



mediterraneanbank

wealth management - savings - investments

Summary Note dated 21 November 2012

This Summary Note is issued in accordance with the provisions of Chapter 4 of the Listing Rules issued by the Listing Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No 486/2012 of 30 March 2012 amending the Regulation as regards the format and content of the prospectus, the base prospectus, the summary and the final terms as regards the disclosure requirements.

Issue of euro equivalent of

€10,000,000

in 7.5% Subordinated Bonds due 2019

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

(or euro equivalent of €12,500,000 in case of exercise of the Over-Allotment Option)

by

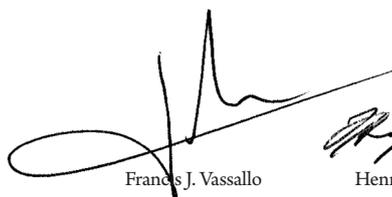
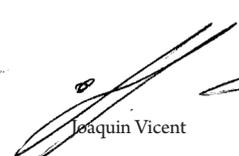
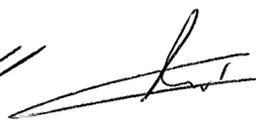
Mediterranean Bank plc

(registered with limited liability in the Republic of Malta)

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APPROVED BY THE DIRECTORS

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

Legal Counsel

CAMILLERI PREZIOSI
ADVOCATES

Sponsor


Calamatta Cuschieri
 Investment Advisors & Stockbrokers

Manager & Registrar


MALTA STOCK EXCHANGE plc

1 IMPORTANT INFORMATION

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

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

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 DOCUMENT. ACCORDINGLY NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN ANY FINANCIAL INSTRUMENTS AND SECURITIES ISSUED BY THE ISSUER.

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

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

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

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

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

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

THIS SUMMARY NOTE IS PREPARED IN ACCORDANCE WITH THE REQUIREMENTS OF THE REGULATION, AS AMENDED BY COMMISSION DELEGATED REGULATION (EU) NO 486/2012 OF 30 MARCH 2012 AMENDING THE REGULATION AS REGARDS THE FORMAT AND CONTENT OF THE PROSPECTUS, THE BASE PROSPECTUS, THE SUMMARY AND THE FINAL TERMS AS REGARDS THE DISCLOSURE REQUIREMENTS.

SUMMARIES ARE MADE UP OF DISCLOSURE REQUIREMENTS KNOWN AS 'ELEMENTS'. THESE ELEMENTS ARE NUMBERED IN SECTIONS A – E (A.1– E.7). THIS SUMMARY CONTAINS ALL THE ELEMENTS REQUIRED TO BE INCLUDED IN A SUMMARY FOR THIS TYPE OF SECURITY AND ISSUER. BECAUSE SOME ELEMENTS ARE NOT REQUIRED TO BE ADDRESSED, THERE MAY BE GAPS IN THE NUMBERING SEQUENCE OF THE ELEMENTS.

EVEN THOUGH AN ELEMENT MAY BE REQUIRED TO BE INSERTED IN THE SUMMARY BECAUSE OF THE TYPE OF SECURITIES AND ISSUER, IT IS POSSIBLE THAT NO RELEVANT INFORMATION CAN BE GIVEN REGARDING THE ELEMENT. IN THIS CASE A SHORT DESCRIPTION OF THE ELEMENT IS INCLUDED IN THE SUMMARY WITH THE MENTION OF 'NOT APPLICABLE'.

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

| | |
|--|---|
| Act | the Companies Act (Cap 386. of the laws of Malta); |
| AnaCap | AnaCap Financial Partners II L.P., a limited liability partnership incorporated under the laws of Guernsey with company number 1027; |
| Applicant | a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form; |
| Application/s | the application to subscribe for Bonds made by an Applicant/s by completing an Application Form/s and delivering same to the Issuer or to any of the other Authorised Financial Intermediaries; |
| Application Form | the forms of application of subscription for EUR Bonds or GBP Bonds, specimens of which are contained in Annex II of this Prospectus; |
| Appropriateness Test | the test conducted by any licensed financial intermediary when providing an investment service (other than investment advice or portfolio management) in relation to the subscription for and the trading of Bonds, for the purpose of such licensed financial intermediary determining (after collecting the necessary information) whether the investment service or the Bonds are appropriate for an Applicant or prospective transferee. In carrying out this assessment, the licensed financial intermediary shall ask the Applicant or prospective transferee to provide information regarding the Applicant or prospective transferee's knowledge and experience so as to determine that the Applicant or prospective transferee has the necessary experience and knowledge in order to understand the risks involved in relation to the Bonds or investment service offered or demanded, in accordance with Part BI of the ISR. In the event that the licensed financial intermediary considers, on the basis of the test conducted, that the transfer of Bonds is not appropriate for the Applicant or prospective transferee, the licensed financial intermediary shall reject the Applicant or prospective transferee's request to subscribe for or acquire Bonds, irrespective of whether the Applicant or prospective transferee is warned that the investment in the Bonds is not appropriate for him/her; |
| Authorised Financial Intermediaries | the licensed stockbrokers and financial intermediaries listed in Annex I of the Securities Note; |
| Bond(s) | together, the EUR Bonds and the GBP Bonds; |
| Bondholder | a holder of Bonds; |
| Bond Issue | the issue of the Bonds; |
| Bond Issue Price | the price of €100 per Bond in the case of the EUR Bonds, and the price of £100 per Bond in the case of the GBP Bonds; |
| Business Day | any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business; |
| CSD | the Central Securities Depository of the Malta Stock Exchange; |
| Directors or Board | the directors of the Issuer who are, as of the date hereof: Francis J. Vassallo <i>Chairman & Non-Executive Director</i> Finlay S. McFadyen <i>Non-Executive Director</i> Peter B. Cartwright <i>Non-Executive Director</i> Mark A. Watson <i>Executive Director – Chief Executive Officer</i> Henry C. Schmeltzer <i>Executive Director - Director of Commercial Strategy and Head of Legal</i> Joaquin Vicent <i>Executive Director - Head Credit & Investments</i> Vincent Chatard <i>Executive Director - Chief Operating Officer</i> |
| EUR Bonds | the 7.5% Subordinated Bonds due 2019 of a face value of €100 per bond redeemable at their nominal value on the Redemption Date, bearing interest at the rate of 7.5% per annum, which in aggregate with the GBP Bonds would not exceed the euro equivalent of €10,000,000 (or €12,500,000 in case of exercise of the Over-Allotment Option) in value of Bonds issued pursuant to this Prospectus; |
| Euro or € | the lawful currency of the Republic of Malta; |
| Event of Default | the event of default in relation to the Bonds contained in the Securities Note under the heading "Events of Default"; |
| GBP Bonds | the 7.5% Subordinated Bonds due 2019 of a face value of £100 per bond redeemable at their nominal value on the Redemption Date, bearing interest at the rate of 7.5% per annum, which in aggregate with the EUR Bonds would not exceed the euro equivalent of €10,000,000 (or €12,500,000 in case of exercise of the Over-Allotment Option) in value of Bonds issued pursuant to this Prospectus; |
| Group | the group of companies of which the Issuer is the parent company as set out in section B.5 of this Summary Note; |
| Interest Payment Dates | annually on 14 December of each year commencing on 14 December 2013 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; |
| ISR | the Investment Services Rules for Investment Services Providers, the Standard License Conditions applicable to Investment Services License Holders (excluding UCITS Management Companies), issued by the Malta Financial Services Authority as amended from time to time; |

| | |
|------------------------------------|---|
| Issue Date | 27 December 2012; |
| Issuer or Bank | Mediterranean Bank plc, a public limited liability company registered in Malta with company number C 34125 having its registered office at 10, St Barbara Bastion, Valletta, VLT 1961, Malta; |
| Listing Authority | the Malta Financial Services Authority, as appointed in terms of the Financial Markets Act, 1990 (Cap. 345 of the laws of Malta); |
| Listing Rules | the listing rules issued by the Listing Authority; |
| Lower Tier 2 Capital | Lower Tier 2 Capital shall refer to Additional Own Funds, Lower Tranche as defined under Rule BR/03 and any rules that supersede BR/03 in respect of credit institutions from time to time; |
| 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; |
| M&A | the memorandum and articles of association of the Issuer in force at the time of publication of the Prospectus; |
| MFSA | the Malta Financial Services Authority, incorporated in terms of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta); |
| New Capital Regulations | any regulations, requirements, guidelines and policies adopted by the MFSA or the European Parliament, European Council or European Commission that substantially replace or materially amend Rule BR/03 in respect of capital adequacy of banks in 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; |
| Over-Allotment Option | the option of the Issuer, at its sole and absolute discretion, to increase the Bond Issue by a maximum of an additional euro equivalent of €2,500,000 in EUR Bonds and/or GBP Bonds, in the event of oversubscription; |
| Prospectus | collectively the Registration Document, the Securities Note and the Summary Note, as such documents may be amended, updated, replaced and supplemented from time to time; |
| Redemption Date | 14 December 2019, or earlier in the case of a Regulatory Change Event; |
| Redemption Value | the nominal value of each Bond; |
| Registration Document | the registration document issued by the Issuer dated 21 November 2012 forming part of the Prospectus; |
| Regulation | 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; |
| Regulatory Change Event | a Regulatory Change Event shall be deemed to have occurred if Rule BR/03 is 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 Lower Tier 2 Capital or Tier 2 Capital, as the case may be, of the Issuer; |
| Rule BR/03 | Rule BR/03/2012 (Own Funds of Credit Institutions Authorised under the Banking Act 1994) of the MFSA; |
| Securities Note | the securities note issued by the Issuer dated 21 November 2012, forming part of the Prospectus; |
| Subordination | 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 | the process through which a licensed financial intermediary providing investment advice or portfolio management services in relation to the subscription for and the trading of Bonds obtains such information from an Applicant or prospective transferee as is necessary to enable the licensed financial intermediary to recommend to or, in the case of portfolio management, to effect for, the Applicant or prospective transferee, the investment service and trading in Bonds that are considered suitable for him/her, in accordance with Part BI of the ISR. The information obtained pursuant to this test must be such as to enable the licensed financial intermediary to understand the essential facts about the Applicant or prospective transferee and to have a reasonable basis for believing, giving due consideration to the nature and extent of the service provided, that the specific transaction to be recommended, or to be entered into in the course of providing a portfolio management service, satisfies the following criteria: <ul style="list-style-type: none"> (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 his/her investment objectives; 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 or her portfolio; |
| Terms and Conditions | the terms and conditions of the Bonds contained in the Securities Note under the heading “ Terms and Conditions of the Bonds ”; |
| Tier 2 Capital | Tier 2 Capital shall refer to Additional Own Funds as defined under Rule BR/03 and any rules that supersede BR/03 in respect of credit institutions from time to time. |

SECTION A INTRODUCTION AND WARNINGS

A.1 Prospective investors are hereby warned that:

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

SECTION B ISSUER

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

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

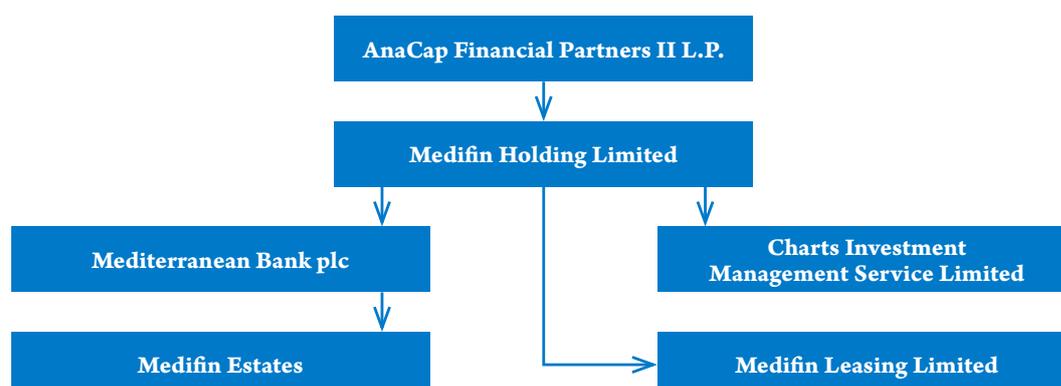
B.4b The continuation of the European debt crisis in 2012 has taken its toll on the real economy and has sent the European economies into recession where austerity in public finances continues to be the norm across Europe. Nevertheless, the European government debt markets have shown signs of stabilisation during the third quarter of 2012.

The Issuer's asset portfolio comprises loans and securities primarily issued by European borrowers. The securities portfolio primarily includes covered bonds, public sector bonds and mortgage bonds, denominated in euro and most of which are eligible for financing through facilities provided to European Union banks by the European Central Bank. The Issuer's loan portfolio comprises senior secured loans to European corporations, denominated either in euro or pounds sterling. Moreover, the deposit base of the Issuer primarily consists of customers located in Malta and other European Union countries, including both retail and corporate clients. As a result of the composition of the Issuer's asset portfolio and deposit base, any broadly negative economic trends affecting the European Union are likely to have an adverse effect on the Issuer.

The Issuer's investment portfolio was adversely affected during its financial period ended 31 March 2012 by impairment losses related to the exchange of Greek government bonds by the Issuer. As a result of such exchange, as at 31 March 2012 the Issuer's Greek debt exposure was recorded at a carrying value of €28.5 million after recognising impairment charges of €62.9 million. On completion of the aforementioned exchange offers, the Issuer received (i) new Greek government bonds, which were retained and had a carrying value of €14.7 million as of 30 September 2012, and (ii) bonds issued by the European Financial Stability Facility, which had a carrying value at the time of receipt of €13.9 million and were sold shortly thereafter. The mark-to-market price of the retained new Greek bonds as of 30 September 2012 was €5.8 million.

During the financial period ended 31 March 2012, the Issuer mitigated these impairment losses through the realisation of gains on its core country investment portfolio which was constructed with the intention of mitigating losses and potential losses on the Bank's peripheral portfolio.

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



The organisational structure set out above does not include Mediterranean Research Limited and Mediterranean Global Advisory SA, two subsidiaries of the Issuer which as at the date of this Prospectus do not constitute a material part of the Issuer's business and are in the process of being liquidated.

- B.9** Not Applicable: the Registration Document forming part of the Prospectus does not contain profit forecasts or estimates.
- B.10** Not Applicable: the audit reports on the audited financial statements for the year ended 31 December 2010 and for the financial period ended 31 March 2012 do not contain any qualifications.
- B.12** The historical financial information for the financial year ended 31 December 2010 and the financial period ended 31 March 2012 are set out in the consolidated financial statements of the Issuer as audited by KPMG and are available on the Issuer's website www.medbank.com.mt. The latest audited financial information available in respect of the Issuer may be found in the financial period ended on 31 March 2012.

On 28 March 2012 the Issuer resolved, in respect of all of the Group, to alter the end date of its then current accounting reference period, commencing 1 January 2011, from 31 December 2011 to 31 March 2012. Accordingly, the 2012 Annual Report and the related financial statements cover a fifteen-month period from 1 January 2011 to 31 March 2012. The comparative figures presented are a twelve-month period ended 31 December 2010. Subsequent accounting periods will be twelve-month periods ending 31 March. For this reason, with respect to the below table, the comparative amounts shown in the summarised income statement and balance sheet are not entirely comparable to the amounts disclosed for the period ended on 31 March 2012. As explained in the Issuer's 2012 Annual Report, the Group changed its accounting reference period in order to reduce the uncertainty relating to the accounting treatment of the de-recognition of investment securities. Detailed information in this respect is disclosed in note 4 of the 2012 Annual Report.

| Summarised Income Statement | UNAUDITED | | AUDITED | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| | 1 Apr 2012 to 30 Sep 2012 | 1 Jan 2011 to 30 Jun 2011 | 1 Jan 2011 to 31 Mar 2012 | 1 Jan 2010 to 31 Dec 2010 |
| | €'000 | €'000 | €'000 | €'000 |
| Interest income | 24,158 | 24,736 | 64,067 | 41,834 |
| Interest expense | (14,094) | (11,237) | (34,327) | (14,188) |
| Net interest income | 10,064 | 13,499 | 29,740 | 27,646 |
| Fee and commission income | 313 | 110 | 253 | 124 |
| Fee and commission expense | (1,156) | (54) | (424) | (1,154) |
| Net fees and commissions | (843) | 56 | (171) | (1,030) |
| Net trading income | 625 | 449 | 1,799 | 346 |
| Other operating income | 16,790 | 1,319 | 48,931 | 3,281 |
| Operating income | 26,636 | 15,323 | 80,299 | 30,243 |
| Impairment loss on financial assets | (75) | (7,833) | (62,885) | - |
| Administrative and other expenses | (4,518) | (3,056) | (7,545) | (5,675) |
| Personnel expenses | (5,223) | (2,578) | (7,812) | (5,137) |
| Depreciation and amortisation | (464) | (271) | (799) | (365) |
| Operating expenses | (10,280) | (13,738) | (79,041) | (11,177) |
| Profit before income tax | 16,356 | 1,585 | 1,258 | 19,066 |
| Tax expense | (5,481) | (552) | (485) | (3,955) |
| Profit for the period | 10,875 | 1,033 | 773 | 15,111 |
| Basic earnings per share (cents) | 19.4 | 2.5 | 2.0 | 37.0 |

| Summarised Balance Sheet | UNAUDITED | | AUDITED | |
|---|------------------|------------------|------------------|------------------|
| | 30 Sep 2012 | 30 Jun 2011 | 31 Mar 2012 | 31 Dec 2010 |
| | €'000 | €'000 | €'000 | €'000 |
| ASSETS | | | | |
| Balances with Central Bank of Malta and cash | 11,778 | 33,165 | 63,656 | 10,526 |
| Loans and advances to financial institutions | 55,379 | 10,276 | 27,804 | 35,801 |
| Loans and advances to customers | 205,933 | 1,304 | 27,666 | – |
| Investment securities | 1,560,241 | 1,508,653 | 1,415,493 | 1,324,114 |
| Derivative assets held for risk management | – | – | 2,572 | – |
| Other assets | 40,870 | 22,188 | 38,722 | 21,122 |
| Total assets | 1,874,201 | 1,575,586 | 1,575,913 | 1,391,563 |
| LIABILITIES | | | | |
| Amounts owed to financial institutions | 1,241,464 | 1,196,086 | 1,093,753 | 1,134,986 |
| Amounts owed to customers | 477,309 | 285,617 | 379,483 | 172,847 |
| Debt securities issued | 19,715 | 19,609 | 19,672 | 14,735 |
| Derivative liabilities held for risk management | 4,457 | – | – | – |
| Other liabilities | 25,121 | 12,732 | 7,496 | 9,524 |
| Total liabilities | 1,768,066 | 1,514,044 | 1,500,404 | 1,332,092 |
| EQUITY | | | | |
| Total equity | 106,135 | 61,542 | 75,509 | 59,471 |
| Total equity and liabilities | 1,874,201 | 1,575,586 | 1,575,913 | 1,391,563 |

Since its acquisition and recapitalisation in July 2009 by AnaCap and the Issuer's senior management, the Issuer adopted a new business plan with the aim of positioning the Bank as a savings and wealth management institution, operating both domestically in Malta and internationally. Profitability has been achieved through its treasury operations and its corporate lending platform. The Issuer's treasury portfolio concentrates its investments in rated securities listed on major exchanges, substantially all of which carry an assigned rating by at least one of the internationally recognised statistical rating agencies (such as Standard & Poor's, Moody's Investor Service and Fitch Ratings). The Issuer's portfolio has been funded largely in the international wholesale banking markets. Simultaneous with this activity, the Issuer has sought to broaden its funding sources by developing its deposit base in both the local and international markets, enabling it to broaden its product offering and nurture its client base.

The Issuer launched its corporate lending programme in January 2012. Under this programme, the Issuer lends on a senior secured basis to Western European corporations. All loans are denominated in euro or pounds sterling, and all of the loans are floating rate instruments. At 30 September 2012, the loan portfolio amounted to €206 million. As at the date of this Prospectus, all of the loans are performing and the Issuer has not taken any specific provisions.

The following provides the capital adequacy ratios and liquidity ratios with respect to the Issuer as at 31 December 2010 and 31 March 2012 (audited) and 30 June 2011 and 30 September 2011 (unaudited).

| | As at 30 Sep 2012 | As at 30 Jun 2011 | As at 31 Mar 2012 | As at 31 Dec 2010 |
|-------------------------|----------------------|----------------------|----------------------|----------------------|
| Capital Adequacy Ratio* | 19.39% | 28.95% | 24.53% | 36.80% |
| Liquidity Ratio** | 162.05% | 101.51% | 134.59% | 70.56% |

* The minimum capital adequacy ratio imposed by the Malta Financial Services Authority on credit institutions licensed under the Banking Act (Cap. 371 of the laws of Malta) is 8%. The capital adequacy ratio for the financial period ended 31 March 2012 and six month period ended 30 September 2012 reflected the effect of a capital injection by AnaCap of €15 million on 12 August 2011 to support the ongoing growth of the Bank.

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

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

- there has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements, that is, 31 March 2012;
- there were no significant changes in the financial or trading position of the Issuer since the end of the financial period to which the last published audited financial statements relate, that is, 31 March 2012, and thereafter since the publication of the interim consolidated financial statements for the six month period ended 30 September 2012.

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

B.14 The Issuer forms part of a group of companies, the parent of which is AnaCap, a specialist private equity firm focused on making investments in the financial services sector across Europe. Anacap in turn holds 97.84% of the shareholding in Medifin Holding Limited, which holds all of the issued share capital of the Issuer save for one share held by FJV Management Limited. The majority of the issued share capital of Medifin Holding Limited (approximately 97.1% in terms of voting rights) is subscribed to by AnaCap, and in terms of the voting rights attached to the shares held by AnaCap in Medifin Holding Limited indirect control of the Issuer is vested in Anacap.

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

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

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

The main market in which the Issuer operates and competes is the Maltese market, although the Issuer was recently approved to establish a branch in Belgium, through which the Issuer will broaden the range of markets in which it operates and competes.

In addition to the above, the Issuer is introducing for its customers new online banking and investment services, together with systems to support such services, as well as online goal planning, research and market data and analytical tools and capabilities for customers through its wealth management platform.

B.16 As at the date of this Prospectus, Medifin holds all of the issued share capital of the Issuer save for one share held by FJV Management Limited. Anacap holds a majority of the issued share capital in Medifin (approximately 97.1% in terms of voting rights) and accordingly indirect control of the Issuer is vested in AnaCap. As at the date of the Prospectus the Issuer is not aware of any existing arrangements between the Issuer and any potential acquirer which may result in a change of control. However, AnaCap Financial Partners II L.P., the controlling shareholder of Medifin Holding Limited, may at some point exit all or part of its investment in the Issuer, in which case there may be a change of control in the Issuer.

B.17 Not Applicable: The Issuer has not sought the credit rating of an independent rating agency, and there has been no assessment by any independent rating agency of the Bonds issued by the Issuer.

SECTION C SECURITIES

C.1 The Issuer shall issue an aggregate principal amount of the euro equivalent value of €10,000,000 (or €12,500,000 in the event of exercise of the Over-Allotment Option) in EUR Bonds and GBP Bonds having a face value of €100 per EUR Bond or £100 per GBP Bond, subject to minimum subscriptions of €25,000 and integral multiples of €1,000 thereafter (in the case of EUR Bonds) or £20,000 and integral multiples of £1,000 thereafter (in the case of GBP Bonds). The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD. On admission to trading the EUR Bonds will have ISIN number MT0000551227 and the GBP Bonds will have ISIN number MT0000551235. The Bonds shall bear interest at the rate of 7.5% per annum and shall be repayable in full upon maturity on 14 December 2019 unless previously re-purchased, cancelled or redeemed.

- C.2** The EUR Bonds are denominated in Euro (€) and the GBP Bonds are denominated in Pounds Sterling (£).
- C.5** The Bonds are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time and in accordance with the following requirements: trading in the EUR Bonds and GBP Bonds shall take place on the MSE in multiples of €1,000 and £1,000 respectively subject to the retention of a minimum holding of €25,000 (or £20,000, as applicable) by each individual holder of EUR Bonds or GBP Bonds, which shall be maintained at all times throughout his/her investment in the respective type of Bond; and if EUR Bonds and GBP Bonds are held by financial intermediaries on behalf of clients under one or more nominee accounts, the minimum holding of €25,000 (or £20,000, as applicable) shall apply to each underlying beneficial owner. With respect to subsequent trading in the Bonds, any licensed financial intermediary effecting a transfer of Bonds in the secondary market shall be required to carry out an Appropriateness Test and, if providing advice, a Suitability Test, in respect of the transferee and be satisfied, based on the results of such test, that an investment in the Bonds may be considered appropriate and/or suitable for such transferee.
- C.8** Investors wishing to participate in the Bonds will be able to do so by duly executing an Application Form in relation to the Bonds. Execution of the Application Form will entitle an approved Applicant to:
- (i) the payment of capital;
 - (ii) the payment of interest;
 - (iii) ranking with respect to other indebtedness of the Issuer as follows:

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

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

The Bonds shall also rank subsequent to any prior ranking security interest created for the purpose of securing the Issuer's secured interbank funding lines and repurchase agreements. Such interbank funding lines and repurchase agreements are used to finance the Issuer's investment portfolio;
 - (iv) attend, participate in and vote at meetings of Bondholders in accordance with the terms and conditions of the Bond; and
 - (v) enjoy all such other rights attached to the Bonds emanating from the Prospectus.
- C.9** The Bonds shall bear interest from and including 14 December 2012 at the rate of 7.5% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date, the first Interest Payment Date being 14 December 2013, provided that any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day. The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at Redemption Date is seven point five per cent (7.5%).
- Redemption shall take place on 14 December 2019, provided that in the event that a Regulatory Change Event occurs, 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. 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.
- The remaining component of Element C.9 is Not Applicable, given that no representative of debt security holders has been appointed.
- C.10** Not Applicable: there is no derivative component in the interest payments on the Bonds.
- C.11** The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 21 November 2012. Application has been made to the MSE for the Bonds being issued pursuant to the Prospectus to be listed and traded on the Official List of the MSE. The Bonds are expected to be admitted to the MSE with effect from 27 December 2012 and trading is expected to commence on 28 December 2012.

SECTION D RISKS

Holding of a Bond involves certain risks. Prospective investors should carefully consider, with their own independent financial and other professional advisers, the following risk factors and other investment considerations as well as all the other information contained in the Prospectus before deciding to acquire Bonds. Prospective investors are warned that by investing in the Bonds they may be exposing themselves to significant risks that may have the consequence of losing a substantial part or all of their investment.

This document contains statements that are, or may be deemed to be, “forward looking statements”, which relate to matters that are not historical facts and which may involve projections of future circumstances. These forward looking statements are subject to a number of risks, uncertainties 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.

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

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

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

- viii. **Risks relating to Information Technology:** The Issuer is dependent upon the adequacy and proper functioning of information technology systems. As noted above, the Issuer is also in the process of implementing new e-banking and e-brokerage systems, a range of wealth management tools and functions and a revamped public website. Unexpected losses incurred as a consequence of individual events resulting, among other things, from faulty information technology, difficulties in the implementation of new systems or failure of such systems caused by external events, whether caused deliberately or accidentally or by natural circumstances, may have a material adverse effect on the operations and performance of the Issuer.
- ix. **International Expansion:** The Issuer was recently approved to establish its first international branch, in Belgium. As part of the establishment of the branch, the Issuer will need to devote significant time and resources to the build out of systems, infrastructure and organisational structure for the branch. Moreover, the Belgian market is a new market for the Issuer, with which the Issuer has less familiarity. Were this new venture not to prove successful, whether for commercial or other reasons, this may result in a material adverse effect on the operations and performance of the Issuer and give rise to a significant reduction to the value of the Issuer's investment in Belgium.
- x. **External Factors:** The Issuer's and the Group's overall performance and results may also be adversely affected by external factors beyond the Issuer's control. These include changes in economic conditions, increased level of local and EU-wide regulation, business cycles, volatility in financial markets and increased competitive pressure in the financial services sector.

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

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

- i. The existence of an orderly and liquid market for the Bonds depends on a number of factors including, but not limited to the presence of willing buyers and sellers of the Issuer's Bonds at any given time and the general economic conditions in the market in which the Bonds are traded. Such factors are dependent upon the individual decisions of investors and the general economic conditions of the market, over which the Issuer has no control. Accordingly, there can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Furthermore, there can be no assurance that an investor will be able to sell or otherwise trade in the Bonds at or above the Bond Issue Price or at all.
- ii. There can be no assurance that the Bond Issue Price will correspond to the price at which the Bonds will trade in the market subsequent to the Bond Issue.
- iii. Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.
- iv. A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€ in the case of the EUR Bonds and £ in the case of the GBP Bonds) and the Bondholder's currency of reference, if different.
- v. No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time.
- vi. The Bonds are unsecured and Subordinated. Subordination means that the rights and claims of Bondholders in respect of the payment of capital and interest on the Bonds will, in the event of dissolution and winding up of the Issuer, rank after the claims of all 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.

- vii. In the event that the Issuer wishes to amend any of the provisions of and/or conditions contained in this Prospectus, including the Terms and Conditions of the Bonds, the Directors of the Issuer shall call a meeting of Bondholders by giving all Bondholders listed on the register of Bondholders as at a date being not more than thirty (30) days preceding the date scheduled for the meeting not less than fourteen (14) days' notice in writing. Subject to having obtained the necessary approval by the required majority of Bondholders any such decision shall subsequently be given effect to by the Issuer. Accordingly, defined majorities are in a position to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.
- viii. The Terms and Conditions of this Bond Issue are based on Maltese law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of this Prospectus.
- ix. By purchasing the Bonds, the Bondholder agrees to waive his or her right of enforcement against the Issuer in the case of non-performance of the Issuer's obligations under the Bond, including the non-payment of interest and principal. The only remedy available to the Bondholder in the event of a default by the Issuer shall be the petitioning for the winding up of the Issuer, which shall constitute an Event of Default.
- x. The Bonds are not redeemable at the option of the Issuer prior to the Redemption Date, save in the case of a Regulatory Change Event taking place. The occurrence of a Regulatory Change Event and the implementation of New Capital Regulations leading to such event, are not within the control of the Issuer. If a Regulatory Change Event were to occur, the Issuer would have the right to redeem the Bonds prior to their scheduled maturity at par plus accrued interest.

SECTION E OFFER

- E.2b** The principal reason for the Issue is that the Bonds will constitute Additional Own Funds (Tier II capital) of the Issuer in terms of Banking Rule BR/03/2012 - Own Funds of Credit Institutions Authorised under the Banking Act (Cap. 371 of the laws of Malta). The net proceeds of the sale of the Bonds will be used by the Issuer to meet part of its general financing requirements.
- E.3** The following is a synopsis of the general terms and conditions applicable to the Bonds. A Bondholder is deemed to have invested only after having received, read and understood the contents of the Prospectus, including the full terms and conditions contained in the Securities Note:

1. General

Unless previously redeemed, purchased and cancelled, the Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 14 December 2019 in the currency in which the Bonds are designated.

2. Form, Denomination and Title

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

3. Interest

The Bonds shall bear interest from and including 14 December 2012 at the rate of 7.5% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date, with the first Interest Payment Date being 14 December 2013. Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business fifteen (15) days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in euro or pounds sterling, as the case may be, and held with any licensed bank in Malta. Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day.

4. Status of the Bonds

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

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

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

5. Payments

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

6. Redemption

Unless previously purchased and cancelled, the Issuer will redeem the Bonds (together with payment of interest accrued thereon) at their nominal value on 14 December 2019, provided that the Issuer may exercise the option to redeem the Bonds early upon a Regulatory Change Event occurring, as explained in section C.9 of this Summary Note. All Bonds purchased by the Issuer on its own account will be cancelled forthwith and may not be re-issued or re-sold.

7. Events of Default

The Securities Note sets out the event of default the occurrence of which would result in the Bonds becoming immediately due and repayable at their principal amount together with accrued interest.

8. Transferability of the Bonds

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

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

9. Register of Bondholders

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

10. Further Issues

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

11. Meetings of Participation Bondholders

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

12. Governing Law and Jurisdiction

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

- E.4** The M&As of the Bank provide that in the event that a director has a material interest, either directly or indirectly, in any contract or arrangement with the Bank, such director is not entitled to vote on any decisions taken in connection therewith. The Act provides that directors are obliged, in addition to complying with their general fiduciary obligations as directors, to ensure that their personal interests do not conflict with the interests of the Issuer.

To the extent known to the Issuer there are no conflicting interests, including potential conflicts of interests, between any duties of the Directors of the Issuer and their private interests and/or other duties which may be considered material to the Bond Issue.

- E.7** Professional fees, costs related to publicity, advertising, printing, listing and registration, a 1% selling commission, as well as sponsor, manager and registrar fees and other miscellaneous expenses in connection with this Bond Issue, are estimated not to exceed €250,000 and shall be borne by the Issuer.

The overall amount of the commission payable to Authorised Financial Intermediaries will not exceed €125,000.

TIME-TABLE

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|--|------------------|
| Application Forms available | 26 November 2012 |
| Opening of subscription lists | 3 December 2012 |
| Closing of subscription lists | 7 December 2012 |
| Announcement of basis of acceptance | 14 December 2012 |
| Commencement of interest on the Bonds | 14 December 2012 |
| Expected dispatch of allotment advices & refunds of unallocated monies | 21 December 2012 |
| Admission to trading | 27 December 2012 |

The Issuer reserves the right to close the Bond Issue before 7 December 2012 in the event of over-subscription, in which case the remaining events set out above shall be brought forward in the same chronological order in such a way as to retain the same number of Business Days between the said events.



mediterraneanbank
wealth management - savings - investments

Mediterranean Bank plc

(registered with limited liability in the Republic of Malta)

Registration Document dated 21 November 2012

This document is a Registration Document issued in accordance with the provisions of Chapter 4 of the Listing Rules issued by the Listing Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in a prospectus and dissemination of advertisements.

This Registration Document should be read in conjunction with the most updated Securities Note issued from time to time containing information about the securities to which it relates.

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

A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISER.

Legal Counsel

CAMILLERI PREZIOSI
ADVOCATES

Sponsor


Calamatta Cuschieri
Investment Advisors & Stockbrokers

Manager & Registrar


MALTA STOCK EXCHANGE plc

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1 IMPORTANT INFORMATION

THIS REGISTRATION DOCUMENT FORMS PART OF THE PROSPECTUS AND CONTAINS INFORMATION ON MEDITERRANEAN BANK PLC (THE “ISSUER”) IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES, THE ACT AND THE REGULATION.

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

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

THE CONTENTS OF THE ISSUER'S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER'S WEBSITE DO NOT FORM PART OF 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.

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. 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.

2 DEFINITIONS

| | |
|------------------------------------|---|
| Act | the Companies Act (Cap. 386 of the laws of Malta); |
| AnaCap | AnaCap Financial Partners II L.P., a limited liability partnership incorporated under the laws of Guernsey with company number 1027; |
| CSD | the Central Securities Depository of the Malta Stock Exchange; |
| Directors or Board | the directors of the Issuer whose names and addresses are set out under the heading “ Board of Directors ” in section 12.1 of this Registration Document; |
| Euro or € | the lawful currency of the Republic of Malta; |
| Group | the group of companies of which the Issuer is the parent company, further described under section 11 of this Registration Document; |
| Issuer or Bank | Mediterranean Bank plc, a public limited liability company registered in Malta with company number C 34125 having its registered office at 10, St Barbara Bastion, Valletta, VLT 1961, Malta; |
| Listing Authority | the Malta Financial Services Authority, as appointed in terms of the Financial Markets Act (Cap. 345 of the laws of Malta); |
| Listing Rules | the listing rules, issued by the Listing Authority; |
| Malta Stock Exchange or MSE | the Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the laws of Malta) having its registered office at Garrison Chapel, Castille Place, Valletta, VLT 1063, Malta, and bearing company registration number C 42525; |
| M&A | the memorandum and articles of association of the Issuer in force at the time of publication of the Prospectus; |
| MFSA | the Malta Financial Services Authority, incorporated in terms of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta); |
| Prospectus | collectively the Registration Document, the Securities Note and the Summary Note, as such documents may be amended, updated, replaced and supplemented from time to time; |
| Registration Document | this document in its entirety; |
| 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; |
| Securities Note | the securities note issued by the Issuer dated 21 November 2012, forming part of the Prospectus; |
| Summary Note | the summary note issued by the Issuer dated 21 November 2012, forming part of the Prospectus. |

3 PERSONS RESPONSIBLE

This document includes information given in compliance with the Listing Rules for the purpose of giving information with regards to the Issuer. All of the Directors, whose names appear under heading “**Board of Directors**” of this Registration Document, accept responsibility for the information contained herein.

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

4 STATUTORY AUDITORS

The annual statutory consolidated financial statements of the Issuer for the financial year ended 31 December 2010 and for the financial period ended 31 March 2012 have been audited by KPMG, Certified Public Accountants of Portico Building, Marina Street, Pieta, PTA 9044, Malta. KPMG is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act, 1979 (Cap. 281 of the laws of Malta).

5 RISK FACTORS

An investment in the Issuer 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 Issuer. Some of these risks are subject to contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingencies occurring. The sequence in which the risks below are listed is not intended to be indicative of any order of priority or of the extent of their consequences.

If any of the risks described below were to materialise, they could have a serious effect on the Issuer's financial results and trading prospects and the ability of the Issuer to fulfil its obligations under the securities issued by it from time to time.

The risks and uncertainties discussed below are those identified as such by the Directors, but these risks and uncertainties may not be the only ones that the Issuer faces. Additional risks and uncertainties, including those which the Issuer's Directors are not currently aware of, may well result in a material impact on the financial condition and operational performance of the Issuer. Accordingly prospective investors should make their own independent evaluation of all risk factors, and should consider all other sections in this document.

5.1 Forward Looking Statements

This Prospectus 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.

5.2 Risks Relating to the Issuer

5.2.1 Credit Risk

Risks arising from changes in credit quality and the recoverability of investments, securities, loans and amounts due from counterparties are inherent in the Issuer's business. The Issuer currently holds no specific impairment provisions in respect of its securities portfolio, based on the view that accounting standards do not currently require or permit specific provisions unless a loss has been deemed to have occurred. However, adverse changes in the credit quality of the Issuer's assets, either specific to individual obligors or caused by a general deterioration in European or global economic conditions, or by systemic risks in the financial system, could affect the recoverability and value of the Issuer's assets and either lead to write-offs or require provisions for impairment. Write-offs or provisions for impairment could also be dictated by a change in accounting standards.

5.2.2 Liquidity Risk

Liquidity risk is the risk that the Issuer will encounter difficulty in obtaining funds to meet its financial commitments. A significant portion of the Issuer's financing is derived from international wholesale funding markets, including funding from the European Central Bank. In the event that funding from such markets were to become less available or more expensive, or in the event that it becomes difficult to sell financial assets close to their fair value, the Issuer may be adversely affected.

5.2.3 Interest Rate Risk

Interest rate risk arises from the mismatch between interest rate sensitive assets and liabilities. As is common to all banks, the Issuer runs a mismatch between its liabilities and assets.

5.2.4 Foreign Exchange Risk

Foreign exchange risk arises on monetary assets and liabilities not denominated in the base currency of a company. Currently the Issuer is not exposed to any material foreign exchange risk. However, in the future, the Issuer may decide to hold an increased amount of assets and liabilities not denominated in euro, in which case, subject to maintaining the necessary controls and limitations, the Issuer may be exposed to fluctuations in foreign currency exchange rates.

5.2.5 Concentration Risk

The investments made by the Issuer are primarily denominated in euro. Most such securities are issued by EU entities. In addition, the deposit base of the Issuer primarily consists of customers located in Malta and other European Union countries. As a result of the composition of the Issuer's investment portfolio and deposit base, any broadly negative economic trends affecting the European Union may have an adverse effect on the Issuer.

In addition, the majority of the Issuer's securities portfolio consists of covered bonds and asset-backed securities which are secured on residential mortgages, primarily located in European Union countries. Accordingly, negative developments in European property markets may also have an adverse effect on the Issuer.

5.2.6 Operational Risk

Operational risk relates to losses arising from inadequate or failed internal processes, people and systems or from unforeseen external events. The Issuer was acquired by AnaCap in 2009 and as a result, new management, policies, procedures and systems have been implemented, including a disaster recovery plan and a new core banking system. In addition, the Issuer is introducing for its customers new online banking and investment services, together with systems to support such services. New systems that are being implemented include an e-banking system, an e-brokerage system, a revamped public website and a range of other wealth management tools and functions. The Issuer is exposed to the risk that such policies, procedures and systems being implemented will not perform to the level expected and may have a negative impact on the financial performance of the Issuer.

5.2.7 Reputational Risk

Reputational risk is the risk that damage to the Issuer's reputation, potentially incurred as a result of one of the events described above, results in a material adverse effect on the operations and performance of the Issuer.

5.2.8 Risks relating to Information Technology

The Issuer is dependent upon the adequacy and proper functioning of information technology systems. As noted above, the Issuer is also in the process of implementing new e-banking and e-brokerage systems, a range of wealth management tools and functions and a revamped public website. Unexpected losses incurred as a consequence of individual events resulting, from amongst other things, faulty information technology, difficulties in the implementation of new systems or failure of such systems caused by external events, whether caused deliberately or accidentally or by natural circumstances, may have a material adverse effect on the operations and performance of the Issuer.

5.2.9 International Expansion

The Issuer was recently approved to establish its first international branch, in Belgium. As part of the establishment of the branch, the Issuer will need to devote significant time and resources to the build out of systems, infrastructure and organisational structure for the branch. Moreover, the Belgian market is a new market for the Issuer, with which the Issuer has less familiarity. Were this new venture not to prove successful, whether for commercial or other reasons, this may result in a material adverse effect on the operations and performance of the Issuer and give rise to a significant reduction to the value of the Issuer's investment in Belgium.

5.2.10 External Factors

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

6 HISTORY AND DEVELOPMENT OF THE ISSUER

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

The Issuer was registered under the laws of Malta on 11 June 2004 and was issued a licence in terms of the Banking Act (Cap. 371 of the laws of Malta) from the MFSA on 14 July 2005.

On 3 November 2008, prior to the acquisition and recapitalisation of the Issuer by its current owners, the Issuer breached its obligation to maintain the obligatory level of minimum own funds and as a result, the MFSA imposed an administrative penalty of €5,124.68 on the Issuer. On 31 December 2008, the MFSA imposed restrictions on the Issuer's licence, including restrictions on deposit taking, lending facilities and on capital adequacy and liquidity assets ratios.

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

Pursuant to a prospectus issued on 13 September 2010, the Bank issued €15,000,000 bonds of a face value of €100 per bond, redeemable at their nominal value on 30 October 2015 and bearing interest at the rate of 6.25% per annum (ISIN: MT0000551201). Subsequently, in terms of a securities note, supplement and summary note dated 30 May 2011, the Bank issued a further €5,000,000 bonds, also redeemable at their nominal value on 30 October 2015 and bearing interest at the rate of 6.25% per annum (ISIN: MT0000551219), fully fungible with, and subject to the same terms and conditions as, the bonds issued by the Bank pursuant to the 2010 prospectus. As from 31 October 2011, the two bonds have been deemed to constitute one bond.

On 12 August 2011 the Issuer in general meeting resolved to increase its issued share capital by €15,000,000, through the issue of 15 million shares of a nominal value of €1 per share, each fully paid up. The additional 15 million shares were allotted to Medifin Holding Limited (the ordinary capital of which is described in the section entitled "**Shareholding of Medifin Holding Limited**"), which as a result holds 56,030,106 Ordinary 'A' shares in the Issuer. The remaining one share (one Ordinary 'B' (non-voting) share) in the Issuer's total issued share capital of €56,030,107 is held by FJV Management Limited.

7 BUSINESS OVERVIEW

7.1 Principal Activities & Markets

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

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

The principal activities of the Issuer comprise the following:

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

The main market in which the Issuer operates and competes is the Maltese market. The banking, investment and wealth management services of the Issuer are provided to an array of international and Maltese individuals and corporate clients. As described in further detail under section 10 below ("**Business Strategy**"), the Issuer was recently approved to establish a branch in Belgium. Through the Belgian branch, the Issuer will broaden the range of markets in which it operates and competes.

In addition to the above, the Issuer is introducing for its customers new online banking and investment services, together with systems to support such services. The Bank is implementing (i) an e-banking system that will enable the Issuer's customers to execute banking transactions online; and (ii) an e-brokerage system that will enable the Issuer's wealth management customers to execute online brokerage transactions in respect of equities, bonds and funds. The Issuer will also offer online goal planning, research and market data and analytical tools and capabilities for customers through its wealth management platform.

8 SELECTED FINANCIAL INFORMATION

The following are extracts from the consolidated audited financial information for the financial year ended 31 December 2010 and the financial period ended 31 March 2012 and from the consolidated unaudited financial information for the half-yearly periods ended 30 June 2011 and September 2012.

On 28 March 2012 the Issuer resolved, in respect of all of the Group, to alter the end date of its then current accounting reference period, commencing 1 January 2011, from 31 December 2011 to 31 March 2012. Accordingly, the 2012 Annual Report and the related financial statements cover a fifteen-month period from 1 January 2011 to 31 March 2012. The comparative figures presented are a twelve-month period ended 31 December 2010. Subsequent accounting periods will be twelve-month periods ending 31 March. For this reason, with respect to the below table, the comparative amounts shown in the summarised income statement and balance sheet are not entirely comparable to the amounts disclosed for the period ended on 31 March 2012. As explained in the Issuer's 2012 Annual Report, the Group changed its accounting reference period in order to reduce the uncertainty relating to the accounting treatment of the de-recognition of investment securities. Detailed information in this respect is disclosed in note 4 of the 2012 Annual Report.

| Summarised Income Statement | UNAUDITED | | AUDITED | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| | 1 Apr 2012 to 30 Sep 2012 | 1 Jan 2011 to 30 Jun 2011 | 1 Jan 2011 to 31 Mar 2012 | 1 Jan 2010 to 31 Dec 2010 |
| | €'000 | €'000 | €'000 | €'000 |
| Interest income | 24,158 | 24,736 | 64,067 | 41,834 |
| Interest expense | (14,094) | (11,237) | (34,327) | (14,188) |
| Net interest income | 10,064 | 13,499 | 29,740 | 27,646 |
| Fee and commission income | 313 | 110 | 253 | 124 |
| Fee and commission expense | (1,156) | (54) | (424) | (1,154) |
| Net fees and commissions | (843) | 56 | (171) | (1,030) |
| Net trading income | 625 | 449 | 1,799 | 346 |
| Other operating income | 16,790 | 1,319 | 48,931 | 3,281 |
| Operating income | 26,636 | 15,323 | 80,299 | 30,243 |
| Impairment loss on financial assets | (75) | (7,833) | (62,885) | – |
| Administrative and other expenses | (4,518) | (3,056) | (7,545) | (5,675) |
| Personnel expenses | (5,223) | (2,578) | (7,812) | (5,137) |
| Depreciation and amortisation | (464) | (271) | (799) | (365) |
| Operating expenses | (10,280) | (13,738) | (79,041) | (11,177) |
| Profit before income tax | 16,356 | 1,585 | 1,258 | 19,066 |
| Tax expense | (5,481) | (552) | (485) | (3,955) |
| Profit for the period | 10,875 | 1,033 | 773 | 15,111 |
| Basic earnings per share (cents) | 19.4 | 2.5 | 2.0 | 37.0 |

| Summarised Balance Sheet | UNAUDITED | | AUDITED | |
|---|------------------|------------------|------------------|------------------|
| | 30 Sep 2012 | 30 Jun 2011 | 31 Mar 2012 | 31 Dec 2010 |
| | €'000 | €'000 | €'000 | €'000 |
| ASSETS | | | | |
| Balances with Central Bank of Malta and cash | 11,778 | 33,165 | 63,656 | 10,526 |
| Loans and advances to financial institutions | 55,379 | 10,276 | 27,804 | 35,801 |
| Loans and advances to customers | 205,933 | 1,304 | 27,666 | – |
| Investment securities | 1,560,241 | 1,508,653 | 1,415,493 | 1,324,114 |
| Derivative assets held for risk management | – | – | 2,572 | – |
| Other assets | 40,870 | 22,188 | 38,722 | 21,122 |
| Total assets | 1,874,201 | 1,575,586 | 1,575,913 | 1,391,563 |
| LIABILITIES | | | | |
| Amounts owed to financial institutions | 1,241,464 | 1,196,086 | 1,093,753 | 1,134,986 |
| Amounts owed to customers | 477,309 | 285,617 | 379,483 | 172,847 |
| Debt securities issued | 19,715 | 19,609 | 19,672 | 14,735 |
| Derivative liabilities held for risk management | 4,457 | – | – | – |
| Other liabilities | 25,121 | 12,732 | 7,496 | 9,524 |
| Total liabilities | 1,768,066 | 1,514,044 | 1,500,404 | 1,332,092 |
| EQUITY | | | | |
| Total equity | 106,135 | 61,542 | 75,509 | 59,471 |
| Total equity and liabilities | 1,874,201 | 1,575,586 | 1,575,913 | 1,391,563 |

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

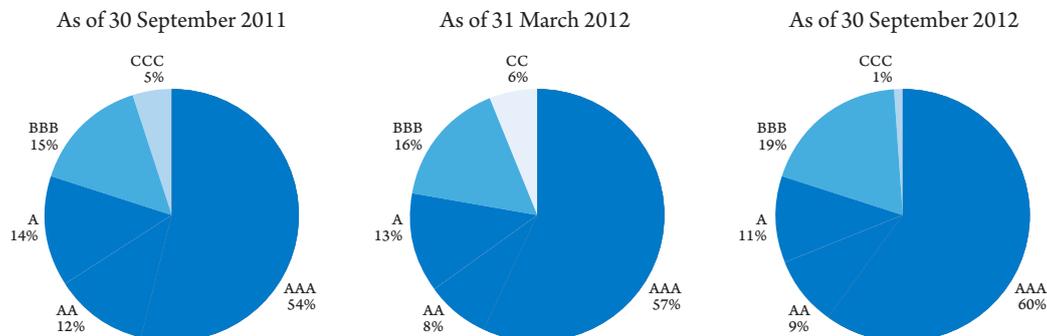
Profitability has been achieved through its treasury operations and its corporate lending platform.

The Issuer's treasury portfolio concentrates its investments in rated securities listed on major exchanges. As at 30 September 2012, the Issuer had built a portfolio of €1.56 billion of investment securities, primarily comprised of bank covered bonds, public sector bonds and mortgage bonds. During the six months ended 30 September 2012, the Issuer's securities portfolio generated net interest income of €7.32 million.

Substantially all securities in the portfolio carry an assigned rating by at least one of the internationally recognised statistical rating agencies (such as Standard & Poor's, Moody's Investor Service and Fitch Ratings). The charts set out below show the ratings applicable to the securities in which the Issuer had invested as at 31 March 2012 and 30 September 2012. The issuer of such securities may itself have a different rating to that ascribed to the said instrument issued by it. During the six month period between 1 April 2012 and 30 September 2012, the Issuer experienced downwards ratings migration within the portfolio, as indicated in the ratings distribution described below.

The aggregate breakdown of the securities portfolio as at 31 March 2012 and 30 September 2012 is as follows:

Bond Rating Distribution¹



The above classification is categorised by highest assigned rating. The definition of each of the ratings provided in footnote 1 has been extracted from www.fitchratings.com. This information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information published by www.fitchratings.com, no facts have been omitted which would render the reproduced information inaccurate or misleading.

There have been no material changes in the Issuer's investment portfolio between 30 September 2012 and the date of this Prospectus.

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

The Issuer launched its corporate lending programme in January 2012. Under this programme, the Issuer lends on a senior secured basis to Western European corporations. All loans are denominated in euro or pounds sterling. The portfolio carries limited exposures to Spain and Italy and no direct exposure to Greece, Portugal and Ireland. All of the loans are floating rate instruments and do not bear material interest rate risk. At 30 September 2012, the loan portfolio amounted to €206 million. As at the date of this Prospectus, all of the loans are performing and the Issuer has not taken any specific provisions.

The fair value of the Issuer's financial assets and liabilities, which are measured at amortised cost and have a short re-pricing maturity, is not materially different from their carrying value in the balance sheet, except for held-to-maturity investments with an amortised cost of €577.3 million as of 30 September 2012 (€609.9 million as of 31 March 2012). The fair market value of such held-to-maturity investments amounted to €520.4 million as of 30 September 2012 (€551.5 million as of 31 March 2012).

The Issuer manages the risks to its financial position through, amongst other things, diversification of its portfolio on an issuer and geographic basis, maintenance of robust liquidity buffers, management and hedging of interest rate risks and maintenance and ongoing growth of a diversified funding base. During 2012, the Bank acquired interest rate swaps to manage its exposure to changes in the fair value of fixed rate debt instruments as a result of changes in market interest rates. Such derivatives are not held for trading purposes, are classified at fair value through profit or loss and are designated in a fair value hedging relationship.

¹ **AAA rated** - 'AAA' rating is the highest rating assigned by credit rating agencies and is indicative that the issuer or the investment with exceptionally strong protection for the timely repayment of principal and interest.

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

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

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

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

CCC rated - 'CCC' ratings are judged to be speculative of poor standing and are subject to very high credit risk.

CC rated - 'CC' ratings are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

For the six months ended 30 September 2012, the Issuer's operating income was €26.6 million, a net profit before tax of €16.4 million and its net profit after tax was €10.9 million. As a result of the growth in its deposit base, the Issuer increased amounts due to customers from €379.5 million as of 31 March 2012 to €477 million as of 30 September 2012.

There has been no material adverse change in the prospects of the Issuer since the date of the last published audited financial statements, that is, 31 March 2012.

8.1 Capital Adequacy and Liquidity Ratios

The following provides the capital adequacy ratios and liquidity ratios with respect to the Issuer as at 31 December 2010 and 31 March 2012 (audited) and 30 June 2011 and 30 September 2011 (unaudited).

| | As at 30 Sep 2012 | As at 30 Jun 2011 | As at 31 Mar 2012 | As at 31 Dec 2010 |
|-------------------------|----------------------|----------------------|----------------------|----------------------|
| Capital Adequacy Ratio* | 19.39% | 28.95% | 24.53% | 36.80% |
| Liquidity Ratio** | 162.05% | 101.51% | 134.59% | 70.56% |

* The minimum capital adequacy ratio imposed by the Malta Financial Services Authority on credit institutions licensed under the Banking Act (Cap. 371 of the laws of Malta) is 8%. The capital adequacy ratio for the financial period ended 31 March 2012 and six month period ended 30 September 2012 reflected the effect of a capital injection by AnaCap of €15 million on 12 August 2011 to support the ongoing growth of the Bank.

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

9 TREND INFORMATION

The year 2012 has seen the continuation of the European debt crisis. The financial crisis has finally taken its toll on the real economy and has sent the European economies into recession. Austerity in public finances continues to be the norm across Europe.

The European government debt markets have shown signs of stabilisation during the third quarter of 2012. Main contributing factors to reduced market tensions were: (i) the European Central Bank ("ECB") announcement of the new Outright Monetary Transactions ("OMT") programme; (ii) the ECB July rate cuts; (iii) continued focus on reduction of Government deficits; and (iv) the EU financial support of programme countries.

The Issuer's asset portfolio comprises loans and securities primarily issued by European borrowers and issuers. The securities portfolio primarily includes amongst other instruments, covered bonds, public sector bonds and mortgage bonds. Such securities are denominated in euro and most are eligible for financing through facilities provided to European Union banks by the European Central Bank. Most such securities are issued by EU entities. The Issuer's loan portfolio comprises senior secured loans to European corporations, all of which are denominated in euro or pounds sterling. In addition, the deposit base of the Issuer primarily consists of customers located in Malta and other European Union countries, including both retail and corporate clients. As a result of the composition of the Issuer's asset portfolio and deposit base, any broadly negative economic trends affecting the European Union are likely to have an adverse effect on the Issuer.

The Issuer's investment portfolio was adversely affected during its financial period ended 31 March 2012 by impairment losses related to the exchange of Greek government bonds by the Issuer under an offer to private sector holders of such debt by the Greek government. As a result of such exchange, as at 31 March 2012 the Issuer's Greek debt exposure was recorded at a carrying value of €28.5 million after recognising impairment charges of €62.9 million. On completion of the aforementioned exchange offers, the Issuer received (i) new Greek government bonds, which were retained and had a carrying value of €14.7 million as of 30 September 2012, and (ii) bonds issued by the European Financial Stability Facility, which had a carrying value at the time of receipt of €13.9 million and were sold shortly thereafter. The mark-to-market price of the retained new Greek Bonds as at 30 September 2012 was €5.8 million.

During the financial period ended 31 March 2012, the Issuer mitigated such impairment losses through the realisation of gains on its core country investment portfolio. The core country investment portfolio was constructed with the intention of mitigating losses and potential losses on the Bank's peripheral portfolio.

10 BUSINESS STRATEGY

The Issuer's ongoing business strategy is based on:

- (i) development of a range of new investment services products aimed at the mass affluent market;
- (ii) expanding internationally to gain access to a broader potential customer base and to deliver cost effective investment solutions to a wider range of customers;
- (iii) diversification of its funding sources and building of a stable customer base;
- (iv) developing its corporate banking business;
- (v) continuing the Issuer's long-term value-oriented investment philosophy;
- (vi) growing the Issuer's loan portfolio as a percentage of its overall asset base; and
- (vii) maintaining or improving long-term profitability.

The Issuer has made significant investments in technology that it expects will allow it to introduce new online banking and investment services for its customers, together with systems to support such services. Investment services will include online execution of brokerage transactions in respect of equities, bonds and funds as well as foreign exchange execution capabilities. The Issuer is also introducing online retirement and goal planning capabilities, analytical tools to enable customers to analyse portfolio and investment alternatives and a broad range of research and market data resources.

The Issuer's aim in building its new online banking, investment and wealth management systems is to create a seamless, easy to use platform that delivers for the Bank's customers cost efficient and transparent execution capabilities. The Issuer also aims to create systems and processes that are scalable and can be deployed to new markets and products at relatively low incremental cost.

The Issuer is also planning to diversify its customer base internationally and was recently approved to establish its first international branch in Belgium. Expansion of the Issuer's operations to international markets has the goal of gaining access for the Issuer to a broader customer base and enabling the Issuer to offer its products and services, particularly investment services, to a larger pool of potential customers. This strategy is also intended to allow the Bank to deliver cost effective investment solutions to a wider range of customers and to take advantage of the Bank's relatively cost efficient existing back office and systems infrastructure in Malta.

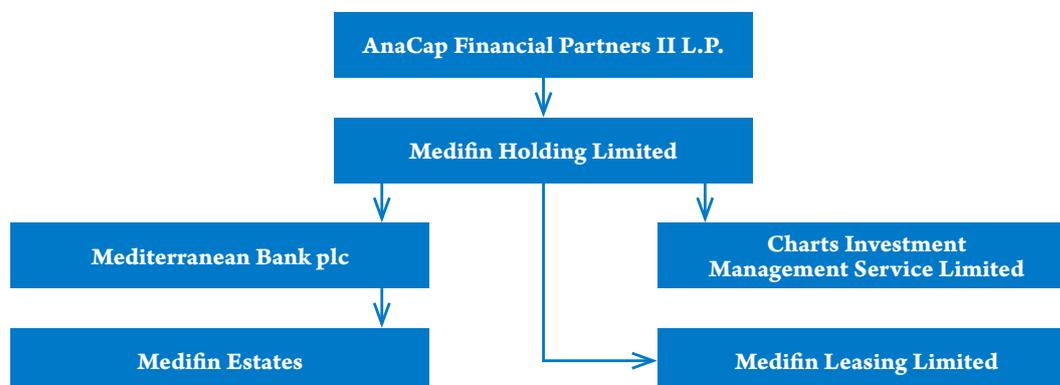
In Malta, the Issuer continues to develop its customer base. Since setting up its first local branch in Sliema in August 2010, the Bank has established a further five branch offices throughout Malta. The Issuer is also building its corporate banking business by expanding the range of payment, custody and foreign exchange services that it offers to its corporate customers.

The Issuer has also gained access to secured financing exchanges as a member of the Eurex Repo Exchange.

In respect of its investment activities, the Issuer has maintained and intends to continue its policy of investing its treasury portfolio in highly-rated investment securities. In addition, it has begun to build a portfolio of senior secured loans to European corporate issuers through its corporate lending platform. Over the medium-term, the Issuer plans to grow its lending business as a percentage of its overall asset base. As corporate loans typically attract higher risk weightings than the highly-rated investment securities in which the Issuer has historically invested, it is expected that the Issuer's capital adequacy ratio will decrease over time, although it is the Issuer's intention to continue to operate with a capital adequacy ratio significantly in excess of the MFSA's minimum capital requirements.

11 ORGANISATIONAL STRUCTURE

The Issuer forms part of a group of companies, the parent of which is AnaCap.



- AnaCap Financial Partners II L.P. - a specialist private equity firm focused on making investments in the financial services sector across Europe. AnaCap Financial Partners II L.P. is a limited liability partnership incorporated under the laws of Guernsey with company number 1027 and is managed by AnaCap Financial Partners LLP, a limited liability partnership incorporated under the laws of the United Kingdom with company registration number OC 314005.
- Medifin Holding Limited – a holding company registered under the laws of Malta as a private limited liability company with company registration number C 34111. The majority of the issued share capital of Medifin Holding Limited (approximately 97.1% in terms of voting rights) is subscribed to by AnaCap Financial Partners II L.P.
- Charts Investment Management Service Limited – a company licensed under the Investment Services Act (Cap. 370 of the laws of Malta) to provide investment services, to hold and control clients’ money and assets, and to deal for its own account or underwrite. Charts Investment Management Service Limited is a private limited liability company registered under the laws of Malta with company registration number C 7944. The majority of the issued share capital of Charts Investment Management Service Limited (65%) is held by Medifin Holding Limited.
- Medifin Leasing Limited – a company incorporated under the laws of Malta with company number C 53429. Medifin Leasing Limited was set up with the object of acquiring immovable or movable property and any rights or licenses relating to its business, including in particular software solutions and hardware. It is a 99.9% owned subsidiary of Medifin Holding Limited.
- Medifin Estates – a partnership *en nom collectif* registered under the laws of Malta with partnership number P 1408, set up for the purpose of acquiring by way of lease, emphyteusis or other title immovable property for the purpose of investment, commercial speculation, development or sublease. It is a 96.7% owned subsidiary of the Issuer.

The organisational structure set out above does not include Mediterranean Research Limited and Mediterranean Global Advisory SA, two subsidiaries of the Issuer which as at the date of this Prospectus do not constitute a material part of the Issuer’s business and are in the process of being liquidated.

12 BOARD OF DIRECTORS AND BOARD COMMITTEES

12.1 Board of Directors

The Board of Directors of the Issuer is to consist of a minimum of two and a maximum of eleven members. Presently there are seven (7) directors. The Board meets regularly to establish and review the policies and strategies of the Issuer and to monitor the implementation thereof and the overall performance of the Issuer.

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

Francis J. Vassallo

Chairman & Non-Executive Director

Francis J. Vassallo occupied various senior positions with Chase Manhattan Bank worldwide in a career that spanned 28 years and which also included being on the Board of Directors of the bank's operations in the Channel Islands, Luxembourg and Spain. Mr Vassallo also occupied the post of Directeur General of Chase Manhattan Private Bank in Switzerland and later General Manager of Chase Manhattan Bank in Spain. In September 1993, Mr Vassallo was appointed Governor of the Central Bank of Malta. During his tenure as Governor, Mr Vassallo was a founding member of the Board of Governors of the MFSA at the time of the restructuring of this vital sector in Malta. Francis J. Vassallo is President of Francis J. Vassallo & Associates Limited and Chairman of FJV Fiduciary Limited and FJV Management Limited. Between 1999 and 2000, he also acted as Chairman of the Malta Development Corporation (MDC), a government corporation with a mandate to attract foreign direct investment to Malta. Mr Vassallo is a non-executive board member of various listed and un-listed companies. He is also a member of the Board of Directors of major international SICAVs registered in Malta, namely, the Celsius Fund (owned by Barclays Bank plc) and Altma Fund (owned by NBC). He is also a member of the International Tax Planning Association and the Institute of Financial Services Practitioners (IFSP), and is a member of the Sovereign Military Order of the Knights of St John.

Finlay S. McFadyen

Non-Executive Director

Finlay was a founding partner of AnaCap Financial Partners LLP, and previously a Managing Director at Terra Firma Capital Partners. Finlay is a highly experienced private equity investor and currently works as a non-executive director for private equity owned investments. Prior to this, Finlay worked in the Structured Products Group at Morgan Stanley & Co and in the Structured Finance Group at Banque Paribas Capital Markets. Finlay holds an LLB (Hons) from Glasgow University and is a solicitor by training, having worked previously at Dundas & Wilson in Edinburgh and at Freshfields in London.

Peter B. Cartwright

Non-Executive Director

Peter has spent his entire career in the financial services sector and was one of the founding partners of AnaCap Financial Partners LLP, a European Private Equity firm specialising in financial services, where he is the Business Services Principal responsible for the development of AnaCap's portfolio company investments. Prior to AnaCap, Peter was Commercial Director within a specialty insurance services provider backed by a UK-based private equity firm, and between 1999 and 2003 was the Sales & Marketing Director and Operations Director for GMAC UK and On:line Finance, respectively, having previously worked for GE Capital. Peter is an experienced business builder and operational specialist and holds various non executive and Supervisory Board roles within banks and financial services companies across Europe.

Mark A. Watson

Executive Director – Chief Executive Officer

Mark A. Watson joined Salomon Brothers in 1985 and completed the New York training programme before returning to London to join the Eurobond desk. In London, he traded a variety of European credit and government bonds. In 1991, Mark joined Salomon Brothers Tokyo with responsibility for overnight trading of European products. In 1993, he returned to London to join the Syndicate Desk and later took responsibility for the European primary credit business. Starting in 1996, Mark was given responsibility for all credit trading in Europe and later also became co-head of European Origination functions. In 2004, he became head of European Fixed Income at Citigroup, in charge of all Origination and Markets functions for Europe, Middle East and Africa. Mark was a member of Citigroup's European Operating Committee and the Global Fixed Income Management Group. In 2007, he was appointed co-head of Global Credit Markets. Mark holds a BSc in Business Finance from Cass Business School.

Henry C. Schmeltzer*Executive Director - Director of Commercial Strategy and Head of Legal*

Prior to Mediterranean Bank, Henry Schmeltzer founded and managed the European ABS and Illiquid Credit structuring and execution businesses at UBS, including development of the synthetic ABS and ABS derivatives businesses, non-recourse senior funding structures and asset origination strategies and structures. Before joining UBS, he ran credit structuring and origination businesses at Swiss Re London, Merrill Lynch London and Lehman Brothers London and New York. Prior to becoming a banker, Henry was an attorney in New York, leaving the law firm of Brown & Wood as a partner. Henry holds an MBA (Finance) from New York University, a Juris Doctor from the University of Chicago and a Bachelor of Arts degree (magna cum laude) from the Woodrow Wilson School of Princeton University. He was awarded CFA designation and is a member of the bar of the State of New York.

Joaquin Vicent*Executive Director - Head Credit & Investments*

Prior to Mediterranean Bank, Joaquin established and built from scratch UBS London's integrated European residential real estate and ABS platform, including cash and derivative trading, structuring, whole loan servicing, hedging and asset origination. He was a member of UBS's European Fixed Income Management Committee. Before joining UBS, Joaquin was head of European ABS trading at Citigroup London and managed Citigroup's Spanish securitisation business in Madrid. Joaquin Vicent holds a Bachelor of Science in Economics from the Wharton School of the University of Pennsylvania.

Vincent Chatard*Executive Director - Chief Operating Officer*

Vincent Chatard started his career at Credit Lyonnais International Operations where he was in charge of the worldwide implementation of corporate and private banking solutions. He then joined KPMG Peat Marwick as a Management Consultant prior to being appointed Head of IT at Robeco France. Vincent joined ING Direct in 2000 as the Chief Information Officer to launch the French operation, after which he moved to the UK as Chief Information Officer to start up the business there. He then returned to France where he was also responsible for business development. In 2008 he was hired as the Chief Operations Officer and Project Director to launch BforBank, the direct wealth bank of the Credit Agricole Group. Vincent holds an MSc in IT Project Management from AgroParisTech and an executive MBA from HEC Business School.

The business address of each Director is that of the Issuer.

12.1.1 Conflict of Interest

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

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

12.2 Board and Management Committees

The Board of Directors has established the following Committees:

12.2.1 Board Audit & Risk Committee

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

| | |
|---------------------|--|
| Finlay S. McFadyen | <i>Committee Chairman & Non-Executive Director</i> |
| Peter B. Cartwright | <i>Committee Member & Non-Executive Director</i> |
| Francis J. Vassallo | <i>Member & Independent Non-Executive Director</i> |

12.2.2 Board Nomination & Remuneration Committee

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

| | |
|---------------------|--|
| Francis J. Vassallo | <i>Committee Chairman & Non-Executive Director</i> |
| Peter B. Cartwright | <i>Member & Non-Executive Director</i> |
| Mark A. Watson | <i>Member & Executive Director</i> |

12.2.3 Board Executive Committee

The Board Executive Committee was established in order to facilitate the day to day activities of the Bank including approval of asset purchases, approval of the establishment and modification of bank accounts/ banking relationships, waiver of specific provisions of compliance requirements, limitation of signatory authorisation, dealing with investment portfolio/trading/operational matters and issuance of certified extracts of Board resolutions. The members of the committee are:

| | |
|------------------|--|
| Mark Watson | <i>Committee Chairman & Non-Executive Chairman</i> |
| Henry Schmeltzer | <i>Executive Director, Director of Commercial Strategy and Head of Legal</i> |
| Vincent Chatard | <i>Executive Director & Chief Operating Officer</i> |

12.2.4 Executive Management Committee (“Exco”)

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

| | |
|------------------|---|
| Mark A. Watson | <i>Committee Chairman & Non-Executive Chairman</i> |
| Edward Jaccarini | <i>Member & Chief Financial Officer</i> |
| Henry Schmeltzer | <i>Executive Director & Director of Commercial Strategy and Head of Legal</i> |
| Joaquin Vicent | <i>Member & Head of Credit & Investment</i> |
| Vincent Chatard | <i>Member & Chief Operating Officer</i> |
| Dominic Wallace | <i>Chief Risk Officer</i> |

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

(a) Management Credit Committee

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

| | |
|-----------------|---|
| Mark A. Watson | <i>Committee Chairman & Executive Director</i> |
| Xavier De Pauw | <i>Head of International Strategy</i> |
| Joaquin Vicent | <i>Member & Head of Credit & Investment</i> |
| Dominic Wallace | <i>Chief Risk Officer</i> |

(b) Assets & Liabilities Committee

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

| | |
|------------------|---|
| Deo Catania | <i>Committee Chairman & Head of Treasury</i> |
| Mark A. Watson | <i>Executive Director</i> |
| Edward Jaccarini | <i>Member & Chief Financial Officer</i> |
| Joaquin Vicent | <i>Member & Head of Credit & Investment</i> |
| Dominic Wallace | <i>Chief Risk Officer</i> |

(c) Operations Committee

The Operations Committee considers and discusses the day to day operating procedures of the Issuer and constitutes a forum at which issues relating to the Issuer's procedures can be discussed. The Operations Committee meets quarterly. The members of the committee are:

| | |
|-----------------------|--|
| Vincent Chatard | <i>Chief Operating Officer</i> |
| Domenic Degiorgio | <i>Committee Secretary & Head of Bank Office & Settlements</i> |
| Edward Jaccarini | <i>Member & Chief Financial Officer</i> |
| Deo Catania | <i>Head of Treasury</i> |
| Jonathan Jones | <i>Head of IT</i> |
| Paula Galea Farrugia | <i>General Counsel and Head of Compliance</i> |
| Charles Cini | <i>Head of Corporate Banking</i> |
| Lorraine Bonello Ghio | <i>Head of Administration</i> |
| Ray Calleja | <i>Head of Consumer Banking</i> |
| Fleur Mawdsley | <i>Head of Client Service Group</i> |
| Keith Huber | <i>Head of Risk Architecture</i> |
| Ludwig Mallia | <i>Head of Business Analysis</i> |

(d) New Consumer Products Committee

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

| | |
|----------------------|--|
| Vincent Chatard | <i>Chief Operating Officer</i> |
| Joaquin Vicent | <i>Member & Head of Credit & Investment</i> |
| Domenic Degiorgio | <i>Committee Secretary & Head of Bank Office & Settlements</i> |
| Edward Jaccarini | <i>Member & Chief Financial Officer</i> |
| Deo Catania | <i>Head of Treasury</i> |
| Dominic Wallace | <i>Chief Risk Officer</i> |
| Keith Huber | <i>Head of Risk Architecture</i> |
| Paula Galea Farrugia | <i>General Counsel and Head of Compliance</i> |
| Jonathan Jones | <i>Head of IT Architecture & Deployments</i> |
| Ludwig Mallia | <i>Head of Business Analysis</i> |
| Fleur Mawdsley | <i>Head of Client Service Group</i> |

(e) Treasury Services Committee

The Treasury Services Committee was established to analyse potential new treasury management products to be used by treasury for liquidity, credit and market risk management from a risk, operations and legal/compliance perspective. The members of the committee are:

| | |
|----------------------|--|
| Joaquin Vicent | <i>Member & Head of Credit & Investment</i> |
| Domenic Degiorgio | <i>Committee Secretary & Head of Bank Office & Settlements</i> |
| Deo Catania | <i>Head of Treasury</i> |
| Dominic Wallace | <i>Chief Risk Officer</i> |
| Paula Galea Farrugia | <i>General Counsel and Head of Compliance</i> |
| Ludwig Mallia | <i>Head of Business Analysis</i> |
| Xavier De Pauw | <i>Head of International Strategy</i> |
| Alanbek Yussupov | <i>Head of Business Development</i> |

12.3 Compliance with Corporate Governance Requirements

The Directors believe that the current organisational structures are adequate and shall continue to build the organisation's structure at this level on the same model adopted so far. The Directors will maintain these structures under continuous review to ensure that they meet the changing demands of the business and to strengthen the checks and balances necessary for better corporate governance.

In respect of non-compliance with the Code of Principles of Good Corporate Governance (the "Code"), the Bank reports as follows:

Principle 3 – Composition of the Board

The Code recommends that the majority of the Non-Executive Board Directors are independent. The Issuer's Board consists of three Non-Executive Directors, one of whom is deemed to be independent. Of the two Non-Executive Directors who are not independent, one is a current and one is a former partner in AnaCap Financial Partners LLP. The Issuer considers the current composition of its Board of Directors to be adequate in relation to its size and capital.

Principle 4 – The responsibilities of the Board

The Code (provision 4.2.7) recommends that the Board should develop a succession policy for the future composition of the Board and particularly the executive component thereof, for which the Chairman should hold key responsibility. The Issuer is currently in the process of building its senior management team, and has not as yet completed its succession planning strategy. The Board recognises the need for succession planning and aims to adhere with such recommendation as the Issuer's senior management team reaches critical mass.

Principle 6 – Information and professional development

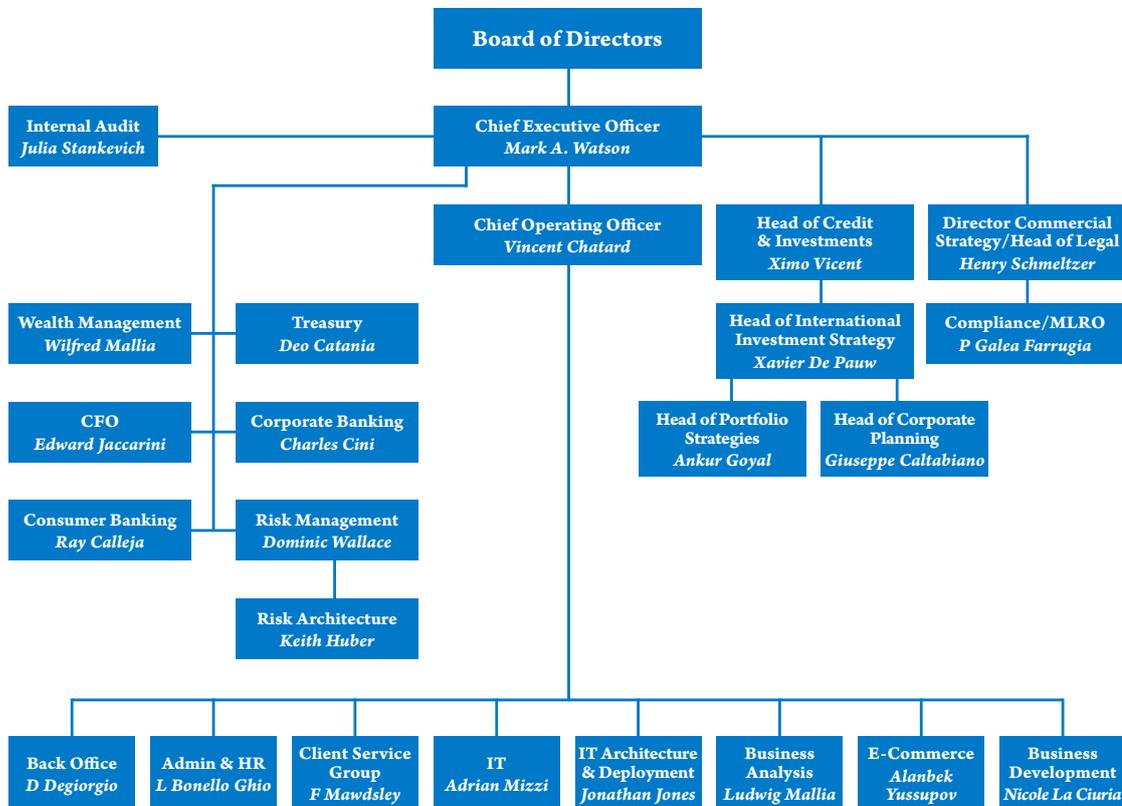
The Code (provision 6.4.4) recommends that the Chief Executive Officer establishes a succession plan for senior management. The Issuer has been building its senior management team since the Issuer started to be managed under a new Board and Executive team. As stated in the preceding paragraph, the Issuer has not as yet completed its succession planning strategy as it is still in the process of building its senior management team. In the event of succession planning matters arising, the Issuer will refer to the Board for guidance.

Principle 8 – Committees

The Code (provision 8.A.1) states that the Board should establish a remuneration committee composed of non-executive directors. The Issuer's Nomination and Remuneration Committee is composed of two Non-Executive and one Executive Director, and the Chairman of the Committee is not independent. Also it is recommended that no member of the Remuneration Committee should be present while his remuneration is being discussed at a meeting of such Committee (8A(iv)). The Chief Executive Officer is a member of the Issuer's Nomination and Remuneration Committee. The Chief Executive Officer recluses himself from any discussion of his own compensation, and the Board is not aware of the existence of any actual conflict of interest in this role.

12.4 Management Team

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



13 MAJOR SHAREHOLDERS

13.1 Shareholding of the Issuer

As at the date of this Prospectus, Medifin Holding Limited holds all of the issued share capital of the Issuer save for one share held by FJV Management Limited.

13.2 Shareholding of Medifin Holding Limited

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

- AnaCap Financial Partners II L.P. (a limited partnership registered under the laws of Guernsey with registration number 1027) holds 40,188,556 ordinary 'A' shares and 15,000,000 ordinary 'D' shares;
- Mark Watson Holdings Limited (a limited liability company registered under the laws of the British Virgin Islands with registration number 1570918) holds 627,855 ordinary 'B' shares and 1,200,000 ordinary 'C' shares;
- HCS Holdings Limited (a limited liability company registered under the laws of the British Virgin Islands with registration number 1568277) holds 224,233 ordinary 'B' shares and 540,000 ordinary 'C' shares;
- JVP Holdings Limited (a limited liability company registered under the laws of the British Virgin Islands with registration number 1570979) holds 362,903 ordinary 'B' shares and 870,000 ordinary 'C' shares;
- XDP Holdings Limited (a limited liability company registered under the laws of the British Virgin Islands with registration number 1673054) holds 180,000 ordinary 'C' shares;
- E-WealthS Ltd (a limited liability company registered under the laws of the British Virgin Islands with registration number 1676621) holds 90,000 ordinary 'C' shares; and
- Carey Pensions and Benefits as trustees of the Mediterranean Bank Employee Benefit Trust holds 120,000 ordinary 'C' shares.

Pursuant to the memorandum and articles of Medifin Holding Limited, holders of the ordinary 'A' shares and of the ordinary 'B' shares are entitled to the right to receive notice of, and to attend, speak and vote at all general meetings. The majority of such voting shares are held by AnaCap Financial Partners II L.P. Furthermore, in terms of the said articles of association, the holders of ordinary 'A' shares are entitled to nominate persons to act as directors of Medifin Holding Limited. Accordingly, indirect control of the Issuer is vested in AnaCap Financial Partners II L.P.

In the event that, as a result of the shareholding structure and resultant rights described above, potential conflicts were to arise at the level of the Issuer, through its Audit Committee and independent Non-Executive Directors the Issuer considers that it has the necessary measures in place to ensure the appropriate management and resolution of such conflicts in the best interests of the Issuer. Furthermore, in terms of the memorandum and articles of association of the Issuer, in the event that a director has a material interest, either directly or indirectly, in any contract or arrangement with the Issuer, such director is not entitled to vote on any decisions taken in connection therewith.

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

14 FINANCIAL INFORMATION

14.1 Historical Financial Information

Full historical financial information for the financial year ended 31 December 2010 and the financial period ended 31 March 2012 are set out in the consolidated financial statements of the Issuer as audited by KPMG and are available for public inspection.

The latest audited financial information available in respect of the Issuer relates to the financial period ended on 31 March 2012.

14.2 Legal and Arbitration Proceedings

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

14.3 Significant Change in the Issuer's Financial or Trading Position

There has been no significant change in the financial or trading position of the Issuer or the Group which has occurred since 30 September 2012.

15 MATERIAL CONTRACTS

15.1 Licence and Hosting Agreement

On 1 September 2011, the Bank entered into a computer software licence and maintenance agreement with Intelligent Environments Europe Ltd ("IE"), pursuant to which IE licensed to the Bank in perpetuity its Netfinance e-banking application and related software and undertook to provide maintenance services in respect of such applications for a minimum term of three years.

On 24 October 2011, the Bank entered into a hosting services agreement with IE, pursuant to which IE agreed to host the Bank's website and related back end connectors. The term of the hosting services agreement is three years.

15.2 License and Hosting Agreement

On 9 December 2011, the Bank entered into a computer software licence and hosting agreement with MBA Systems Limited ("MBA"), pursuant to which MBA: (a) licensed to the Bank its IB.Net (Internet Broker) system and related software; (b) agreed to provide maintenance services in respect of such system; and (c) agreed to host such system on its proprietary infrastructure. The initial licence term duration is three years from the specified date, after which the renewed licence term will continue unless terminated by either party giving the other party not less than six months' prior notice, provided that either party may terminate the Agreement forthwith by giving written notice of termination upon the occurrence of certain events set forth in the agreement.

15.3 Professional Services Agreement and Software Licence Agreement

On 10 August 2010, Infosys Technologies Limited (“**Infosys**”) and the Bank entered into agreements pursuant to which Infosys: (a) granted the Bank a perpetual, irrevocable, non-exclusive, non-transferable, limited licence to use its proprietary software Finacle (a banking software product) in accordance with the terms of the software license agreement and to provide maintenance services in relation thereto; and (b) agreed to provide the Bank with professional services in relation to the installation, customisation, development, parameterisation, training, testing and implementation of the licensed software, subject to the terms and conditions contained in the said agreement.

Effective 30 November 2011, the Bank’s contracts with Infosys were assigned to its affiliate, Medifin Leasing Limited.

15.4 Software Licence Agreement

On 14 August 2009, SunGard Front Arena AB (“**SunGard**”) and the Bank entered into an agreement pursuant to which SunGard provided a personal, non-transferable, non-exclusive, limited-scope, term licence in favour of the Bank, subject to the payment of a license fee, yearly support fees, as well as professional services fees, expense reimbursements and taxes, all as specified in the agreement. The licence provided to the Bank relates to the Front Arena trading and risk management system under which the Bank can enter and execute new trades, manage asset and liability risk and perform risk and portfolio management. The initial licence term duration is five years from the specified date, after which the renewed licence term will continue unless terminated by either party giving the other party not less than six months’ prior notice, provided that either party may terminate the Agreement forthwith by giving written notice of termination upon the occurrence of certain events set forth in the agreement.

15.5 Consulting and Information Services

On 1 June 2011, the Bank entered into an agreement with Morningstar Associates Europe Limited (“**Morningstar**”) whereby Morningstar agreed to provide consulting services to the Bank in respect of the Bank’s wealth management and portfolio planning services. The initial term of the agreement is three years.

On 1 June 2011, the Bank entered into an agreement with Morningstar UK Ltd. to license certain Morningstar analytical tools for use by the Bank in Malta.

On 30 March 2012, the Bank entered into agreements with Morningstar UK Ltd. to license the Morningstar Document Library and certain Morningstar Data Packages.

On 21 May 2012, the Bank entered into an agreement with Morningstar UK Ltd. to license certain Morningstar data feed information for use by the Bank in Malta.

16 DOCUMENTS ON DISPLAY

For the life of the Registration Document, the following documents (or copies thereof) may be inspected at the registered office of the Issuer:

- The memorandum and articles of association of the Issuer;
- The consolidated and individual audited financial statements of the Issuer for the financial year ended 31 December 2010 and the financial period ended 31 March 2012; and
- The consolidated and individual unaudited financial information of the Issuer for the half-yearly periods ended 30 June 2011 and September 2012.



mediterraneanbank

wealth management - savings - investments

Securities Note dated 21 November 2012

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. 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 - ISIN MT0000551227 (EUR Bonds) and MT0000551235 (GBP Bonds). This Securities Note should be read in conjunction with the most updated Registration Document issued from time to time containing information about the Issuer.

Issue of euro equivalent of

€10,000,000

in 7.5% Subordinated Bonds due 2019

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

(or euro equivalent of €12,500,000 in case of exercise of the Over-Allotment Option)

by

Mediterranean Bank plc

(registered with limited liability in the Republic of Malta)

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

A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISER.

Legal Counsel

CAMILLERI PREZIOSI
ADVOCATES

Sponsor


Calamatta Cuschieri
Investment Advisors & Stockbrokers

Manager & Registrar


MALTA STOCK EXCHANGE plc

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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 €10,000,000 7.5% SUBORDINATED BONDS DUE 14 DECEMBER 2019 CONSISTING OF TWO (2) TRANCHES, ONE DENOMINATED IN EURO AND HAVING A NOMINAL VALUE OF €100, AND THE OTHER DENOMINATED IN STERLING AND HAVING A NOMINAL VALUE OF £100. THE BONDS SHALL BE ISSUED AT PAR AND BEAR INTEREST AT THE RATE OF 7.5% PER ANNUM PAYABLE ANNUALLY ON 14 DECEMBER OF EACH YEAR, UNTIL THE REDEMPTION DATE. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL AT MATURITY ON 14 DECEMBER 2019. IN THE EVENT OF OVER-SUBSCRIPTION, THE ISSUER MAY, AT ITS SOLE DISCRETION, ISSUE ADDITIONAL BONDS NOT EXCEEDING IN AGGREGATE THE EURO EQUIVALENT OF €2,500,000 AT PAR.

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.

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 ITS ADVISERS.

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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 (I) IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED OR (II) IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO OR (III) 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 PROSPECTUS ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THEREIN.

THE CONTENTS OF THE ISSUER'S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER'S WEBSITE DO NOT FORM PART OF 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. 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 issued by the Issuer on 21 November 2012.

| | |
|--|---|
| Act | the Companies Act (Cap 386 of the laws of Malta); |
| Applicant | a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form; |
| Application/s | the application to subscribe for Bonds made by an Applicant/s by completing an Application Form/s and delivering same to the Issuer or to any of the other Authorised Financial Intermediaries; |
| Application Form | the forms of application of subscription for EUR Bonds or GBP Bonds, specimens of which are contained in Annex II of this Prospectus; |
| Appropriateness Test | shall have the meaning set out in section 7.1.14 of this Securities Note; |
| Authorised Financial Intermediaries | the licensed stockbrokers and financial intermediaries listed in Annex I 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; |
| CSD | the Central Securities Depository of the Malta Stock Exchange; |
| EUR Bonds | the 7.5% Subordinated Bonds due 2019 of a face value of €100 per bond redeemable at their nominal value on the Redemption Date, bearing interest at the rate of 7.5% per annum, which in aggregate with the GBP Bonds would not exceed the euro equivalent of €10,000,000 (or €12,500,000 in case of exercise of the Over-Allotment Option) in value of Bonds issued pursuant to this Prospectus; |
| GBP Bonds | the 7.5% Subordinated Bonds due 2019 of a face value of £100 per bond redeemable at their nominal value on the Redemption Date, bearing interest at the rate of 7.5% per annum, which in aggregate with the EUR Bonds would not exceed the euro equivalent of €10,000,000 (or €12,500,000 in case of exercise of the Over-Allotment Option) in value of Bonds issued pursuant to this Prospectus; |
| Interest Payment Dates | Annually, on 14 December of each year commencing on 14 December 2013 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; |
| ISR | the Investment Services Rules for Investment Services Providers, the Standard License Conditions applicable to Investment Services License Holders (excluding UCITS Management Companies), issued by the Malta Financial Services Authority as amended from time to time; |
| Issue Date | 27 December 2012; |
| 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; |
| Over-Allotment Option | the option of the Issuer, at its sole and absolute discretion, to increase the Bond Issue by a maximum of an additional euro equivalent of €2,500,000 in EUR Bonds and/or GBP Bonds, in the event of oversubscription; |

| | |
|--------------------------------|--|
| Redemption Date | 14 December 2019 or earlier in the case of a Regulatory Change Event; |
| Redemption Value | the nominal value of each Bond; |
| Registration Document | the registration document issued by the Issuer dated 21 November 2012 forming part of the Prospectus; |
| Regulation | 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; |
| Regulatory Change Event | shall have the meaning set out in section 7.9 of this Securities Note; |
| Subordination | 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 7.1.14 of this Securities Note; |
| Summary Note | the summary note issued by the Issuer dated 21 November 2012 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 PERSONS RESPONSIBLE

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

| | |
|---------------------|---|
| Francis J. Vassallo | <i>Chairman & Non-Executive Director</i> |
| Finlay S. McFadyen | <i>Non-Executive Director</i> |
| Peter B. Cartwright | <i>Non-Executive Director</i> |
| Mark A. Watson | <i>Executive Director – Chief Executive Officer</i> |
| Henry C. Schmeltzer | <i>Executive Director - Director of Commercial Strategy and Head of Legal</i> |
| Joaquin Vicent | <i>Executive Director - Head Credit & Investments</i> |
| Vincent Chatard | <i>Executive Director - Chief Operating Officer</i> |

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

4 ADVISERS TO THE ISSUER

Legal Counsel

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

Sponsor

Calamatta Cuschieri & Co. Limited
3rd Floor, Valletta Buildings, South Street, Valletta, VLT 1103, Malta

5 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 or 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.

5.1 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.

5.2 Risks Relating to the Bonds

- 5.2.1 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. 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.
- 5.2.2 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.
- 5.2.3 Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.
- 5.2.4 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.
- 5.2.5 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.
- 5.2.6 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.
- 5.2.7 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 other outstanding, unsubordinated and unsecured obligations of the Issuer, present and future. The Issuer may incur further borrowings or indebtedness and may create or permit to subsist other security interests upon the whole or any part of its present or future, undertaking, assets or revenues (including uncalled capital).

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

- 5.2.8** 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.
- 5.2.9** The Bonds are not redeemable at the option of the Issuer prior to the Redemption Date, save in the case of a Regulatory Change Event taking place. The occurrence of a Regulatory Change Event and the implementation of New Capital Regulations leading to such event, are not within the control of the Issuer. If a Regulatory Change Event were to occur, the Issuer would have the right to redeem the Bonds prior to their scheduled maturity at par plus accrued interest.
- 5.2.10** 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.

6 KEY INFORMATION

6.1 Interest of Natural & Legal Persons in the Bond Issue

Mediterranean Bank plc, the Issuer of the Bonds, is included in the list of Authorised Financial Intermediaries authorised to sell Bonds to prospective investors.

Charts Investment Management Service Limited ("**Charts**") is a subsidiary company of Medifin Holding 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 Bank and Charts, 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, Charts or the Bank, 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.

6.2 Reasons for the Issue and Use of Proceeds

The principal reason for the Issue is that the Bonds will constitute Additional Own Funds (Tier II capital) of the Issuer in terms of Banking Rule BR/03/2012 - Own Funds of Credit Institutions Authorised under the Banking Act (Cap. 371 of the laws of Malta). The net proceeds of the sale of the Bonds will be used by the Issuer to meet part of its general financing requirements.

6.3 Expenses

Professional fees, costs related to publicity, advertising, printing, listing and registration, a 1% selling commission, as well as sponsor, manager and registrar fees and other miscellaneous expenses in connection with this Bond Issue, are estimated not to exceed €250,000 and shall be borne by the Issuer.

The overall amount of the commission payable to Authorised Financial Intermediaries will not exceed €125,000.

6.4 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 value of €10,000,000, subject to the Over-Allotment Option described below; |
| Over-Allotment Option: | At the sole and absolute discretion of the Issuer, additional EUR Bonds and GBP Bonds in aggregate not exceeding the euro equivalent of €2,500,000 in value may be issued at the Bond Issue Price in the event of over-subscription; |
| 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: Sterling (£) |
| Minimum Amount per Subscription: | EUR Bonds: minimum of €25,000 and multiples of €1,000 thereafter; GBP Bonds: minimum of £20,000 and multiples of £1,000 thereafter; |
| Transferability: | Trading in the EUR Bonds and GBP Bonds shall take place on the Malta Stock Exchange in multiples of €1,000 and £1,000 respectively subject to the retention of a minimum holding of €25,000 (or £20,000, as applicable) by each individual holder of EUR Bonds or GBP Bonds, which shall be maintained at all times throughout his/her investment in the respective type of Bond. If EUR Bonds or GBP Bonds are held by financial intermediaries on behalf of clients under one or more nominee accounts, the minimum holding of €25,000 (or £20,000, as applicable) shall apply to each underlying beneficial owner; |
| Redemption Date: | 14 December 2019 or earlier in the case of a Regulatory Change Event (refer to section 7.9 below); |
| Event of Default: | Refer to section 7.17 below; |
| Bond Issue Price: | At par (€100 per EUR Bond or £100 per GBP Bond); |
| 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; |
| Issue Period: | The period between 3 December 2012 to 7 December 2012 (or such earlier date as may be determined by the Issuer in the event of over-subscription) during which the Bonds are on offer; |
| 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: | 7.5% per annum; |
| Interest Payment Dates: | 14 December of each year, from 14 December 2013 until the Redemption Date; |
| First Interest Payment Date: | 14 December 2013; |
| Redemption Value: | At par (€100 per EUR Bond or £100 per GBP Bond); |
| Manager & Registrar: | Malta Stock Exchange p.l.c.; |
| Sponsor: | Calamatta Cuschieri & Co. 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. |

7 TERMS AND CONDITIONS OF THE BONDS

7.1 General

- 7.1.1** 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 Memorandum and Articles of Association 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.
- 7.1.2** 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.
- 7.1.3** 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.
- 7.1.4** 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.
- 7.1.5** 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.
- 7.1.6** 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.
- 7.1.7** 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.
- 7.1.8** 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 €10,000,000, subject to exercise of the Over-Allotment Option in virtue of which, in the event of oversubscription, the Issuer may, at its sole and absolute discretion, issue (at par) additional EUR Bonds and/or GBP Bonds not exceeding the euro equivalent aggregate of €2,500,000 in value.
- 7.1.9** The subscription lists during the Issue Period will open at 08.30 hours on 3 December 2012 and will close as soon thereafter as may be determined by the Issuer but in any event no later than 12.00 hours on 7 December 2012. 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.

- 7.1.10** 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 Bondholder, 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 his/her 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.
- 7.1.11** 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.
- 7.1.12** 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.
- 7.1.13** The EUR Bonds will be issued in multiples of €1,000. The minimum subscription amount of EUR Bonds that can be subscribed for 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 is £20,000.
- 7.1.14** 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 the prospective transferee's knowledge and experience so as to determine that the Applicant or the prospective transferee has the necessary experience and knowledge in order to understand the risks involved in relation to the Bonds or investment service offered or demanded, in accordance with Part BI of the ISR. In the event that the licensed financial intermediary considers, on the basis of the test conducted, that the transfer of Bonds is not appropriate for the Applicant or prospective transferee, the licensed financial intermediary shall reject the Applicant or prospective transferee's request to subscribe for or acquire Bonds, **irrespective of whether the Applicant or the prospective transferee is warned that the investment in the Bonds is not appropriate for him/her;**

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 his/her investment objectives; 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.

7.1.15 All Application Forms must be accompanied by the full price of the Bonds applied for in EUR or GBP, as applicable. Payment may be made either in cash or by cheque payable to “The Registrar – Mediterranean Bank plc 7.5% Subordinated Bonds 2019”. In the event that cheques accompanying Application Forms are not honoured on their first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application.

7.1.16 Within four (4) Business Days from the closing of the subscription lists, 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.

7.1.17 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 Malta Stock Exchange Bye-Laws, irrespective of whether the said appointed Authorised Financial Intermediaries are Malta Stock Exchange Members or not. Such information shall be held and controlled by the Malta Stock Exchange in terms of the Data Protection Act (Cap. 440 of the laws of Malta) for the purposes and within the terms of the Malta Stock Exchange Data Protection Policy as published from time to time.

7.1.18 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 Malta Stock Exchange account number is indicated in the Application Form, such Malta Stock Exchange 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 Malta Stock Exchange in relation to the Malta Stock Exchange account number indicated on the Application Form, the details held by the Malta Stock Exchange shall be deemed to be the correct details of the Applicant;
- (c) authorises the Issuer and the Malta Stock Exchange 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 Malta Stock Exchange. 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 his/her remittance, and any verification of identity as required by the Prevention of Money Laundering Act 1994 (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 his/her Application in any territory and that the Applicant has not 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 his/her 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 Calamatta Cuschieri and Co. 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 Calamatta Cuschieri and Co. 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;
- (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;
- (m) confirms that he/she has completed an Appropriateness Test at the time of filing an Application with the selected Authorised Financial Intermediary, providing the information necessary for the Authorised Financial Intermediary to assess the Applicant’s level of knowledge about investing in the Bonds and experience in this area of investing; and
- (n) warrants that the information given for the purpose of completing such Appropriateness Test was not incorrect or misleading.

7.2 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.

7.3 Registration, Form, Denomination & Title

- 7.3.1** 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 Malta Stock Exchange 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.
- 7.3.2** 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.
- 7.3.3** The Bonds will be issued in fully registered form, without interest coupons, in minimum subscriptions of €25,000 (in the case of EUR Bonds) and £20,000 (in the case of GBP Bonds) and thereafter in integral multiples of €1,000 (in the case of EUR Bonds) or £1,000 (in the case of GBP Bonds).
- 7.3.4** 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**”.

7.4 Currency of the Bonds

The currency of the Bonds is euro (€) and pounds sterling (£).

7.5 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.

7.6 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.

7.7 Rights Attached to the Bonds

There are no special rights attached to the Bonds other than the right of the Bondholders to payment of capital and interest and in accordance with the ranking as provided in this Securities Note.

7.8 Interest

7.8.1 The Bonds shall bear interest from and including 14 December 2012 at the rate of 7.5% per annum on the nominal value thereof, payable annually in arrears on each "**Interest Payment Date**", the first Interest Payment Date being 14 December 2013, 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.

7.8.2 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.

7.9 Redemption, Payments of Redemption Value, Payment of Interest

7.9.1 Redemption shall take place on 14 December 2019, provided that in the event that a Regulatory Change Event occurs, the Issuer shall, at its sole discretion but subject to the prior approval of the Malta Financial Services Authority ("**MFSA**"), have the option to redeem the Bonds in full prior to the scheduled 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.

7.9.2 At any time during the term of the Bonds, the Issuer may renounce to its rights under sub-section 7.9.1, in which case the Issuer will have permanently waived its right to request the MFSA to permit the early redemption of the Bonds.

7.9.3 For the purposes of sub-sections 7.9.1 and 7.9.2 above, the following definitions shall apply:

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|--------------------------------|---|
| Regulatory Change Event | A Regulatory Change Event shall be deemed to have occurred if Rule BR/03 is 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 Lower Tier 2 Capital or Tier 2 Capital, as the case may be, of the Issuer; |
| Rule BR/03 | Rule BR/03/2012 (Own Funds of Credit Institutions Authorised under the Banking Act 1994) of the MFSA; |
| New Capital Regulations | Any regulations, requirements, guidelines and policies adopted by the MFSA or the European Parliament, European Council or European Commission that substantially replace or materially amend Rule BR/03 in respect of capital adequacy of banks in Malta; |
| Lower Tier 2 Capital | Lower Tier 2 Capital shall refer to Additional Own Funds, Lower Tranche as defined under Rule BR/03 and any rules that supersede BR/03 in respect of credit institutions from time to time; |
| Tier 2 Capital | Tier 2 Capital shall refer to Additional Own Funds as defined under Rule BR/03 and any rules that supersede BR/03 in respect of credit institutions from time to time. |

7.9.4 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.

7.9.5 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.

7.9.6 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.

7.9.7 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.

7.9.8 No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments.

7.9.9 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 14 December 2019 or the date of exercise by the Issuer of the option to redeem the Bond early in the event of a Regulatory Change Event as explained in sub-section 7.9.1 above.

7.9.10 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.

7.9.11 All Bonds purchased by the Issuer on its own account will be cancelled forthwith and may not be re-issued or resold.

7.10 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 seven point five per cent (7.5%).

7.11 Meetings of Bondholders

7.11.1 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.

7.11.2 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 7.11 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.

7.11.3 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.

7.11.4 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.

7.11.5 Any person who in accordance with the memorandum and articles of association of the Issuer is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders.

7.11.6 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.

7.11.7 The voting process shall be managed by the company secretary under the supervision and scrutiny of the Auditors of the Issuer.

7.11.8 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.

7.11.9 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.

7.12 Authorisations & Approvals

7.12.1 The Board of Directors of the Issuer authorised the Bond Issue pursuant to a board of directors' resolution passed on 31 October 2012.

7.12.2 The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 21 November 2012.

7.12.3 Application has been made to the Malta Stock Exchange for the Bonds being issued pursuant to this Prospectus to be listed and traded on the Official List of the Malta Stock Exchange.

7.12.4 The Bonds are expected to be admitted to the Malta Stock Exchange with effect from 27 December 2012, and trading is expected to commence on 28 December 2012.

7.13 Issue Date

The Issue Date of the Bonds is expected to be 27 December 2012.

7.14 Transferability of the Bonds

7.14.1 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 £20,000, as applicable) by each individual holder of EUR Bonds or GBP Bonds, which shall be maintained at all times throughout his/her investment in respective type of Bond. If EUR Bonds or GBP Bonds are held by financial intermediaries on behalf of clients under one or more nominee accounts, the minimum holding of €25,000 (or £20,000, as applicable) shall apply to each underlying beneficial owner.

7.14.2 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.

7.14.3 All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.

7.14.4 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.

7.14.5 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.

7.14.6 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.

7.15 Taxation

7.15.1 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.

7.15.2 Interest

Since interest is payable in respect of a Bond which is the subject of a public issue, unless the Issuer is otherwise instructed by a Bondholder or if the Bondholder does not fall within the definition of “recipient” in terms of article 41(c) of the Income Tax Act (Cap. 123 of the laws of Malta) interest shall be paid to such person net of a final withholding tax, currently at the rate of 15% of the gross amount of the interest, pursuant to article 33 of the Income Tax Act (Cap. 123 of the 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 need not declare the interest so received in his income tax return. No person shall be charged to further tax in respect of such income. Nevertheless a Maltese resident individual Bondholder may alternatively declare interest that is subject to withholding tax in his tax return in which case such income would be assessed at the standard rates of tax applicable to that person, and the withholding tax suffered would be available as a credit against the recipient’s tax liability or for a refund, as the case may be.

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 that person at that time. Additionally in this latter case the Issuer will advise the Inland Revenue on an annual basis in respect 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.

7.15.3 European Union Savings Directive

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 Malta Commissioner of Revenue 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 EU Savings Directive 2003/48/EC.

7.15.4 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*”, no tax on capital gains is chargeable in respect of transfer of the Bonds.

7.15.5 Duty on Documents and Transfers

In terms of article 50 of the Financial Markets Act (Cap. 345 of the 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 is exempt from Maltese 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.

7.16 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.

7.17 Events of Default

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

7.18 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.

7.19 Distribution

During the Issue Period, Applications for subscription to the Bonds may be made through the Issuer, Sponsor and any of the Authorised Financial Intermediaries. The Bonds are open for subscription to all categories of investors, provided that 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.

7.20 Allotment Results

It is expected that an allotment advice to Applicants will be dispatched 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, 1994 (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.

8 EXPECTED TIMETABLE

| | |
|--|------------------|
| Application Forms available | 26 November 2012 |
| Opening of subscription lists | 3 December 2012 |
| Closing of subscription lists | 7 December 2012 |
| Announcement of basis of acceptance | 14 December 2012 |
| Commencement of interest on the Bonds | 14 December 2012 |
| Expected dispatch of allotment advices & refunds of unallocated monies | 21 December 2012 |
| Admission to trading | 27 December 2012 |

The Issuer reserves the right to close the Bond Issue before 7 December 2012 in the event of over-subscription, in which case the remaining events set out above shall be brought forward in the same chronological order in such a way as to retain the same number of Business Days between the said events.

9 ADMISSION TO TRADING

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

10 DOCUMENTS ON DISPLAY

For the lifetime of the Securities Note, the following documents (or copies thereof) may be inspected at the registered office of the Issuer:

- The memorandum and articles of association of the Issuer;
- The consolidated and individual audited financial statements of the Issuer for the financial year ended 31 December 2010 and the financial period ended 31 March 2012; and
- The consolidated and individual unaudited financial information of the Issuer for the half-yearly periods ended 30 June 2011 and September 2012.

ANNEX I – LIST OF AUTHORISED FINANCIAL INTERMEDIARIES

| NAME | ADDRESS | TELEPHONE | FAX |
|---|---|-----------|----------|
| Calamatta Cuschieri & Co Ltd* | Valletta Buildings, Fifth Floor, South Street, Valletta VLT 1103 | 25688688 | 25688256 |
| Charts Investment Management Service Ltd* | Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913 | 21224106 | 21241101 |
| Crystal Finance Investments Ltd | 10, First Floor, City Gate, Valletta VLT 1010 | 21226190 | 21226188 |
| D.B.R. Investments Limited | Deber, Nigret Road, Zurrieq ZRQ 3172 | 21647763 | 21647765 |
| Fexserv Investment Services Ltd | Alpine House, Naxxar Road, San Gwann SGN 9023 | 25763000 | 21378869 |
| Financial Planning Services Ltd* | 4, Marina Court No. 1, G Cali Street, Ta' Xbiex XBX 1421 | 21344244 | 21341202 |
| FINCO Treasury Management Ltd* | Level 5, The Mall Complex, The Mall, Floriana FRN 1470 | 21220002 | 21243280 |
| GlobalCapital Financial Management Ltd* | Testaferrata Street, Ta' Xbiex XBX 1403 | 22796283 | 22796284 |
| Growth Investments Ltd | Customer Service Centre, Pjazza Giovanni XXIII, Floriana FRN 1420 | 25909000 | 21226429 |
| Hogg Capital Investments Ltd* | Regent House, Level 3, Suite 33, Bizazza Street, Sliema SLM 1641 | 21322872 | 21342760 |
| Island Financial Services Ltd | Insurance House, Psaila Street, Birkirkara BKR 9078 | 23855555 | 23855238 |
| Jesmond Mizzi Financial Advisors Ltd* | 67, Level 3, South Street, Valletta VLT 1105 | 21224410 | 23265691 |
| Joseph Scicluna Investment Services Ltd | Bella Vista Court, Level 3, Gorg Borg Olivier Street, Victoria VCT 2517, Gozo | 21565707 | 21565706 |
| Mercieca Financial Investment Services Ltd | Mercieca, JF Kennedy Square, Victoria VCT 2580, Gozo | 21553892 | 21553892 |
| MFSP Financial Management Ltd | 220, Immaculate Conception Street, Msida MSD 1838 | 21322426 | 21332190 |
| Michael Grech Financial Investment Services Ltd | The Brokerage, St Marta Street, Victoria VCT 2550, Gozo | 21554492 | 21559199 |
| MZ Investment Services Ltd | 55, MZ House, St Rita Street, Rabat RBT 1523 | 21453739 | 21453407 |
| W & J Coppini Investment Services Ltd | 144, Tower Road, Sliema SLM 1604 | 21345412 | 21344972 |

* Members of the Malta Stock Exchange

ANNEX II – SPECIMEN APPLICATION FORMS

|  Application Form | | Application Number | |
|---|---|---------------------------------------|---|
| 7.5% € Subordinated Bonds 2019 | | | |
| Please read the notes overleaf before completing this Application Form. Mark 'X' if applicable. | | | |
| APPLICANT (see notes 3 to 7) | | | |
| A | <input type="checkbox"/> Non-Resident <input type="checkbox"/> CIS-Prescribed Fund <input type="checkbox"/> Minor (under 18) <input type="checkbox"/> 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 7.5% Subordinated Bonds 2019 (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) | | |
| | <input type="checkbox"/> I/We elect to have Final Withholding Tax deducted from my/our interest. <input type="checkbox"/> 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 |
| | <input type="checkbox"/> I/We am/are NOT Resident in Malta but I/we am/are Resident in the European Union. <input type="checkbox"/> I/We am/are NOT Resident in Malta and I/we am/are NOT Resident in the European Union. | | |
| H | INTEREST MANDATE (see note 10) (completion of this panel is mandatory) | | |
| | BANK | BRANCH | ACCOUNT NUMBER |
| 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 (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) | | _____ Date |
| | <div style="border: 1px solid black; height: 40px; width: 100%;"></div> Authorised Intermediary's Stamp | | <div style="border: 1px solid black; padding: 5px; text-align: center;"> <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; width: 20px; height: 20px;"></div> <div style="border: 1px solid black; width: 20px; height: 20px;"></div> <div style="border: 1px solid black; width: 20px; height: 20px;"></div> <div style="border: 1px solid black; width: 20px; height: 20px;"></div> </div> Authorised Intermediary's Code </div> |

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. Payment in euro may be made in cash or by cheque payable to 'The Registrar - Mediterranean Bank plc 7.5% Subordinated Bonds 2019'. In the event that cheques accompanying Application Forms are not honoured on their first presentation, the Issuer reserves the right to invalidate the relative Application.
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 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. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. European Council Directive 2003/48/EC on the Taxation of Savings Income in the form of interest payments requires all payors established in the EU that pay interest to an individual resident in another EU Member State, to report the interest payment to the tax authorities of the Member State in which the payor is established. If the Applicant's permanent residential address is in an EU Member State or in another country to which the Directive applies (called a "specified territory") then the interest paid will be reported.
12. Subscription lists will open at 08.30am on 3 December 2012 and will close at 12.00pm on 7 December 2012. The Issuer reserves the right, however, to close the Bond Issue before 7 December 2012 in the event of over-subscription. Any Applications received by the Registrar after the subscription lists close will be rejected.
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.



Application Form

Application Number

7.5% £ Subordinated Bonds 2019

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

| APPLICANT (see notes 3 to 7) | | | |
|--|--|---------------------------------------|----------------------------------|
| A | <input type="checkbox"/> Non-Resident <input type="checkbox"/> CIS-Prescribed Fund <input type="checkbox"/> Minor (under 18) <input type="checkbox"/> 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 7.5% Subordinated Bonds 2019 (minimum £20,000 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) | | | |
| <input type="checkbox"/> I/We elect to have Final Withholding Tax deducted from my/our interest. <input type="checkbox"/> 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 |
| <input type="checkbox"/> I/We am/are NOT Resident in Malta but I/we am/are Resident in the European Union. <input type="checkbox"/> I/We am/are NOT Resident in Malta and I/we am/are NOT Resident in the European Union. | | | |
| H INTEREST MANDATE (see note 10) (completion of this panel is mandatory) | | | |
| | BANK | BRANCH | ACCOUNT NUMBER |
| 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 Intermediary's Stamp

 Authorised Intermediary's Code

Notes on how to complete this Application Form and other information

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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.
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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 €20,000 and thereafter in multiples of €1,000.
9. Payment in pounds sterling may be made in cash or by cheque payable to 'The Registrar - Mediterranean Bank plc 7.5% Subordinated Bonds 2019'. In the event that cheques accompanying Application Forms are not honoured on their first presentation, the Issuer reserves the right to invalidate the relative Application.
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 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. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. European Council Directive 2003/48/EC on the Taxation of Savings Income in the form of interest payments requires all payors established in the EU that pay interest to an individual resident in another EU Member State, to report the interest payment to the tax authorities of the Member State in which the payor is established. If the Applicant's permanent residential address is in an EU Member State or in another country to which the Directive applies (called a "specified territory") then the interest paid will be reported.
12. Subscription lists will open at 08.30am on 3 December 2012 and will close at 12.00pm on 7 December 2012. The Issuer reserves the right, however, to close the Bond Issue before 7 December 2012 in the event of over-subscription. Any Applications received by the Registrar after the subscription lists close will be rejected.
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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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