

mediterraneanbank

Think Ahead. Bank Ahead.

**Issue of Euro equivalent of
€20,000,000 in 5% Subordinated Unsecured Bonds due 2027
issued in Euro (EUR Bonds) and Pounds Sterling (GBP Bonds)**

**by
Mediterranean Bank plc**

(registered as a public limited liability company in the Republic of Malta)

Securities Note dated 25 September 2017

This document is a Securities 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, as amended, implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in a prospectus and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012, Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012, Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013, Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015. This Securities Note is issued pursuant to the requirements of Listing Rule 4.14 of the Listing Rules and contains information about the Bonds being issued by Mediterranean Bank plc. Application has been made for the admission to listing and trading of the Bonds on the Malta Stock Exchange EUR Bonds - ISIN MT0000551284; GBP Bonds – ISIN MT0000551292. This Securities Note should be read in conjunction with the Registration Document containing information about the Issuer.

Legal Counsel

Sponsor

Manager & Registrar

CAMILLERI PREZIOSI
ADVOCATES

**Jesmond
Mizzi**
FINANCIAL ADVISORS


MALTA STOCK EXCHANGE plc

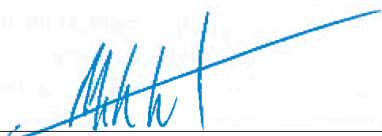
THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THESE SECURITIES AS A LISTED FINANCIAL INSTRUMENT. THIS MEANS THAT THE SAID INSTRUMENT IS IN COMPLIANCE WITH THE REQUIREMENTS AND CONDITIONS SET OUT IN THE LISTING RULES. IN PROVIDING THIS AUTHORISATION, THE LISTING AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN THE SAID INSTRUMENT AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENT.

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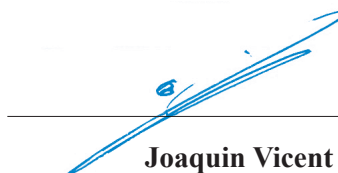
A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENTS. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE SECURITIES OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISER.

THESE SECURITIES ARE COMPLEX FINANCIAL INSTRUMENTS AND MAY NOT BE SUITABLE FOR ALL TYPES OF INVESTORS. A POTENTIAL INVESTOR SHOULD NOT INVEST IN THE SECURITIES UNLESS: (I) HE/SHE HAS THE NECESSARY KNOWLEDGE AND EXPERIENCE TO UNDERSTAND THE RISKS RELATING TO THIS TYPE OF FINANCIAL INSTRUMENT; (II) THE SECURITIES MEET THE INVESTMENT OBJECTIVES OF THE POTENTIAL INVESTOR; AND (III) SUCH PROSPECTIVE INVESTOR IS ABLE TO BEAR THE INVESTMENT AND FINANCIAL RISKS WHICH RESULT FROM INVESTMENT IN THESE SECURITIES.

APPROVED BY THE DIRECTORS



Mark A. Watson
Director



Joaquin Vicent
Director

In their own name and on behalf of

Michael A. Bussey, Benjamin Hollowood, Michael Walker, Dominic S. Wallace and John Zarb

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1. IMPORTANT INFORMATION

THIS SECURITIES NOTE, FORMING PART OF THE PROSPECTUS, CONTAINS INFORMATION ON AN ISSUE BY MEDITERRANEAN BANK PLC (THE “ISSUER”) OF THE EURO EQUIVALENT OF €20,000,000 SUBORDINATED UNSECURED BONDS DUE 2027 CONSISTING OF TWO TRANCHES, ONE DENOMINATED IN EURO (“EUR BONDS”) AND HAVING A NOMINAL VALUE OF €100 PER BOND, AND THE OTHER DENOMINATED IN POUNDS STERLING (“GBP BONDS”) AND HAVING A NOMINAL VALUE OF £100 PER BOND.

THE BONDS SHALL BE ISSUED AT PAR AND SHALL BEAR INTEREST AT THE RATE OF 5% PER ANNUM PAYABLE ANNUALLY ON 13 OCTOBER OF EACH YEAR, UNTIL THE REDEMPTION DATE. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL AT MATURITY ON THE REDEMPTION DATE SUBJECT TO THE RIGHT OF THE ISSUER, WITH THE PRIOR APPROVAL OF THE MALTA FINANCIAL SERVICES AUTHORITY, TO REDEEM ALL OR PART OF THE BONDS ON ANY DESIGNATED EARLY REDEMPTION DATE BY GIVING NOT LESS THAN 30 DAYS’ NOTICE TO THE BONDHOLDERS.

THIS SECURITIES NOTE CONTAINS INFORMATION ABOUT THE ISSUER AND THE BONDS IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES, THE ACT, AND THE REGULATION, AND SHOULD BE READ IN CONJUNCTION WITH THE REGISTRATION DOCUMENT ISSUED BY THE ISSUER..

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS, TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE SALE OF BONDS OF THE ISSUER OTHER THAN THOSE CONTAINED IN THE PROSPECTUS AND IN THE DOCUMENTS REFERRED TO HEREIN IN CONNECTION, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS OR ADVISERS.

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

THIS PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR BONDS: 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; TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION.

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

SAVE FOR THE ISSUE IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFERING OF THE BONDS OR THE DISTRIBUTION OF THE PROSPECTUS (OR ANY PART THEREOF) OR ANY OFFERING MATERIAL IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (OTHER THAN MALTA) WHICH HAS IMPLEMENTED DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 4 NOVEMBER 2003 ON THE PROSPECTUS TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING OR WHICH,

PENDING SUCH IMPLEMENTATION, APPLIES ARTICLE 3.2 OF SAID DIRECTIVE, THE BONDS CAN ONLY BE OFFERED TO “QUALIFIED INVESTORS” (AS DEFINED IN SAID DIRECTIVE) AS WELL AS IN ANY OTHER CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION BY THE ISSUER OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF SAID DIRECTIVE.

THE BONDS HAVE NOT BEEN NOR WILL THEY BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT, 1933 AS AMENDED, OR UNDER ANY FEDERAL OR STATE SECURITIES LAW AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS, OR ANY AREA SUBJECT TO ITS JURISDICTION (THE “U.S.”) OR TO OR FOR THE BENEFIT OF, DIRECTLY OR INDIRECTLY, ANY U.S. PERSON (AS DEFINED IN REGULATION “S” OF THE SAID ACT). FURTHERMORE THE ISSUER WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT, 1940 AS AMENDED AND INVESTORS WILL NOT BE ENTITLED TO THE BENEFITS SET OUT THEREIN.

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 THIS SECURITIES NOTE 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 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 THE BONDS.

ALL THE ADVISERS TO THE ISSUER NAMED IN THE PROSPECTUS UNDER THE HEADING “ADVISERS TO THE ISSUER” OF THIS SECURITIES NOTE HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THIS ISSUE AND HAVE 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.

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL UPON MATURITY OR ANY OF THE DESIGNATED EARLY REDEMPTION DATES, AS APPLICABLE. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISERS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS.

2. DEFINITIONS

Words and expressions and capitalised terms used in this Securities Note shall, except where the context otherwise requires and except where otherwise defined herein, bear the same meaning as the meaning given to such words, expressed and capitalised terms as indicated in the Registration Document forming part of the Prospectus. Additionally, the following words and expressions as used in this Securities Note 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);
Applicant/s	a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
Application/s	the application to subscribe for Bonds made by an Applicant/s by completing an Application Form/s and delivering same to the Issuer or to any of the other Authorised Financial Intermediaries;
Application Form/s	the form/s of application for the subscription for EUR Bonds or GBP Bonds, specimens of which are contained in Annex I of this Prospectus;
Appropriateness Test	shall have the meaning set out in section 8.1.15 of this Securities Note;
Authorised Financial Intermediaries	the licensed stockbrokers and financial intermediaries listed in Annex II of this Securities Note;
Bond(s)	together, the EUR Bonds and the GBP Bonds;
Bondholder	a holder of Bonds;
Bond Issue	the issue of the Bonds;
Bond Issue Price	the price of €100 per Bond in the case of the EUR Bonds, and the price of £100 per Bond in the case of the GBP Bonds;
Business Day	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
CRR	Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012;
CSD	the Central Securities Depository of the Malta Stock Exchange situated at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;

Designated Early Redemption Date	any Interest Payment Date falling in the years 2022 to 2027 as the Issuer may determine by giving 30 days' prior notice to the Bondholders further to obtaining the prior approval of the MFSA;
EUR Bonds	the 5% Subordinated Unsecured Bonds due 2027 having a nominal value of €100 per bond redeemable at their nominal value on the Redemption Date or any of the Designated Early Redemption Dates bearing interest at the rate of 5% per annum, which in aggregate with the GBP Bonds would not exceed the Euro equivalent of €20,000,000 in value of Bonds issued pursuant to this Prospectus;
GBP Bonds	the 5% Subordinated Unsecured Bonds due 2027 having a nominal value of €100 per bond redeemable at their nominal value on the Redemption Date or any of the Designated Early Redemption Dates bearing interest at the rate of 5% per annum, which in aggregate with the EUR Bonds would not exceed the Euro equivalent of €20,000,000 in value of Bonds issued pursuant to this Prospectus;
Income Tax Act	the Income Tax Act, Cap. 123 of the laws of Malta;
Interest Payment Dates	annually, on 13 October of each year commencing on 13 October 2018 and ending with and including the Redemption Date, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
Intermediaries' Offer	shall consist of the process set out in section 10 of this Securities Note;
ISR	the Investment Services Rules for Investment Services Providers, the Standard Licence Conditions applicable to Investment Services License Holders (excluding UCITS Management Companies), issued by the MFSA, as amended from time to time;
Issue Date	27 October 2017;
Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the laws of Malta), having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta, and bearing company registration number C 42525;
MFSA	the Malta Financial Services Authority as established under the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);
Official List	the list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;
Prospectus	collectively the Registration Document, the Summary Note and this Securities Note, as such documents may be amended, updated, replaced and supplemented from time to time;
Redemption Date	13 October 2027;
Redemption Value	the nominal value of each Bond;
Registration Document	the registration document issued by the Issuer dated 25 September 2017, forming part of the Prospectus;

Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in a prospectus and dissemination of advertisements, as amended by: Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities; Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 amending Regulation (EC) No. 809/2004 as regards to regulatory technical standards for publication of supplements to the prospectus; and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015 amending Regulation (EC) No. 809/2004 as regards to regulatory technical standards for publication of the prospectus and dissemination of advertisements;
Regulatory Change Event	shall have the meaning set out in section 8.9.4 of this Securities Note;
Subordination	means that the rights and claims of Bondholders in respect of the payment of capital and interest on the Bonds will, in the event of dissolution and winding up of the Issuer, rank after the claims of all unsubordinated debt and will not be repaid until all other unsubordinated debt outstanding at the time has been settled. And any reference to the term “ Subordinated ” shall be construed accordingly;
Suitability Test	shall have the meaning set out in section 8.1.15 of this Securities Note;
Summary Note	the summary note issued by the Issuer dated 25 September 2017 forming part of the Prospectus;
Terms and Conditions	the terms and conditions of the Bonds contained in this Securities Note under the heading “ Terms and Conditions of the Bonds ”.

3. RISK FACTORS

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds will be repayable in full upon maturity. 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 following risk factors and other investment considerations as well as all the other information contained in this Prospectus before deciding to make an investment in the Bonds. 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.

Neither this Securities Note, nor any other parts of the Prospectus nor any other information supplied in connection with the Bonds: (i) is intended to provide the basis of any credit or other evaluation; or (ii) should be considered as a recommendation by the Issuer or the Sponsor or Authorised Financial Intermediaries that any recipient of this Securities Note (or any other part of the Prospectus or any other information supplied in connection with the Prospectus or any Bonds) should purchase any Bonds.

Accordingly prospective investors should make their own independent evaluation of all risk factors, and should consider all other sections in this document.

3.1 Forward Looking Statements

This Securities Note contains “forward looking statements” which include, among others, statements concerning matters that are not historical facts and which may involve projections of future circumstances. These forward looking statements are subject to a number of risks, uncertainties and assumptions and important factors that could cause actual risks to differ materially from the expectations of the Issuer’s Directors. No assurance is given that the future results or expectations will be achieved.

3.2 Suitability of Investment in the Bond

The Bonds are complex financial instruments and may not be suitable for all recipients of the Prospectus. Prospective investors are urged to consult an independent investment adviser licensed under the Investment Services Act (Cap. 370 of the laws of Malta) as to the suitability or otherwise of an investment in the Bonds before making an investment decision. In particular, such advice should be sought with a view to ascertaining that each prospective investor:

- a. has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in the Prospectus or any applicable supplement;
- b. has sufficient financial resources and liquidity to bear all the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the prospective investor’s currency and that the Bonds meet the investment objectives of the prospective investor;
- c. understands thoroughly the terms of the Bonds; and
- d. is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

3.3 Risks Relating to the Bonds

- 3.3.1 The existence of an orderly and liquid market for the Bonds depends on a number of factors, including the presence of willing buyers and sellers of the Issuer's Bonds at any given time and the general economic conditions in the market in which the Bonds are traded. Such presence is dependent upon the individual decisions of investors over which the Issuer has no control. Accordingly, there can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Furthermore, there can be no assurance that an investor will be able to sell the Bonds at or above the Bond Issue Price or at all.
- 3.3.2 There can be no assurance that the Bond Issue Price will correspond to the price at which the Bonds will trade in the market subsequent to the Bond Issue.
- 3.3.3 Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.
- 3.3.4 A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€ in the case of the EUR Bonds and £ in the case of the GBP Bonds) and the Bondholder's currency of reference, if different.
- 3.3.5 No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time.
- 3.3.6 In the event that the Issuer wishes to amend any of the provisions of and/or conditions contained in this Securities Note or in any other part of the Prospectus, including the Terms and Conditions of the Bonds, it shall call a meeting of Bondholders. Defined majorities of Bondholders may bind all Bondholders including those that did not attend and vote at the relevant meeting and Bondholders who attended and voted in a manner contrary to the majority.
- 3.3.7 The Bonds are unsecured and subordinated. Subordination means that the rights and claims of Bondholders in respect of the payment of capital and interest on the Bonds will, in the event of dissolution and winding up of the Issuer, rank after the claims of all senior indebtedness and will not be repaid until all other senior indebtedness outstanding at the time has been settled. The Bonds constitute the general, direct, unconditional, subordinated and unsecured obligations of the Issuer and shall at all times rank equally and rateably without any priority or preference among themselves and with other subordinated unsecured debt.

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

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

3.3.8 By purchasing the Bonds, the Bondholder agrees to waive his or her right of enforcement against the Issuer in the case of non-performance of the Issuer's obligations under the Bond, including the non-payment of interest and principal. The only remedy available to the Bondholder in the event of a default by the Issuer shall be the petitioning for the winding up of the Issuer, which shall constitute an Event of Default.

3.3.9 The Bonds are redeemable in whole or in part at the option of the Issuer prior to the Redemption Date on any of the Designated Early Redemption Dates upon giving 30 days' notice to the Bondholders, subject to obtaining the prior approval of the MFSA. Furthermore, the Bonds are redeemable in whole at any time during the term of the Bond in the case of a Regulatory Change Event taking place.

The feature allowing for optional redemption on a Designated Early Redemption Date may condition the market value of the Bonds and there can be no guarantee that the Bondholders may be able to re-invest the proceeds of such redemption at equivalent or higher rates of return.

The occurrence of a Regulatory Change Event and the implementation of New Capital Regulations (as defined in section 8.10.4 below) leading to such event, are not within the control of the Issuer. If a Regulatory Change Event were to occur, the Issuer would have the right to redeem the Bonds prior to their scheduled maturity at par plus accrued interest.

3.3.10 The terms and conditions of this Bond Issue are based on Maltese law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of this Prospectus.

3.3.11 Directive 2014/59/EU of the European Parliament and the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2004/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council, known as the Bank Recovery and Resolution Directive (also referred to as the Crisis Management Directive), entered into force on 2 July 2014 (for the purposes of this Risk Factor, the "Directive"). This Directive grants regulators resolution powers to, *inter alia*, write down the debt of a failing bank (or to convert such debt into capital) to strengthen its financial position and allow it to continue as a going concern, subject to appropriate restructuring measures being taken. Such conversion of debt into capital would result in a change in the status of the holder of this instrument, from that of a bond holder to that of a shareholder.

Pursuant to the Directive or other resolution or recovery rules which may in the future be applicable to the Issuer (including Capital Requirements Directive IV), new powers have been given to the MFSA, as "Resolution Authority", which could be used in such a way as to result in the Bonds absorbing losses ("Statutory Loss Absorption").

Pursuant to the exercise of any Statutory Loss Absorption measures, the Bonds could become subject to a determination by the Resolution Authority, or the Issuer following instructions from the Resolution Authority, that all or part of the principal amount of the Bonds, including accrued but unpaid interest in respect thereof, must be written off, converted into common equity Tier 1 capital or otherwise applied to absorb losses. Such determination shall not constitute an Event of Default and Bondholders will have no further claims in respect of any amount so written off, converted to equity or otherwise applied to absorb losses as aforesaid as a result of such Statutory Loss Absorption.

Any determination that all or part of the principal amount of the Bonds will be subject to Statutory Loss Absorption may be inherently unpredictable and may depend on a number of factors which may be outside the Issuer's control. Trading behaviour in respect of Bonds which are subject to Statutory Loss Absorption is not necessarily expected to follow trading behaviour associated with other types of securities. Any indication that Bonds will become

subject to Statutory Loss Absorption could have an adverse effect on the market price of the relevant Bonds. Potential investors should consider the risk that a Bondholder may lose all of its investment in such Bonds, including the principal amount plus any accrued but unpaid interest, if those Statutory Loss Absorption measures were to be taken.

As used in this risk factor, “Directive” means any relevant laws and regulations applicable to the Issuer at the relevant time pursuant to, or which implement, or are enacted within the context of the Directive.

4. PERSONS RESPONSIBLE

This document includes information given in compliance with the Listing Rules for the purpose of providing prospective investors with information with regard to the Issuer and the Bonds. All of the Directors of the Issuer, whose names appear under the heading “**Board of Directors**” of the Registration Document, accept responsibility for the information contained in this Securities Note. The current directors of the Issuer are:

Michael A. Bussey	<i>Non-Executive Director - Chairman</i>
Mark A. Watson	<i>Executive Director – Chief Executive Officer</i>
Joaquin Vicent	<i>Executive Director – Director of Treasury & Investments</i>
John Zarb	<i>Non-Executive Director</i>
Benjamin Hollowood	<i>Non-Executive Director</i>
Michael Walker	<i>Non-Executive Director</i>
Dominic Wallace	<i>Non-Executive Director</i>

To the best of the knowledge and belief of the Directors of the Issuer, who have taken all reasonable care to ensure that such is the case, the information contained in this Securities Note is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

All representations and other statements made in the Prospectus are made by the Issuer and the Directors take sole responsibility for all such representations and statements. The Sponsor, the Manager and Registrar, and the Issuer’s advisors have advised and assisted the Issuer in the preparation of this document, but none make any representation or statement, unless otherwise expressly stated in the Prospectus, and each of them disclaims any responsibility for any representations and other statements made in the Prospectus.

5. CONSENT FOR USE OF PROSPECTUS

Consent required in connection with the use of the Prospectus by the Authorised Financial Intermediaries:

For the purposes of any subscription for Bonds through any of the Authorised Financial Intermediaries in terms of this Securities Note and any subsequent resale, placement or other offering of Bonds by such Authorised Financial Intermediaries in circumstances where there is no exemption from the requirement to publish a prospectus under the Prospectus Directive, the Issuer consents to the use of this Prospectus (and accepts responsibility for the information contained therein) with respect to any such subsequent resale, placement or other offering of Bonds, provided this is limited only:

- i. in respect of Bonds subscribed for through Authorised Financial Intermediaries;
- ii. to any resale or placement of Bonds subscribed for as aforesaid taking place in Malta;
- iii. to any resale or placement of Bonds subscribed for as aforesaid taking place within the period of 60 days from the date of the Prospectus.

Neither the Issuer nor the Sponsor has any responsibility for any of the actions of any Authorised Financial Intermediary, including their compliance with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to a resale or placement of Bonds.

Other than as set out above, neither the Issuer nor the Sponsor has authorised (nor do they authorise or consent to the use of this Prospectus in connection with) the making of any public offer of the Bonds by any person in any circumstances. Any such unauthorised offers are not made on behalf of the Issuer or the Sponsor and neither the Issuer nor the Sponsor has any responsibility or liability for the actions of any person making such offers.

Investors should enquire whether an intermediary is considered to be an Authorised Financial Intermediary in terms of the Prospectus. If the investor is in doubt as to whether it can rely on the Prospectus and/or who is responsible for its contents, it should obtain legal advice.

No person has been authorised to give any information or to make any representation not contained in or inconsistent with this Prospectus. If given or made, it must not be relied upon as having been authorised by the Issuer or Sponsor. The Issuer does not accept responsibility for any information not contained in this Prospectus.

In the event of a resale, placement or other offering of Bonds by an Authorised Financial Intermediary, the Authorised Financial Intermediary shall be responsible to provide information to investors on the terms and conditions of the resale, placement or other offering at the time such is made.

Any resale, placement or other offering of Bonds to an investor by an Authorised Financial Intermediary will be made in accordance with any terms and other arrangements in place between such Authorised Financial Intermediary and such investor including as to price, allocations and settlement arrangements. Where such information is not contained in the Prospectus, it will be the responsibility of the applicable Authorised Financial Intermediary at the time of such resale, placement or other offering to provide the investor with that information and neither the Issuer nor the Sponsor has any responsibility or liability for such information.

Any Authorised Financial Intermediary using this Prospectus in connection with a resale, placement or other offering of Bonds subsequent to the Bond Issue shall, limitedly for the period of 60 days from the date of the Prospectus, publish on its website a notice to the effect that it is using this Prospectus for such resale, placement or other offering in accordance with the consent of the Issuer and the conditions attached thereto. The consent provided herein shall no longer apply following the lapse of such period.

Any new information with respect to Authorised Financial Intermediaries unknown at the time of the approval of this Securities Note will be made available through a company announcement which will also be made available on the Issuer's website: <http://www.medbank.com.mt/>

6. ADVISERS TO THE ISSUER

Legal Counsel	Camilleri Preziosi Level 3, Valletta Buildings, South Street, Valletta, VLT 1103, Malta
Sponsor	Jesmond Mizzi Financial Advisors Limited 67, Level 3, South Street, Valletta, VLT 1105, Malta

7. KEY INFORMATION

7.1 Interest of Natural & Legal Persons in the Bond Issue

Mediterranean Bank plc, the Issuer of the Bonds, and Jesmond Mizzi Financial Advisors Limited, the Sponsor, are included in the list of Authorised Financial Intermediaries authorised to sell Bonds to prospective investors.

Charts Investment Management Service Limited (“**Charts**”) is a fully owned subsidiary company of MeDirect Group Limited (C 34111) and accordingly under common control with the Issuer. Charts, which is licensed in terms of the Investment Services Act (Cap. 370 of the laws of Malta), is included as an Authorised Financial Intermediary.

Both the Issuer, Charts and the Sponsor, acting in the capacity of Authorised Financial Intermediaries as aforesaid, may, on an “*execution-only*” basis, effect transactions in respect of the Bonds for the account of their respective customers. Prior to executing any such transactions, the Issuer, Charts and the Sponsor, as relevant, shall carry out an Appropriateness Test in respect of each prospective investor in the Bonds and shall not accept the prospective investor’s Application unless, based on the results of such test, it is satisfied that an investment in the Bonds may be considered appropriate for such prospective investor.

7.2 Reasons for the Issue and Use of Proceeds

The proceeds from the Bond Issue, which net of Issue expenses are estimated to amount to the equivalent of approximately €19,500,000, will be used by the Issuer to meet part of its general financing requirements, and will constitute Tier 2 Capital of the Issuer in terms of the CRR. In the event that the Bond Issue is not fully subscribed, the Issuer will proceed with the listing of the amount of Bonds subscribed for.

7.3 Expenses

Professional fees, costs related to publicity, advertising, printing, listing and registration, selling commission, as well as sponsor, manager and registrar fees and other miscellaneous expenses in connection with this Bond Issue, are estimated not to exceed €500,000 and shall be borne by the Issuer.

7.4 Issue Statistics

Issuer:	Mediterranean Bank plc, a company registered in Malta with registration number C 34125;
Amount:	The aggregate principal amount of the EUR Bonds and the GBP Bonds will equal the Euro equivalent of €20,000,000;
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:	EUR Bonds: Euro (€); GBP Bonds: GBP (£);
Minimum amount per subscription:	EUR Bonds: minimum of €25,000 and multiples of €1,000 thereafter; GBP Bonds: minimum of £25,000 and multiples of £1,000 thereafter;
Transferability:	Trading in the EUR Bonds and the GBP Bonds shall take place on the MSE in multiples of €1,000 and £1,000 respectively subject to the retention of a minimum holding of €25,000 (or £25,000 as applicable) by each individual holder of EUR Bonds or GBP Bonds, which shall be maintained at all times throughout the holder's investment in the respective type of Bond. If EUR Bonds and GBP Bonds are held by financial intermediaries on behalf of clients under one or more nominee accounts, the minimum holding of €25,000 (or £25,000 as applicable) shall apply to each underlying beneficial owner;
Redemption Date:	13 October 2027 or a Designated Early Redemption Date or earlier in the case of a Regulatory Change Event (refer to section 8.9.4 below);
Plan of Distribution	The Bonds are open for subscription by Authorised Financial Intermediaries, either for their own account or for the account of underlying customers. The above is subject to the minimum holding requirement applicable to each individual subscriber (or underlying client, as applicable), that is a minimum holding of €25,000 in EUR Bonds or £25,000 in GBP Bonds, as applicable;
Event of Default:	Refer to section 8.17 below;
Bond Issue Price:	At par (€100 per EUR Bond or £100 per GBP Bond, as applicable);
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:	13 October 2017;
Underwriting:	The Issue is not underwritten;
Minimum aggregate subscription:	The Issuer has not established a minimum aggregate subscription level on which the Issue is conditional. In the event that the Issue is not fully taken up, the Issuer will issue Bonds up to the amount subscribed for;

Interest:	The Bonds shall bear interest at the rate of 5% per annum on the nominal value thereof;
Interest Payment Dates:	13 October of each year, from 13 October 2018 until the Redemption Date;
First Interest Payment Date:	13 October 2018;
Redemption Value:	At par (€100 per EUR Bond or £100 per GBP Bond, as applicable);
Manager & Registrar:	MSE;
Sponsor:	Jesmond Mizzi Financial Advisors Limited;
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.

8. TERMS AND CONDITIONS OF THE BONDS

8.1 General terms and conditions

- 8.1.1 The issue and allotment of the Bonds is conditional upon the Bonds being admitted to the Official List of the MSE. In the event that the Bonds are not admitted to the Official List, any Application monies received by the Issuer will be returned without interest by direct credit into the Applicant's bank account indicated by the Applicant on the relative Application Form.
- 8.1.2 The contract created by the acceptance of an Application shall be subject to the terms and conditions set out in this Securities Note and the M&A of the Issuer. It is the responsibility of investors wishing to apply for the Bonds to inform themselves as to the legal requirements of so applying including any requirements relating to external transaction requirements in Malta and any exchange control in the countries of their nationality, residence or domicile.
- 8.1.3 If the Application Form is signed on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the person signing will be deemed to have bound his principal, or the relative corporation, corporate entity, or association of persons and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions on their behalf. Such intermediary may be requested to submit the relative power of attorney/resolution or a copy thereof duly certified by a lawyer or notary public if so required by the Registrar.
- 8.1.4 In the case of joint Applications, reference to the Applicant in these terms and conditions is a reference to each Applicant, and liability therefor is joint and several. In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed, vis-à-vis the Issuer, to be the holder of the Bond/s so held and shall have the right to receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner.
- 8.1.5 The Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.
- 8.1.6 No person receiving a copy of the Prospectus or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to such person nor should such person in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or such Application Form could lawfully be used without contravention of any registration or other legal requirements.
- 8.1.7 It is the responsibility of any person outside Malta wishing to make any Application to satisfy himself/herself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- 8.1.8 Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of twenty four (24) hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholders at his registered address and posted. Save where the context requires otherwise, terms defined in the Prospectus bear the same meaning when used in the Application Form and in any other document issued pursuant to the Prospectus.
- 8.1.9 The Bonds will be issued as EUR Bonds and GBP Bonds. The aggregate principal amount of the Bond Issue is the Euro equivalent value of €20,000,000.

- 8.1.10 The Intermediaries' Offer shall take place on 13 October 2017 between 08.30 hours and 12.00 hours. Any person, whether natural or legal, shall be eligible to submit an Application, and any one person, whether directly or indirectly, should not submit more than one Application Form, save in the case of subscription made in part for EUR Bonds and in part for GBP Bonds, in which case two (2) separate Application Forms per Applicant are required. In the case of corporate Applicants or Applicants having separate legal personality, the Application Form must be signed by a person authorised to sign and bind such Applicant. It shall not be incumbent on the Issuer or Registrar to verify whether the person or persons purporting to bind such an Applicant is or are in fact authorised.
- 8.1.11 Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholders, with interest and redemption monies payable to the parents / legal guardian/s signing the Application Form until such time as the minor attains the age of 18 years, following which all interest and redemption monies shall be paid directly to the registered holder. Provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of 18 years. In the case of joint Applications, the joint holders shall nominate one of their number as their representative and such person's name will be entered in the register with such designation. The person whose name shall be inserted in the field entitled "Applicant" on the Application Form, or first named in the register of Bondholders shall, for all intents and purposes, be deemed to be such nominated person by all those joint holders whose names appear in the field entitled "Additional Applicants" in the Application Form or joint holders in the register as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.
- 8.1.12 Subject to all other terms and conditions set out in the Prospectus, the Issuer reserves the right to reject, in whole or in part, or to scale down any Application, including multiple or suspected multiple Applications and to present any cheques and/or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Issuer is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted.
- 8.1.13 If any Application is not accepted, or if any Application is accepted for fewer Bonds than those applied for, the Application monies or the balance of the amount paid on Application will be returned by the Issuer without interest by direct credit into the Bondholder's bank account as indicated by the Bondholder on the Application Form. The Issuer shall not be responsible for any loss or delay in transmission.
- 8.1.14 The EUR Bonds will be issued in multiples of €1,000. The minimum subscription amount of EUR Bonds that can be subscribed for by Applicants is €25,000. The GBP Bonds will be issued in multiples of £1,000. The minimum subscription amount of GBP Bonds that can be subscribed for by Applicants is £25,000.
- 8.1.15 The completed Application Forms are to be lodged with the Issuer or any of the Authorised Financial Intermediaries. Authorised Financial Intermediaries shall, prior to accepting an Application, conduct an Appropriateness Test in respect of the Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered appropriate for the Applicant. To the extent that an Authorised Financial Intermediary is providing advice in respect of a purchase of the Bonds by an Applicant, such Authorised Financial Intermediary shall also be required to conduct a Suitability Test in respect of the Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered suitable for the Applicant.

For the purpose of this Securities Note, the term "Appropriateness Test" means the test conducted by any licensed financial intermediary, when providing an investment service (other than investment advice or portfolio management) in relation to the subscription for and the trading of Bonds, for the purpose of such licensed financial intermediary determining (after collecting the necessary information) whether the investment service or the Bonds are appropriate for the prospective Applicant or prospective transferee. In carrying out this assessment, the licensed financial intermediary shall ask the Applicant or the prospective transferee to provide information

regarding the Applicant or transferee's knowledge and experience so as to determine that the Applicant or transferee has the necessary experience and knowledge in order to understand the risks involved in relation to the Bonds or investment service offered or demanded, in accordance with Part BI of the ISR. In the event that the licensed financial intermediary considers, on the basis of the test conducted, that the transfer of Bonds is not appropriate for the Applicant or prospective transferee, the licensed financial intermediary shall reject the prospective Applicant's request to subscribe for or acquire Bonds, **irrespective of whether the Applicant or transferee is warned that the investment in the Bonds is not appropriate for the Applicant or transferee;**

For the purpose of this Securities Note, the term "Suitability Test" means the process through which a licensed financial intermediary providing investment advice or portfolio management services in relation to the subscription for and trading of Bonds obtains such information from the Applicant or prospective transferee as is necessary to enable the licensed financial intermediary to recommend to or, in the case of portfolio management, to effect for, the Applicant or prospective transferee, the investment service and trading in Bonds that are considered suitable for him/her, in accordance with Part BI of the ISR. The information obtained pursuant to this test must be such as to enable the licensed financial intermediary to understand the essential facts about the Applicant or prospective transferee and to have a reasonable basis for believing, giving due consideration to the nature and extent of the service provided, that the specific transaction to be recommended, or to be entered into in the course of providing a portfolio management service, satisfies the following criteria:

- (a) it meets the investment objectives of the Applicant or prospective transferee in question;
- (b) it is such that the Applicant or prospective transferee is able financially to bear any related investment risks consistent with investment objectives of such Applicant or prospective transferee; and
- (c) it is such that the Applicant or prospective transferee has the necessary experience and knowledge in order to understand the risks involved in the transaction or in the management of his portfolio.

- 8.1.16 Application Forms must be accompanied by the full price of the Bonds applied for in EUR or GBP, as applicable.
- 8.1.17 Within five (5) Business Days from the closing of the Bond Issue, the Issuer shall announce the results of the Issue and determine and announce the basis of acceptance of applications and the allocation policy to be adopted by means of a company announcement.
- 8.1.18 In the event that Authorised Financial Intermediaries subscribing for Bonds have been allocated a number of Bonds which is less than the number applied for, then such Authorised Financial Intermediaries shall receive a refund of the price of the Bonds applied for but not allocated. Such refund shall be without interest and shall be made by credit transfer to such account indicated in the subscription agreement, at the Authorised Financial Intermediary's sole risk on 17 October 2017.
- 8.1.19 For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations 2003 as amended from time to time, all appointed Authorised Financial Intermediaries are under a duty to communicate, upon request, all information about clients as is mentioned in Articles 1.2(d) and 2.4 of the "Code of Conduct for Members of the Malta Stock Exchange" appended as Appendix IV to Chapter 3 of the MSE Bye-Laws, irrespective of whether the said appointed Authorised Financial Intermediaries are MSE Members or not. Such information shall be held and controlled by the MSE in terms of the Data Protection Act (Cap. 440 of the laws of Malta) for the purposes and within the terms of the MSE Data Protection Policy as published from time to time.

8.1.20 By completing and delivering an Application Form, the Applicant:

- a. agrees and acknowledges to have had the opportunity to read the Prospectus and to be deemed to have had notice of all information and representations concerning the Issuer and the issue of the Bonds contained therein;
- b. warrants that the information submitted by the Applicant in the Application Form is true and correct in all respects and in the case where an MSE account number is indicated in the Application Form, such MSE account number is the correct account of the Applicant. In the event of a discrepancy between the personal details (including name and surname and the Applicant's address) appearing on the Application Form and those held by the MSE in relation to the MSE account number indicated on the Application Form, the details held by the MSE shall be deemed to be the correct details of the Applicant;
- c. authorises the Issuer and the MSE to process the personal data that the Applicant provides in the Application Form, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act (Cap. 440 of the laws of Malta). The Applicant has the right to request access to and rectification of the personal data relating to him/her as processed by the Issuer and/or the MSE. Any such requests must be made in writing and sent to the Issuer at the address indicated in the Prospectus. The requests must further be signed by the Applicant to whom the personal data relates;
- d. confirms that in making such Application no reliance was placed on any information or representation in relation to the Issuer or the issue of the Bonds other than what is contained in the Prospectus and accordingly agree/s that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information or representation;
- e. agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of such Applicant's remittance, as the case may be, and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the laws of Malta) (and regulations made thereunder) and that such monies will not bear interest;
- f. agrees to provide the Registrar and/or the Issuer, as the case may be, with any information which it/they may request in connection with the Application;
- g. warrants, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with the Application in any territory and that the Applicant would not have taken any action which will or may result in the Issuer or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Bond or such person's Application;
- h. warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
- i. represents that the Applicant is not a U.S. person (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended) as well as not to be accepting the invitation set out in the Prospectus from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the "United States") or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
- j. agrees that Jesmond Mizzi Financial Advisors Limited will not, in its capacity of Sponsor, treat the Applicant as its customer by virtue of such Applicant making an Application for the Bonds, and that Jesmond Mizzi Financial Advisors Limited will owe the Applicant no duties or responsibilities concerning the price of the Bonds or their appropriateness and suitability for the Applicant;
- k. agrees that all documents in connection with the issue of the Bonds will be sent at the Applicant's own risk and may be sent by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as set out in the Application Form; and
- l. renounces to any rights the Applicant may have to set off any amounts the Applicant may at any time owe the Issuer against any amount due under the terms of these Bonds.

8.2 Legislation under which the Bonds are created

The issue of the Bonds is made in accordance with the requirements of the Listing Rules, the Act and the Regulation.

8.3 Registration, Form, Denomination & Title

- 8.3.1 Certificates will not be delivered to Bondholders in respect of the Bonds given the fact that the entitlement to Bonds will be represented in an uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD. There will be entered in such electronic register the names, addresses, identity card numbers (in the case of natural persons), registration numbers (in the case of companies) and MSE account numbers of the Bondholders and particulars of the Bonds held by them respectively and a copy of such register will, at all reasonable times during business hours, be open to the inspection of the Bondholders at the registered office of the Issuer.
- 8.3.2 Upon request by the Bondholder, the CSD will issue a statement of holdings to Bondholders evidencing their entitlement to Bonds held in the register kept by the CSD.
- 8.3.3 [The Bonds will be issued in fully registered form, without interest coupons, in minimum subscriptions of €25,000 (in case of EUR Bonds) and £25,000 (in case of GBP Bonds) and thereafter in integral multiples of €1,000 (in case of EUR Bonds) and £1,000 (in case of GBP Bonds).
- 8.3.4 Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments) as the absolute owner of such Bond. Title to the Bonds may be transferred as provided below under the heading “**Transferability of the Bonds**”.

8.4 Currency of the Bonds

The currency of the Bonds is Euro (€) and Pounds Sterling (£).

8.5 Status of the Bonds (Ranking and Subordination)

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

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

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

8.6 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.

8.7 Rights Attached to the Bonds

There are no special rights attached to the Bonds other than the right of the Bondholders to (i) attend, participate in and vote at meetings of Bondholders in accordance with the terms and conditions of the Bonds; (ii) payment of capital and interest in accordance with the ranking as provided in this Securities Note; and (iii) such other rights attached to the Bonds emanating from this Securities Note.

8.8 Interest

- 8.8.1 The Bonds shall bear interest from and including 13 October 2017 at the rate of 5% per annum on the nominal value thereof, payable annually in arrears on each “**Interest Payment Date**”, the first Interest Payment Date being 13 October 2018 (covering the period 13 October 2017 to 12 October 2018), provided that any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day.
- 8.8.2 When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated on the basis of the actual number of days in such period divided by the actual number of days (365 or 366, as applicable) in the respective year.

8.9 Redemption, Payments of Redemption Value, Payment of Interest

- 8.9.1 The Bonds shall become due for final redemption on 13 October 2027, provided that the Issuer reserves the right to redeem any one or more of the Bonds or any part thereof on any of the Designated Early Redemption Dates, as the Issuer may determine with the prior approval of the MFSA, on giving not less than thirty (30) days’ notice to Bondholders. In making an early redemption as aforesaid, the Issuer reserves the right to redeem any one or both of the EUR Bonds or GBP Bonds, in whole or in part, at the discretion of the Issuer, in the currency in which they are issued. Redemption of the Bonds shall be made at the nominal value of the Bonds. In addition, the Issuer reserves the right to purchase, from the market at any time after issue, Bonds for cancellation.
- 8.9.2 Without prejudice to the preceding paragraph, in the event that a Regulatory Change Event were to occur, the Issuer shall, at its sole discretion but subject to the prior approval of the MFSA, have the option to redeem the Bonds in full prior to the scheduled Redemption Date or any possible Designated Early Redemption Date. In the event that the MFSA grants its approval to such early redemption, the Issuer may, subject to giving not less than thirty (30) nor more than sixty (60) days’ notice to Bondholders, redeem the Bonds in whole but not in part on the date specified in such notice (the “**Regulatory Redemption Date**”) at a redemption price equal to par plus accrued interest to but excluding the Regulatory Redemption Date.
- 8.9.3 At any time during the term of the Bonds, the Issuer may renounce to its rights under sub-section 8.9.2, in which case the Issuer will have permanently waived its right to request the MFSA to permit the early redemption of the Bonds.
- 8.9.4 For the purposes of sub-sections 8.9.2 and 8.9.3 above, the following definitions shall apply:

Regulatory Change Event	<i>A Regulatory Change Event shall be deemed to have occurred if, in terms of Article 78(4)(a) of the CRR, aspects of the CRR relating to the capital adequacy of banks in Malta are replaced or materially amended in respect of credit institutions by New Capital Regulations, the result of which is or would be that the Bonds are not or would no longer be eligible to qualify in whole or in part for inclusion (save where such exclusion is only as a result of any applicable limitation on the amount of such capital) in the Tier 2 Capital of the Issuer;</i>
New Capital Regulations	<i>Any regulations, requirements, guidelines and policies adopted by the MFSA or the European Parliament, European Council or European Commission that substantially replace or materially amend the CRR in respect of capital adequacy of banks in Malta;</i>
Tier 2 Capital	<i>Tier 2 Capital shall refer to the Tier 2 Capital as defined under Article 71 of the CRR.</i>

- 8.9.5 Payment of the principal amount of a Bond together with any outstanding interest accrued to the Redemption Date will be made in the currency in which that Bond is designated to the person in whose name such Bonds are registered at the close of business on the Redemption Date, by direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in Euro or Pounds Sterling, as the case may be, and held with any licensed bank in Malta. The Issuer shall not be responsible for any loss or delay in transmission.
- 8.9.6 Upon payment of the Redemption Value the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Bonds at the CSD, provided that where the Bondholder's bank account number is not known, the principal amount shall be retained by the Issuer for collection by the Bondholder or remittance when the bank account number of the said Bondholder is made known to the Issuer. In the case of Bonds held subject to usufruct, payment will be made against the joint instructions of all bare owners and usufructuaries. Before effecting payment the Issuer and/or the CSD shall be entitled to request any legal documents deemed necessary concerning the entitlement of the bare owner/s and the usufructuary/ies to payment of the Bonds.
- 8.9.7 Payment of any instalment of interest on a Bond will be made in Euro, or Pounds Sterling, as the case may be, to the person in whose name such Bond is registered at the close of business 15 days prior to the Interest Payment Date by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in Euro or Pounds Sterling, as the case may be, and held with any licensed bank in Malta. The Issuer shall not be responsible for any loss or delay in transmission, provided that where the Bondholder's bank account number is not known, the interest is retained by the Issuer for collection by the Bondholder entitled to such interest or remittance when the bank account number of the said Bondholder is made known to the Issuer.
- 8.9.8 All payments with respect to the Bonds are subject in all cases to any applicable fiscal or other laws and regulations prevailing in Malta. In particular, but without limitation, all payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made net of any amount which the Issuer is compelled by law to deduct or withhold for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Malta or any authority thereof or therein having power to tax.
- 8.9.9 No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments. Any applicable third party bank expenses or charges relating to the payment of interest on the Bonds shall be borne by the Issuer.

- 8.9.10 Unless previously purchased and cancelled as provided below, the Issuer will redeem the Bonds (together with payment of interest accrued thereon) at their nominal value on Redemption Date, which shall be either 13 October 2027 or the date of exercise by the Issuer of the option to redeem the Bond early on a Designated Early Redemption Date (with the MFSA's prior approval) or in the event of a Regulatory Change Event, as explained above.
- 8.9.11 Subject to the provisions of the following sub-section, the Issuer may at any time purchase Bonds in the open market or otherwise and at any price. If purchases are made by tender, tenders shall be made available to all Bondholders alike.
- 8.9.12 All Bonds purchased by the Issuer on its own account will be cancelled forthwith and may not be re-issued or resold.

8.10 Yield

The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at Redemption Date is five per cent (5%).

8.11 Meetings of Bondholders

- 8.11.1 The Issuer may from time to time call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of obtaining the consent of Bondholders on matters which in terms of the Prospectus require the approval of a Bondholders' meeting.
- 8.11.2 A meeting of Bondholders shall be called by the Directors by giving all Bondholders listed on the register of Bondholders as at a date being not more than thirty (30) days preceding the date scheduled for the meeting, not less than fourteen (14) days' notice in writing. Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment of the Prospectus that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Issuer shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this section 8.11.2 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.
- 8.11.3 The amendment or waiver of any of the provisions of and/or conditions contained in this Securities Note, or in any other part of the Prospectus, may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.
- 8.11.4 A meeting of Bondholders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose at least two (2) Bondholders present, in person or by proxy, representing not less than fifty per cent (50%) in nominal value of the Bonds then outstanding, shall constitute a quorum. If a quorum is not present within thirty (30) minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to the Bondholders present at that meeting. The Issuer shall within two (2) days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven (7) days, and not later than fifteen (15) days, following the original meeting. At an adjourned meeting: the number of Bondholders present, in person or by proxy, shall constitute a quorum; and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.
- 8.11.5 Any person who in accordance with the M&A of the Issuer is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders.

- 8.11.6 Once a quorum is declared present by the chairman of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions being required at the meeting the directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of the Bondholders present at the time at which the vote is being taken, and any Bondholders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote shall not be taken into account for the purpose of such vote.
- 8.11.7 The voting process shall be managed by the company secretary of the Issuer under the supervision and scrutiny of the auditors of the Issuer.
- 8.11.8 The proposal placed before a meeting of Bondholders shall only be considered approved if at least seventy-five per cent (75%) in nominal value of the Bondholders present at the meeting at the time when the vote is being taken, in person or by proxy, shall have voted in favour of the proposal.
- 8.11.9 Save for the above, the rules generally applicable to proceedings at general meetings of shareholders of the Issuer shall *mutatis mutandis* apply to meetings of Bondholders.

8.12 Authorisations & Approvals

- 8.12.1 The board of directors of the Issuer authorised the Bond Issue pursuant to a board of directors' resolution passed on 18 September 2017.
- 8.12.2 The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 25 September 2017.
- 8.12.3 Application has been made to the MSE for the Bonds being issued pursuant to this Prospectus to be listed and traded on the Official List.
- 8.12.4 The Bonds are expected to be admitted to the MSE with effect from 27 October 2017, and trading is expected to commence on 30 October 2017.

8.13 Issue Date

The Issue Date of the Bonds is expected to be 27 October 2017.

8.14 Transferability of the Bonds

- 8.14.1 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 and in accordance with the following requirements: trading in the EUR Bonds and GBP Bonds shall take place on the MSE in multiples of €1,000 and £1,000 respectively [subject to the retention of a minimum holding of €25,000 (or £25,000, as applicable) by each individual holder of the EUR Bonds or GBP Bonds, which shall be maintained at all times throughout such holder's investment in the respective type of Bond; and if EUR Bonds and GBP Bonds are held by financial intermediaries on behalf of clients under one or more nominee accounts, the minimum holding of €25,000 (or £25,000, as applicable) shall apply to each underlying beneficial owner].
- 8.14.2 Any person becoming entitled to a Bond in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may from time to time properly be required by the Issuer or the CSD, elect either to be registered himself as holder of the Bond or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the CSD, a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by transferring the Bond, or procuring the transfer of the Bond, in favour of that person.

- 8.14.3 All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.
- 8.14.4 The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the Issuer.
- 8.14.5 The Issuer will not register the transfer or transmission of Bonds for a period of 15 days preceding the due date for any payment of interest on the Bonds.
- 8.14.6 Any licensed financial intermediary effecting a transfer of Bonds in the secondary market shall be required to carry out an Appropriateness Test and, if providing advice, a Suitability Test, in respect of the transferee, and be satisfied, based on the results of such test (or tests, as applicable), that an investment in the Bonds may be considered appropriate and/or suitable (as applicable) for such transferee.

8.15 Taxation

8.15.1 General

Investors and prospective investors are urged to seek professional advice as regards both Maltese and any foreign tax legislation which may be applicable to them in respect of the Bonds, including their acquisition, holding and disposal as well as any income/gains derived therefrom or made on their disposal. The following is a summary of the anticipated tax treatment applicable to Bondholders in so far as taxation in Malta is concerned. This information does not constitute legal or tax advice and does not purport to be exhaustive.

The information below is based on an interpretation of tax law and practice relative to the applicable legislation, as known to the Issuer at the date of the Prospectus, in respect of a subject on which no official guidelines exist. Investors are reminded that tax law and practice and their interpretation as well as the levels of tax on the subject matter referred to in the preceding paragraph, may change from time to time.

This information is being given solely for the general information of investors. The precise implications for investors will depend, among other things, on their particular circumstances and on the classification of the Bonds from a Maltese tax perspective, and professional advice in this respect should be sought accordingly.

8.15.2 Malta tax on interest

Since interest is payable in respect of a Bond which is the subject of a public issue, unless the Issuer is instructed by a Bondholder to receive the interest gross of any withholding tax or the Bondholder does not fall within the definition of “recipient” in terms of Article 41(c) of the Income Tax Act (Cap 123, Laws of Malta), interest shall be paid to such Bondholder net of a final withholding tax, currently at the rate of 15% (10% in the case of certain types of collective investment schemes) of the gross amount of the interest, pursuant to Article 33 of the Income Tax Act (Cap. 123, Laws of Malta). Bondholders who do not fall within the definition of a “recipient” do not qualify for the said rate. Bondholders should make their own determinations as to whether they qualify as “recipients”, should communicate such determination accordingly and should seek advice on the taxation of such income as special rules may apply.

This withholding tax is considered as a final tax and a Maltese resident individual Bondholder is not obliged to declare the interest so received in his income tax return (to the extent that the interest is paid net of tax). No person shall be charged to further tax in respect of such income. Furthermore, such tax should not be available as a credit against the recipient’s tax liability or for a refund, as the case may be, for the relevant year of assessment in Malta. The Issuer will render an account to the Maltese Commissioner for Revenue of all amounts so deducted but will not specify the identity of the recipient.

In the case of a valid election made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his income tax return and be subject to tax on it at the standard rates applicable to such Bondholder. Additionally, in this latter case, the Issuer will advise the Maltese Commissioner for Revenue on an annual basis of all interest paid gross and of the identity of all such recipients. Any such election made by a resident Bondholder at the time of subscription may be subsequently changed by giving notice in writing to the Issuer. Such election or revocation will be effective within the time limit set out in the Income Tax Act.

In terms of article 12(1)(c) of the Income Tax Act, Bondholders who are not resident in Malta satisfying the applicable conditions set out in the Income Tax Act are not taxable in Malta on the interest received and will receive interest gross, subject to the requisite declaration/evidence being provided to the Issuer in terms of law.

8.15.3 Exchange of Information

In terms of applicable Maltese legislation, the Issuer and/or its agent are required to collect and forward certain information (including, but not limited to, information regarding payments made to certain Bondholders) to the Commissioner for Revenue. The Commissioner for Revenue will or may, in turn, automatically or on request, forward the information to other relevant tax authorities subject to certain conditions. Please note that this does not constitute tax advice and Applicants are to consult their own independent tax advisers in case of doubt.

8.15.4 Malta capital gains on transfer of the Bonds

On the assumption that the Bonds would not fall within the definition of “securities” in terms of article 5(1)(b) of the Income Tax Act, that is, “shares and stocks and such *like instrument that participate in any way in the profits of the company and whose return is not limited to a fixed rate of return*”, to the extent that the Bonds are held as capital assets by the Bondholder, no tax on capital gains is chargeable in respect of a transfer of the Bonds.

8.15.5 Duty on documents and transfers

In terms of the Duty on Documents and Transfers Act (Cap. 364, Laws of Malta), duty is chargeable inter alia on the transfer or transmission causa mortis of marketable securities. A marketable security is defined in the said legislation as “a holding of share capital in any company and any document representing the same”.

Consequently, the Bonds should not be treated as constituting marketable securities within the meaning of the legislation and therefore, the transfer/transmission thereof should not be chargeable to duty.

Furthermore, even if the Bonds are considered marketable securities for the purposes of the Duty on Documents and Transfers Act, in terms of Article 50 of the Financial Markets Act, (Cap. 345, Laws of Malta) as the Bonds constitute financial instruments of a company quoted on a regulated market Exchange, as is the MSE, redemptions and transfers of the Bonds should, in any case, be exempt from duty.

INVESTORS AND PROSPECTIVE INVESTORS ARE URGED TO SEEK PROFESSIONAL ADVICE AS REGARDS BOTH MALTESE AND ANY FOREIGN TAX LEGISLATION APPLICABLE TO THE ACQUISITION, HOLDING AND DISPOSAL OF BONDS AS WELL AS INTEREST PAYMENTS MADE BY THE ISSUER. THE ABOVE IS A SUMMARY OF THE ANTICIPATED TAX TREATMENT APPLICABLE TO THE BONDS AND TO BONDHOLDERS. THIS INFORMATION, WHICH DOES NOT CONSTITUTE LEGAL OR TAX ADVICE, REFERS ONLY TO BONDHOLDERS WHO DO NOT DEAL IN SECURITIES IN THE COURSE OF THEIR NORMAL TRADING ACTIVITY.

8.16 Further Issues

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

8.17 Event of Default

The only circumstances under which the Bonds will become immediately due and repayable at their principal amount together with accrued interest before the Redemption Date shall be in the event that an order is made or resolution passed or other action taken for the dissolution, termination of existence, liquidation, winding up or bankruptcy of the Issuer (an “Event of Default”). Upon the occurrence of an Event of Default, all rights available to the Bondholders shall rank after all other unsubordinated unsecured obligations of the Issuer.

8.18 Limited Recourse

The Bondholder agrees to waive his rights of enforcement against the Issuer in the case of non-payment of interest or other breach of the terms of the Bond. The only remedy available to the Bondholder shall be the petitioning for the winding up of the Issuer, which shall constitute an Event of Default.

8.19 Plan of Distribution

Applications for subscription to the Bonds may be made through any of the Authorised Financial Intermediaries. The Bonds shall be distributed through an Intermediaries’ Offer in terms of section 10 below.

Authorised Financial Intermediaries shall be required to carry out an Appropriateness Test in respect of each Applicant for the purpose of assessing such Applicant’s level of knowledge and experience prior to investing in the Bonds. Applications shall not be accepted by Authorised Financial Intermediaries unless, based on the results of such Appropriateness Test, the Authorised Financial Intermediary is satisfied that an investment in the Bonds may be considered appropriate for the Applicant. To the extent that an Authorised Financial Intermediary is providing advice in respect of a purchase of the Bonds by an Applicant, such Authorised Financial Intermediary shall also be required to conduct a Suitability Test in respect of the Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered suitable for the Applicant.

8.20 Allotment Results

It is expected that the notification of registration to Applicants will be issued within five (5) Business Days of the announcement of the allocation policy. The registration advice and other documents and any monies returnable to Intermediaries may be retained pending clearance of the remittance, and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the laws of Malta) (and regulations made thereunder). Such monies will not bear interest while retained as aforesaid.

Dealing shall commence upon admission to trading of the Bonds by the MSE, and subsequent to the above mentioned notification.

9. EXPECTED TIMETABLE

Application Forms available	27 September 2017 to 13 October 2017
Intermediaries' Offer	13 October 2017
Commencement of interest on the Bonds	13 October 2017
Refunds of unallocated monies	17 October 2017
Announcement of basis of acceptance	20 October 2017
Expected date of notification of registration	27 October 2017
Expected date of admission to trading	27 October 2017
Expected date of commencement of trading	30 October 2017

10. INTERMEDIARIES' OFFER

The Issuer shall enter into conditional subscription agreements with Authorised Financial Intermediaries for the subscription of Bonds whereby it will bind itself to allocate Bonds to such investors during the Intermediaries' Offer.

In terms of each subscription agreement entered into with an Authorised Financial Intermediary, the Issuer will be conditionally bound to issue, and each Authorised Financial Intermediary will bind itself to subscribe for, a number of Bonds subject to being admitted to trading on the Official List. The subscription agreements will become binding on each of the Issuer and the Authorised Financial Intermediaries upon delivery, provided that these intermediaries would have paid to the Issuer all subscription proceeds in cleared funds on delivery of the subscription agreement.

Authorised Financial Intermediaries subscribing for Bonds may do so for their own account or for the account of underlying customers, including retail customers, and shall in addition be entitled to distribute any portion of the Bonds subscribed for upon commencement of trading.

11. ALLOCATION POLICY

The Bonds shall be allocated to Authorised Financial Intermediaries pursuant to the conditional subscription agreements entered into with the Issuer, details of which can be found in section 10 above.

12. ADMISSION TO TRADING

Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the MSE for the Bonds to be listed and traded on its Official List. The Conditions contained herein shall be read in conjunction with the Bye-Laws of the MSE applicable from time to time.

13. DOCUMENTS ON DISPLAY

For the lifetime of the Securities Note, the following documents (or copies thereof, where applicable) shall be available for inspection at the registered office of the Issuer:

- The M&A; and
- The consolidated audited financial statements of the Issuer for the financial years ended 31 March 2015, 2016 and 2017, including the respective auditor's reports.

The above-mentioned documents are also available for inspection in electronic form on the Issuer's website at www.medbank.com.mt.

ANNEX I – SPECIMEN APPLICATION FORMS



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Application Form

Application Number

5% € Subordinated Unsecured Bonds due 2027

Please read the notes overleaf before completing this Application Form. Mark 'X' if applicable.

APPLICANT (see notes 3 to 7)

A Non-Resident CIS-Prescribed Fund Minor (under 18) Body Corporate/Body of Persons

B	TITLE (MR/MRS/MS/...)	FULL NAME & SURNAME/REGISTERED NAME		
	ADDRESS/REGISTERED OFFICE			POSTCODE
	MSE A/C NO.	ID CARD / PASSPORT / COMPANY REG. NO.	TEL. NO.	MOBILE NO.

C ADDITIONAL (JOINT) APPLICANTS (see note 3) (please use additional Application Forms if space is not sufficient)

	TITLE (MR/MRS/MS/...)	FULL NAME & SURNAME	ID CARD/PASSPORT NO.
	TITLE (MR/MRS/MS/...)	FULL NAME & SURNAME	ID CARD/PASSPORT NO.

D MINOR'S PARENTS / LEGAL GUARDIAN/S (see note 4) (to be completed ONLY if the Applicant is a minor)

i	TITLE (MR/MRS/MS/...)	FULL NAME & SURNAME	ID CARD/PASSPORT NO.
ii	TITLE (MR/MRS/MS/...)	FULL NAME & SURNAME	ID CARD/PASSPORT NO.

E I/WE APPLY TO PURCHASE AND ACQUIRE (see notes 8 and 9)

	AMOUNT IN FIGURES	AMOUNT IN WORDS
	€	

Mediterranean Bank plc 5% Subordinated Unsecured Bonds due 2027 (minimum €25,000 and in multiples of €1,000 thereafter) or any smaller amount of Bonds for which this Application may be accepted at the Bond Issue Price as defined in the Prospectus regulating the Bond Issue (the "Prospectus") payable in full upon application under the Terms and Conditions contained therein.

F RESIDENT - WITHHOLDING TAX ON DECLARATION (see note 10) (to be completed ONLY if the Applicant is a Resident of Malta)

- I/We elect to have Final Withholding Tax deducted from my/our interest.
 I/We elect to receive interest GROSS (i.e. without deduction of withholding tax).

G NON-RESIDENT - DECLARATION FOR TAX PURPOSES (see note 11) (to be completed ONLY if the Applicant is a Non-Resident)

TAX COUNTRY	TOWN OF BIRTH	TIN (TAX IDENTIFICATION NO.)	
NATIONAL ID CARD / PASSPORT NO.	COUNTRY OF BIRTH	COUNTRY OF ISSUE	ISSUE DATE

- I/We am/are NOT Resident in Malta but I/we am/are Resident in the European Union.
 I/We am/are NOT Resident in Malta and I/we am/are NOT Resident in the European Union.

H INTEREST AND REDEPTION MANDATE (see note 10) (completion of this panel is mandatory)

BANK	IBAN
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I I/We have fully understood the instructions for completing this Application Form, and am/are making this Application solely on the basis of the Prospectus and subject to its terms and conditions which I/we fully accept. Furthermore, I/we confirm that this is the only Application from I/we am/are submitting on my/our behalf or on behalf of the company or other entity I/we represent.

Signature/s of Applicant/s

Date

(both parents or legal guardian/s are/is to sign if Applicant is a minor)
 (all parties are to sign in the case of a joint Application)

Authorised Financial Intermediary's Stamp

Authorised Financial Intermediary's Code

Notes on how to complete this Application Form and other information

The following notes are to be read in conjunction with the Prospectus regulating the Bond Issue

1. This application is governed by the Terms and Conditions contained in the Prospectus. Capitalised terms not defined herein, shall unless the context otherwise requires, have the same meaning as that assigned to them in the Prospectus.
2. The Application Form is to be completed in BLOCK LETTERS.
3. Applicants are to insert full personal details in Panel B. In the case of an application by more than one person (including husband and wife) full details of all individuals – including I.D. Card Numbers – must be given in Panels B and C but the person whose name appears in Panel B shall, for all intents and purposes, be deemed to be the registered holder of the Bond. Interest and redemption proceeds will be issued in the name of such Bondholder (see note 7 below).
4. In the case of an Applicant who is a minor, the word 'MINOR' must be indicated in Panel B next to the Applicant's name and the relative box in Panel A must also be marked. A Public Registry birth certificate must be attached to the Application Form. (The birth certificate is not required if the minor already holds securities which are listed on the Malta Stock Exchange (MSE)). The Application Form must be signed by both parents or by the legal guardian/s. In the latter case documentary evidence of the legal guardian's appointment should be provided. (Interest and redemption proceeds will be made payable to the parent / legal guardian named in Panel D until such time as the Issuer is notified that the minor named in Panel B has attained the age of 18). The address to be inserted in Panel B is to be that of the parents / legal guardian/s.
5. Applicants who are Non-Resident in Malta for tax purposes must indicate their passport number in Panel B, complete Panel G and the relative box in Panel A must also be marked appropriately.
6. In the case of a body corporate, the name of the entity, exactly as registered, and the registration number are to be inserted in Panel B. Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
7. **APPLICANTS WHO ALREADY HOLD SECURITIES ON THE MALTA STOCK EXCHANGE ARE TO INDICATE THEIR MSE ACCOUNT NUMBER IN PANEL B. APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED IN THE MSE ACCOUNT NUMBER QUOTED ON THE APPLICATION FORM. IF DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE MALTA STOCK EXCHANGE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF, A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MALTA STOCK EXCHANGE WILL HAVE TO BE EFFECTED.**
8. Application must be for a minimum of €25,000 and thereafter in multiples of €1,000.
9. Application must be accompanied by the relevant subscription amount in Euro.
10. Only Applicants who hold a valid official Maltese Identity Card or Companies registered in Malta will be treated as residents in Malta. In such cases, the Applicant may elect to have Final Withholding Tax, currently 15%, deducted from interest payments in which case such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross, i.e. without deduction of Final Withholding Tax but he/she will be obliged to declare interest so received on his/her tax return. Authorised entities applying in the name of a Prescribed Fund (having indicated their status in the appropriate box in Panel A) will have Final Withholding Tax, currently 10%, deducted from interest payments. Applicants will receive their interest directly in a bank account held locally, which has to be indicated in Panel H. If any Application is not accepted, or is accepted for fewer Bonds than those applied for, the monies of the balance of the amount paid but not allocated, as the case may be, will be returned by direct credit into the Applicant's bank account as indicated in Panel H.
11. Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the Director General Inland Revenue, Malta, who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation.
12. The offer period will close at 12:00pm on 13 October 2017.
13. Completed Application Forms are to be delivered to any Authorised Financial Intermediary listed in the Prospectus, during normal office hours. Remittances by post are made at the risk of the Applicant and the Issuer disclaims all responsibility for any such remittances not received by the closing of the subscription lists.
14. The Issuer reserves the right to refuse any Application which appears to be in breach of the terms and conditions of the Bond as contained in the Prospectus.
15. The Issuer may process the personal data that the Applicant provides in the Application Form, for all purposes necessary for and related to the issue of the Bonds applied for, in accordance with the Data Protection Act, Cap. 440. The Applicant has the right to request access to and rectification of the personal data relating to him/her, as processed by the Issuer. Any such requests must be made in writing and sent to the Issuer at the address indicated in the Prospectus. The requests must further be signed by the Applicant to whom the personal data relates.

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds on offer will be repayable in full upon redemption. An investor should consult an independent investment adviser, licensed under the Investment Services Act (Cap. 370 of the Laws of Malta), for advice.



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Think Ahead. Bank Ahead.

Application Form

Application Number

5% £ Subordinated Unsecured Bonds due 2027

Please read the notes overleaf before completing this Application Form. Mark 'X' if applicable.

APPLICANT (see notes 3 to 7)

A Non-Resident CIS-Prescribed Fund Minor (under 18) Body Corporate/Body of Persons

B	TITLE (MR/MRS/MS/...)	FULL NAME & SURNAME/REGISTERED NAME		
	ADDRESS/REGISTERED OFFICE		POSTCODE	
	MSE A/C NO.	ID CARD / PASSPORT / COMPANY REG. NO.	TEL. NO.	MOBILE NO.

C ADDITIONAL (JOINT) APPLICANTS (see note 3) (please use additional Application Forms if space is not sufficient)

	TITLE (MR/MRS/MS/...)	FULL NAME & SURNAME	ID CARD/PASSPORT NO.
	TITLE (MR/MRS/MS/...)	FULL NAME & SURNAME	ID CARD/PASSPORT NO.

D MINOR'S PARENTS / LEGAL GUARDIAN/S (see note 4) (to be completed ONLY if the Applicant is a minor)

i	TITLE (MR/MRS/MS/...)	FULL NAME & SURNAME	ID CARD/PASSPORT NO.
ii	TITLE (MR/MRS/MS/...)	FULL NAME & SURNAME	ID CARD/PASSPORT NO.

E I/WE APPLY TO PURCHASE AND ACQUIRE (see notes 8 and 9)

	AMOUNT IN FIGURES	AMOUNT IN WORDS
	£	

Mediterranean Bank plc 5% Subordinated Unsecured Bonds due 2027 (minimum £25,000 and in multiples of £1,000 thereafter) or any smaller amount of Bonds for which this Application may be accepted at the Bond Issue Price as defined in the Prospectus regulating the Bond Issue (the "Prospectus") payable in full upon application under the Terms and Conditions contained therein.

F RESIDENT - WITHHOLDING TAX ON DECLARATION (see note 10) (to be completed ONLY if the Applicant is a Resident of Malta)

- I/We elect to have Final Withholding Tax deducted from my/our interest.
 I/We elect to receive interest GROSS (i.e. without deduction of withholding tax).

G NON-RESIDENT - DECLARATION FOR TAX PURPOSES (see note 11) (to be completed ONLY if the Applicant is a Non-Resident)

TAX COUNTRY	TOWN OF BIRTH	TIN (TAX IDENTIFICATION NO.)	
NATIONAL ID CARD / PASSPORT NO.	COUNTRY OF BIRTH	COUNTRY OF ISSUE	ISSUE DATE

- I/We am/are NOT Resident in Malta but I/we am/are Resident in the European Union.
 I/We am/are NOT Resident in Malta and I/we am/are NOT Resident in the European Union.

H INTEREST REDEMPTION MANDATE (see note 10) (completion of this panel is mandatory)

BANK	IBAN
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I I/We have fully understood the instructions for completing this Application Form, and am/are making this Application solely on the basis of the Prospectus and subject to its terms and conditions which I/we fully accept. Furthermore, I/we confirm that this is the only Application from I/we am/are submitting on my/our behalf or on behalf of the company or other entity I/we represent.

Signature/s of Applicant/s

Date

(both parents or legal guardian/s are/is to sign if Applicant is a minor)
(all parties are to sign in the case of a joint Application)

Authorised Financial Intermediary's Stamp

Authorised Financial Intermediary's Code

Notes on how to complete this Application Form and other information

The following notes are to be read in conjunction with the Prospectus regulating the Bond Issue

1. This application is governed by the Terms and Conditions contained in the Prospectus. Capitalised terms not defined herein, shall unless the context otherwise requires, have the same meaning as that assigned to them in the Prospectus.
2. The Application Form is to be completed in BLOCK LETTERS.
3. Applicants are to insert full personal details in Panel B. In the case of an application by more than one person (including husband and wife) full details of all individuals – including I.D. Card Numbers – must be given in Panels B and C but the person whose name appears in Panel B shall, for all intents and purposes, be deemed to be the registered holder of the Bond. Interest and redemption proceeds will be issued in the name of such Bondholder (see note 7 below).
4. In the case of an Applicant who is a minor, the word 'MINOR' must be indicated in Panel B next to the Applicant's name and the relative box in Panel A must also be marked. A Public Registry birth certificate must be attached to the Application Form. (The birth certificate is not required if the minor already holds securities which are listed on the Malta Stock Exchange (MSE)). The Application Form must be signed by both parents or by the legal guardian/s. In the latter case documentary evidence of the legal guardian's appointment should be provided. (Interest and redemption proceeds will be made payable to the parent / legal guardian named in Panel D until such time as the Issuer is notified that the minor named in Panel B has attained the age of 18). The address to be inserted in Panel B is to be that of the parents / legal guardian/s.
5. Applicants who are Non-Resident in Malta for tax purposes must indicate their passport number in Panel B, complete Panel G and the relative box in Panel A must also be marked appropriately.
6. In the case of a body corporate, the name of the entity, exactly as registered, and the registration number are to be inserted in Panel B. Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
7. **APPLICANTS WHO ALREADY HOLD SECURITIES ON THE MALTA STOCK EXCHANGE ARE TO INDICATE THEIR MSE ACCOUNT NUMBER IN PANEL B. APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED IN THE MSE ACCOUNT NUMBER QUOTED ON THE APPLICATION FORM. IF DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE MALTA STOCK EXCHANGE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF, A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MALTA STOCK EXCHANGE WILL HAVE TO BE EFFECTED.**
8. Application must be for a minimum of £25,000 and thereafter in multiples of £1,000.
9. Application must be accompanied by the relevant subscription amount in Pounds Sterling.
10. Only Applicants who hold a valid official Maltese Identity Card or Companies registered in Malta will be treated as residents in Malta. In such cases, the Applicant may elect to have Final Withholding Tax, currently 15%, deducted from interest payments in which case such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross, i.e. without deduction of Final Withholding Tax but he/she will be obliged to declare interest so received on his/her tax return. Authorised entities applying in the name of a Prescribed Fund (having indicated their status in the appropriate box in Panel A) will have Final Withholding Tax, currently 10%, deducted from interest payments. Applicants will receive their interest directly in a bank account held locally, which has to be indicated in Panel H. If any Application is not accepted, or is accepted for fewer Bonds than those applied for, the monies of the balance of the amount paid but not allocated, as the case may be, will be returned by direct credit into the Applicant's bank account as indicated in Panel H.
11. Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the Director General Inland Revenue, Malta, who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation.
12. The offer period will close at 12:00pm on 13 October 2017.
13. Completed Application Forms are to be delivered to any Authorised Financial Intermediary listed in the Prospectus, during normal office hours. Remittances by post are made at the risk of the Applicant and the Issuer disclaims all responsibility for any such remittances not received by the closing of the subscription lists.
14. The Issuer reserves the right to refuse any Application which appears to be in breach of the terms and conditions of the Bond as contained in the Prospectus.
15. The Issuer may process the personal data that the Applicant provides in the Application Form, for all purposes necessary for and related to the issue of the Bonds applied for, in accordance with the Data Protection Act, Cap. 440. The Applicant has the right to request access to and rectification of the personal data relating to him/her, as processed by the Issuer. Any such requests must be made in writing and sent to the Issuer at the address indicated in the Prospectus. The requests must further be signed by the Applicant to whom the personal data relates.

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds on offer will be repayable in full upon redemption. An investor should consult an independent investment adviser, licensed under the Investment Services Act (Cap. 370 of the Laws of Malta), for advice.

ANNEX II – AUTHORISED FINANCIAL INTERMEDIARIES

Name	Address	Telephone
Charts Investment Management Service Ltd	Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913	21224106
Jesmond Mizzi Financial Advisors Ltd	67/3, South Street, Valletta VLT 1105	23265696
Mediterranean Bank plc	10, St Barbara Bastion, Valletta VLT 1961	25574400