



mediterraneanbank

*Think Ahead. Bank Ahead.*

## Summary Note

**Dated 30 May 2011**

This document is a Summary Note 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 a prospectus and dissemination of advertisements. This Summary Note is issued pursuant to the requirements of Listing Rule 4.9 of the Listing Rules and contains information about

**€5,000,000 6.25% Bonds due 2015**

to be issued by

**Mediterranean Bank plc**

*(registered with limited liability in the Republic of Malta)*

This Summary Note should be read in conjunction with the most updated Registration Document and Securities Note issued from time to time containing information about the Issuer and the Bonds.

Legal Counsel

**CAMILLERI PREZIOSI**  
ADVOCATES

Joaquin Vicent

Sponsor

  
**Calamatta Cuschieri**  
Investment Advisors & Stockbrokers

**Approved by the Directors**

Manager and Registrar

  
**MALTA STOCK EXCHANGE plc**

Joaquin Vicent on behalf of  
Francis J. Vassallo, Finlay S. McFadyen,  
Peter B. Cartwright, Mark A. Watson and Henry C. Schmeltzer



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## General Information

THIS SUMMARY NOTE CONTAINS INFORMATION ABOUT THE ISSUER AND THE BONDS IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES, THE ACT, AND THE REGULATION.

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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. STATEMENTS MADE IN THE PROSPECTUS ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THEREIN. THE CONTENTS OF THE ISSUER'S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER'S WEBSITE DO NOT FORM PART OF THE 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 THE BONDS.

## 1. Warnings

This Summary Note has to be read as an introduction to the Registration Document dated 13 September 2010 (as supplemented on 30 May 2011) and the Securities Note dated 30 May 2011 (the “**Prospectus**”). Any decision to invest in the Bonds has to be based on an exhaustive analysis by the investor of the Prospectus as a whole. The Directors have tabled this Summary Note and applied for its notification and assume responsibility for its content, but only if the Summary Note is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

## 2. Definitions

Words and expressions used in this Summary Note shall, except where the context otherwise requires, bear the same meaning as defined in the Registration Document dated 13 September 2010 (as supplemented on 30 May 2011) and the Securities Note dated 30 May 2011 forming part of the Prospectus.

## 3. Legal Counsel

Camilleri Preziosi

Level 3, Valletta Buildings, South Street, Valletta VLT 1103, Malta

Camilleri Preziosi has acted and is acting exclusively for the Issuer in relation to this Issue and has no contractual, fiduciary or other obligation towards any other person and will accordingly not be responsible to any investor or any other person whomsoever in relation to the transactions proposed in the Prospectus.

## 4. Sponsor

Calamatta Cuschieri and Co. Limited

5th Floor, Valletta Buildings, South Street, Valletta, VLT 1103, Malta

## 5. Statutory Auditors

The annual statutory consolidated financial statements of the Issuer for the financial years ended 31 December 2009 and 31 December 2010 have been audited by KPMG, Certified Public Accountants of Portico Building, Marina Street, Pieta, PTA 9044, Malta. KPMG is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act, 1979 (Cap. 281, laws of Malta).





# Risk Factors Relating to the Issuer and the Bonds

## 6. General

### 6.1.1 General

An investment in the Bonds involves certain risks including those described below. Prospective investors should carefully consider, with their own independent financial and other professional advisers, the risks and other investment considerations as well as all the other information contained in the Prospectus before deciding to make an investment in the Bonds. In addition, prospective investors should be aware that the risks may combine and thus accumulate.

### 6.1.2 Forward Looking Statements

This document contains forward looking statements. No guarantee can be given that future results or expectations covered by such statements will be achieved. These statements by their nature involve substantial risks and uncertainties, some of which are beyond the Issuer's control.

## 7. Risks Relating to the Issuer

### 7.1.1 Credit Risk

Credit risk is the risk of loss on an investment because a borrower or counterparty does not pay amounts it is required to pay on that investment. If the credit quality of the Issuer's borrowers or counterparties deteriorates, or if there is a general deterioration in European or global economic conditions or financial markets, the Issuer's investments could decrease in value and the Issuer could realise losses on those investments.

### 7.1.2 Liquidity Risk

Liquidity risk is the risk that the Issuer will encounter difficulty in obtaining funds to meet its financial commitments. This risk may occur if the Issuer is unable to sell a financial asset quickly at its fair value. A significant portion of the Issuer's financing is derived from international wholesale funding markets, including funding from the European Central Bank. In the event that funding from such markets were to become less available or more expensive, the Issuer may be adversely affected.

### 7.1.3 Interest Rate Risk

Interest rate risk occurs because a company invests in assets with different maturities than its liabilities. As is common to most banks, the Issuer runs a mismatch between its liabilities and assets.

#### 7.1.4 Concentration Risk

The investments made by the Issuer are all securities denominated in euro and eligible for financing through the European Central Bank. Most of those securities are issued by EU entities. In addition, most of the deposits held by the Issuer are made by persons located in Malta and other European Union countries. As a result of this, the Issuer is exposed to any generally negative economic trends affecting the European Union – this may have a negative effect on the Issuer.

#### 7.1.5 Operational Risk

Operational risk covers losses resulting from failures of the business processes, people and systems of the Issuer or from inadequate processes or systems. Operational risk also covers losses resulting from unforeseen external events. Following the acquisition by AnaCap of the Issuer in 2009, new management, policies, procedures and systems started to be implemented, and that implementation programme is continuing. Among other things, the Issuer is developing a disaster recovery plan and installing a new core banking system. There is a risk that these policies, procedures and systems will not perform as expected. This may have a negative effect on the financial performance of the Issuer.

#### 7.1.6 Reputational Risk

Reputational risk occurs where there is reputational damage because of one of the events described above under “Operational Risk”. If such events occur and the reputation of the Issuer is negatively affected, it may have a significant negative effect on the Issuer.

#### 7.1.7 Risks relating to Information Technology

The Issuer depends on the proper functioning and adequacy of its information technology systems. As noted above, the Issuer is also in the process of implementing a new core banking system. The Issuer may be negatively affected if problems occur as a result of things like faulty information technology or problems in implementing new systems. The Issuer could also be negatively affected by failures in systems as a result of external events like power failures, fires or natural disasters. Any such events may have a significant negative effect on the operations and performance of the Issuer.

#### 7.1.8 Foreign Exchange Risk

Foreign exchange risk occurs when a company’s financial assets and liabilities are not denominated in the same currency. Even though the Issuer is not now exposed to significant foreign exchange risk, in the future, it may decide to hold assets and liabilities not denominated in euro. In that case, if it does not implement proper controls and limits, the Issuer may be exposed to risk because of changes in foreign currency exchange rates.

#### 7.1.9 External Factors

The Issuer may also suffer losses because of external events outside its control. For example, changes in economic conditions, increased regulation, business cycles, instability in financial markets and increased competition may negatively affect the Issuer.

## 8. Risks Relating to the Bonds

### 8.1.1 Liquid and Orderly Market

The development of an active market for the Bonds depends on a number of things outside the Issuer's control. For example, if there are not willing buyers and sellers of the Bonds, an active market in the Bonds may not develop. The Issuer cannot ensure that the Bonds are ever traded or that they are traded at a price above €100 per Bond.

### 8.1.2 No Public Market

The Issuer cannot ensure the Bonds will be traded at a price above €100 per Bond.

### 8.1.3 Changes in Interest Rates

Future changes in interest rates may negatively affect the value of the Bonds.

### 8.1.4 Exchange Rate Fluctuations

If a Bondholder's base currency is not euro, the Bondholder could be negatively affected by changes in the exchange rate between euro (the currency of the Bonds) and the Bondholder's base currency.

### 8.1.5 Future Public Offerings

If the Issuer makes another public offering of securities in the future, or if the Issuer is taken over by or merged with another company, it may have a negative effect on the market price of the Bonds.

### 8.1.6 Amendment of Terms and Conditions

If the Issuer wishes to amend any of the Terms and Conditions of the Bonds, it may call a meeting of Bondholders. A majority of Bondholders can decide if any such amendment is accepted, even if not all Bondholders vote to accept it. Bondholders voting against such an amendment or not attending a Bondholders' meeting at which a vote is taken may not agree with the amendment but be bound by it anyway.

### 8.1.7 Status of the Bonds

The Bonds are unsecured. In the case of insolvency of the Issuer, the Bondholders have a general claim on the assets of the Issuer. However, other creditors may have a pledge on certain assets of the Issuer. In such case, if the Issuer does not have enough assets to pay all its debts, creditors with pledges on certain assets will be paid first out of the proceeds of sale of such pledged assets, before the Bondholders are paid anything. Any remaining assets of the Issuer will then be used to pay all general unsecured creditors including the Bondholders.

The Issuer has pledged investment securities to lenders under secured interbank funding lines and repurchase agreements. Those interbank funding lines and repurchase agreements are used to finance the Issuer's investment portfolio. In the case of an insolvency of the Issuer, the sale proceeds of those investment securities will be used to repay those interbank funding lines and repurchase agreements before the Bondholders are paid anything.

**8.1.8 Governing Law**

**The Bonds are being issued under current Maltese law. Maltese law may change in the future because of new legislation or regulations or because of the result of future court cases. The Issuer cannot predict the effects of any such changes.**

# Information about the Issuer

## 9. Board of Directors and Board Committees

The following list details the members of the board of directors of the Issuer and the members of each of the committees set up by the Directors. For the full curriculum vitae of each of the Directors and for a full description of the terms of reference of each of the board committees, see the section entitled “**Board of Directors and Board Committees**” in the Registration Document.

### 9.1 Board of Directors

**Francis J. Vassallo**, *Chairman & Non-Executive Director*

**Finlay S. McFadyen**, *Non-Executive Director*

**Peter B. Cartwright**, *Non-Executive Director*

**Mark A. Watson**, *Executive Director – Chief Executive Officer*

**Henry C. Schmeltzer**, *Executive Director - Chief Operating Officer*

**Joaquin Vicent**, *Executive Director - Head Credit & Investments*

### 9.2 Board Committees

#### 9.2.1 Audit & Risk Committee

The Audit & Risk Committee is primarily responsible for reviewing and approving specific matters relating to the audit of the Issuer, internal control and risk management systems. The members of the Audit & Risk Committee are:

**Peter B. Cartwright**, *Committee Chairman & Non-Executive Director*

**Francis J. Vassallo**, *Member & Independent Non-Executive Director*

**Finlay S. McFadyen**, *Member & Non-Executive Director*

#### 9.2.2 Nomination & Remuneration Committee

The primary purpose of the Nomination & Remuneration Committee is to review the setting of remuneration levels within the Issuer, to approve or otherwise performance related bonus awards and long term incentive plan awards and to identify and nominate for board approval, candidates for appointment as directors, members of board committees and as members of the executive management committee and other senior management positions. The members of the committee are:

**Francis J. Vassallo**, *Committee Chairman & Non-Executive Director*

**Peter B. Cartwright**, *Member & Non-Executive Director*

**Mark A. Watson**, *Member & Executive Director*

#### 9.2.3 Executive Committee

The Executive Committee of the Board was established in order to facilitate the day to day activities of the Bank including approval of asset purchases, approval of the establishment and modification of bank accounts/ banking relationships, waiver of specific provisions of compliance requirements, limitation of signatory authorisation, dealing with investment portfolio/trading/operational matters and issuance of certified extracts of Board resolutions. The members of the committee are **Mark A. Watson** (*Committee Chairman & Non-Executive Chairman*) and **Henry C. Schmeltzer** (*Executive Director & Chief Operating Officer*).

#### 9.2.4 Executive Management Committee (“Exco”)

The Exco represents the principal forum for conducting the business of the Issuer and takes day to day responsibility for the efficient running of the business. In addition, the Exco is responsible for the formulation and implementation of Board approved strategies and plan and is responsible for ensuring the performance of the business in accordance with plans. The members of the committee are:

**Mark A. Watson**, *Committee Chairman & Non-Executive Chairman*

**Edward Jaccarini**, *Member & Chief Financial Officer*

**Henry C. Schmeltzer**, *Executive Director & Chief Operating Officer*

**Joaquin Vicent**, *Member & Head of Credit & Investment*

Whilst retaining the ultimate responsibility for actions taken, the Executive Management Committee may at its discretion delegate its responsibility to the following sub-committees:

##### a. Management Credit Committee

The Management Credit Committee is responsible for approving credit recommendations and making other credit decisions under its delegated authority. The Committee also reviews provisions and lending policies, monitors the health of the Issuer’s portfolio and reviews management information reports. The members of the committee are:

**Mark A. Watson**, *Committee Chairman & Executive Director*

**Xavier De Pauw**, *Head of International Strategy*

**Joaquin Vicent**, *Member & Head of Credit & Investment*

##### b. Management Assets & Liabilities Committee

The Management Asset & Liability Committee sets and reviews overall policies and objectives for asset and liability management, capital management and allocation, capital usage and efficiency, transfer pricing, risk management, and underwriting, dealing and trading activities in various instruments according to the risk appetite set by the board of directors. The members of the committee are:

**Deo Catania**, *Committee Chairman & Head of Treasury*

**Mark A. Watson**, *Executive Director*

**Edward Jaccarini**, *Member & Chief Financial Officer*

**Joaquin Vicent**, *Member & Head of Credit & Investment*

#### 9.2.5 Operations Committee

The Operations Committee considers and discusses the day to day operating procedures of the Issuer and constitutes a forum at which issues relating to the Issuer’s procedures can be discussed. The Operations Committee meet fortnightly. The following persons are members of the Operations Committee:

**Henry C. Schmeltzer**, *Executive Director & Chief Operating Officer*

**Domenic Degiorgio**, *Committee Secretary & Head of Bank Office & Settlements*

**Edward Jaccarini**, *Member & Chief Financial Officer*

**Deo Catania**, *Head of Treasury*

**Jonathan James**, *Head of IT*

**Paula Galea Farrugia**, *General Counsel and Head of Compliance*

**Charles Cini**, *Head of Corporate Banking*

**Lorraine Bonello Ghio**, *Head of Administration*

**Ray Calleja**, *Head of Consumer Banking*

**Fleur Mawdsley**, *Head of Client Service Group*

**Keith Huber**, *Head of Risk*

### 9.2.6 Internal Controls Working Group

The Internal Controls Working Group reviews Issuer's policies and procedures specifically and internal controls in general, with the aim of recommending changes to the Operations Committee and/or Executive Committee of the Board. The group may also review and assess internal audit functions and procedures and discuss means of strengthening internal controls. The group meet fortnightly and is composed of the following persons:

**Henry C. Schmeltzer**, *Executive Director & Chief Operating Officer*

**Paula Galea Farrugia**, *Committee Secretary, General Counsel & Head of Compliance*

**Edward Jaccarini**, *Member & Chief Financial Officer*

**Deo Catania**, *Head of Treasury*

**Domenic Degiorgio**, *Head of Bank Office & Settlements*

**Charles Cini**, *Head of Corporate Banking*

**Joanne Dimech**, *Product Controller*

**Keith Huber**, *Head of Risk*

### 9.2.7 New Products Committee

The New Products Committee has been established to analyse potential new products to be offered by the Issuer from a risk, operations, reputation and legal/compliance perspective. The committee, in respect of any new product it considers, provides recommendations to the Management Committee as to whether a new product ought to be introduced by the Issuer and as to appropriate policies, procedures and controls that should be adopted. The committee is made up of the following persons:

**Joaquin Vicent**, *Member & Head of Credit & Investment*

**Domenic Degiorgio**, *Committee Secretary & Head of Bank Office & Settlements*

**Edward Jaccarini**, *Member & Chief Financial Officer*

**Deo Catania**, *Head of Treasury*

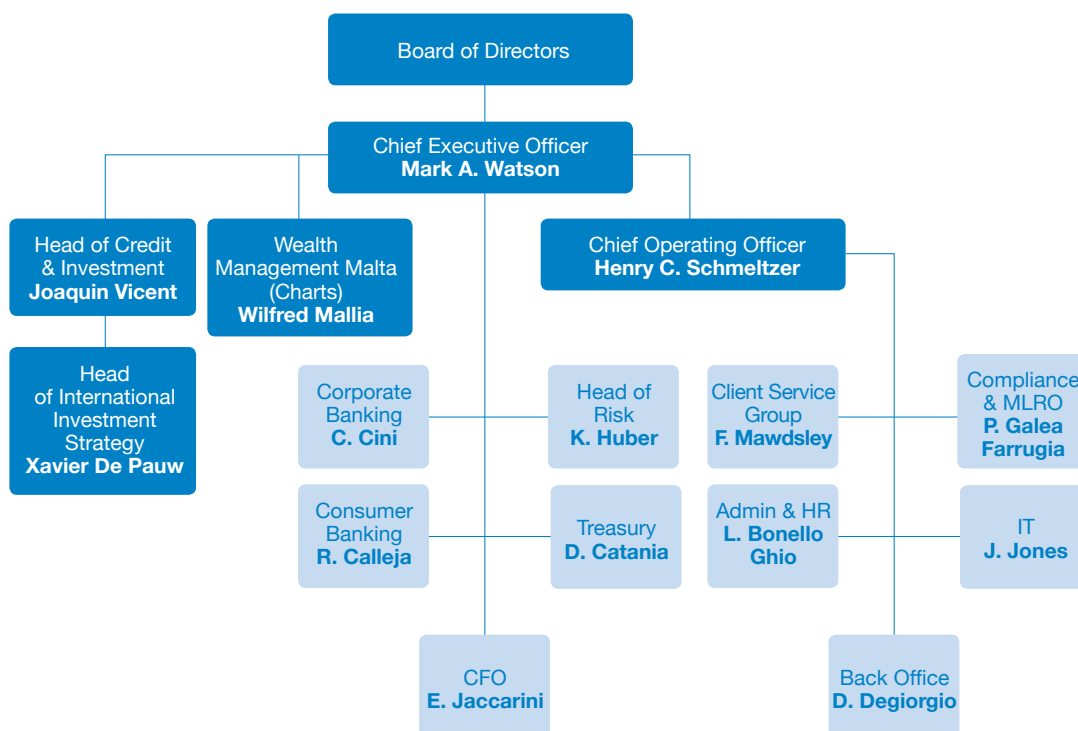
**Henry C. Schmeltzer**, *Executive Director & Chief Operating Officer*

**Keith Huber**, *Head of Risk*

**Paula Galea Farrugia**, *General Counsel and Head of Compliance*

### 9.3 Management Team

The day-to-day operation of the Issuer is managed by a management team who report to the Chief Executive Officer of the Issuer and is organised as follows:



### 9.4 Conflicts of Interest

Francis J. Vassallo, who is the Non-Executive Chairman of Mediterranean Bank plc, occupies various positions in the financial industry in Malta. He is a member of the Board of directors of FIMBank plc, a credit institution licensed in terms of the Banking Act, Cap. 371 of the laws of Malta and is the President and Managing Partner of Francis J. Vassallo & Associates Limited and Chairman of FJV Fiduciary Limited and FJV Management Limited. Francis J. Vassallo & Associates has entered into a referral agreement with the Bank. Pursuant to the introducer agreement, the Issuer reserves the right, in its sole discretion and without providing a reason, not to accept customers introduced by Vassallo Associates. Francis J. Vassallo has declared that he will comply to the fullest with applicable rules of the Bank in not voting (or abstaining) at any meeting of the Board of Directors should a discussion with regard to such agreements or their contents be undertaken by the Board.

The memorandum and articles of association of the Bank provides that in the event that a director has a material interest, either directly or indirectly, in any contract or arrangement with the Bank, such director is not entitled to vote on any decisions taken in connection therewith. The Companies Act, Cap. 386 of the laws of Malta provides that directors are obliged, in addition to complying with their general fiduciary obligations as directors, to ensure that their personal interests do not conflict with the interests of the Issuer.



Other than as disclosed in this Section 9.4, to the extent known to the Issuer as at the date of this Prospectus, there are no potential conflicts of interest between the duties to the Issuer and their private duties or other duties of the Directors and members of senior management of the Issuer.

## 10. Major Shareholders

### 10.1.1 Shareholding of the Issuer

The issued share capital of the Issuer is as at the date of this Prospectus, €41,030,107 represented by 41,030,106 Ordinary 'A' shares held by Medifin Holding Limited and 1 Ordinary 'B' (non-voting) share held by FJV Management Limited.

### 10.1.2 Shareholding of Medifin Holding Limited

The issued share capital of Medifin Holding Limited is held as follows:

| Shareholder   | Ordinary<br>'A' Shares | Ordinary<br>'B' Shares | Ordinary<br>'C' Shares |
|---|------------------------|------------------------|------------------------|
| AnaCap Financial Partners II L.P.<br>(Guernsey Reg. No. 1027) | 40,188,556             |                        |                        |
| Mark Watson Holdings Limited<br>(BVI Reg No. 1570918)         |                        | 627,854                | 1,170,000              |
| HCS Holdings Limited<br>(BVI Reg No. 1568277)                 |                        | 224,233                | 540,000                |
| JVP Holdings Limited<br>(BVI Reg No. 1570979)                 |                        | 362,903                | 840,000                |
| Mark A. Watson<br>(British passport No. 800653051)            |                        | 1                      |                        |

Pursuant to the terms of issue of the ordinary 'A' shares, the ordinary 'B' shares and ordinary 'C' shares, indirect control of the Issuer is vested in AnaCap Financial Partners II L.P. In the event that, as a result of the shareholding structure and resultant rights described above, potential conflicts were to arise, the Issuer, through its Audit Committee and independent Non-Executive Directors, has the necessary measures in place to ensure the appropriate management and resolution of such conflicts in the best interests of the Issuer. Furthermore, in terms of the memorandum and articles of association of the Issuer, in the event that a director has a material interest, either directly or indirectly, in any contract or arrangement with the Issuer, such director is not entitled to vote on any decisions taken in connection therewith.

The Issuer is not aware of any existing arrangements between the Issuer and any potential acquirer which may result in a change of control. However, AnaCap Financial Partners II L.P., the controlling shareholder of Medifin Holding Limited, may at some point exit all or part of its investment in the Issuer, in which case there may be a change of control in the Issuer.

## 11. History and Development of the Issuer

|   |   |
|---|---|
| Legal & Commercial Name                 | Mediterranean Bank plc  |
| Place of Registration                   | Malta   |
| Registration Number                     | C 34125   |
| Date of Registration                    | 11 June 2004  |
| Domicile                                | Malta   |
| Legal Form                              | Public limited liability company  |
| Legislation under which Issuer operates | Companies Act, Cap. 386 of the laws of Malta, the Investment Services Act, Cap. 370 of the laws of Malta and the Banking Act, Cap. 371 of the laws of Malta |
| Country of Incorporation                | Malta   |
| Address & Telephone Number              | 10, St Barbara Bastion, Valletta VLT 1961<br>+356 2557 4400   |

The Issuer was registered under the laws of Malta on 11 June 2004 and was issued a licence in terms of the Banking Act, Cap. 371 of the laws of Malta from the Malta Financial Services Authority on 14 July 2005. On 3 November 2008, prior to the acquisition and recapitalisation of the Issuer by its current owners, the Issuer breached its obligation to maintain the obligatory level of minimum own funds and as a result, the Malta Financial Services Authority imposed an administrative penalty of €5,124.68 on the Issuer. On 31 December 2008, the Malta Financial Services Authority imposed restrictions on the Issuer's licence, including restrictions on deposit taking, lending facilities and on capital adequacy and liquidity assets ratios.

In July 2009, the Issuer was, indirectly through Medifin Holding Limited, acquired by AnaCap (a private equity firm specialising in financial services and incorporated in Guernsey) and the Issuer's senior management. As a result of such acquisition, the Issuer received a capital injection of €19,154,733 from Medifin Holding Limited represented by 10,000,000 ordinary 'A' shares of a nominal value of €1 per share and issued at a premium of €0.9154733. On 20 July 2009, the Malta Financial Services Authority granted their consent to such acquisition and on 11 August 2009, having noted that the Issuer's own funds level was increased by €19,154,733 and thus becoming compliant with the minimum own funds required of €5,000,000, removed the restrictions to the Issuer's licence.

## 12. Business Overview

### 12.1 Principal Activities and Markets

The objects clause of the Issuer principally authorises the Issuer to carry on the business of banking from within Malta and to undertake, carry on and execute all kinds of banking operations with persons, companies or entities as may be allowed by the competent authorities, to engage in international financial business, to engage in investment banking business and to provide investment services in terms of the Investment Services Act, Cap. 370 of the laws of Malta.

The Issuer was granted a licence by the Malta Financial Services Authority in terms of the Banking Act, Cap. 371 of the laws of Malta, on 14 July 2005. The Issuer is licensed to, *inter alia*, carry out the business of banking, to undertake money transmission services, to issue and administer means of payment, to issue guarantees and commitments, to trade on own account and or for the account of customers in a number of instruments, to provide portfolio management and advice and to provide safe keeping services. The Issuer focuses on wealth management, savings and investments. The Issuer also holds a category 2 and a category 4 licence issued by the Malta Financial Services Authority which authorises the Issuer to provide any investment service, to hold or control clients' money and to act as trustees or custodians of collective investment schemes.

The principal activities of the Issuer comprise the following:

- The receipt and acceptance of customers' monies for deposit in savings and fixed term deposit accounts which may be denominated in euro and other major currencies;
- Trading for account of customers in foreign exchange;
- The provision of money transmission services;
- The provision of safe custody services with a wide range of custom-tailored solutions as well as administration and safekeeping of securities;
- The provision of investment advice to customers of the Issuer;
- The provision of portfolio management services.

The main market in which the Issuer operates and competes is the Maltese market. The wealth management service of the Issuer is provided to an array of international and Maltese high net worth individuals and corporate clients.

### 13. Selected Financial Information

The following are extracts from the consolidated audited financial information for the years ended 31 December 2009 and 31 December 2010.

| Summarised Income Statement                      | AUDITED          |                  |
|--|------------------|------------------|
|  | 31 December 2010 | 31 December 2009 |
|  | €'000            | €'000            |
| Interest income                                  | 41,834           | 4,544            |
| Interest expense                                 | (14,188)         | (1,357)          |
| <b>Net interest income</b>                       | <b>27,646</b>    | <b>3,187</b>     |
| Fee and commission income                        | 124              | 114              |
| Fee and commission expense                       | (1,154)          | (176)            |
| <b>Net fee and commission expense</b>            | <b>(1,030)</b>   | <b>(62)</b>      |
| <b>Net trading income</b>                        | <b>347</b>       | <b>103</b>       |
| <b>Other operating income</b>                    | <b>3,280</b>     | <b>116</b>       |
|  | <b>3,627</b>     | <b>219</b>       |
| <b>Operating income</b>                          | <b>30,243</b>    | <b>3,344</b>     |
| Impairment loss on financial assets              | -                | -                |
| Administrative and other expenses                | (5,675)          | (3,256)          |
| Personnel expenses                               | (5,137)          | (723)            |
| Depreciation and amortisation                    | (365)            | (227)            |
| <b>Operating expenses</b>                        | <b>(11,177)</b>  | <b>(4,206)</b>   |
| <b>Profit/(Loss) before income tax</b>           | <b>19,066</b>    | <b>(862)</b>     |
| Tax expense                                      | (3,955)          | -                |
| <b>Profit/(Loss) for the year</b>                | <b>15,111</b>    | <b>(862)</b>     |
| <b>Basic earnings / (loss) per share (cents)</b> | <b>37</b>        | <b>(4)</b>       |

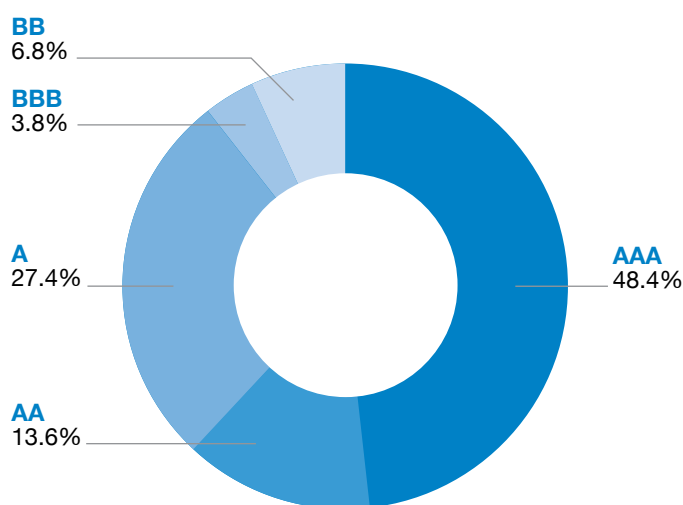
| <b>Summarised Balance Sheet</b>              | <b>AUDITED</b>          |                         |
|--|-------------------------|-------------------------|
|  | <b>31 December 2010</b> | <b>31 December 2009</b> |
|  | <b>€'000</b>            | <b>€'000</b>            |
| <b>ASSETS</b>                                |                         |                         |
| Balances with Central Bank of Malta and cash | <b>10,526</b>           | 39,757                  |
| Loans and advances to banks                  | <b>35,801</b>           | 14,045                  |
| Loans and advances to customers              | <b>1,295</b>            | 9                       |
| Investment securities                        | <b>1,324,114</b>        | 636,323                 |
| Other assets                                 | <b>19,827</b>           | 7,313                   |
| <b>Total assets</b>                          | <b>1,391,563</b>        | 697,447                 |
| <b>LIABILITIES</b>                           |                         |                         |
| Amounts owed to banks                        | <b>1,134,986</b>        | 578,698                 |
| Amounts owed to customers                    | <b>172,847</b>          | 72,078                  |
| Debt securities issued                       | <b>14,735</b>           | -                       |
| Other liabilities                            | <b>9,524</b>            | 2,411                   |
| <b>Total liabilities</b>                     | <b>1,332,092</b>        | 653,187                 |
| <b>EQUITY</b>                                |                         |                         |
| <b>Total equity</b>                          | <b>59,471</b>           | 44,260                  |
| <b>Total equity and liabilities</b>          | <b>1,391,563</b>        | 697,447                 |

Since its acquisition and recapitalisation in July 2009 by AnaCap and the Issuer's senior management, the Issuer adopted a new business plan, with the aim of positioning the Bank as a savings and wealth management institution, focused both domestically in Malta and internationally. Management has implemented and continues to implement a business plan which is built to sustain the Issuer's long-term profitability and allow it to develop its customer base in the mass affluent and high net worth market sectors.

Profitability has been achieved through the creation of a high quality, liquid investment portfolio. All investments in the portfolio carry an assigned investment grade rating by at least one of the internationally recognised statistical rating agencies (such as Standard & Poor's, Moody's Investor Service and Fitch Ratings).

The aggregate breakdown of the portfolio as at 31 March 2011, categorised by the highest assigned rating, is as follows\*:

### Issuer Rating Distribution



**AAA rated** - 'AAA' rating is the highest rating assigned by credit rating agencies and is indicative that the issuer or the investment with exceptionally strong protection for the timely repayment of principal and interest.

**AA rated** - 'AA' ratings are of superior credit quality, and protection of interest and principal is considered high.

**A rated** - 'A' ratings are of satisfactory credit quality. Protection of interest and principal is still substantial, but the degree of strength is less than with AA rated entities.

**BBB rated** - 'BBB' ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

**BB rated** - 'BB' ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists which supports the servicing of financial commitments.

There have been no material changes in the Issuer's investment portfolio between 31 December 2010 and 31 March 2011. The Issuer has experienced downwards ratings migration within the portfolio resulting in the ratings distribution described above.

The above are ratings applicable to the instruments in which the Issuer has invested. The Issuer thereof may itself have a different rating to that ascribed to the said instrument issued by it.

\* The definition of each of the ratings provided has been extracted from [www.fitchratings.com](http://www.fitchratings.com). This information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information published by [www.fitchratings.com](http://www.fitchratings.com), no facts have been omitted which would render the reproduced information inaccurate or misleading.

The above described portfolio has been funded largely in the international wholesale banking markets. Simultaneous with this activity, the Issuer has sought to broaden its funding sources by developing its deposit base in both the local and international markets, enabling it to broaden its product offering and nurture its client base.

The fair value of the Issuer's financial assets and liabilities, which are measured at amortised cost and have a short re-pricing maturity, is not materially different from their carrying value in the balance sheet, except for held-to-maturity investments with an amortised cost of €1.24 billion as of 31 December 2010. The fair market value of such held-to-maturity investments at year end amounted to €1.14 billion.

The fair value of debt instruments represents the closing bid price quoted in an active market and is classified as level 1 under the fair value hierarchy in accordance with IFRS7.

As a result of the new business plan, as of 31 December 2010, the Issuer had built a portfolio of €1.32 billion of investment securities primarily comprised of senior financial instruments, bank covered bonds, public sector bonds and mortgage bonds. During the year ended 31 December 2010, the Issuer's portfolio generated net interest income of €27.65 million (compared with €3.19 million for the year ended 31 December 2009).

For the year ended 31 December 2010, the Issuer's operating income was €30.24 million (compared with €3.34 million for the year ended 31 December 2009). For the year ended 31 December 2010, the Issuer had a net profit before tax of €19.07 million (compared with a net loss of €0.86 million for the year ended 31 December 2009) and its net profit after tax for the year ended 31 December 2010 was €15.11 million (compared with a net loss after tax of €0.86 million for the year ended 31 December 2009). In furtherance of its goal of building a deposit base, the Issuer increased amounts due to customers from €72.08 million as of 31 December 2009 to €172.85 million as of 31 December 2010.

### 13.1 Capital Adequacy and Liquidity Ratios

The following provides the capital adequacy ratios and liquidity ratios with respect to the Issuer as at 31 December 2009 and 31 December 2010.

|                         | As at 31 December 2010 | As at 31 December 2009 |
|-------------------------|------------------------|------------------------|
| Capital Adequacy Ratio* | 37.29%                 | 80.58%                 |
| Liquidity Ratio**       | 70.26%                 | 137.02%                |

\* The minimum capital adequacy ratio imposed by the Malta Financial Services Authority on credit institutions licensed under the Banking Act, Cap. 371 of the laws of Malta is 8%. The capital adequacy ratio for the financial year ended 31 December 2009 reflected the effect of a capital injection by AnaCap through its indirect acquisition of the Issuer (through Medifin Holding Limited).

\*\* The minimum liquid-asset ratio imposed by the Malta Financial Services Authority on credit institutions licensed under the Banking Act, Cap. 371 of the laws of Malta is 30%.

## 14. Trend Information

2010 saw continued volatility especially in the European debt market. The European authorities have taken several steps towards strengthening the surveillance of imbalances within the union and towards increasing financial integration. These initiatives, together with the widespread fiscal austerity driven within Europe and the UK, were major influences in both the financial markets and the real economies within Europe. In addition, certain actions were taken by European authorities in respect of Greece and Ireland. In addition to the €110 billion Greek rescue package of May 2010, the Irish government agreed an €85 billion rescue package jointly from EFSF and IMF. In early 2011, there was strong expectation that Portugal would also require financial assistance.

Notwithstanding the factors and economic and market challenges described above, Europe overall has shown a strong economic performance mainly driven by the core countries. In particular, the performance of the German and French economies in 2010 was strong, thereby lifting the overall economic performance of Europe during the year. Ongoing performance of the European economy is uncertain particularly given the volatility described above.

The central banks continued to mull over rates normalisation and the withdrawal of emergency measures; however only preparatory work was done on both fields.

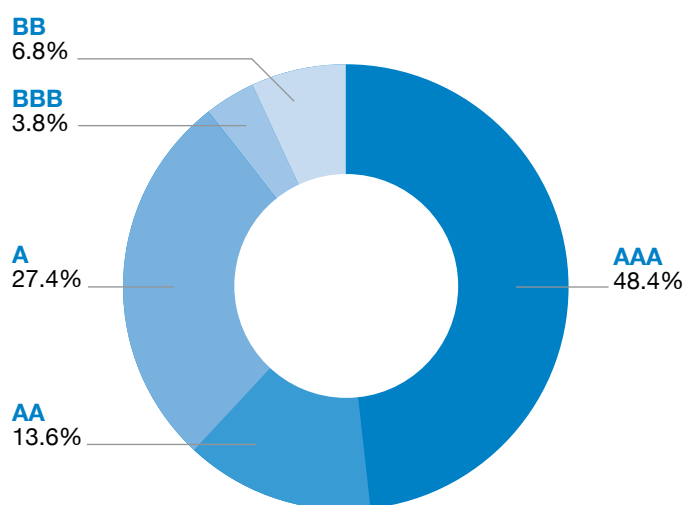
The acquisition by AnaCap of the Issuer, through Medifin Holding Limited, was concluded during July 2009, subsequent to the worst of the financial crisis. Accordingly, following the acquisition, the bank has implemented policies, procedures and operations designed to address the issues raised by the financial crisis and to address as robustly as possible the risks and potential risks that have become more apparent since the advent of the global financial crisis.

The investment policy of the Issuer focuses primarily on investment in highly-rated securities traded on major exchanges. All investments in the portfolio carry an assigned investment grade rating by at least one of the internationally recognised statistical rating agencies (such as Standard & Poor's, Moody's Investor Service and Fitch Ratings). The below are ratings applicable to the instruments in which the Issuer has invested. The Issuer thereof may itself have a different rating to that ascribed to the said instrument issued by it. There have been no material changes in the Issuer's investment portfolio between 31 December 2010 and 31 March 2011. The Issuer has experienced downwards ratings migration within the portfolio resulting in the ratings distribution described below.



The aggregate breakdown of the portfolio as at 31 March 2011, categorised by the highest assigned rating, is as follows:

### Issuer Rating Distribution



These securities include, among others, senior financial instruments, bank covered bonds, public sector bonds and mortgage bonds. All such securities are denominated in euro and are eligible for financing through facilities provided to European Union banks by the European Central Bank. Most such securities are issued by EU entities. In addition, the deposit base of the Issuer primarily consists of customers located in Malta and other European Union countries, including both retail and corporate clients. As a result of the composition of the Issuer's investment portfolio and deposit base, any broadly negative economic trends affecting the European Union may have an adverse effect on the Issuer. The Directors believe that certain sectors of the European financial markets will continue to experience volatility, including particularly peripheral markets such as Greece, Ireland and Portugal. However, notwithstanding the foregoing, the Directors do not expect negative market and economic trends that would overall have a material adverse effect on the financial performance of the Issuer during the current financial year.

The Issuer manages the risks to its financial position through, amongst other things, diversification of its portfolio on an issuer and geographic basis, maintenance of robust liquidity buffers, management and hedging of interest rate risks and maintenance and ongoing growth of a diversified funding base.

There has been no material adverse change in the prospects of the Issuer since the date of the last published audited financial statements, that is, 31 December 2010.

## 15. Business Strategy

The Issuer's ongoing business strategy is based on:

- i. diversification of its funding sources and building of a stable customer base;
- ii. development of a range of new products aimed at the mass affluent and high net worth markets;
- iii. continuing the Issuer's conservative, long-term value-oriented investment philosophy; and
- iv. maintaining or improving long-term profitability.

As noted above, the Issuer has begun to execute its business strategy by developing a range of funding sources, building a stable customer base, both in Malta and internationally, and investing a portfolio of highly rated investment securities. The Issuer plans to continue its focus on the mass affluent and high net worth markets.

Over the medium term, the Issuer plans to continue to execute its existing strategy. On 30 August 2010, the Issuer established a branch office in Sliema, shall be opening a branch office in Paola in the near future and may in future consider the opening of other branches in Malta and abroad.

The Issuer also began to execute its plans to develop new products for its mass affluent and high net worth customer base through the acquisition by its parent company, Medifin Holding Limited, of Charts Investment Management Service Limited, a premier Maltese stockbroking, wealth management and corporate advisory firm.

## 16. Historical Financial Information

Full historical financial information for the two financial years ended 31 December 2009 and 31 December 2010 are set out in the consolidated financial statements of the Issuer as audited by KPMG, available for public inspection. The latest audited financial information available in respect of the Issuer relates to the financial year ended on 31 December 2010.

## 17. Legal and Arbitration Proceedings

On 25 October 2006, civil proceedings were filed by Kevin-James Fenech on behalf of the Mediterranean Bank Network and of its members (the "Network") against the Issuer whereby a number of judicial demands were made by the Network against the Issuer requesting the cancellation of trademark numbers 44231 and 44232 and request the Court to order the Issuer to desist from any further use of the trademark. In March 2011, the parties ceded the law suit.

There are, and in the previous 12 months there have been, no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), which may have, or have had in the recent past, significant effects on the Issuer and/or the Group's financial position or profitability.

## 18. Significant Change in the Issuer's Financial or Trading Position

There has been no significant change in the financial or trading position of the Issuer or the Group which has occurred since 31 December 2010.

## 19. Material Contracts

The Issuer has identified a series of contracts which in the view of the Directors are material to the operations of the Issuer, details of which are contained in the section entitled "Material Contracts" in the Registration Document.

## Information about the Bonds

### 20. Details of the Bond Issue

|  |  |
|--|--|
| Issuer:  | Mediterranean Bank plc   |
| Amount:  | €5,000,000   |
| Fungible with 2010 Bonds:                              | The terms of the Bonds being issued pursuant to this Securities Note are identical to those of the 2010 Bonds issued by the Issuer pursuant to the Securities Note dated 13 September 2010 (other than the date of admissibility to listing and the Bond Issue Price). The Bonds are fully fungible with the 2010 Bonds. It is expected that the Bonds and 2010 Bonds will trade separately up until 30 October 2011 – this in view of the limited first interest period of the Bonds.   |
| ISIN Code:   | MT0000551219   |
| Use of Proceeds:                                       | The Issuer shall use the proceeds of the Bond Issue for its general corporate and investment purposes and may include the following without any priority between the same: <ul style="list-style-type: none"> <li>(i) to grow its investment portfolio in accordance with its investment strategy (as described in section 11 of the Registration Document) by investing in additional investment grade securities;</li> <li>(ii) to refinance the Issuer's general liabilities as they become due;</li> <li>(iii) to enhance the Issuer's available liquidity; and</li> <li>(iv) to diversify the funding available to the Issuer.</li> </ul> |
| Interest of Natural & Legal Persons in the Bond Issue: | Charts Investment Management Service Limited, is a subsidiary companies of Medifin Holding Limited (C 34111) and consequently under common control with the Issuer, is licensed in terms of the Investment Services Act (Cap. 370, laws of Malta) and is included in the list of Intermediaries set out in the Securities Note. Consequently, Charts Investment Management Service Limited shall act as Intermediary and may, on an “ <i>execution-only</i> ” basis, effect transactions for the account of its respective customers. However it will not be providing any advice to its respective customers in relation to the Bonds.        |

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|                            |  |
|----------------------------|--|
| Form:                      | The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD.   |
| Denomination:              | Euro (€)   |
| Redemption Date:           | 30 October 2015  |
| Bond Issue Price:          | €100   |
| Status of the Bonds:       | The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves and with other unsecured debt. The Bonds shall rank junior and subsequent to any prior ranking security interest created for the purpose of securing the Issuer's secured interbank funding lines and repurchase agreements. Such interbank funding lines and repurchase agreements are used to finance the Issuer's investment portfolio. |
| Privileges and Hypothecs:  | The Issuer finances its investment portfolio in the interbank market using secured funding lines and repurchase agreements. Pursuant to such arrangements, investment securities being financed are pledged to the financing counterparty. Creditors of the Issuer providing such financing and benefiting from the related pledges would rank prior to Bondholders in respect of the pledged assets.  |
| Transferability:           | The Bonds are freely transferable and once admitted to the Official List of the MSE, shall be transferable in whole in accordance with the rules and regulations of the MSE applicable from time to time.  |
| Listing:                   | Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List.   |
| Intermediaries Offer Date: | 21 June 2011   |
| Interest:                  | 6.25% per annum  |
| Interest Payment Date:     | 30 October of each year from and including 2011 to and including 2015, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day.   |

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|                          |  |
|--------------------------|--|
| Events of Default:       | <p>The Bonds shall become immediately due and repayable at their principal amount together with accrued interest if any of the following events (“<b>Events of Default</b>”) shall occur:</p> <ol style="list-style-type: none"> <li>a. the Issuer shall fail to pay any principal and interest on any Bond when due and such failure shall continue for 60 days after written notice thereof shall have been given to the Issuer by any Bondholder; or</li> <li>b. an order is made or resolution passed or other action taken for the dissolution, termination of existence, liquidation, winding-up or bankruptcy of the Issuer; or</li> <li>c. the Issuer stops or suspends payments (whether of principal or interest) with respect to all or any class of its debts or announces an intention to do so or ceases or threatens to cease to carry on its business or a substantial part of its business; or</li> <li>d. the Issuer is unable, or admits in writing its inability, to pay its debts as they fall due or otherwise becomes insolvent.</li> </ol> |
| Redemption Value:        | €100 (at par)  |
| Categories of Investors: | The Bonds are open for subscription to the Intermediaries.   |
| Intermediaries’ Offer:   | The Bonds shall be issued and subscribed for by Intermediaries either for their own account or on behalf of investors represented by such Intermediaries. The Issuer shall not, unless due notice in writing is given to it, verify the relations existing between an Intermediary and its client and shall only and at all times recognize as a Bondholder the person registered as such in the register of Bondholders held for this purpose.  |
| Subscription Agreements: | Applications for the Bonds shall be made by the Intermediaries through the submission of duly completed Subscription Agreements with the Registrar up to 12:00 hours on 21 June 2011.  |
| Subscription Proceeds:   | The Intermediary shall, by not later than 12:00 hours on 21 June 2011, effect the deposit of subscription proceeds in respect of the Bonds applied for.  |
| Over-Subscription:       | In the event of over-subscription, the Issuer shall determine the basis of allocation of such applications and the Issuer reserves the right to allocate a fewer number of Bonds than those applied for by each Intermediary.  |

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|                         |   |
|-------------------------|---|
| Refunds:                | In the event that the Intermediary has been allocated a lesser number of Bonds than the number indicated in the Subscription Agreement, the Intermediary shall receive a refund of the balance of the price of the Bonds applied for but not allocated, without interest, by direct credit into the Intermediary's bank account denominated in Euro as indicated by the Intermediary in the Subscription Agreement. |
| Allotment Results:      | It is expected that an allotment advice to the Intermediaries will be dispatched within 2 Business Days of the announcement of the allocation policy. Dealings in the Bonds may not commence before the notification to Intermediaries of the amount allotted to them is made.  |
| Results of the Offer:   | The Issuer shall make public the results of the offer by means of a company announcement issued on the website of the Malta Stock Exchange within 1 Business Day after the Intermediaries Offer Date.   |
| Admission to Trading:   | Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List. The 2010 Bonds, which constitute debt securities of the same class as the Bonds, are already admitted to trading on the Official List of the Malta Stock Exchange.   |
| Underwriting:           | The Bonds are not underwritten. In the event that the total aggregate principal amount of the Bonds amounting to €5,000,000 is not fully subscribed, the Issuer shall proceed to list the subscribed portion of the Bonds on the Official List, and the subscribed portion of the Bonds shall be allocated to the respective Intermediaries in accordance with the terms of the Subscription Agreement.             |
| Expenses:               | €150,000  |
| Manager & Registrar:    | Malta Stock Exchange p.l.c.   |
| Sponsor:                | Calamatta Cuschieri and Co. Limited   |
| Terms of Acceptance:    | The contract created by the subscription of Bonds shall be subject to the terms and conditions set out in the Securities Note and the memorandum and articles of the Issuer.  |
| Governing Law of Bonds: | The Bonds are governed by and shall be construed in accordance with Maltese law.  |
| Jurisdiction:           | The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds.  |

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## 21. Expected Timetable

|  |              |
|--|--------------|
| Subscription Agreements available  | 6 June 2011  |
| Intermediaries Offer date  | 21 June 2011 |
| Announcement of basis of acceptance                                      | 22 June 2011 |
| Commencement of interest on the Bonds                                    | 22 June 2011 |
| Expected dispatch of allotment advices and refunds of unallocated monies | 24 June 2011 |
| Admission to trading   | 27 June 2011 |

## Documents on display

The following documents (or copies thereof) may be inspected at the registered office of the Issuer:

- The memorandum and articles of association of the Issuer; and
- The audited consolidated and individual financial statements of the Issuer for each of the financial years ended 31 December 2009 and 31 December 2010.