to the said board until recently, when he was appointed as chairman.

Paul V Azzopardi (Independent Non-Executive Director)
Appointed to the Board in December 2016. Mr Paul V Azzopardi is currently the chairman of the compliance and crime prevention committee and deputy chairman of the risk management committee. He set up and managed Azzopardi Financial Services between 1989 and 2006 and subsequently worked in investments in Ontario, Canada, as director and portfolio manager. Mr Azzopardi was sponsoring and corporate stockbroker of the Bank from 1992 until 2006, and also served in the same roles for the funds of BOV Asset Management Limited and other companies. Mr Azzopardi is the author of "Behavioural Technical Analysis", two other books on investments and contributes regularly to the press. He lectured at the University of Malta and the School of Continuing Studies, University of Toronto. Mr Azzopardi holds a first degree in accountancy from the University of Malta, an MBA from the University of British Columbia, is a Fellow of the Malta Institute of Accountants and a Certified Public Accountant. Mr Azzopardi is also director of BOV Asset Management Limited.

Miguel Borg (Executive Director)
Appointed to the Board in July 2017. Miguel Borg joined the Bank in November 2007 in the role of risk management consultant. Mr Borg was appointed chief risk officer of the Group in November 2014 and is a member of the management board and of the ethics committee. As Group chief risk officer, he leads the risk management function with the responsibility of developing and recommending the Group's risk governance framework, risk appetite and limits. Mr Borg is responsible for risk management, legal services and credit risk sanctioning departments. Until 31 January 2019, Mr Borg was also responsible for the Bank's compliance and anti-financial crime functions. Mr Borg chairs the governance, risk and compliance committee. Mr Borg is a director of BOV Asset Management Limited and chairs the risk and regulatory committee of BOV Asset Management Limited and the risk committee of MAPFRE MSV Life p.l.c. He is a member of the Bank's asset liability management committee. Mr Borg is also chairman of the Central Co-Operative Fund. Prior to joining the Bank, he worked at the Central Bank of Malta. Mr Borg holds a Master of Arts in Economics from the University of Malta. He lectures at the University of Malta.

James Grech (Non-Executive Non-Independent Director)
Appointed to the Board in December 2014. James Grech joined the Bank in 1998 and currently is the executive head of foreign bank relationships department. He is a member of the credit committee and risk management committee. He also serves as a member on the European's Banking Federation-correspondent banking taskforce and also served as chairman of the board of trustees of the BOV employees' foundation. Mr Grech's career commenced as a management accountant with a local accounting firm. For the period 2004 till 2008, he also served as worker director of the Bank. In December 2014, he was elected on the Board by the shareholders of the Bank and still holds this position to date. Mr Grech is a director of other local companies and a recognised member of the Institute of Directors (UK). Mr Grech holds an Honours Degree in Management and a Masters in Business Administration from Henley Management College (UK). His dissertation focused on the effectiveness of board performance and corporate governance. He has lectured on Financial Services at the Malta College of Arts, Science and Technology, and on Corporate Governance at the University of Malta.

Alfred Lupi (Independent Non-Executive Director)
Appointed to the Board in December 2015. Mr Lupi currently chairs the audit committee and the ethics committee. He is also a member of the credit committee and the compliance and crime prevention committee. He is a professional accountant with an economics degree and currently engaged in management consultancy. Mr Lupi was chief financial officer in two major companies and the executive chairman of Pavi Shopping Complex p.l.c. He was a director of the Central Bank of Malta and served as acting governor. Mr Lupi chaired the accountancy board and was a member of its quality assurance oversight committee. Mr Lupi has held a number of board appointments mainly in the financial sector.

Mario Mallia (Executive Director)
Appointed to the Board in July 2017. Mario Mallia joined the Bank in September 1979 and was appointed as the Bank's chief executive officer in January 2016. He has carried out various other executive roles at the Bank, including those of chief finance officer, chief risk officer and chief operations officer. Mr Mallia is chairman of the BOV management board and the asset liability management committee. He is a member of the credit committee and ethics committee. He is also a director on the board of MAPFRE MSV Life p.l.c. Mr Mallia graduated in accountancy from the University of Malta, holds the Certified Public Accountant warrant and is a Fellow of the Malta Institute of Accountants.

Anita Mangion (Independent Non-Executive Director)
Appointed to the Board in December 2016. Ms Anita Mangion is a member of the remuneration committee and deputy chairperson of the compliance and crime prevention committee. Ms Mangion is an experienced business and IT consultant. Her area of specialisation is technology intrapreneurship. During the last sixteen years she consulted to such effect, different local and international entities in various sectors as well as start-ups, where she successfully drove critical projects to completion and implemented sustainable profitable frameworks. Ms Mangion graduated in Executive MBA (eBusiness); B.Com. Management Hons and B.Sc. Business and Computing from the University of Malta. Additionally, she studied Business and IT at Indiana University (USA), and Technology Entrepreneurship and New Business Operations at the University of Malta in joint collaboration with Oxford University (UK). For four years, Ms Mangion served as board director at Malta Industrial Parks Limited (MIP). At MIP she was also entrusted to oversee the tenders committee, was a member of the audit committee and chaired the ICT steering committee.

Antonio Piras (Independent Non-Executive Director)
Appointed to the Board in December 2016. Mr Antonio Piras is currently the deputy chairman of the remuneration committee and a member of the audit committee. Mr Piras occupies the role of deputy chairman of Banca UBAE (Rome) and director of the boards of Iacobucci Aerospace HF (Rome). He was previously vice chairman of Eurofidi Soc. Consortile Garanzia Fidi s.c.a.r.l. (Turin). Until 2014, Antonio used to be the CEO of Equitalia Centro S.p.A. (Florence) and chairman and CEO of other companies of Equitalia Group. In 1971 he started his career at UniCredit Group, former Credito Italiano, holding various key roles in the Italian commercial network until 1997. In 1998, he was appointed as CEO of UniCredit Factoring (Milan), Deputy general manager of Banca dell'Umbria, chairman and CEO of Pekao Leasing Sp.z.o.o (Warsaw) and Leasing Fabryczny Sp.z.o.o (Lublin), CEO of UniRiscossioni S.p.A. (Turin), all companies held by UniCredit, from where he ended his career as senior executive vice president in 2009.

Joseph M Zrinzo (Independent Non-Executive Director)
Appointed to the Board in December 2013. Joseph M Zrinzo currently chairs the Board's risk management committee. Mr Zrinzo is a member of the audit committee and the deputy chairman of the nominations and governance committee. Mr Zrinzo also serves as a member of the BOV arts committee. He currently serves as managing director of a group of family companies, as board director of other local companies, committee member of the cultural heritage advisory committee and is an active member of philanthropic associations. Over the years, Mr Zrinzo served as director on boards of various local and international companies. He was a founder member of the Malta Shareholders' Association and has vast experience of international trade.

10.2 COMPANY SECRETARY

Ruth Spiteri Longhurst

Dr Spiteri Longhurst is the company secretary to the Issuer and its Subsidiaries.

Appointed Group company secretary in April 2016. Previously she occupied the post of executive head of the compliance department within the Bank. Dr Spiteri Longhurst is also the company secretary of MAPFRE MSV Life p.l.c., BOV Asset Management Limited and BOV Fund Services Limited. Dr Spiteri Longhurst graduated Doctor of Laws from the University of Malta in 2001 and obtained Master of Arts in Financial Services in 2004. Dr Ruth Spiteri Longhurst has been employed with the Bank for the past seventeen years.

The business address of the Directors and the company secretary is as follows: The House of the Four Winds, Triq l-Imtiehen, Valletta, VLT 1350, Malta.

10.3 POTENTIAL CONFLICTS OF INTEREST

As at the date of this Registration Document, there are no conflicts of interest between the duties of the Directors or Senior Management towards the Issuer and their private interests and/or other duties. Conflicts of interest may, however, arise in respect of certain future transactions, such as the granting of credit facilities by the Issuer to any of the Directors and/or any companies in which they may be involved. In such instances, such conflicts will be managed in the best interests of the Issuer in accordance with the procedures set out in the Issuer's conflicts of interest policy and the procedures set out in the Articles of Association. The latter provide that any director who is, in any way, whether directly or indirectly, interested in a contract or proposed contract or in any transaction or arrangement (whether or not constituting a contract) with the Issuer must: (i) declare to the other directors the nature of such interest pursuant to the provisions of the Act; and (ii) not vote at a meeting of Directors in respect of any transaction, contract or arrangement in which he has a material interest, whether direct or indirect.

10.4 COMPOSITION AND FUNCTIONS OF BOARD OF DIRECTORS' COMMITTEES

The Issuer has established a number of committees that provide the Board with the support necessary for the ongoing management and oversight of the Issuer and its business. Below is a summary of each committee and its function within the organisational structure of the Issuer and the Group.

Audit Committee ("AC")

The audit committee's terms of reference include the monitoring of the financial reporting process, the effectiveness of the Bank's internal control, internal audit and risk management systems and the audit of the Bank's annual and consolidated accounts. The primary purpose of the audit committee is to protect the interest of the Bank's shareholders and assist the Directors in conducting their role effectively so that the Bank's decision-making capability and the accuracy of its reporting and financial results are maintained at high level at all times. The audit committee has established internal procedures and monitors these on a regular basis. The audit committee also scrutinizes and approves related party transactions to ensure that the arms' length principle is adhered to at all times. The audit committee is also responsible for managing the Board's relationships with internal and the External Auditors.

AC Members: Mr Alfred Lupi (chairman)
Mr Stephen Agius (member)
Mr Antonio Piras (member)
Mr Joseph M Zrinzo (member)

Remuneration Committee ("RC")

The remuneration committee is charged with overseeing the development and implementation of the remuneration and related policies of the Group. Its primary purpose is to make recommendations to the Board of Directors on the remuneration policy of the Group, supports the Board of Directors in overseeing the remuneration system's design and operation and ensures that remuneration is appropriate and consistent with the Bank's culture, long term business and risk appetite, performance and control environment as well as with any legal or regulatory requirements. The role of the remuneration committee is to devise the appropriate remuneration packages needed to attract, retain and motivate Directors, as well as key function holders required for the proper governance of the Group.

RC Members: Mr Taddeo Scerri (chairman)
Mr Antonio Piras (deputy chairman)
Ms Anita Mangion (member)

Nominations and Governance Committee ("NGC")

The nominations and governance committee's role is to ensure that the composition of the Board of Directors of the Bank has the appropriate level and mix of experience, skills and competence that are required for the operation of a credit institution. Furthermore, the NGC ensures that persons occupying the post of Non-Executive Directors meet the requirements of prevailing legislation and regulation.

NGC Members: Mr Taddeo Scerri (chairman)
Mr Joseph M Zrinzo (deputy chairman)
Mr Stephen Agius (member)

Risk Management Committee ("RMC")

The risk management committee assists the Board in assessing the different types of risks to which the organisation is exposed. This committee is responsible for the proper implementation and review of the Group's risk policies related mainly, but not restricted to, credit, market and operational risks. It reports to the Board on the adequacy, or otherwise, of such policies. The RMC is also responsible to review delegated limits, together with an oversight of the Group's monitoring and reporting systems, to ensure regular and appropriate monitoring and reporting on the Group's risk positions.

RMC Members: Mr Joseph M Zrinzo (chairman)
Mr Paul V Azzopardi (deputy chairman)
Mr Alan Attard (member)
Mr James Grech (member)

Compliance and Crime Prevention Committee ("CCPC")

The compliance and crime prevention committee is responsible for overseeing the Group's compliance with the obligations imposed by legislation, codes, rules and regulations that are relevant to the Group and its business. This committee is also responsible to assist the Bank in combatting financial crime and money laundering activities.

CCPC Members: Mr Paul V Azzopardi (chairman)
Ms Anita Mangion (deputy chairman)
Mr Alan Attard (member)
Mr Alfred Lupi (member)

Credit Committee ("CC")

The credit committee is responsible for the approval or otherwise of credit proposals. The CC also considers and decides upon investment limits and write-offs on loan bank balances which require a level of authority higher than that of the Bank's executives. The CC further considers credit related issues which the Bank's executives may wish to escalate.

CC Members: Mr Taddeo Scerri (chairman)
Mr James Grech (member)
Mr Alfred Lupi (member)
Mr Mario Mallia (member)

Ethics Committee ("EC")

The ethics committee is responsible to develop a BOV Group Ethics Policy, regularly review such policy in line with best practice and oversees the investigation of any breaches to the ethics policy.

EC Members: Mr Alfred Lupi (chairman)
Mr Mario Mallia (member)
Mr Miguel Borg (member)
Mr Anthony Scicluna (member)
Chief Officer Group Internal Audit (member)

Business Restructuring Action Committee ("BRAC")

The business restructuring action committee assists the Board in ensuring that the implementation process of the business restructuring plan is in line with the Bank's strategy. The BRAC is responsible to oversee and monitor the implementation plan and to take executive decisions with respect to the plan as are necessary or desirable for the efficient and effective implementation of the plan. The BRAC is a temporary committee and will be dissolved once the business restructuring exercise is completed.

BRAC Members: Mr Taddeo Scerri (chairman)
Mr Mario Mallia (member)
Mr Miguel Borg (member)
Mr Kenneth Farrugia (member)
Chief Business Restructuring Officer (member)

IT Oversight Committee ("ITOC")

The IT oversight committee assists the Board of Directors in fulfilling its oversight responsibilities in relation to the digital ecosystem including cyber-security, the Core Banking Transformation Programme and innovative technologies including FinTech and RegTech. The ITOC will engage specialised technical expertise to assist and advice on the digital ecosystem.

ITOC Members: Mr Steve Agius (chairman)
Mr Miguel Borg (member)
Mr Hadrian Sammut (member and external consultant)

10.5 MANAGEMENT COMMITTEES

As at the date of this Registration Document, the Group CEO has direct control over the implementation of the Group's strategy, associated risks, compliance, human resources, the optimisation of the cost structure and the main operating activities.

The Board of Directors has approved the following strategic management committees to support the Group CEO and Senior Management in their management functions.

Management Board

The management board is composed of the Senior Management and is the highest executive organ of the Group. It meets on a regular basis and is primarily responsible for recommending strategy to the Board of Directors. Upon Board approval of such strategy, the Management Board becomes responsible for its execution. Execution includes, *inter alia*, ensuring adequate resourcing, proper internal controls, evaluating performance, and ensuring the timely implementation of the strategic initiatives within budget.

As at the date of this Prospectus, the management board of the Issuer is composed of the following persons:

Mr Mario Mallia	Chief Executive Officer
Mr Ernest John Agius	Chief Operations Officer
Mr Joseph Noel Agius	Chief Technology Officer
Mr Miguel Borg	Chief Risk Officer
Mr Kenneth Farrugia	Chief Business Development Officer – Investments
Mr Albert Frendo	Chief Business Development Officer – Credit
Ms Elvia George	Chief Finance Officer
Mr Anthony Scicluna	Chief Officer Ethics & Employee Development

Brief CVs of Mr Mario Mallia and Mr Miguel Borg are set out above (*vide* section 10.1 of this Registration Document). Brief CVs of the other individuals who form part of the Management Board are set out hereunder:

Ernest John Agius (Chief Operations Officer)
Mr Ernest John Agius was appointed chief operations officer in May 2016. His previous position within the Bank was that of change management executive, responsible for the setting up of the change management function, which incorporates process management. Mr Agius's career in the financial services sector spans more than thirty-two years during which he has held a number of senior executive positions within the business and IT sectors. As chief operations officer, Mr Agius is responsible for the bank's overall operations, facilities management, administration, security, health & safety, procurement, architect's services, customer service centre, customer issues and change management. Mr Agius is responsible for the overall business management of projects, including the Core Banking Transformation Programme. Mr Agius has been a member of the management board since June 2016.

Joseph Noel Agius (Chief Technology Officer)
Mr Joseph Noel Agius was appointed chief technology officer in October 2014, and became a member of the Bank's management board in October 2016. Since joining the Bank in 1985, Mr Agius has garnered over 30 years' experience in IT and financial services. In this time, he has been actively involved in the implementation of various mission critical projects. In his role as chief technology officer, Mr Agius is responsible for driving the Bank's IT strategy. He is a strong proponent for modernisation in IT, and running IT as a business with its inherent business value. Presently, his primary focus is on leading the Bank's strategic initiatives on core retailing banking transformation and digital banking. In his role as chief technology officer, Mr Agius chairs the Bank's IT steering committee. Mr Agius is currently a non-executive director on the board of the Malta Information Technology Agency. Mr Agius holds an honours degree in Computer Science from the University of Reading and an MBA in eBusiness from Grenoble Graduate School of Business. He is also a Chartered Engineer and member of the British Computer Society.

Albert Frendo (Chief Business Development Officer – Credit)
Mr Albert Frendo is an accountant by profession and currently occupies the post of chief business development officer - credit of the Group responsible for the credit and treasury functions. His career at the Bank spans over 30 years with wide ranging experience in cost management and financial reporting, risk management and credit finance (both commercial and retail finance). For twelve years, he headed the Bank's risk management department and was later assigned with the management of the Bank's overall credit portfolio, responsible for a number of key credit areas including corporate, SME, consumer and trade finance, collections and collateral management. Lately, he was also assigned with the responsibility of the treasury function. Mr Frendo was entrusted with the successful launching and management of the first risk sharing instruments aimed at SMEs in Malta including JEREMIE, CIP SMEG and SME Initiative (JAIME). Mr Frendo holds a degree in Accountancy from University of Malta and a Masters in Business Administration, with specialisation in Management Consulting, from Grenoble Graduate School of Business in France.

Kenneth Farrugia (Chief Business Development Officer – Investments)
Mr Kenneth Farrugia joined the Bank in 1985 and has since occupied various positions within the Bank. Mr Farrugia currently holds the post of chief business development officer - investments and sits on the management board. Mr Farrugia is amongst others responsible for the improvement of the Bank's market position, as well as the achievement of financial growth and long-term strategic business goals. He currently sits on the board of directors of BOV Asset Management Limited and is also a director on the board of the Vilhena Funds SICAV p.l.c. Mr Farrugia is a Fellow of the Institute of Sales and Marketing Management in the UK.

Elvia George (Chief Finance Officer)
Ms Elvia George is the chief finance officer of the Group, a post she has occupied since May 2008. In this role she is responsible for all the core areas of finance, management reporting and the published Group financial statements as well as other areas within the Group. Ms George is a member of various committees and boards within and outside the Group including voluntary organisations. Ms George is a certified public accountant, graduating with first class honours in accountancy from the University of Malta and a Fellow of the Malta Institute of Accountants. Besides lecturing at the University of Malta, where her area of expertise is accounting for financial institutions, she also supervises a number of students in their dissertation during their final year of the professional degree of the Masters in Accountancy or for an MA in Financial Services. She is involved with the Malta University Examination Panel and has also served as a member of the Accountancy Board for a number of years.

Anthony Scicluna (Chief Officer Ethics and Employee Development)
Mr Anthony Scicluna joined the Bank in 1984 and is currently the chief officer ethics and employee development. In this role, Mr Scicluna is responsible for the Group's human resources, training and professional development. Between 2005 and 2013 he was responsible for the Bank's Group internal audit. He became a member of the Bank's management board in January 2019. Mr Scicluna is a certified public accountant and holds a practicing certificate in auditing. He is a Fellow of the Malta Institute of Accountants and also holds an honours degree in Business Management from the University of Malta. Mr Scicluna is a member of various committees and boards within and outside the Group. He is currently the deputy chairman of Heritage Malta.

Mr Scicluna's appointment is subject to regulatory approval by the MFSA.

Asset and Liability Management Committee

The asset and liability management committee ("**ALCO**") is an integral part of the Bank. The committee takes an integrated view in managing the Bank's assets and liabilities to achieve an optimal balance between risk and return. ALCO evaluates the asset and liability cash flows, and the management of integrated exposures at a consolidated level, to enable it to give strategic direction to the business. Consideration is given, *inter alia*, to solvency, liquidity and interest rate risks. It also provides guidance in respect of risk and return to the business, and exercises executive authority in the area of interest rate management by setting the interest rates payable on retail deposit products. Additionally, the committee monitors hedging strategies and hedge effectiveness in respect of the aforementioned risks, as well as asset mix, liabilities and balance sheet growth. ALCO also monitors the capital adequacy of the Group on a continuous basis, making use of capital forecasts to ensure that enough capital is readily available at all times to meet the demand arising from business growth and regulation. The committee meets at least once a month to review the balance sheet risks and ensures its prudent management. ALCO is chaired by the CEO and is composed of members of Senior Management.

IT Steering Committee

The IT steering committee is responsible for the effective and cost-efficient application of information technologies, related personnel resources and funding in support of the objectives and needs of the Bank. The committee meets at least every two months, unless further meetings are required. The IT steering committee is chaired by the chief technology officer and is composed of members of Senior Management.

The Anti-Money Laundering Committee

The anti-money laundering committee ("**AMLC**") as appointed by the management board of the Bank is responsible for providing effective management oversight over the Group's main AML initiatives. The AMLC is also responsible to review and approve recommendations of the three working groups established to assist the AMLC in fulfilling its function, namely the client on-boarding and monitoring working group, policies and procedures working group and the AML remediation and initiatives working group. It is also responsible to submit its recommendations on AML policies and plans, to the compliance and crime prevention committee and/or Board of Directors; decide on the on-boarding and termination of clients as escalated by the working group on client on-boarding and monitoring; and take any other material decision related to AML. The new AMLC replaced the previously known anti-financial crime committee.

The AMLC is chaired by the chief executive officer and is composed of members of Senior Management as well as the Group chief compliance officer, the chair of the working group on client on-boarding and monitoring and the chair of the working group on AML policies & procedures.

The New Product Approval Committee

The new product approval committee ("**NPAC**") ensures the enhancement of long-term value creation for the benefit of all stakeholders. The aim is to ensure adequate due diligence before a new product or service is launched by understanding and vetting its features. The committee aims to identify and mitigate potential risks which impact both the product or service and the Group. The NPAC makes the final decision to either approve, decline or recommend changes to the proposed product or service. The committee also provides guidance and recommendations to the Board of Directors in case of a new business line. The NPAC is appointed by the management board and is chaired by the chief risk officer to ensure a risk adequate approach and the necessary degree of intervention in relation to product development, hence also ensuring that the new proposed product or service falls within the Group's risk appetite.

The Governance, Risk and Compliance Steering Committee

The governance, risk and compliance ("**GRC**") steering committee is a management committee responsible for the oversight and coordination of risk, compliance and anti-financial crime projects and initiatives across the Group. The Group chief risk officer is the chairman of the GRC steering committee. The Committee is mainly composed of members of the control functions of the Group and representatives of the first line. The GRC steering committee reports to the management board on the committee's proceedings. Material GRC issues are also escalated to the risk management committee and the compliance and crime prevention committee.

11. FINANCIAL INFORMATION

The Issuer's consolidated audited financial statements for the financial years ended 31 December 2017 and 31 December 2018 are incorporated by reference in, and form part of, this Prospectus (see section 15 headed "*Incorporation by Reference/Documents on Display*"). There were no adverse opinions on the part of the Statutory Auditors with respect thereto.

The Issuer's consolidated financial statements were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and endorsed by the European Union, and have been audited by the Statutory Auditors.

There are no significant changes in the financial position of the Group which have occurred since the end of the last financial period (being 31 December 2018).

12. MAJOR SHAREHOLDERS

To the extent known by the Issuer, direct or indirect control of the Issuer is not vested in any one single entity or person. As at the date of the Prospectus, the Issuer is not aware of any arrangements, the operation of which may, at a subsequent date, result in a change of control of the Issuer.

The following shareholders hold in excess of 5% of the share capital of the Issuer having voting rights:

Government of Malta	25.0%
UniCredit S.p.A.	10.2%

13. LEGAL AND ARBITRATION PROCEEDINGS

Save as stated hereunder, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during a period covering 12 months prior to the date of the Prospectus which may have, or have had, in the recent past significant effects on the financial position or profitability of the Issuer and/or the Group, taken as whole.

1) In June 2017 the Issuer received a judicial letter from the Swedish Pension Agency, an investor who has invested in a number of sub-funds of a Maltese UCITS umbrella fund, of which the Issuer was the appointed custodian. In such letter, it was alleged that the Issuer is liable for damages allegedly suffered by the investor as a result of certain alleged failures in its role as custodian. These allegations were repeated in another judicial letter addressed to the Issuer dated 3 April 2019. The Issuer considers the allegations raised to be unfounded both in fact and at law and rejects the allegations in full;

2) A number of complaints were filed before the arbiter for financial services (established in terms of Cap. 555 of the laws of Malta) against the Bank relating to the La Valette Multi Manager Property Fund. The majority of complaints have been decided against the Bank and the Bank was ordered to pay compensation. The Bank has appealed against each of these unfavourable decisions; and

3) In November 2014, court action was instituted against the Bank by the curator of a failed group whilst under the trust of the Bank (the Deiulemar Trust), by virtue of which a claim of €363 million was made against the Bank. These proceedings are being conducted in Italy and as such are being defended by the Bank's lawyers in Italy. A "*sequestro conservattivo*" has also been filed against the Bank.

14. MATERIAL CONTRACTS

The Bank has entered into an agreement with Oracle for the provision and implementation of a number of software deliverables in relation to the Issuer's new Core Banking System (the "**Agreement**"). Under the Agreement, the solution that the Bank will be implementing is the Oracle FLEXCUBE Universal Banking solution.

The Agreement lays out the obligations of the Issuer in terms of the provision of hardware, software licences and data required by Oracle for the proper implementation of the Core Banking System as well as the provision by the Issuer of technical and business resources with adequate skills and knowledge to support Oracle in the provision of its services. The Agreement also specifies that the failure by the Issuer to meet its obligations under the Agreement may result in unnecessary delays and costs which will be incurred by the Issuer itself. The Agreement also refers to the limitations on the part of Oracle in the provision of its services.

The Agreement sets out the costs and expenses of the new Core Banking System. The Agreement has been duly executed by both parties and implementation thereof of the CBT is at an advanced stage. The Bank's investment in the core banking technology is estimated will cost around €44.5 million, over a five-year period ending 2021.

15. INCORPORATION BY REFERENCE/DOCUMENTS ON DISPLAY

The following documents are incorporated by reference into this Registration Document:

i. the Memorandum and Articles; and

ii. the annual reports, including the consolidated audited financial statements of the Issuer, for each of the financial years ended 31 December 2017 and 31 December 2018.

The aforementioned documents are available for inspection at the registered office of the Issuer for the life of this Prospectus.

The table below provides a cross-reference list to key sections of the Issuer's annual report and audited consolidated financial statements for each of the financial years ended 31 December 2018 and 31 December 2017.

	Page numbers in Annual Reports	
Information incorporated by reference in this Registration Document	**Financial year ended 31 December 2018**	**Financial year ended 31 December 2017**
Statements of Profit or Loss	56	49
Statements of Profit or Loss and other Comprehensive Income	57	50
Statements of Financial Position	58	51
Statement of Changes in Equity	59	52
Statements of Cash Flows	61	54
Notes to the Financial Statements	62 to 154	55 to 126
Independent Auditors' Report	155	127
Capital & Risk Management Report	7	7