

mediterraneanbank

wealth management - savings - investments

Summary Note dated 3 November 2014

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

Issue of euro equivalent of

€15,000,000

in 6% Subordinated Unsecured Bonds due 2019-2024

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

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

by

Mediterranean Bank plc

(registered with limited liability in the Republic of Malta)

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Legal Counsel

CAMILLERI PREZIOSI
ADVOCATES

Sponsor

Jesmond Mizzi
FINANCIAL ADVISORS

Manager & Registrar


MALTA STOCK EXCHANGE plc

1 IMPORTANT INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

SECTION A INTRODUCTION AND WARNINGS

A.1 Prospective investors are hereby warned that:

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

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

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

SECTION B ISSUER

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

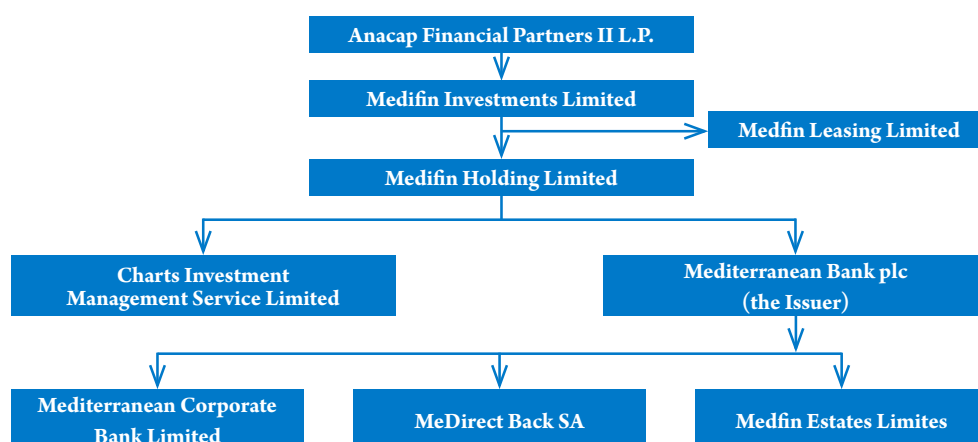
B.2 The Issuer was registered in Malta in terms of the Act on 11 June 2004, as a public limited liability company. The Issuer is domiciled in Malta.

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION C SECURITIES

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

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

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

The Bonds shall also rank subsequent to any prior ranking security interest created for the purpose of securing the Issuer's secured interbank funding lines and repurchase agreements. Such interbank funding lines and repurchase agreements are used to finance the Issuer's investment portfolio;
 - (iv) attend, participate in and vote at meetings of Bondholders in accordance with the terms and conditions of the Bond; and
 - (v) enjoy all such other rights attached to the Bonds emanating from the Prospectus.

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

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

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

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

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

SECTION D RISKS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION E OFFER

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

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

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

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

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

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

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

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

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

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

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

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

1. General

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

2. Form, Denomination and Title

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

3. Interest

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

4. Status of the Bonds

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

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

5. Payments

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

6. Redemption

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

7. Events of Default

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

8. Transferability of the Bonds

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

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

9. Register of Bondholders

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

10. Further Issues

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

11. Meetings of Participation Bondholders

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

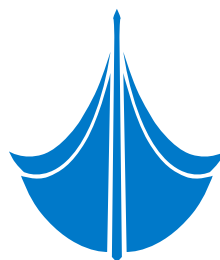
12. Governing Law and Jurisdiction

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

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

TIME-TABLE

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



mediterraneanbank

wealth management - savings - investments

Mediterranean Bank plc

(registered with limited liability in the Republic of Malta)

Registration Document dated 3 November 2014

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

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

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

Legal Counsel

CAMILLERI PREZIOSI
ADVOCATES

Sponsor

Jesmond Mizzi
FINANCIAL ADVISORS

Manager & Registrar


MALTA STOCK EXCHANGE plc

TABLE OF CONTENTS

1	Important Information.....	3
2	Definitions.....	4
3	Risk Factors.....	5
4	Persons Responsible.....	7
5	Statutory Auditors.....	7
6	History and Development of the Issuer.....	7
7	Business Overview.....	9
8	Selected Financial Information.....	8
9	Trend Information.....	13
10	Business Strategy.....	14
11	Organisational Structure.....	15
12	Board of Directors and Board Committees.....	16
13	Major Shareholders.....	22
14	Financial Information.....	22
15	Material Contracts.....	23
16	Documents on Display.....	23

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.

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 SECURITIES OF THE ISSUER OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND IN THE DOCUMENTS REFERRED TO HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS OR ADVISERS.

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THIS PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR SECURITIES: BY ANY PERSON IN ANY JURISDICTION IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED OR IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO; OR 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 SECURITIES 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 OFFER OF SECURITIES 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 SECURITIES 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.

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;
CRR	Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012;
CSD	the Central Securities Depository of the Malta Stock Exchange situated at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;;
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 Medifin Holding Limited 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;
Medfin Investments Limited	a non-cellular company limited by shares incorporated under the laws of Guernsey with company number 68396;
MFSA	the Malta Financial Services Authority, incorporated in terms of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);
M&A	the memorandum and articles of association of the Issuer in force at the time of publication of the Prospectus;
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, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities; and Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 as regards regulatory technical standards for publication of supplements to the prospectus;
Securities Note	the securities note issued by the Issuer dated 3 November 2014, forming part of the Prospectus;
Summary Note	the summary note issued by the Issuer dated 3 November 2014, forming part of the Prospectus.

3 RISK FACTORS

An investment in the Issuer involves certain risks including those described below. Before deciding to make an investment in the Issuer 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. 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 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.

3.1 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.

3.2 Risks Relating to the Issuer

3.2.1 Exposure to Credit Risk

Risks arising from adverse changes in the credit quality and recoverability of loans, securities and amounts due from counterparties are inherent in the Issuer's business.

The 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 event has been deemed to have occurred. The Issuer holds specific impairment provisions in respect of approximately 0.4% of the principal amount of its loan portfolio. Adverse changes in the credit quality of the Issuer's assets, either specific to individual obligors or caused by a general deterioration in European or global economic conditions, or by systemic risks in the financial system, could affect the recoverability and value of the Issuer's assets and either lead to write-offs or require provisions for impairment. Write-offs or provisions for impairment could also be dictated by a change in accounting standards.

3.2.2 Liquidity Risk

Liquidity risk is the risk that the Issuer will be unable to meet its obligations, including funding commitments, as they become due.

A material portion of the Issuer's financing is derived from international wholesale funding markets. In the event that funding from such markets were to become less available or more expensive, or in the event that it becomes difficult to sell financial assets close to their fair value, the Issuer may be adversely affected.

3.2.3 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.

3.2.4 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 as a result of its hedging activities. However, in the future, the Issuer may decide to reduce the level of its hedging activities, in which case, subject to maintaining the necessary controls and limitations, the Issuer may be exposed to fluctuations in foreign currency exchange rates.

3.2.5 Concentration Risk

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

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

3.2.6 Operational Risk

Operational risk and losses can result in each of the jurisdictions in which the Issuer operates from a wide range of factors, including fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with increasingly complex regulatory requirements and conduct of business rules, systems and equipment failures, natural disasters or the failure of external systems (for example, those of the Issuer's counterparties or vendors).

When the Issuer was acquired by AnaCap in 2009, new management, policies, procedures and systems were implemented, including a disaster recovery plan and a new core banking system. In addition, the Issuer has introduced for its customers new online banking and investment services, together with systems to support such services, an e-brokerage system, a revamped public website and a range of other wealth management tools and functions. The Issuer is exposed to the risk that such policies, procedures and systems being implemented will not perform to the level expected and may have a negative impact on the financial performance of the Issuer.

Any losses arising from the failure of the Issuer's system of internal controls could have a material adverse effect on its business, financial condition, results of operations and prospects and could materially adversely affect its reputation. Operational risk specific to the Issuer's IT systems is described below.

3.2.7 Risks relating to Information Technology

The Issuer depends on its information technology systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of the Issuer's business and operating data. The proper functioning of the Issuer's financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks between its branches and main data processing centres, are critical to the Issuer's business and ability to compete effectively. The Issuer's business activities would be materially disrupted if there were a partial or complete failure of any of these information technology systems or communications networks.

Such failures can be caused by a variety of factors, many of which are wholly or partially outside the Issuer's control including natural disasters, extended power outages and computer viruses. The proper functioning of the Issuer's information technology systems also depends on accurate and reliable data and other system input, which are subject to human errors. In addition, given the Issuer's high volume of transactions, errors may be repeated or compounded before they are discovered and rectified. Any failure or delay in recording or processing the Issuer's transaction data could subject it to claims for losses and regulatory fines and penalties.

3.2.8 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.

3.2.9 Expansion

In July 2013 the Issuer was approved to establish its first international branch, in Belgium. As part of the establishment of the branch, the Issuer has devoted significant time and resources to the build out of systems, infrastructure and organisational structure for the branch. Moreover, the Belgian market is a new market for the Issuer, with which the Issuer has less familiarity. The Issuer is in the process of converting its Belgian branch into a subsidiary having its own separate legal personality and requiring a separate banking license.

The Issuer is also expanding its presence in Malta through the acquisition of Mediterranean Corporate Bank Limited (previously Volksbank Malta Limited) through which it intends to develop its corporate banking platform. On 25 September 2014 the Issuer received approval from the MFSA of the acquisition of Mediterranean Corporate Bank Limited and will be investing its resources in the adaptation of the systems, infrastructure and organisational structure of this new subsidiary of the Issuer. As a result of the anticipated expansion of its activities in Malta (through Mediterranean Corporate Bank Limited), the Issuer will have a greater exposure to the local market, and any fluctuations therein could have a material adverse effect on the Issuer's business. Moreover, the expansion subjects the Issuer to increased risks relating to, *inter alia*, portfolio management issues, the success or otherwise of integrating operations and personnel within the group and a possible decrease in the overall credit quality of the group's lending portfolio.

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

3.2.10 Regulatory Matters

The Issuer, through its operations in Malta and Belgium, is subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure their compliance with economic and other objectives and limit their exposure to risk. In Malta, these controls include laws and regulations promulgated

by the MFSA, which is the regulatory body for banks. In Belgium, subsequent to obtaining the relevant banking license, the activities of the Belgian subsidiary would be regulated by the National Bank of Belgium (the “NBB”). In addition to the above, the Issuer may ultimately be subject to regulation at the level of the European Central Bank.

The Issuer is also required to comply with applicable know your customer, anti-money laundering and counter-terrorism financing laws and regulations in Malta and Belgium, including those related to countries subject to sanctions by the United States Office of Foreign Assets Control, similar regulations of the European Union and other jurisdictions, and applicable anti-corruption laws. To the extent that the Issuer fails or is perceived to fail to comply with these and other applicable laws and regulations, its reputation could be materially damaged, with consequent adverse effects on its business, financial condition, results of operations and prospects.

Any failure or delay in receiving any required regulatory approvals or the enactment of new and adverse regulations or regulatory requirements may have a material adverse effect on the Issuer’s business. In addition, future legislative, judicial and regulatory agency actions could have a material adverse effect on the Issuer’s business. Furthermore, changes in the regulatory environment could ultimately place increased regulatory pressure on the Issuer, and could have a material adverse effect on its business, financial condition, results of operation and cash flow, particularly in the case of an adverse impact resulting from regulatory developments which could expose its business to a number of risks as well as limit growth, curtail revenues and impact the Issuer’s service offerings. Moreover, there is a risk of noncompliance associated with the complexity of regulation. Failure to comply with current or future regulation could expose the Issuer’s business to various sanctions, including fines or the withdrawal of authority to conduct certain lines of business.

3.2.11 External Factors

The Issuer’s overall performance and results may also be adversely affected by external factors beyond the Issuer’s control. These include changes in economic conditions, business cycles, volatility in financial markets and increased competitive pressure in the financial services sector.

4 PERSONS RESPONSIBLE

This document includes information given in compliance with the Listing Rules for the purpose of giving information with regard to the Issuer. All of the Directors, whose names appear under the 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.

5 STATUTORY AUDITORS

The annual statutory consolidated financial statements of the Issuer for the financial period ended 31 March 2012 and the financial years ended 31 March 2013 and 2014 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 (Cap. 281 of the laws of Malta).

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.

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 (see 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 its 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 previous restrictions to the Issuer's licence. On 24 September 2009, by means of an extraordinary resolution the Issuer resolved to increase its issued share capital to €39,520,970 divided into 39,520,970 shares of a nominal value €1 each through the issue of 19,119,470 ordinary 'A' shares at a premium of €0.2254 per share.

On 25 May 2010, by means of an extraordinary resolution the Issuer resolved to increase its issued share capital to €41,030,107 divided into 41,030,107 shares of a nominal value €1 per share through the issue of 1,509,137 ordinary 'A' shares.

Pursuant to a prospectus dated 13 September 2010, the Bank issued €15,000,000 in bonds of a face value of €100 per bond, redeemable at their nominal value on the 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 in bonds, also redeemable at their nominal value on the 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 €1.00 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 held 56,030,106 Ordinary 'A' shares in the Issuer.

Pursuant to a prospectus dated 21 November 2012, the Bank issued the euro equivalent of €12,500,000 bonds in Euro (EUR Bonds) and Pounds Sterling (GBP Bonds) of a face value of €100 per EUR Bond and £100 per GBP Bond, redeemable at their nominal value on 14 December 2019 and bearing interest at 7.5% per annum (ISIN MT 0000551227 (EUR Bonds) and MT 0000551235 (GBP Bonds)).

On 15 March 2013 the Board of Directors resolved to increase the issued share capital of the Company from €56,030,107 divided into 56,030,106 Ordinary A shares of €1.00 each and one Ordinary B share of €1.00 each to €62,350,107 divided into 62,350,106 Ordinary A shares of €1.00 each and one Ordinary B share of €1.00 each, in consideration for a cash contribution of €6,320,000 by Medifin Holding Limited.

On 9 May 2013 the Issuer in general meeting resolved to increase its issued share capital by €21,000,000, through the issue of 21 million shares of a nominal value of €1.00 per share, each fully paid up. The additional 21 million shares were allotted to Medifin Holding Limited, which as a result held 83,350,106 Ordinary 'A' shares of €1.00 each in the Issuer.

As part of the funding strategy of the Bank, on 6 June 2013, Grand Harbour I B.V., a private company with limited liability incorporated under the laws of The Netherlands ("**Grand Harbour I B.V.**"), issued €240 million Senior Secured Floating Rate notes maturing by 2026. Although the entire issued share capital of Grand Harbour I B.V. is directly owned by Stichting Grand Harbour I Holding, a foundation (*stichting*) established under the laws of The Netherlands, the Dutch bankruptcy-remote funding vehicle is consolidated with the Bank for accounting purposes on the basis that the Bank owns substantially all of its junior securities. During July 2013, the Bank repurchased €22 million of such Senior Secured Floating Rate notes.

Pursuant to a prospectus issued on 12 June 2013, the Bank issued the euro equivalent of €10,000,000 bonds in Euro (EUR Bonds) and Pounds Sterling (GBP Bonds) of a face value of €100 per EUR Bond and £100 per GBP Bond, redeemable at their nominal value on 14 December 2019 and bearing interest at 7.5% per annum (ISIN MT 0000551243 (EUR Bonds) and MT 0000551250 (GBP Bonds)), fully fungible with, and subject to the same terms and conditions as, the bonds issued by the Bank pursuant to the 2012 prospectus. As from 15 December 2013, the two bonds have been deemed to constitute one bond.

On 30 October 2013 the Board of Directors resolved to increase the issued share capital of the Issuer by €4,900,000, through the issue of 4,900,000 shares of a nominal value of €1.00 per share, each fully paid up. The additional 4,900,000 shares were allotted to Medifin Holding Limited, which as a result held 88,250,106 Ordinary 'A' shares of €1.00 each in the Issuer.

On 27 November 2013 the Board of Directors resolved to increase the issued share capital of the Issuer by €9,800,000, through the issue of 8.9 million shares of a nominal value of €1.00 per share, each fully paid up. The additional 8,900,000 shares were allotted to Medifin Holding Limited, whose holding in the issued share capital of the Issuer increased from €88,250,106 divided into 88,250,106 Ordinary 'A' shares of €1.00 each to €98,050,106 divided into 98,050,106 Ordinary 'A' shares of €1.00 each. The remaining one share (one Ordinary 'B' (non-voting) share) in the Issuer's total issued share capital of €98,050,107 is held by FJV Management Limited.

An announcement was made by the Issuer on 10 December 2013 that the Subordinated bonds issued in terms of the Prospectus dated 12 June 2013 were to be merged with the 7.5% Subordinated Bonds 2019 issued in November 2012 (ISIN: EUR bonds - MT0000551227 and GBP bonds - MT0000551235) following the first interest payment on 14 December 2013, and that the two Subordinated bonds shall thereafter be deemed to be one Subordinated Bond. Accordingly, trading in the 7.5% Subordinated Bonds 2019 Fungible Issue June 2013 was suspended forthwith.

On 11 April 2014 the Issuer announced that it entered into an agreement with VB-Holding Aktiengesellschaft and Mithra Holding Gesellschaft m.b.H. to acquire 100% of the share capital of Volksbank Malta Limited (“**Volksbank Malta**”) for a cash consideration of €35,300,000. The Issuer also agreed to refinance existing debt of Volksbank Malta payable to Österreichischen Volksbanken AG (“**Volksbank Austria**”) as of the closing date of the transaction. The acquisition was concluded subject to approval by the MFSA, which was obtained on 25 September 2014. Volksbank Malta was subsequently renamed Mediterranean Corporate Bank Limited.

On 28 May 2014, the Board of Directors recommended to the Issuer in general meeting, which resolved to approve, a net final dividend of €0.20 per share, representing a net amount of €19,400,000 in the form of a bonus share issue.

In July 2014 a corporate restructuring of the Group took place pursuant to which Medifin Investments Limited acquired 99.9% of the shareholding in the parent company of the Group, Medifin Holding Limited, with its previous shareholders receiving shares in Medifin Investments Limited, as set out in further detail in section 11 under the heading “**Group organisational structure**”. As a result of the restructuring process, Medifin Investments Limited became the direct parent of Medifin Holding Limited, which in turn is the parent company of the Issuer.

7 BUSINESS OVERVIEW

7.1 Principal Activities & Markets

The objects clause of the Issuer authorises the Issuer principally 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 investment services, to hold or control clients’ money and to act as trustee or custodian of collective investment schemes.

The Issuer has a diversified investment portfolio comprising a treasury book consisting of high quality, liquid securities, including primarily senior financial instruments, bank covered bonds and public sector bonds, and a corporate lending portfolio consisting primarily of senior secured loans and bonds. Its corporate lending portfolio largely consists of Western European credits, and all loans and bonds in the portfolio are denominated in Euro or Pounds Sterling. All of the loans are floating rate instruments and do not bear material interest rate risk.

The principal customer-related activities of the Issuer in Malta include the following:

- the provision of term savings and wealth management products;
- 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 brokerage services and the execution of transactions for the purchase and sale of equities, bonds, funds and equity trading funds;
- the provision of safe custody services with a wide range of custom-tailored solutions as well as administration and safekeeping of securities;
- the provision of investment advice to customers of the Issuer;
- the provision of portfolio management services.

The main markets in which the Issuer operates and competes are the Maltese and the Belgian markets. The banking, investment and wealth management services of the Issuer are provided to an array of Maltese and international individuals and corporate clients. On 11 April 2014 the Issuer entered into an agreement to acquire 100% of the share capital of Volksbank Malta for a cash consideration of €35.3 million. The Issuer expects that the purchase of Volksbank Malta will consolidate and expedite its Maltese growth strategy through Volksbank Malta’s portfolio of Maltese customers which is complementary to the Issuer’s existing client base and aligned with its future growth strategy. Such acquisition which was subject to approval by the MFSA was completed on 25 September 2014.

In addition to the above, the Issuer has introduced for its customers new online banking, investment and wealth management services, together with systems to support such services. The Issuer has successfully implemented (i) an e-banking system that enables the Issuer's customers to execute banking transactions online; and (ii) an execution platform for international and domestic investment products. The new platform provides access to a one-stop-shop for a broad array of savings and investment products which is supplemented by free investment research and financial planning tools. In addition the Issuer has successfully implemented a new corporate e-platform enabling its growing corporate customer base to access on a 24/7 basis its payments platform and foreign exchange execution service.

As described in further detail under section 10 below ("**Business Strategy**"), in 2013 the Issuer established a branch in Belgium. Through the Belgian branch, the Issuer has broadened the range of markets in which it operates and competes.

Using the infrastructure created by the Issuer in Malta and supported by the Issuer's Maltese processing capability, the Issuer has launched in Belgium an investment services and wealth management offering directed toward the mass affluent audience. The Issuer is operating for the first time under a different brand, "MeDirect", with a refreshed image in keeping with the internet-based offering which currently is the Issuer's principal channel for addressing the Belgian market. The MeDirect branch of the Issuer currently has approximately 6,400 clients, €175 million in deposits and an increasing number of securities trades. The Issuer is in the process of converting the MeDirect entity into a subsidiary of the Issuer and obtaining a full banking license from the National Bank of Belgium. The conversion process is expected to be completed by the end of Q4 2014.

The principal customer-related activities of the Issuer in Belgium comprise the following:

- the provision of term savings and wealth management products;
- 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;
- the provision of investment advice to customers of MeDirect;
- the provision of brokerage services and the execution of transactions for the purchase and sale of equities, bonds, equity trading funds and mutual funds;
- the provision of portfolio management services.

8 SELECTED FINANCIAL INFORMATION

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

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

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

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

During the financial year ended 31 March 2014, the Issuer continued to implement its business plan with the aim of sustaining the Issuer's long-term profitability by building its customer base in the mass affluent market both in Malta and Belgium and also through a selected corporate sector in Malta. The Issuer intends to continue to improve its banking, investment and wealth management services in Malta and Belgium.

During the year, the Issuer continued to make significant investment in technology that has allowed it to introduce new online banking and investment services, together with systems to support such services. The Issuer has implemented (i) an e-banking system that enables the Issuer's customers to execute banking transactions online and (ii) an e-brokerage system that enables the Issuer's wealth management customers to execute online brokerage transactions in respect of equities, bonds and funds. The Issuer offers online asset management services, research and market data as well as analytical tools and capabilities for customers through its wealth management platform.

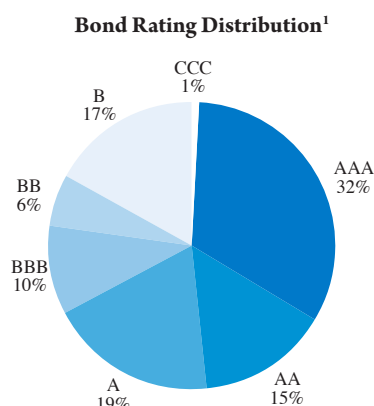
The Issuer's total operating income for the year ended 31 March 2014 was €63.815 million (2013: €54.252 million). This was driven through the Issuer's treasury operations and its corporate credit investment portfolio which, combined with its low cost base and excellent customer service, have enabled the Issuer to position itself as a market leading provider of savings and term deposit products.

The Issuer recorded a profit after tax for year ended 31 March 2014 of €19.396 million (2013: €20.483 million).

As of 31 March 2014, the Issuer's investment portfolio stood at €1.478 billion (2013: €1.564 billion) consisting of held-to-maturity securities amounting to €984 million (2013: €357 million) net of collective impairment loss of €0.463 million (2013: nil), available-for-sale ("AFS") securities amounting to €492 million (2013: €1,207 million) and other equity instruments at fair value through profit or loss amounting to €2.474 million (2013: nil). The fair value of the AFS book was risk managed through interest rate derivatives such as interest rate swaps where the hedge accounting methodology under IAS 39 was adopted. A collective impairment loss allowance of €0.5 million (2013: nil) was accounted for.

The chart set out overleaf shows the ratings applicable to the securities in which the Issuer has invested in as at 31 March 2014 and 31 March 2013. The issuer of such securities may itself have a different rating to that ascribed by it to the said instrument. During the financial year between 31 March 2014 and 31 March 2013, the Issuer experienced ratings changes within the portfolio as indicated in the ratings distribution described overleaf.

The aggregate breakdown of the securities portfolio as at 31 March 2014 is as follows:



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 31 March 2014 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 continue 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.

As part of its funding strategy, on 6 June 2013, Grand Harbour I B.V., a Netherlands company which is consolidated for accounting purposes with the Issuer, issued €240 million Senior Secured Floating Rate notes maturing by 2026. During July 2013, the Issuer acquired €22 million of such Senior Secured Floating Rate notes.

During June 2013, the Issuer issued an additional euro equivalent of €10 million of 7.50% Subordinated bonds due 2019, which in December 2013 were merged with the Euro equivalent of €12.5 million Subordinated bonds that were originally issued on 21 November 2012.

The Issuer's corporate loan portfolio stood at €571.1 million (2013: €402.2 million) as of 31 March 2014, net of collective impairment loss allowances of €0.872 million (2013: €0.676 million) and specific impairment loss allowances of €1.422 million (2013: nil). The portfolio consists principally of senior secured loans and bonds which are designed to benefit from security over all or a substantial part of the assets of the borrower or issuer, as the case may be. All loans are denominated in Euro or Pounds Sterling. All of the loans are floating rate instruments and do not bear material interest rate risk. The portfolio is diversified geographically and across industries, with most lending focused on core European countries and the UK. The portfolio carries limited exposures to Ireland and Spain and no direct exposure to Greece and Portugal.

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 statement of financial position, except for held-to-maturity investments with an amortised cost of €983.9 million as of 31 March 2014 (€356.5 million as of 31 March 2013). The fair market value of such held-to-maturity investments at year end amounted to €999.2 million as of 31 March 2014 (€338.6 million as of 31 March 2013).

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 the financial year ended 31 March 2014, the Issuer 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 financial year ended 31 March 2014, the Issuer's operating income was €63.815 million, a net profit before tax of €29.886 million, and its net profit after tax was €19.396 million. As a result of the growth in its deposit base, the Issuer increased amounts due to customers from to €566.0 million as of 31 March 2013 to €776.7 million as of 31 March 2014.

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 2014.

8.1 Capital Adequacy and Liquidity Ratios

The following provides the capital adequacy ratio and liquidity ratio with respect to the Issuer as at 31 March 2012, 2013 and 2014 (audited):

	At 31 March 2014	At 31 March 2013	At 31 March 2012
Capital Adequacy Ratio ¹	14.25%	15.66%	24.53%
Liquidity Ratio ²	148.7%	90.13%	134.59%

¹ The minimum capital adequacy ratio imposed by the MFSA on credit institutions licensed under the Banking Act (Cap. 371 of the laws of Malta) is 8%.

² The minimum liquid-asset ratio imposed by the MFSA on credit institutions licensed under the Banking Act (Cap. 371 of the laws of Malta) is 30%.

The following provides information calculated as of 31 August 2014:

	As At 31 August 2014
Common Equity Tier One Ratio ³	12.6%
Capital Adequacy Ratio	14.1%
Estimated CRD IV Liquidity Coverage Requirement Ratio ⁴	280.0%
Estimated CRD IV Net Stable Funding Ratio ⁵	118.9%

³ Following the full implementation of CRD IV reporting in 2014, capital ratios for 31 August 2014 are based upon transitional rules of the CRR/CRD IV capital framework. Prior periods are based upon the applicable MFSA banking rules at the time.

⁴ The CRR states that "Institutions should hold a diversified buffer of liquid assets that they can use to cover liquidity needs in a short term liquidity stress", and the time horizon considered is 30 days. An institution's ability to cover such liquidity needs is expressed through its Liquidity Coverage Ratio (LCR), which must meet a minimum level of 60% from 1 January 2015, rising to 100% from 1 January 2018. The methodology for estimating the LCR is based on the current interpretation of the CRD IV standards, as implemented by the European Banking Authority, and includes a number of assumptions (based on discussions with the MFSA) which are subject to change prior to the finalisation of CRD IV rules on these metrics. The European Commission is expected to adopt further legislation during 2014 to specify the definition, calibration, calculation and phase-in of the LCR for implementation in 2015. The Bank will continue to monitor the new requirements and expects to meet them ahead of the implementation dates.

⁵ The CRR states that "Institutions shall ensure that long term obligations are adequately met with a diversity of stable funding instruments under both normal and stressed conditions". An institution's ability to meet such long-term obligations is expressed through its Net Stable Funding Ratio (NSFR). Although minimum standards for this ratio are not set out in the CRR, the Basel Committee has recommended a minimum level of 100% from 1 January 2018. The methodology for estimating the NSFR is based on the current interpretation of the Basel III standards and includes a number of assumptions (based on discussions with the MFSA) since the Basel committee is still working on the calibration of the NSFR. Further changes to the rules are expected prior to the Basel Committee's finalisation of the rules and implementation by local regulators ahead of the target 2018 compliance date.

9 TREND INFORMATION

The global economy in 2014 got off to a bumpy start as a result of poor weather in the United States, financial market volatility and the conflict in Ukraine. Euro Area growth remains lacklustre, following its exit from recession in the first quarter of 2013 and it is still in the early phases of recovery. Encouragingly, Euro Area-wide manufacturing and service PMIs showed broadly based improvement in activity in the first quarter of the financial year ended 2015, while the labor market indicated that it may be bottoming out, with unemployment rates starting to creep downwards. These green shoots were reflected in the market, with peripheral sovereign debt spreads falling to pre-crisis lows.

The impacts of loose monetary policy from the European Central Bank and an extended period of historically low interest rates have driven capital toward riskier assets and the Issuer has observed a significant rally in peripheral European debt which has stabilised the funding situation of all programme countries and beyond, enabling them to achieve continued access to capital markets at attractive rates for the first time in a number of years. Through this period Ireland and Portugal have exited their respective programmes without the need for any back-stop facilities. Concerns remain however in Europe regarding sluggish economic growth with an increasing focus on the threat of pan European deflation, as the core European countries have so far failed to provide a robust economic engine. This has been compounded by the impact of the Euro which has continued to trade as a very strong currency. To negate these effects, in June 2014, the ECB loosened monetary policy substantially through cuts in its benchmark rate in tandem with an injection of liquidity and credit easing measures, which includes a Targeted Long Term Refinancing operation (TLTRO), in a bid to spur lending to both households and firms. Policy is not expected to tighten for the foreseeable future, with the ECB indicating in its June meeting that key rates would remain at current low levels for an extended period of time, with unconventional monetary policy an option if low inflation persists.

Within this context Malta itself continues to outperform economically with 2013 annual GDP growth of 2.4% in comparison with the European Union average of 0.1%. This strong performance continued into the quarter ended March 2014, with real GDP up 3.5% in annual terms, primarily reflecting developments in government consumption and spending. The Maltese banking system continues to operate with strong levels of capital and access to robust liquidity from the deposit-rich domestic market. Likewise, the Issuer continues to operate with prudent capital ratios of 14.25% and strong liquidity ratios of 148.7%.

The trends described above have had a positive effect on the Issuer's business. The increased stability of the European markets and the reduction of interest rates by the ECB have had an overall positive effect on the Issuer's funding cost and securities portfolios. Increased stability in the international capital markets is also expected to have a positive effect on the Issuer's wealth management and investment services businesses as greater investor confidence is expected to increase customer interest in investment products offered by the Issuer.

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

10 BUSINESS STRATEGY

The Issuer's primary strategic objective is to be a leading provider of savings, investment and wealth management products to the mass affluent market, both in Malta and in other European Union countries.

The Issuer's ongoing business strategy is based on:

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

The Issuer has made significant investments in technology that have allowed it to introduce new online banking and investment services for its customers, together with systems to support such services. Investment services 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 investment 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 online banking, investment and wealth management systems is to create a seamless, easy to use platform that delivers for the Issuer's customers cost efficient and transparent execution capabilities. The Issuer 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 diversifying its customer base internationally and last year established 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 Issuer to deliver competitive investment solutions to a larger number of customers and to take advantage of the Issuer's relatively cost efficient existing back office and systems infrastructure in Malta. The Belgian branch is currently an online provider of savings and investment products. Through its online platform for savings, e-brokerage and e-wealth management, it provides its Belgian client base with the following services, amongst others: online discretionary wealth management; low cost trade execution for funds, stocks, bonds and ETFs; access to online investment analysis and tools; and competitive savings rates.

As mentioned earlier in this document, the Issuer has applied to the National Bank of Belgium to convert its Belgian branch into a Belgian subsidiary of the Issuer.

In Malta, the Issuer continues to develop its customer base. Since setting up its first local branch in Sliema in August 2010, the Issuer has established a further six 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.

Through its acquisition of Mediterranean Corporate Bank Limited (previously Volksbank Malta), the Issuer intends to develop the corporate banking platform of the Mediterranean Bank group in Malta and to broaden and deepen its relationships with corporate customers in the Maltese market.

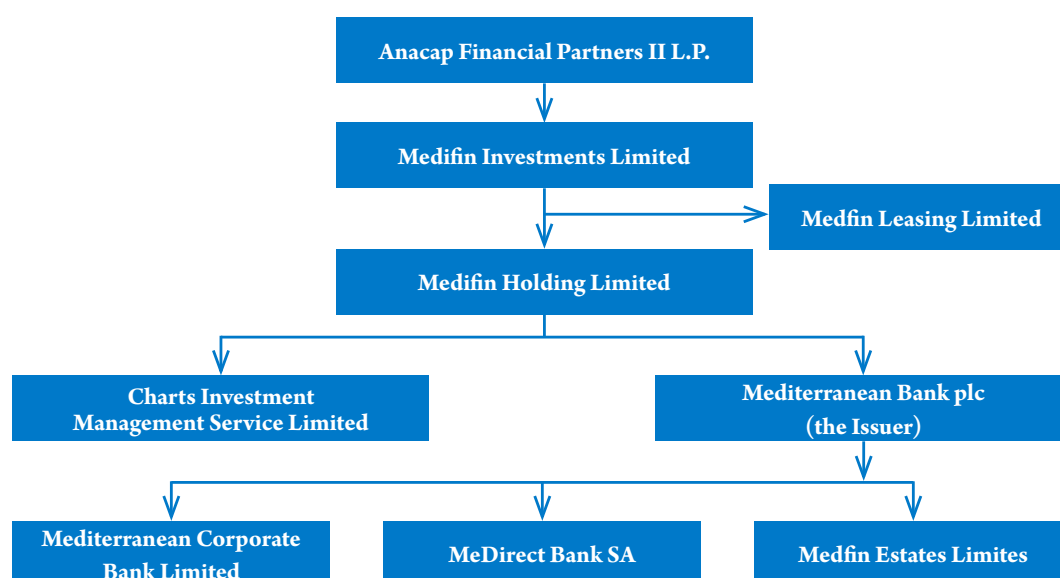
The Issuer also continues to diversify its range of funding alternatives in the international wholesale funding markets through bilateral repo lines, access to the Eurex repo platform and a secured three-year term funding facility with an international counterparty. In addition, to support the growth of its lending activities, the Issuer issued €240million of senior secured notes through a Netherlands funding vehicle, Grand Harbour I B.V.

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 continued its strategy of building a portfolio of senior secured loans to and bonds issued by European corporate issuers through its corporate credit platform.

During the past financial year and over the medium-term, the Issuer has grown, and plans to continue to grow, its corporate credit business as a percentage of its overall asset base. As corporate credit assets typically attract higher risk weightings than the highly-rated investment securities in which the Issuer has historically invested, the Issuer's capital adequacy ratio has decreased during the past two financial years. Notwithstanding the foregoing, the Issuer intends to continue to operate with a capital adequacy ratio in excess of the minimum capital requirements provided by the CRR and also any other guidance issued by the MFSA.

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 Investments Limited – a holding company organised under the laws of Guernsey with company number 68396. The majority of the issued share capital of Medifin Investments Limited (approximately 97.8% in terms of voting rights) is subscribed to by AnaCap. 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 Investments Limited.
- Medifin Holding Limited – a holding company registered under the laws of Malta as a private limited liability company with company registration number C 34111. It is a fully owned subsidiary of Medifin Investments Limited.
- 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.

- Mediterranean Corporate Bank Limited – a company licensed under the Banking Act (Cap. 371 of the laws of Malta) to carry on the business of banking. Mediterranean Corporate Bank (previously Volksbank Malta) is a private limited liability company registered under the laws of Malta with company registration number C 30432. The majority of the issued share capital of Mediterranean Corporate Bank Limited (99.9%) is held by the Issuer, with the remaining one share being held by Medifin Holding Limited.
- MeDirect Bank SA – currently a shell company, licensed under Belgian law bearing Belgian company registration number 0553851093. Upon receipt of approval by the National Bank of Belgium to convert its Belgian branch to a subsidiary with a full banking license, the Issuer intends to transfer the business of its Belgian branch to MeDirect Bank SA. The majority of the issued share capital of MeDirect Bank SA (99.9%) is held by the Issuer, with the remaining one share being held by Medifin Holding Limited.

The organisational structure set out above does not include Medifin Estates, a subsidiary of the Issuer which as at the date of this Prospectus does not constitute a material part of the Issuer's business. The financial statements of the Issuer are not consolidated to include this entity. Medifin Estates is a partnership en nom collectif registered under the laws of Malta with partnership number P1408, 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.

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 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.

Frederick Mifsud Bonnici

Non-Executive Director

Mr. Mifsud Bonnici has wide-ranging experience in the financial services sector and is a Fellow Member of Institute of Chartered Accountants in England and Wales. He is presently non-executive Chairman of Blevins Franks Trustees Limited and Blevins Franks Gamma Limited and a non-executive director and Chairman of the Audit Committee of Malita Investments plc. Mr. Mifsud Bonnici has been an elected member of the Council of the Malta Institute of Accountants uninterruptedly for over 32 years and its president for three years. He is a visiting senior lecturer in Auditing at the University of Malta. Mr. Mifsud Bonnici was formerly Chairman of Bank of Valletta plc Group, MSV Life plc and a member of the board of Middlesea Insurance plc. He was a Senior Audit Partner of PricewaterhouseCoopers in Malta, responsible for risk management for many years and Head of Assurance, before his retirement in 2011. Mr Mifsud Bonnici was Deputy Chairman and subsequently Chairman of the Malta Stock Exchange between 1990 and 1999.

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.

Benjamin Hollowood*Non-Executive Director*

Benjamin Hollowood is an investment director at AnaCap Financial Partners LLP, a European private equity firm specialising in financial services, where he is the part of the Business Services team responsible for the development of AnaCap Financial Partners LLP's portfolio company investments. Prior to joining AnaCap Financial Partners LLP, Benjamin worked as a principal at Bain Company where he led a broad range of assignments across the financial service sector, where he advised senior management teams across Europe, US, and Africa on strategy, Mergers & Acquisitions, operational and organisational issues. Benjamin holds a MA in Neuroscience from the University of Cambridge.

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

12.1.1 Conflict of Interest

The Bank's Articles of Association provide that any director who is in any way, whether directly or indirectly, interested in a transaction or proposed transaction with the Bank must (i) declare to the other directors the nature of such interest and ensure such declaration be minuted; (ii) not participate in or be present for any discussion relative to any such transaction or proposed transaction, and (iii) not vote in respect of any such transaction or proposed transaction.

On joining the Board and regularly thereafter, Directors are informed and reminded of their obligations in respect of dealing in securities of the Issuer within the parameters of law and the Listing Rules.

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 Committees**12.2.1.1 Audit Committee**

As a result of the increased size of the Bank's product base and range of operations, on 27 November 2013 the Bank replaced the Audit and Risk Committee with an Audit Committee and a Risk Committee each distinct from the other.

The Audit Committee is primarily responsible for reviewing and approving specific matters relating to the audit of the Bank, internal control and risk management systems. In particular, the Audit Committee:

- reviews and approves the annual internal audit plan and subsequent revisions and monitors progress against the annual audit plan;
- ensures that the scope of work performed in accordance with the audit plan is adequate and appropriate;
- vets and approves related party transactions in accordance with Listing Rule 5.138;
- reviews work performed on all audit engagements; and
- reviews and interacts with external auditors on the annual statutory audit to obtain feedback on the internal control framework and financial reporting of the Bank.

The members of the Audit Committee as of the date hereof are:

Frederick Mifsud Bonnici	<i>Committee Chairman and Non-Executive Director</i>
Francis J. Vassallo	<i>Member and Independent Non-Executive Director / Chairman of the Board</i>
Benjamin Hollowood	<i>Member and Non-Executive Director</i>

Mr Frederick Mifsud Bonnici and Mr Francis J. Vassallo were appointed by the Board as independent directors who are competent in accounting and/or auditing in terms of listing rules 5.117 and 5.118. Each of Mr Mifsud Bonnici and Mr Vassallo is deemed (i) independent because he is free from any business, family or other relationship with the Bank or its management that may create a conflict of interest such as to impair his judgment and (ii) is competent in accounting and/or auditing in view of his experience in those areas.

Benjamin Hollowood was appointed on what was then the Audit & Risk Committee on 30 May 2013. On 26 February 2014, Peter B. Cartwright, a non-executive director, resigned from the Audit Committee. On 30 May 2014 Finlay S. McFadyen, the Independent Non-Executive Director and Chairman of the Audit Committee tendered his resignation from the Audit Committee with effect from 30 June 2014, and Frederick Mifsud Bonnici was appointed in his stead as Committee Chairman.

During the financial year ended 31 March 2014, four quarterly meetings of the Bank's Audit Committee were held. In addition, the Chairman of the Committee held regular discussions with the Bank's internal auditors without the presence of an executive director.

12.2.1.2 Nomination & Remuneration Committee

The primary purpose of the Nomination and Remuneration Committee ("NRC") is to review remuneration levels in the Bank and to consider whether to approve performance-related bonus awards and long-term incentive plan awards.

The NRC receives recommendations from the management of the Bank regarding remuneration levels and the awarding of bonuses. It may request market-related information from time to time to verify the recommendations made by management.

One of the NRC's primary functions is to ensure that the Bank is able to attract and retain suitable employees at all levels at an acceptable cost.

The members of the NRC are:

Francis J. Vassallo	<i>Independent Non-Executive Director (Committee Chairman)</i>
Benjamin Hollowood	<i>Non-Executive Director</i>

On 30 May 2013 Benjamin Hollowood was appointed as a member of the NRC. On 26 February 2014, Peter B. Cartwright, a non-executive director resigned from the NRC. During the financial year ended 31 March 2014, one meeting of the Bank's Nomination and Remuneration Committee was held.

12.2.1.3 Risk Committee

The Risk Committee represents the principal forum for overseeing all the risks of the Bank. In addition, it is responsible for recommending the Bank's risk appetite to the Board, and deciding risk-related policies and recommendations.

The members of the Risk Committee are:

Benjamin Hollowood	<i>Committee Chairman and Non-Executive Director</i>
Mark A. Watson	<i>Member and Executive Director</i>

The main objective of the Risk Committee is to ensure that the Bank adheres to the approved risk policy and procedures, and operates within the approved risk appetite of the Board.

The key Committee functions are:

- reviews and approves changes to the Bank's risk policy and procedures;
- ensures that the risk functions are appropriately resourced and structured to meet their obligations and are working effectively to maintain an effective control environment;
- reviews any violations to the lending limits;
- reviews the product distribution strategy, including product structure, pricing and targeting; and
- monitors:
 - the effectiveness of risk management processes implemented in support of risk policies;
 - portfolio risk and sector concentration risk, including evolution of the risk profile against plan;
 - credit quality trends;
 - provision levels;
 - interest rate, currency and other market risk;
 - liquidity risk;
 - operational risk; and
 - contingent exposures.

The Chairman of the Committee reports on all matters to the Board after each meeting and notifies the Board of decisions made. The Committee makes whatever recommendations to the main Board that it deems necessary.

Meetings are scheduled quarterly. During the financial year ended 31 March 2014, two quarterly meetings of the Bank's Risk Committee were held.

12.2.1.4 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 and banking relationships, waiver of specific provisions of compliance requirements, limitation of signatory authorisation, dealing with investment portfolio/trading/operational matters and issuance of certified extracts of Board resolutions.

The members of the committee are:

Mark A. Watson	<i>Committee Chairman & Executive Director</i>
Henry Schmeltzer	<i>Member & Executive Director</i>
Vincent Chatard	<i>Member & Executive Director</i>

This committee operated throughout the reporting period and met on an ad hoc basis when specific issues were to be considered.

12.2.2 Principal Management Committees

12.2.2.1 Executive Management Committee

The EXCO takes day to day responsibility for the efficient operation of the Bank. In addition, the EXCO is responsible for the formulation and implementation of Board-approved strategies and plans and for ensuring that the Bank's business is operated in accordance with such strategies and plans.

The members of the EXCO include the Bank's Chief Executive Officer, Head of Commercial Strategy and Legal Affairs, Head of Treasury and Investment, Chief Business Development Officer, Chief Financial Officer, Chief Risk Officer, Head of Operations, Chief Officer – MeDirect and Head of Administration and Human Resources. The EXCO meets three times each month. During the financial year ended 31 March 2014, 31 meetings of the EXCO were held.

12.2.2.2 Management Credit Committee

The Management Credit Committee is responsible for approving credit recommendations and making other credit decisions under its delegated authority - this includes decisions on individual credits; reviewing and recommending credit to the Board; monitoring adherence to large exposure limits; consideration of credit hedging strategies; and recommending other concentration limits for Board approval. It also establishes transactional authority for members of the Treasury and Investment Department. In addition, the Management Credit Committee reviews provisioning and lending policies; monitors the Bank's investment portfolios and reviews Management Information reports.

The members of the Management Credit Committee include the Bank's Chief Risk Officer (Committee Chairman), the Bank's Chief Executive Officer, and Head of Treasury. The committee meets regularly on an ad hoc basis. During the financial year ended 31 March 2014, approximately 100 meetings of the Management Credit Committee were held.

12.2.2.3 Asset and Liability Committee ("ALCO")

ALCO 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 according to the risk appetite set by the Board.

The members of ALCO include the Bank's Head of Treasury and Investment (Committee Chairman), Chief Executive Officer, Head of Treasury Operations, Chief Financial Officer and Chief Risk Officer. ALCO has scheduled meetings monthly but also holds additional ad hoc meetings. During the financial year ended 31 March 2014, 12 meetings of the ALCO were held.

12.2.2.4 Management Operations Committee

The Management Operations Committee considers day-to-day operating procedures of the Bank. Also the Committee follows up on the implementation of any audit agreed actions.

The members of the Management Operations Committee consist of Chief Business Development Officer, Head of Back Office and Settlements, Chief Risk Officer, Chief Financial Officer, General Counsel and Head of Compliance, Head of Risk Architecture, Head of Client Service Group, Head of IT, Head of Banking and Trading Services and Head of Administration.

The Management Operations Committee establishes, monitors and receives feedback in the form of management actions, from specifically created working groups (such as Authorisations working group, eBanking risk working group, Reconciliations working group, Physical security working group and Procedures and processes working group) as may be required in order to ensure that issues relating to operational issues are handled effectively and efficiently.

During the financial year ended 31 March 2014, no meetings of the Management Operations Committee were held.

12.2.2.5 New Customer Products Committee

The New Customer Products Committee has been established to analyse potential new products to be offered by the Bank from a risk, operations, reputation and legal/compliance perspective. The Committee provides its recommendations to the Executive Management Committee including the appropriate policies, procedures and controls that should be adopted in relation to any such new product.

The members of the New Customer Products Committee are the Chief Business Development Officer, Head of Project Management, Head of Client Service Group, Head of Treasury and Investment, Chief Risk Officer, Head of Risk Architecture, Chief Financial Officer, Head of Operations, Head of Back Office and Settlements, Head of Middle Office Operations, Head of Quality Control, General Counsel and Head of Compliance, Head of IT and Head of Business Administration.

During the financial year ended 31 March 2014, one meeting of the New Customer Products Committee was held.

12.2.2.6 Treasury Services Committee

The Treasury Services Committee has been established to analyse potential new treasury management products to be used by the Treasury department for liquidity, credit and market risk management from a risk, operations and legal/compliance perspective.

The members are Head of Treasury and Investment, Chief Business Development Officer, Head of Back Office and Settlements, Head of Operations, Chief Officer - MeDirect, Head of Risk Architecture, General Counsel and Head of Compliance, Head of Banking and Trading Services, Head of Project Management and Head of Middle Office Operations.

During the financial year ended 31 March 2014, three meetings of the Treasury Services Committee were held.

12.3 Compliance with Corporate Governance Requirements

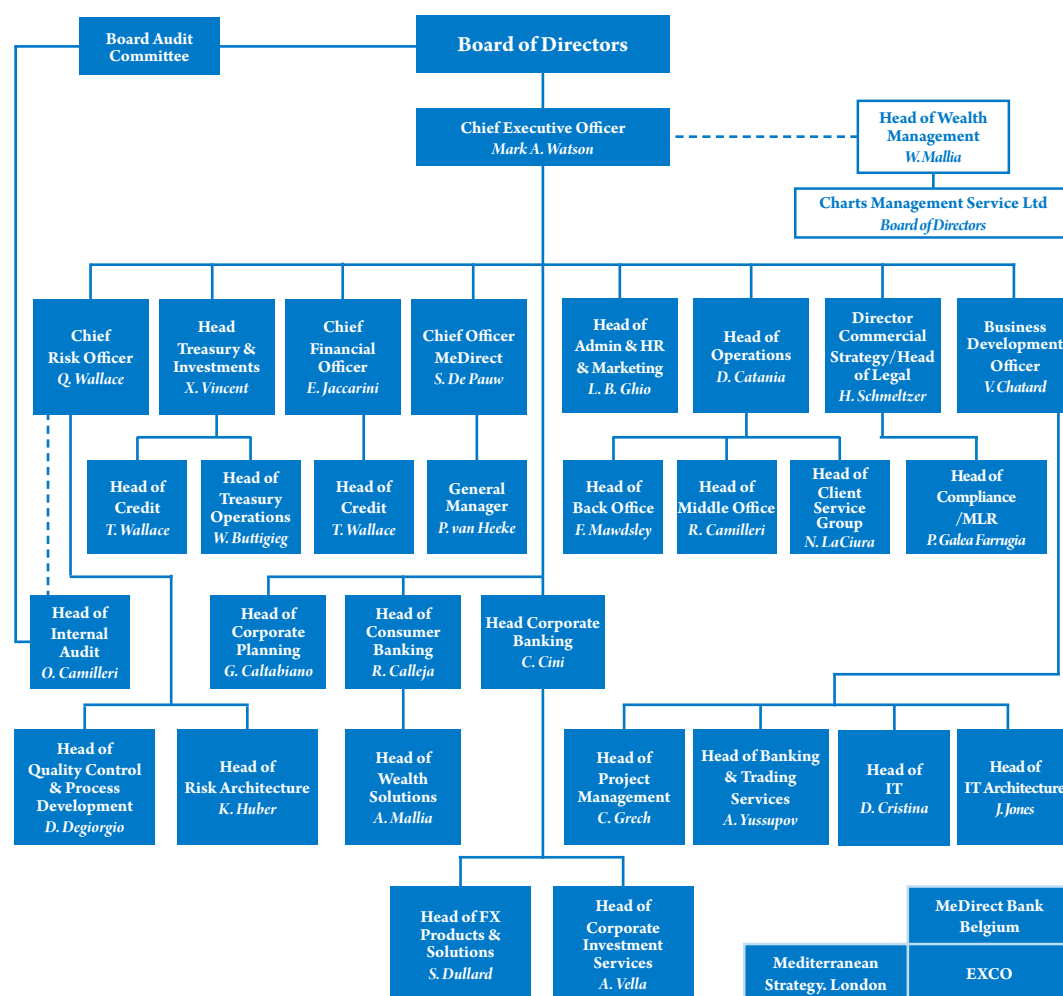
The Directors believe that the current organisational structures put in place by the Bank are adequate and shall continue to build the organisation's structure at this level on the same model adopted so far. The Directors will maintain these structures under continuous review to ensure that they meet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

The statement of compliance with the Code of Principles of Good Corporate Governance (the "Code"), which indicates the extent to which the Issuer has complied with the Code, is set out in its entirety in the Issuer's annual report for the financial year ended 31 March 2014 under the heading "Statement of Compliance with the Principles of Good Corporate Governance".

The Issuer considers that it is fully compliant with the provisions of the Code of Principles of Good Corporate Governance.

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

As at the date of this Prospectus, Medifin Investments Limited holds all the issued share capital of Medifin Holding Limited save for one share held by Mark Watson Holdings Limited. Medifin Investments Limited holds 56,406,546 ordinary 'A' shares in the issued share capital of Medifin Holding Limited and Mark Watson Holdings Limited holds one ordinary 'B' share in the issued share capital of said company. Both ordinary 'A' and ordinary 'B' shares have a nominal value of one Euro each.

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 all general meetings. The right to vote at said meetings, the right to receive a dividend and the entitlement to surplus assets of the company on a winding up are restricted to the holders of the ordinary 'A' shares.

13.2 Shareholding of Medifin Investments Limited

The issued share capital of Medifin Investments 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 450,000 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 210,000 ordinary 'C' shares.

Pursuant to the memorandum and articles of Medifin Investments 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. 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.

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 M&A 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 currently indirectly owned by a holding company, Medifin Investments Limited, which in turn is majority owned and controlled by AnaCap (a European private equity fund which specialises in investments in the financial services sector). As a private equity investor, AnaCap regularly undertakes strategic reviews of its investments, including its investment in Medifin Investments Limited, in order to assess its future options. In addition, AnaCap does, from time to time, receive approaches and/or expressions of interest from third parties that are interested in investing in, or acquiring, Medifin Investments Limited and/or the Bank. It is therefore possible that during the term of the Bonds, one or more of these approaches and/or expressions of interest could ultimately lead to a change in control of Medifin Investments Limited and/or the Bank. At present, however, the Issuer is not aware of any existing arrangements between the Issuer and any potential acquirer which may result in a change of control.

14 FINANCIAL INFORMATION

14.1 Historical Financial Information

Full historical financial information for the financial period ended 31 March 2012 and the financial years ended 31 March 2013 and 2014 are set out in the consolidated financial statements of the Issuer as audited by KPMG and are available for public inspection.

The latest audited financial information available in respect of the Issuer may be found in the financial statements for the financial year ended on 31 March 2014.

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

On 11 April 2014, the Issuer entered into an agreement to acquire the entire share capital of Volksbank Malta for a cash consideration of €35.3 million.

Between 31 March 2014 and the date of this Prospectus, the Issuer bought back a further €208,600 of its 6.25% Bonds due 2015 through market operations.

A final dividend of €19.4 million (2013: €21.0 million), equivalent to 20 cents per ordinary share, unanimously approved at the annual general meeting held on 28 May 2014, was paid by means of a bonus issue of shares of the Issuer to its shareholders.

There have been no other significant changes in the financial or trading position of the Issuer or the Group which has occurred since 31 March 2014. With respect to the preceding paragraph, however, it is pertinent to note that following the date of this Prospectus the Issuer may, from time to time, in accordance with its M&A, and subject to the provisions of the Banking Act (Cap. 371 of the laws of Malta), including provisions related to required regulatory approvals where applicable, declare dividends payable out of the distributable reserves of the Issuer up to the amount recommended by the Board of Directors. Similarly, the Board may from time to time resolve to effect a repayment of capital contribution in favour of shareholders, also subject to regulatory approval.

15 MATERIAL CONTRACTS

Other than the Share Purchase Agreement relating to the sale and purchase of all shares in Volksbank Malta (described below), the Issuer has not entered into any material contracts which are not in the ordinary course of business and which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to security holders in respect of the securities being issued pursuant to, and described in, the Securities Note forming part of the Prospectus.

15.1 Volksbank Malta Share Purchase Agreement:

On 11 April 2014, the Issuer entered into an agreement for the sale and purchase of the entire share capital of Volksbank Malta for the final purchase price of €35.3 million (the "**Volksbank Malta SPA**"). The Issuer, as purchaser, is to receive from VB-Holding Aktiengesellschaft and Mithra Holding Gesellschaft m.b.H., as sellers, all the shares held in Volksbank Malta (save for one share to be allocated to Medifin Holding Limited) subject to the terms and conditions of the Volksbank Malta SPA at the date on which certain specified closing actions have been completed and the necessary clearances obtained in accordance with the terms of the Volksbank Malta SPA (the "**Closing Date**").

As part of the purchase of the Volksbank Malta shares, the Issuer agreed to refinance existing debt of Volksbank Malta due to Volksbank Austria as of the Closing date of the transaction. The amount of debt to be refinanced, which currently stands at approximately €30 million, is to be determined as at Closing Date. The Issuer does not expect any material divergence from such amount between the date hereof and the expected Closing Date.

The Volksbank Malta SPA is governed by Maltese law.

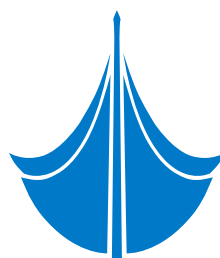
Shortly following closing of the above transaction, Volksbank Malta Limited was renamed Mediterranean Corporate Bank Limited.

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:

16.1 The M&A of the Issuer; and

16.2 The consolidated and individual audited financial statements of the Issuer for the financial period ended 31 March 2012 and the financial years ended 31 March 2013 and 2014.



mediterraneanbank
wealth management - savings - investments

Securities Note dated 3 November 2014

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 MT0000551268 (EUR Bonds) and MT0000551276 (GBP Bonds). This Securities Note should be read in conjunction with the Registration Document containing information about the Issuer.

Issue of Euro equivalent of

€15,000,000
in 6% Subordinated Unsecured Bonds due 2019-2024
issued in Euro (EUR Bonds) and Pounds Sterling (GBP Bonds)
(or Euro equivalent of €25,000,000 in case of exercise of the Over-Allotment Option)

by

Mediterranean Bank plc
(registered with limited liability in the Republic of Malta)

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

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 INCLUDING ANY LOSSES INCURRED BY INVESTING IN THESE SECURITIES.

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

Legal Counsel

CAMILLERI PREZIOSI
ADVOCATES

Sponsor

Jesmond Mizzi
FINANCIAL ADVISORS

Manager & Registrar


MALTA STOCK EXCHANGE plc

TABLE OF CONTENTS

1	Important Information.....	3
2	Definitions.....	5
3	Risk Factors.....	7
4	Persons Responsible.....	9
5	Consent for use of Prospectus.....	9
6	Advisers to the Issuer.....	10
7	Key Information.....	10
8	Terms and Conditions of the Bonds.....	13
9	Expected Timetable.....	24
10	Intermediaries' Offer.....	24
11	Allocation Policy.....	24
12	Admission to Trading.....	25
13	Documents on Display.....	25
	Annex I – Specimen Application Forms.....	26

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 €15,000,000 6% SUBORDINATED BONDS DUE 2019-2024 CONSISTING OF TWO TRANCHES, ONE DENOMINATED IN EURO (“EUR BONDS”) AND HAVING A NOMINAL VALUE OF €100, AND THE OTHER DENOMINATED IN POUNDS STERLING (“GBP BONDS”) AND HAVING A NOMINAL VALUE OF £100. IN THE EVENT OF OVER-SUBSCRIPTION, THE ISSUER MAY, AT ITS SOLE DISCRETION, ISSUE ADDITIONAL BONDS NOT EXCEEDING IN AGGREGATE THE EURO EQUIVALENT OF €10,000,000 AT PAR.

THE BONDS SHALL BE ISSUED AT PAR, PROVIDED THAT HOLDERS OF 6.25% BONDS DUE TO MATURE ON 30 OCTOBER 2015 ISSUED BY THE ISSUER PURSUANT TO AN OFFERING MEMORANDUM DATED 13 SEPTEMBER 2010 AND A FURTHER OFFERING MEMORANDUM DATED 30 MAY 2011 (THE “EXCHANGEABLE BONDS”) WHO, IN EXCHANGE FOR THE NUMBER OF EUR BONDS APPLIED FOR ARE TO SURRENDER IN FAVOUR OF THE ISSUER EXCHANGEABLE BONDS SHALL, IN ACCORDANCE WITH THE ALLOCATION POLICY, BE ALLOCATED EUR BONDS AT A DISCOUNT OF 4% PER EXCHANGEABLE BOND BEING EXCHANGED, SUBJECT TO A MAXIMUM OF THE EURO EQUIVALENT OF €15,000,000 IN EUR BONDS BEING ISSUED BY WAY OF CONSIDERATION FOR EXCHANGE OF EXCHANGEABLE BONDS. THE DISCOUNT WOULD TAKE THE FORM OF A ONE TIME PAYMENT TO BE EFFECTED BY THE REGISTRAR IN FAVOUR OF THE APPLICANT SURRENDERING EXCHANGEABLE BONDS IN EXCHANGE FOR EUR BONDS, EQUIVALENT TO 4% OF THE NOMINAL VALUE OF THE EUR BONDS ALLOCATED TO SUCH APPLICANT AGAINST THE SURRENDER OF EXCHANGEABLE BONDS. EFFECTIVELY, THEREFORE, APPLICANTS SURRENDERING EXCHANGEABLE BONDS AS AFORESAID WOULD BE RECEIVING, IN CASH, €4.00 FOR EVERY EUR BOND BEING SUBSCRIBED TO IN CONSIDERATION OF THE CANCELLATION OF THEIR HOLDING OF EXCHANGEABLE BONDS.

THE BONDS SHALL BEAR INTEREST AT THE RATE OF 6% PER ANNUM PAYABLE ANNUALLY ON 28 NOVEMBER OF EACH YEAR, UNTIL THE REDEMPTION DATE. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL AT MATURITY ON 28 NOVEMBER 2024 SUBJECT TO THE RIGHT OF THE ISSUER, WITH THE PRIOR APPROVAL OF THE MFS, TO REDEEM ALL OR PART OF THE BONDS ON ANY DESIGNATED EARLY REDEMPTION DATE BY GIVING NOT LESS THAN 30 DAYS’ NOTICE TO THE BONDHOLDERS.

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

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

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

THIS PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR BONDS: BY ANY PERSON IN ANY JURISDICTION IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED OR IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO; TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION.

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

SAVE FOR THE ISSUE IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFERING OF THE BONDS OR THE DISTRIBUTION OF THE PROSPECTUS (OR ANY PART THEREOF) OR ANY OFFERING MATERIAL IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (OTHER THAN MALTA) WHICH HAS IMPLEMENTED DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 4 NOVEMBER 2003 ON THE PROSPECTUS TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING OR WHICH, PENDING SUCH IMPLEMENTATION, APPLIES ARTICLE 3.2 OF SAID DIRECTIVE, THE BONDS CAN ONLY BE OFFERED TO "QUALIFIED INVESTORS" (AS DEFINED IN SAID DIRECTIVE) AS WELL AS IN ANY OTHER CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION BY THE ISSUER OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF SAID DIRECTIVE.

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

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE LISTING AUTHORITY IN SATISFACTION OF THE LISTING RULES, THE MSE IN SATISFACTION OF THE MSE 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 OR ANY OF THE DESIGNATED EARLY REDEMPTION DATES, AS APPLICABLE. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISERS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS.

2 DEFINITIONS

Words and expressions and capitalised terms used in this Securities Note shall, except where the context otherwise requires and except where otherwise defined herein, bear the same meaning as the meaning given to such words, expressed and capitalised terms as indicated in the Registration Document issued by the Issuer on 3 November 2014.

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 for the subscription for EUR Bonds or GBP Bonds, specimens of which are contained in Annex I of this Prospectus;
Appropriateness Test	shall have the meaning set out in section 8.2.16 of this Securities Note;
Authorised Financial Intermediaries	the licensed stockbrokers and financial intermediaries listed in section 8.2 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	save as otherwise set out in this Securities Note in so far as Existing Bondholders subscribing for Bonds through an Exchangeable Bond Transfer are concerned, the price of €100 per Bond in the case of the EUR Bonds, and the price of £100 per Bond in the case of the GBP Bonds;
Business Day	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
CRR	Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012;
CSD	the Central Securities Depository of the Malta Stock Exchange situated at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
Cut-Off Date	3 November 2014;
Designated Early Redemption Date	any Interest Payment Date falling in the years 2019 to 2023 as the Issuer may determine by giving 30 days' prior notice to the Bondholders further to obtaining the prior approval of the MFSA;
EUR Bonds	the 6% Subordinated Unsecured Bonds due 2019-2024 of a face value of €100 per bond redeemable at their nominal value on the Redemption Date or any of the Designated Early Redemption Dates, bearing interest at the rate of 6% per annum, which in aggregate with the GBP Bonds would not exceed the Euro equivalent of €15,000,000 (or €25,000,000 in case of exercise of the Over-Allotment Option) in value of Bonds issued pursuant to this Prospectus;
Exchangeable Bond Transfer	the subscription for EUR Bonds by an Existing Bondholder settled, after submitting the appropriate pre-printed Application Form (received by mail directly from the Issuer), by the transfer to the Issuer of all or part of the Exchangeable Bonds held by such Existing Bondholder as at the Cut-Off Date, subject to a minimum application of €25,000, including Cash Top-Up as may be necessary, and subject to a maximum aggregate Euro equivalent of €15,000,000 in face value of EUR Bonds being issued by way of consideration payable to Existing Bondholders exercising an Exchangeable Bond Transfer;
Exchangeable Bonds	the 6.25% bonds due to mature on 30 October 2015 having ISIN MT0000551219, amounting as at the date of the Prospectus to €14,539,600 in aggregate;
Existing Bondholder	a holder of Exchangeable Bonds as at the Cut-Off Date;

GBP Bonds	the 6% Subordinated Unsecured Bonds due 2019-2024 of a face value of £100 per bond redeemable at their nominal value on the Redemption Date or any of the Designated Early Redemption Dates, bearing interest at the rate of 6% per annum, which in aggregate with the EUR Bonds would not exceed the Euro equivalent of €15,000,000 (or €25,000,000 in case of exercise of the Over-Allotment Option) in value of Bonds issued pursuant to this Prospectus;
Interest Payment Dates	annually, on 28 November of each year commencing on 28 November 2014 and ending with and including the Redemption Date, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
Intermediaries' Offer	shall consist of the process set out in section 10 of this Securities Note;
ISR	the Investment Services Rules for Investment Services Providers, the Standard License Conditions applicable to Investment Services License Holders (excluding UCITS Management Companies), issued by the MFSA, as amended from time to time;
Issue Date	3 November 2014;
Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the laws of Malta), having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta, and bearing company registration number C 42525;
MFSA	the Malta Financial Services Authority as established under the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);
Official List	the list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;
Over-Allotment Option	the option of the Issuer, at its sole and absolute discretion, to increase the Bond Issue by a maximum of an additional Euro equivalent of €10,000,000 in EUR Bonds and /or GBP Bonds, in the event of over-subscription;
Prospectus	the Registration Document, the Summary Note and this Securities Note;
Redemption Date	28 November 2024, or a Designated Early Redemption Date, or earlier in the case of a Regulatory Change Event;
Redemption Value	the nominal value of each Bond;
Registration Document	the registration document issued by the Issuer dated 3 November 2014, forming part of the Prospectus;
Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in a prospectus and dissemination of advertisements, as amended by: Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities; and Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 amending Regulation (EC) No. 809/2004 as regards to regulatory technical standards for publication of supplements to the prospectus;
Regulatory Change Event	shall have the meaning set out in section 8.10 of this Securities Note;
Subordination	means that the rights and claims of Bondholders in respect of the payment of capital and interest on the Bonds will, in the event of dissolution and winding up of the Issuer, rank after the claims of all unsubordinated debt and will not be repaid until all other unsubordinated debt outstanding at the time has been settled. And any reference to the term " Subordinated " shall be construed accordingly;
Suitability Test	shall have the meaning set out in section 8.2.16 of this Securities Note;
Summary Note	the summary note issued by the Issuer dated 3 November 2014 forming part of the Prospectus;
Terms and Conditions	the terms and conditions of the Bonds contained in this Securities Note under the heading " Terms and Conditions of the Bonds ".

3 RISK FACTORS

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds will be repayable in full upon maturity. An investment in the Bonds involves certain risks including those described below. Prospective investors should carefully consider, with their own independent financial and other professional advisers, the following risk factors and other investment considerations as well as all the other information contained in this Prospectus before deciding to make an investment in the Bonds. The sequence in which the risks below are listed is not intended to be indicative of any order of priority or of the extent of their consequences.

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

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

3.1 Forward Looking Statements

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

3.2 Risks Relating to the Bonds

- 3.2.1 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.
- 3.2.2 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.
- 3.2.3 Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.
- 3.2.4 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.
- 3.2.5 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.
- 3.2.6 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.
- 3.2.7 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 Issuer draws Existing Bondholders’ attention to the fact that unlike in the case of the Bonds, the Exchangeable Bonds were not Subordinated. Existing Bondholders subscribing for Bonds through a Exchangeable Bond Transfer would, accordingly, be surrendering bonds having a higher level of priority than the Bonds received in exchange therefor.

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

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

- 3.2.8 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.
- 3.2.9 The Bonds are redeemable in whole or in part at the option of the Issuer prior to the Redemption Date on any of the Designated Early Redemption Dates upon giving 30 days' notice to the Bondholders, subject to obtaining the prior approval of the MFSA. Furthermore, the Bonds are redeemable in whole at any time during the term of the Bond in the case of a Regulatory Change Event taking place.

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

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

- 3.2.10 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.
- 3.2.11 Directive 2014/59/EU of the European Parliament and the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2004/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council, known as the Bank Recovery and Resolution Directive (also referred to as the Crisis Management Directive), entered into force on 2 July 2014 (for the purposes of this Risk Factor, the "Directive"). Member States have until 31 December 2014 to adopt and publish laws, regulations and administrative provisions necessary to comply with this Directive, prior to adopting such measures from 1 January 2015. This Directive grants regulators resolution powers to, *inter alia*, write down the debt of a failing bank (or to convert such debt into capital) to strengthen its financial position and allow it to continue as a going concern, subject to appropriate restructuring measures being taken. Such conversion of debt into capital would result in a change in the status of the holder of this instrument, from that of a bond holder to that of a shareholder.

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

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

Any determination that all or part of the principal amount of the Bonds will be subject to Statutory Loss Absorption may be inherently unpredictable and may depend on a number of factors which may be outside the Issuer's control. Trading behaviour in respect of Bonds which are subject to Statutory Loss Absorption is not necessarily expected to follow trading behaviour associated with other types of securities. Any indication that Bonds will become subject to Statutory Loss Absorption could have an adverse effect on the market price of the relevant Bonds. Potential investors should consider the risk that a Bondholder may lose all of its investment in such Bonds, including the principal amount plus any accrued but unpaid interest, if those Statutory Loss Absorption measures were to be taken.

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

4 PERSONS RESPONSIBLE

This document includes information given in compliance with the Listing Rules for the purpose of 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>
Frederick Mifsud Bonnici	<i>Non-Executive Director</i>
Benjamin Hollowood	<i>Non-Executive Director</i>
Mark A. Watson	<i>Executive Director – Chief Executive Officer</i>
Henry C. Schmeltzer	<i>Executive Director - Legal and Regulatory</i>
Joaquin Vicent	<i>Executive Director - 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.

5 CONSENT FOR USE OF PROSPECTUS

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

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

- i. in respect of Bonds subscribed for through Authorised Financial Intermediaries listed in section 8.20 of this Securities Note;
- ii. to any resale or placement of Bonds taking place in Malta;
- iii. to any resale or placement of Bonds taking place within the period of 60 days from the date of the Prospectus.

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

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

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

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

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

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

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

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

6 ADVISORS TO THE ISSUER

Legal Counsel

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

Sponsor

Jesmond Mizzi Financial Advisors Limited
67, Level 3, South Street, Valletta VLT 1105, Malta

7 KEY INFORMATION

7.1 Interest of Natural & Legal Persons in the Bond Issue

Mediterranean Bank plc, the Issuer of the Bonds, 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.

7.2 Reasons for the Issue and Use of Proceeds

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

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

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

7.3 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 €350,000, and shall be borne by the Issuer.

The overall amount of the commission payable to Authorised Financial Intermediaries will not exceed €150,000 (or €250,000 in the case of exercise of the Over-Allotment Option).

7.4 Issue Statistics

Issuer	Mediterranean Bank plc, a company registered in Malta with registration number C 34125;
Amount:	The aggregate principal amount of the EUR Bonds and the GBP Bonds will equal the Euro equivalent value of €15,000,000, 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 €10,000,000 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 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 the holder's investment in the respective type of Bond. If EUR Bonds and GBP Bonds are held by financial intermediaries on behalf of clients under one or more nominee accounts, the minimum holding of €25,000 (or £20,000, as applicable) shall apply to each underlying beneficial owner;
Redemption Date:	28 November 2024 or a Designated Early Redemption Date or earlier in the case of a Regulatory Change Event (refer to section 8.10 below);
Plan of Distribution – EUR Bonds:	The EUR Bonds are open for subscription by: (i) holders of Exchangeable Bonds applying for EUR Bonds by Exchangeable Bond Transfer, by submitting the appropriate Application Form to an Authorised Financial Intermediary, up to the number of EUR Bonds representing the nominal value of Exchangeable Bonds held by them as at the Cut-Off Date; (ii) holders of Exchangeable Bonds applying for EUR Bonds in excess of the aforesaid, solely where the Existing Bondholder has transferred such holder's entire holding in Exchangeable Bonds (see below, under the heading "Excess applied for by Existing Bondholders"), by completing the relevant section of the Application Form submitted to an Authorised Financial Intermediary; and (iii) Authorised Financial Intermediaries either for their own account or on behalf of clients. The above is subject to the minimum holding requirement applicable to each individual subscriber (or underlying client, as applicable), that is a minimum holding of €25,000 in EUR Bonds per Bondholder;
Plan of Distribution – GBP Bonds:	The GBP Bonds are open for subscription by Authorised Financial Intermediaries, either for their own account or on behalf of clients. A minimum holding of £20,000 in GBP Bonds per holder of GBP Bonds shall apply;
Discount applicable to Exchangeable Bond Transfers	Where EUR Bonds are allocated to an Existing Bondholder as consideration for a Exchangeable Bond Transfer, such Existing Bondholder shall benefit from a 4% discount on the amount of EUR Bonds allocated, in the form of a cash payment, to be effected by the Registrar on behalf of the Issuer, of €4.00 for every EUR Bond being subscribed to in consideration of the cancellation of such Existing Bondholder's holding of Exchangeable Bonds. The discount would take the form of a one-time payment to be effected by the Registrar in favour of the Existing Bondholder surrendering Exchangeable Bonds in exchange for EUR Bonds, equivalent to 4% of the nominal value of the EUR Bonds allocated to such Existing Bondholder against the surrender of Exchangeable Bonds;

Preferred Allocation:	<p>Existing Bondholders applying for EUR Bonds may elect to settle all or part of the amount due on the EUR Bonds applied for by the transfer to the Issuer of Exchangeable Bonds held by them as at the Cut-Off Date, subject to a minimum holding of €25,000 in EUR Bonds. Any Existing Bondholders whose holding in Exchangeable Bonds is less than €25,000 shall be required to pay the difference together with the submission of an Application Form (“Cash Top-Up”).</p> <p>Existing Bondholders electing to subscribe for EUR Bonds through the transfer to the Issuer of all or part of the Exchangeable Bonds held by them as at the Cut-Off Date shall be allocated such number of EUR Bonds representing the nominal value of Exchangeable Bonds transferred to the Issuer (including Cash Top-Up, where applicable).</p> <p>In the event that the aggregate face value of EUR Bonds applied for by Existing Bondholders by way of Exchangeable Bond Transfer is in excess of €15,000,000, then the Issuer, acting through the Registrar, shall first scale down each Application by Existing Bondholders to the minimum subscription amount of €25,000 per Application (“Scaling Down”). Where notwithstanding Scaling Down the aggregate face value of EUR Bonds applied for by Existing Bondholders by way of Exchangeable Bond Transfer remains in excess of €15,000,000, a ballot shall be held in accordance with the allocation policy to be issued in terms of section 8.2.19. Pursuant to such ballot, only the drawn Applications shall be allocated a €25,000 complement in EUR Bonds. As a result, there is the possibility that not all Existing Bondholders seeking to subscribe for EUR Bonds by Exchangeable Bond Transfer will be allocated EUR Bonds.</p> <p>The transfer of Exchangeable Bonds to the Issuer in consideration for the subscription for EUR Bonds shall cause the obligations of the Issuer with respect to such Exchangeable Bonds to be extinguished, and shall give rise to obligations on the part of the Issuer under the EUR Bonds.</p>
Excess applied for by Existing Bondholders:	<p>Existing Bondholders wishing to apply for a number of Bonds exceeding in value the aggregate nominal value of Exchangeable Bonds held by them as at the Cut-Off Date (the “Excess”) may do so by completing the relevant section of the Application Form. In such cases the Existing Bondholder would be required to transfer such holder’s entire holding in Exchangeable Bonds by way of Exchangeable Bond Transfer, and settle the balance in the manner set out in section 8.1.2. below;</p>
Intermediaries’ Offer:	<p>Following the Preferred Allocation referred to above, any remaining EUR Bonds, and all Bonds issued in the event of the Issuer exercising the Over-Allotment Option, shall form part of an Intermediaries’ Offer.</p> <p>In the event that the sum of the aggregate value of Exchangeable Bonds transferred to the Issuer as consideration for subscription for EUR Bonds and the aggregate of the subscription agreements received from Authorised Financial Intermediaries in terms of the Intermediaries’ Offer is in excess of the equivalent of €15,000,000 (or €25,000,000 in the event of exercise of the Over-Allotment Option), then: the Issuer (acting through the Registrar) shall scale down each Application received from Authorised Financial Intermediaries in terms of the Intermediaries’ Offer in accordance with the allocation policy to be issued in terms of section 8.2.19;</p>
Event of Default:	<p>Refer to section 8.18 below;</p>
Bond Issue Price:	<p>At par (€100 per EUR Bond or £100 per GBP Bond), provided that in respect of EUR Bonds issued to Existing Bondholders effecting a Exchangeable Bond Transfer, such EUR Bonds would in effect be issued at a discount of 4% per EUR Bond;</p>
Listing:	<p>Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the MSE for the Bonds to be listed and traded on its Official List;</p>
Application Forms mailed to Existing Bondholders:	<p>6 November 2014;</p>
Closing date for Applications to be received from Existing Bondholders:	<p>20 November 2014;</p>
Intermediaries’ Offer:	<p>21 November 2014;</p>
Underwriting:	<p>The Issue is not underwritten;</p>

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:	6% per annum;
Interest Payment Dates:	28 November of each year, from 28 November 2015 until the Redemption Date;
First Interest Payment Date:	28 November 2015;
Redemption Value:	At par (€100 per EUR Bond or £100 per GBP Bond);
Manager & Registrar:	MSE;
Sponsor:	Jesmond Mizzi Financial Advisors Limited;
Governing Law of Bonds:	The Bonds are governed by and shall be construed in accordance with Maltese law;
Jurisdiction:	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds.

8 TERMS AND CONDITIONS OF THE BONDS

8.1 General

- 8.1.1** The consideration payable by an Existing Bondholder for EUR Bonds may be settled, after submitting the appropriate pre-printed Application Form (received by mail directly from the Issuer), by the transfer to the Issuer of all or part of the Exchangeable Bonds held by such Existing Bondholder as at the Cut-Off Date (the “**Exchangeable Bond Transfer**”), subject to a minimum application of €25,000.
- 8.1.2** Payment by Existing Bondholders of the Cash Top-Up referred to in the paragraph entitled “Preferred Allocation” in section 7.4, and, where applicable, any Excess applied for in terms of the paragraph entitled “Excess applied for by Existing Bondholders” in section 7.4, shall be made in Euro and in cleared funds at the Bond Issue Price, in either cash or by cheque payable to “The Registrar – Mediterranean Bank plc 6% Subordinated Bonds due 2019-2024”.
- 8.1.3** By submitting a signed pre-printed Application Form indicating that the Exchangeable Bond Transfer is being selected (whether in whole or in part consideration for the EUR Bonds being applied for), the Existing Bondholder is thereby confirming:
- i. that all or part (as the case may be) of the Exchangeable Bonds held by the Existing Bondholder on the Cut-Off Date are being transferred to the Issuer, together with the payment due in respect of any Cash Top-Up and/or the Excess, if applicable; and
 - ii. that the pre-printed Application Form constitutes the Existing Bondholder’s irrevocable mandate to the Issuer to:
 - a. cause the transfer of the said Exchangeable Bonds in the Issuer’s name in consideration of the issue of EUR Bonds; and
 - b. engage, at the Issuer’s cost, the services of such brokers or intermediaries as may be necessary to fully and effectively vest title in the said Exchangeable Bonds in the Issuer and fully and effectively vest title in the appropriate number of EUR Bonds in the Existing Bondholder;
 - iii. that in respect of the exercise of the option set out in section 8.1.2 above and/or section 8.1.6 below, the Existing Bondholder’s remittance representing the Cash Top-Up or the payment of the Excess, if any, will be honoured on first presentation and agrees that, if such remittance is not so honoured on their first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Existing Bondholder’s Application, and furthermore the Existing Bondholder will not be entitled to receive a registration advice or to be registered in the register of Bondholders, unless the Existing Bondholder makes payment in cleared funds and such consideration is accepted by the Issuer, acting through the Registrar (which acceptance shall be made in the Issuer’s absolute discretion and may be on the basis that the Existing Bondholder indemnifies the Issuer against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of the Existing Bondholder’s remittance to be honoured on first presentation).

- 8.1.4 Where the Existing Bondholder is the holder of Exchangeable Bonds which as at the Cut-Off Date are held subject to usufruct, both the signatures of the bare owner as well as that of the usufructuary will be required in the Application Form.
- 8.1.5 All Applications for the subscription of EUR Bonds being effected by Exchangeable Bond Transfer must be submitted on the appropriate pre-printed Application Form by not later than 12:00 hours on 20 November 2014. The completed pre-printed Application Form is to be lodged with any of the Authorised Financial Intermediaries.
- 8.1.6 Holders of Exchangeable Bonds wishing to apply for the Excess, that is a number of Bonds exceeding in value the aggregate nominal value of Exchangeable Bonds held by them as at the Cut-Off Date, shall be entitled to do so by completing the relevant section of the Application Form.

8.2 General terms and conditions of application

- 8.2.1 The issue and allotment of the Bonds is conditional upon the Bonds being admitted to the Official List. In the event that the Bonds are not admitted to the Official List, no Exchangeable Bond Transfers (see section 8.1 above) shall take effect, and any Application monies received by the Issuer will be returned without interest by direct credit into the Applicant's bank account indicated by the Applicant on the relative Application Form.
- 8.2.2 In view of the fact that the proceeds of the Bond Issue are intended to be applied *inter alia* to the redemption of part of the outstanding amount of the Exchangeable Bonds at the Cut-Off Date, the Company has not established an aggregate minimum subscription level for the Bond Issue.

As indicated in section 7.2 above under the heading "Reasons for the Issue and Use of Proceeds", the Exchangeable Bonds shall be partly redeemed out of the proceeds of the Bond Issue, and any residual balance of Exchangeable Bonds will be left outstanding. It is the responsibility of investors wishing to apply for the Bonds to inform themselves as to the legal requirements of so applying including any requirements relating to external transaction requirements in Malta and any exchange control in the countries of their nationality, residence or domicile.
- 8.2.3 The contract created by the acceptance of an Application shall be subject to the terms and conditions set out in this Securities Note and the M&A of the Issuer. It is the responsibility of investors wishing to apply for the Bonds to inform themselves as to the legal requirements of so applying including any requirements relating to external transaction requirements in Malta and any exchange control in the countries of their nationality, residence or domicile.
- 8.2.4 If the Application Form is signed on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the person signing will be deemed to have bound his principal, or the relative corporation, corporate entity, or association of persons and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions on their behalf. Such intermediary may be requested to submit the relative power of attorney/resolution or a copy thereof duly certified by a lawyer or notary public if so required by the Registrar.
- 8.2.5 In the case of joint Applications, reference to the Applicant in these terms and conditions is a reference to each Applicant, and liability therefor is joint and several. In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed, vis-à-vis the Issuer, to be the holder of the Bond/s so held and shall have the right to receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner.
- 8.2.6 The Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.
- 8.2.7 No person receiving a copy of the Prospectus or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to such person nor should such person in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or such Application Form could lawfully be used without contravention of any registration or other legal requirements.
- 8.2.8 It is the responsibility of any person outside Malta wishing to make any Application to satisfy himself/herself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

- 8.2.9** Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of twenty four (24) hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholders at his registered address and posted. Save where the context requires otherwise, terms defined in the Prospectus bear the same meaning when used in the Application Form and in any other document issued pursuant to the Prospectus.
- 8.2.10** 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 €15,000,000, 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 €10,000,000 in value.
- 8.2.11** The subscription lists during the Intermediaries' Offer will open at 08.30 hours on 21 November 2014 and will close as soon thereafter as may be determined by the Issuer but in any event no later than 12.00 hours on that same date. Any person, whether natural or legal, shall be eligible to submit an Application, and any one person, whether directly or indirectly, should not submit more than one Application Form, save in the case of subscription made in part for EUR Bonds and in part for GBP Bonds, in which case two (2) separate Application Forms per Applicant are required. In the case of corporate Applicants or Applicants having separate legal personality, the Application Form must be signed by a person authorised to sign and bind such Applicant. It shall not be incumbent on the Issuer or Registrar to verify whether the person or persons purporting to bind such an Applicant is or are in fact authorised.
- 8.2.12** Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholders, with interest and redemption monies payable to the parents / legal guardian/s signing the Application Form until such time as the minor attains the age of 18 years, following which all interest and redemption monies shall be paid directly to the registered holder. Provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of 18 years. In the case of joint Applications, the joint holders shall nominate one of their number as their representative and such person's name will be entered in the register with such designation. The person whose name shall be inserted in the field entitled "Applicant" on the Application Form, or first named in the register of Bondholders shall, for all intents and purposes, be deemed to be such nominated person by all those joint holders whose names appear in the field entitled "Additional Applicants" in the Application Form or joint holders in the register as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.
- 8.2.13** Subject to all other terms and conditions set out in the Prospectus, the Issuer reserves the right to reject, in whole or in part, or to scale down any Application, including multiple or suspected multiple Applications and to present any cheques and/or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Issuer is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted.
- 8.2.14** If any Application is not accepted, or if any Application is accepted for fewer Bonds than those applied for, the Application monies or the balance of the amount paid on Application will be returned by the Issuer without interest by direct credit into the Bondholder's bank account as indicated by the Bondholder on the Application Form. The Issuer shall not be responsible for any loss or delay in transmission.
- 8.2.15** The EUR Bonds will be issued in multiples of €1,000. The minimum subscription amount of EUR Bonds that can be subscribed for by Applicants (including holders of Exchangeable Bonds applying for EUR Bonds in terms of section 8.1.2 above) is €25,000. The GBP Bonds will be issued in multiples of £1,000. The minimum subscription amount of GBP Bonds that can be subscribed for by Applicants is £20,000.
- 8.2.16** The completed Application Forms are to be lodged with the Issuer or any of the Authorised Financial Intermediaries. Authorised Financial Intermediaries shall, prior to accepting an Application, conduct an Appropriateness Test in respect of the Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered appropriate for the Applicant. To the extent that an Authorised Financial Intermediary is providing advice in respect of a purchase of the Bonds by an Applicant, such Authorised Financial Intermediary shall also be required to conduct a Suitability Test in respect of the Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered suitable for the Applicant.

For the purpose of this Securities Note, the term “Appropriateness Test” means the test conducted by any licensed financial intermediary, when providing an investment service (other than investment advice or portfolio management) in relation to the subscription for and the trading of Bonds, for the purpose of such licensed financial intermediary determining (after collecting the necessary information) whether the investment service or the Bonds are appropriate for the prospective Applicant or prospective transferee. In carrying out this assessment, the licensed financial intermediary shall ask the Applicant or the prospective transferee to provide information regarding the Applicant or transferee’s knowledge and experience so as to determine that the Applicant or transferee has the necessary experience and knowledge in order to understand the risks involved in relation to the Bonds or investment service offered or demanded, in accordance with Part BI of the ISR. In the event that the licensed financial intermediary considers, on the basis of the test conducted, that the transfer of Bonds is not appropriate for the Applicant or prospective transferee, the licensed financial intermediary shall reject the prospective Applicant’s request to subscribe for or acquire Bonds, **irrespective of whether the Applicant or transferee is warned that the investment in the Bonds is not appropriate for the Applicant or transferee;**

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

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

8.2.17 In the case of subscriptions for Bonds other than by Exchangeable Bond Transfer, 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 6% Subordinated Bonds due 2019-2024”. 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.

8.2.18 Within five (5) Business Days from the closing of the Bond Issue, the Issuer shall announce the results of the Issue and determine and announce the basis of acceptance of applications and the allocation policy to be adopted by means of a company announcement.

8.2.19 In the event that an Existing Bondholder has been allocated a number of EUR Bonds which is less than the number applied for, Exchangeable Bonds equal in face value to the number of EUR Bonds allocated to such Existing Bondholder shall be transferred to the Issuer as set out in 8.1.1 above, whereas the remaining Exchangeable Bonds held by the Existing Bondholder and representing the aggregate face value of EUR Bonds applied for but not allocated shall be retained by the Existing Bondholder.

In the event that an Existing Bondholder applying for a number of Bonds exceeding in value the aggregate nominal value of Exchangeable Bonds held by them as at the Cut-Off Date has been allocated a number of EUR Bonds which is less than the Excess applied for, then such Existing Bondholder shall receive a refund of the price of the EUR Bonds applied for but not allocated. Such refund shall be without interest and shall be made by credit transfer to such account indicated in the Application Form, at the Existing Bondholder’s sole risk on 5 December 2014.

In the event that following allocation to Existing Bondholders of Exchangeable Bonds as a result of Exchangeable Bond Transfers, Authorised Financial Intermediaries subscribing for Bonds have been allocated a number of Bonds which is less than the number applied for, then such Authorised Financial Intermediaries shall receive a refund of the price of the Bonds applied for but not allocated. Such refund shall be without interest and shall be made by credit transfer to such account indicated in the subscription agreement, at the Authorised Financial Intermediary’s sole risk on 5 December 2014.

- 8.2.20 For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations 2003 as amended from time to time, all appointed Authorised Financial Intermediaries are under a duty to communicate, upon request, all information about clients as is mentioned in Articles 1.2(d) and 2.4 of the “Code of Conduct for Members of the Malta Stock Exchange” appended as Appendix IV to Chapter 3 of the MSE Bye-Laws, irrespective of whether the said appointed Authorised Financial Intermediaries are MSE Members or not. Such information shall be held and controlled by the MSE in terms of the Data Protection Act (Cap. 440 of the laws of Malta) for the purposes and within the terms of the Malta Stock Exchange Data Protection Policy as published from time to time.
- 8.2.21 By completing and delivering an Application Form, the Applicant:
- a agrees and acknowledges to have had the opportunity to read the Prospectus and to be deemed to have had notice of all information and representations concerning the Issuer and the issue of the Bonds contained therein;
 - b warrants that the information submitted by the Applicant in the Application Form is true and correct in all respects and in the case where an MSE account number is indicated in the Application Form, such MSE account number is the correct account of the Applicant. In the event of a discrepancy between the personal details (including name and surname and the Applicant’s address) appearing on the Application Form and those held by the MSE in relation to the MSE account number indicated on the Application Form, the details held by the MSE shall be deemed to be the correct details of the Applicant;
 - c authorises the Issuer and the MSE to process the personal data that the Applicant provides in the Application Form, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act (Cap. 440 of the laws of Malta). The Applicant has the right to request access to and rectification of the personal data relating to him/her as processed by the Issuer and/or the MSE. Any such requests must be made in writing and sent to the Issuer at the address indicated in the Prospectus. The requests must further be signed by the Applicant to whom the personal data relates;
 - d confirms that in making such Application no reliance was placed on any information or representation in relation to the Issuer or the issue of the Bonds other than what is contained in the Prospectus and accordingly agree/s that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information or representation;
 - e agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of such Applicant’s remittance or surrender of Exchangeable Bonds, as the case may be, and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the laws of Malta) (and regulations made thereunder) and that such monies will not bear interest;
 - f agrees to provide the Registrar and/or the Issuer, as the case may be, with any information which it/they may request in connection with the Application;
 - g warrants, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with the Application in any territory and that the Applicant 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 such person’s Application;
 - h warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
 - i represents that the Applicant is not a U.S. person (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended) as well as not to be accepting the invitation set out in the Prospectus from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the “United States”) or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
 - j agrees that Jesmond Mizzi Financial Advisors Limited will not, in its capacity of Sponsor, treat the Applicant as its customer by virtue of such Applicant making an Application for the Bonds, and that Jesmond Mizzi Financial Advisors Limited will owe the Applicant no duties or responsibilities concerning the price of the Bonds or their appropriateness and suitability for the Applicant;
 - k agrees that all documents in connection with the issue of the Bonds will be sent at the Applicant’s own risk and may be sent by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as set out in the Application Form;
 - 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.

8.3 Legislation under which the Bonds are Created

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

8.4 Registration, Form, Denomination & Title

8.4.1 Certificates will not be delivered to Bondholders in respect of the Bonds given the fact that the entitlement to Bonds will be represented in an uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD. There will be entered in such electronic register the names, addresses, identity card numbers (in the case of natural persons), registration numbers (in the case of companies) and MSE account numbers of the Bondholders and particulars of the Bonds held by them respectively and a copy of such register will, at all reasonable times during business hours, be open to the inspection of the Bondholders at the registered office of the Issuer.

8.4.2 Upon request by the Bondholder, the CSD will issue a statement of holdings to Bondholders evidencing their entitlement to Bonds held in the register kept by the CSD.

8.4.3 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).

8.4.4 Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments) as the absolute owner of such Bond. Title to the Bonds may be transferred as provided below under the heading “**Transferability of the Bonds**”.

8.5 Currency of the Bonds

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

8.6 Status of the Bonds (Ranking and Subordination)

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

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

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

8.7 Privileges and Hypothecs

The Issuer finances its investment portfolio in the interbank market using secured funding lines and repurchase agreements. Pursuant to such arrangements, investment securities being financed are pledged to the financing counterparty. Creditors of the Issuer providing such financing and benefiting from the related pledges would rank prior to Bondholders in respect of the pledged assets.

8.8 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.

8.9 Interest

8.9.1 The Bonds shall bear interest from and including 28 November 2014 at the rate of 6% per annum on the nominal value thereof, payable annually in arrears on each “Interest Payment Date”, the first Interest Payment Date being 28 November 2015, provided that any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day.

- 8.9.2 When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated on the basis of the actual number of days in such period divided by the actual number of days (365 or 366, as applicable) in the respective year.

8.10 Redemption, Payments of Redemption Value, Payment of Interest

- 8.10.1 The Bonds shall become due for final redemption on 28 November 2024, provided that the Issuer reserves the right to redeem any one or more of the Bonds or any part thereof on any of the Designated Early Redemption Dates, as the Issuer may determine with the prior approval of the MFSA, on giving not less than thirty (30) days' notice to Bondholders. In making an early redemption as aforesaid, the Issuer reserves the right to redeem any one or both of the EUR Bonds or GBP Bonds, in whole or in part, at the discretion of the Issuer, in the currency in which they are issued. Redemption of the Bonds shall be made at the nominal value of the Bonds. In addition, the Issuer reserves the right to purchase, from the market at any time after issue, Bonds for cancellation.
- 8.10.2 Without prejudice to the preceding paragraph, in the event that a Regulatory Change Event were to occur, the Issuer shall, at its sole discretion but subject to the prior approval of the MFSA, have the option to redeem the Bonds in full prior to the scheduled Redemption Date or any possible Designated Early Redemption Date. In the event that the MFSA grants its approval to such early redemption, the Issuer may, subject to giving not less than thirty (30) nor more than sixty (60) days' notice to Bondholders, redeem the Bonds in whole but not in part on the date specified in such notice (the "**Regulatory Redemption Date**") at a redemption price equal to par plus accrued interest to but excluding the Regulatory Redemption Date.
- 8.10.3 At any time during the term of the Bonds, the Issuer may renounce to its rights under sub-section 8.10.2, in which case the Issuer will have permanently waived its right to request the MFSA to permit the early redemption of the Bonds.
- 8.10.4 For the purposes of sub-sections 8.10.2 and 8.10.3 above, the following definitions shall apply:

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

- 8.10.5 Payment of the principal amount of a Bond together with any outstanding interest accrued to the Redemption Date will be made in the currency in which that Bond is designated to the person in whose name such Bonds are registered at the close of business on the Redemption Date, by direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in Euro or Pounds Sterling, as the case may be, and held with any licensed bank in Malta. The Issuer shall not be responsible for any loss or delay in transmission.
- 8.10.6 Upon payment of the Redemption Value the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Bonds at the CSD, provided that where the Bondholder's bank account number is not known, the principal amount shall be retained by the Issuer for collection by the Bondholder or remittance when the bank account number of the said Bondholder is made known to the Issuer. In the case of Bonds held subject to usufruct, payment will be made against the joint instructions of all bare owners and usufructuaries. Before effecting payment the Issuer and/or the CSD shall be entitled to request any legal documents deemed necessary concerning the entitlement of the bare owner/s and the usufructuary/ies to payment of the Bonds.
- 8.10.7 Payment of any instalment of interest on a Bond will be made in Euro, or Pounds Sterling, as the case may be, to the person in whose name such Bond is registered at the close of business 15 days prior to the Interest Payment Date by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in Euro or Pounds Sterling, as the case may be, and held with any licensed bank in Malta. The Issuer shall not be responsible for any loss or delay in transmission, provided that where the Bondholder's bank account number is not known, the interest is retained by the Issuer for collection by the Bondholder entitled to such interest or remittance when the bank account number of the said Bondholder is made known to the Issuer.

- 8.10.8** All payments with respect to the Bonds are subject in all cases to any applicable fiscal or other laws and regulations prevailing in Malta. In particular, but without limitation, all payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made net of any amount which the Issuer is compelled by law to deduct or withhold for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Malta or any authority thereof or therein having power to tax.
- 8.10.9** No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments. Any applicable third party bank expenses or charges relating to the payment of interest on the Bonds shall be borne by the Issuer.
- 8.10.10** Unless previously purchased and cancelled as provided below, the Issuer will redeem the Bonds (together with payment of interest accrued thereon) at their nominal value on Redemption Date, which shall be either the 28 November 2024 or the date of exercise by the Issuer of the option to redeem the Bond early on a Designated Early Redemption Date (with the MFSA's prior approval) or in the event of a Regulatory Change Event, as explained above.
- 8.10.11** Subject to the provisions of the following sub-section, the Issuer may at any time purchase Bonds in the open market or otherwise and at any price. If purchases are made by tender, tenders shall be made available to all Bondholders alike.
- 8.10.12** All Bonds purchased by the Issuer on its own account will be cancelled forthwith and may not be re-issued or resold.

8.11 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 six per cent (6%).

8.12 Meetings of Bondholders

- 8.12.1** The Issuer may from time to time call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of obtaining the consent of Bondholders on matters which in terms of the Prospectus require the approval of a Bondholders' meeting.
- 8.12.2** A meeting of Bondholders shall be called by the Directors by giving all Bondholders listed on the register of Bondholders as at a date being not more than thirty (30) days preceding the date scheduled for the meeting, not less than fourteen (14) days' notice in writing. Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment of the Prospectus that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Issuer shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this section 8.12 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.
- 8.12.3** The amendment or waiver of any of the provisions of and/or conditions contained in this Securities Note, or in any other part of the Prospectus, may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.
- 8.12.4** A meeting of Bondholders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose at least two (2) Bondholders present, in person or by proxy, representing not less than fifty per cent (50%) in nominal value of the Bonds then outstanding, shall constitute a quorum. If a quorum is not present within thirty (30) minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to the Bondholders present at that meeting. The Issuer shall within two (2) days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven (7) days, and not later than fifteen (15) days, following the original meeting. At an adjourned meeting: the number of Bondholders present, in person or by proxy, shall constitute a quorum; and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.
- 8.12.5** Any person who in accordance with the M&A of the Issuer is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders.

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

8.13 Authorisations & Approvals

- 8.13.1** The board of directors of the Issuer authorised the Bond Issue pursuant to a Board of Directors' resolution passed on 29 October 2014.
- 8.13.2** The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 3 November 2014.
- 8.13.3** Application has been made to the MSE for the Bonds being issued pursuant to this Prospectus to be listed and traded on the Official List.
- 8.13.4** The Bonds are expected to be admitted to the MSE with effect from 9 December 2014, and trading is expected to commence on 10 December 2014.

8.14 Issue Date

The Issue Date of the Bonds is expected to be 3 November 2014.

8.15 Transferability of the Bonds

- 8.15.1** 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 such holder's investment in respective type of Bond; and if EUR Bonds and GBP Bonds are held by financial intermediaries on behalf of clients under one or more nominee accounts, the minimum holding of €25,000 (or £20,000, as applicable) shall apply to each underlying beneficial owner.
- 8.15.2** Any person becoming entitled to a Bond in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may from time to time properly be required by the Issuer or the CSD, elect either to be registered himself as holder of the Bond or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the CSD, a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by transferring the Bond, or procuring the transfer of the Bond, in favour of that person.
- 8.15.3** All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.
- 8.15.4** The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the Issuer.

8.15.5 The Issuer will not register the transfer or transmission of Bonds for a period of 15 days preceding the due date for any payment of interest on the Bonds.

8.15.6 Any licensed financial intermediary effecting a transfer of Bonds in the secondary market shall be required to carry out an Appropriateness Test and, if providing advice, a Suitability Test, in respect of the transferee, and be satisfied, based on the results of such test (or tests, as applicable), that an investment in the Bonds may be considered appropriate and/or suitable (as applicable) for such transferee.

8.16 Taxation

8.16.1 General

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

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

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

8.16.2 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. 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 unless withheld by the Issuer at the Bondholder's request. 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.

8.16.3 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 Commissioner for 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.

8.16.4 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.

8.16.5 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.

8.17 Further Issues

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

8.18 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.

8.19 Limited Recourse

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

8.20 Plan of Distribution

Applications for subscription to the Bonds may be made through any of the following Authorised Financial Intermediaries:

NAME	ADDRESS	TELEPHONE
Mediterranean Bank p.l.c. (Issuer)	10, St. Barbara Bastion, Valletta VLT 1961	2557 4400
Jesmond Mizzi Financial Advisors Limited * (Sponsor)	67, Flat 3, South Street, Valletta VLT 1105	2122 4410
APS Bank Limited	17, Republic Street, Valletta VLT 1111	2567 1719
Bank of Valletta plc *	BOV Centre, Cannon Road, St. Venera SVR 9030	2275 1732
Calamatta Cuschieri & Co Ltd *	Valletta Buildings, Fifth Floor, South Street, Valletta VLT 1103	2568 8688
Charts Investment Management Service Ltd *	Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913	2122 4106

* Members of the Malta Stock Exchange

The Bonds are open for subscription to holders of Exchangeable Bonds and 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.

8.21 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 or surrender of the Exchangeable Bonds, as the case may be, and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the laws of Malta) (and regulations made thereunder). Such monies will not bear interest while retained as aforesaid.

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

9 EXPECTED TIMETABLE

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

10 INTERMEDIARIES' OFFER

The Issuer shall enter into conditional subscription agreements with the Authorised Financial Intermediaries indicated in section 8.20 above for the subscription of Bonds whereby it will bind itself to allocate Bonds to such investors during the Intermediaries' Offer.

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

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

11 ALLOCATION POLICY

The Issuer shall allocate the Bonds on the basis of the following policy and order of priority:

- i. First to Existing Bondholders up to the extent of their holdings of Exchangeable Bonds to be utilised for the purposes of the settlement of consideration of EUR Bonds and subject to the minimum holding of €25,000 up to a maximum aggregate nominal value of €15,000,000 in EUR Bonds.

In the event that the aggregate value of EUR Bonds applied for by Existing Bondholders by way of Exchangeable Bond Transfer (including any Excess) does not exceed the said €15,000,000 maximum threshold, then the Issuer shall proceed to allocate the entire amount of EUR Bonds applied for.

In the event that Applications are received from less than 600 Existing Bondholders but the aggregate value of EUR Bonds applied for by Existing Bondholders exceeds the said €15,000,000 maximum threshold due to the extent of Excess applied for, then the Issuer, acting through the Registrar, shall proceed to allocate the minimum subscription amount of €25,000 to each such Existing Bondholder and, on the basis of the allocation policy to be determined by the Issuer and Registrar, allocate the remaining balance amongst those Existing Bondholders applying for the Excess.

In the event that a total of more than 600 Existing Bondholders apply in aggregate for EUR Bonds in excess of the said €15,000,000 maximum threshold, then the Issuer, acting through the Registrar, shall first scale down each Application by Existing Bondholders to the minimum subscription amount of €25,000 per Application. Where notwithstanding Scaling Down the aggregate face value of EUR Bonds applied for by Existing Bondholders by way of Exchangeable Bonds Transfer remains in excess of €15,000,000, a ballot shall be held. Pursuant to such ballot, only the drawn Applications shall be allocated a €25,000 complement in EUR Bonds.

- ii. The Issuer shall offer any Bonds remaining unallocated following the allocations made pursuant to para (i) hereof, including any Bonds issued pursuant to the exercise of the Over Allotment Option, to Authorised Financial Intermediaries through an Intermediaries' Offer as detailed in section 10 above.

As a result of the above, there is the possibility that not all Existing Bondholders would be allocated Bonds, through Exchangeable Bond Transfer or otherwise.

12 ADMISSION TO TRADING


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

13 DOCUMENTS ON DISPLAY

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

- 13.1 The M&A of the Issuer; and
- 13.2 The consolidated and individual audited financial statements of the Issuer for the financial period ended 31 March 2012 and the financial statements of the Issuer for the financial years ended 31 March 2013 and 2014.

ANNEX I - SPECIMEN APPLICATION FORMS

 Application Form		Application Number	
6% £ Subordinated Bonds 2019 - 2024			
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			POST CODE
MSE A/C NO.	ID CARD/PASSPORT/ COMPANY REG. NO.	TEL. NO.	MOBILE NO.
C ADDITIONAL (JOINT) APPLICANT (see note 3) (please use additional Application Form 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 6% Subordinated Bonds 2019 - 2024 (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 11) (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	TAX (TAX IDENTIFICATION NO.)	
NATIONAL ID CARD/PASSPORT NO.	COUNTRY OF BIRTH	COINITY 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 but 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 Form I/we am/are submitting on my/our behalf or on behalf of the company or other entity I/we represent.			
Signature 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; width: 100%; height: 40px; margin-bottom: 5px;"></div> Authorised Intermediary's Stamp		<div style="border: 1px solid black; width: 100%; height: 40px; margin-bottom: 5px; 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	

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 MSE 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 MSE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF, A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE 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 6% Subordinated Bonds 2019-2024". 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 21 November 2014 and will close at 12.00pm that same date. 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. 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. 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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Application Form

Application Number

6% € Subordinated Bonds 2019 - 2024

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		POST CODE
	MSE A/C NO.	ID CARD/PASSPORT/ COMPANY REG. NO.	TEL. NO. MOBILE NO.
C ADDITIONAL (JOINT) APPLICANT (see note 3) (please use additional Application Form 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	
	€		
<small>Mediterranean Bank plc 6% Subordinated Bonds 2019 - 2024 (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.</small>			
F RESIDENT - WITHHOLDING TAX ON DECLARATION (see note 11) (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	TAX (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 but 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 condition which I/we fully accept. Furthermore, I/we confirm that this is the only Application Form I/we am/are submitting on my/our behalf or on behalf of the company or other entity I/we represent.		
	Signature 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

Authorised Intermediary's Stamp

Authorised Intermediary's Code

NOTES ON HOW TO COMPLETE THIS APPLICATION FORM AND OTHER INFORMATION**The following notes are to be read in conjunction with the Prospectus regulating the Bond Issue**

1. This application is governed by the Terms and Conditions contained in the Prospectus. Capitalised terms not defined herein, shall unless the context otherwise requires, have the same meaning as that assigned to them in the Prospectus.
2. The Application Form is to be completed in BLOCK LETTERS.
3. Applicants are to insert full personal details in Panel B. In the case of an application by more than one person (including husband and wife) full details of all individuals – including I.D. Card Numbers – must be given in Panels B and C but the person whose name appears in Panel B shall, for all intents and purposes, be deemed to be the registered holder of the Bond. Interest and redemption proceeds will be issued in the name of such Bondholder (see note 7 below).
4. In the case of an Applicant who is a minor, the word 'MINOR' must be indicated in Panel B next to the Applicant's name and the relative box in Panel A must also be marked. A Public Registry birth certificate must be attached to the Application Form. (The birth certificate is not required if the minor already holds securities which are listed on the Malta Stock Exchange (MSE)). The Application Form must be signed by both parents or by the legal guardian/s. In the latter case documentary evidence of the legal guardian's appointment should be provided. (Interest and redemption proceeds will be made payable to the parent / legal guardian named in Panel D until such time as the Issuer is notified that the minor named in Panel B has attained the age of 18). The address to be inserted in Panel B is to be that of the parents / legal guardian/s.
5. Applicants who are Non-Resident in Malta for tax purposes must indicate their passport number in Panel B, complete Panel G and the relative box in Panel A must also be marked appropriately.
6. In the case of a body corporate, the name of the entity, exactly as registered, and the registration number are to be inserted in Panel B. Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
7. **APPLICANTS WHO ALREADY HOLD SECURITIES ON THE MSE 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 MSE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF, A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE 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 6% Subordinated Bonds 2019-2024". 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 21 November 2014 and will close at 12.00pm that same date. 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. 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. 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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Application Form

€15,000,000 6% Subordinated Unsecured Bonds 2019 – 2024 in Euro and Pounds Sterling (subject to an Over-Allotment Option of a euro equivalent of an additional €10,000,000)

Please read the notes overleaf before completing this Application Form.

A APPLICANT			
<p>MSE ACCOUNT NO. I.D. CARD/ PASSPORT/ COMPANY REG. NO. TEL. NO. MOBILE NO.</p>			
<p>Nominal Value of Mediterranean Bank plc 6.25% Bonds 2015 (the "Exchangeable Bonds"):</p>			<p>AMOUNT IN FIGURES BOX 1</p>
<p>I/We wish to purchase and acquire the amount set out below in Mediterranean Bank plc 6% Subordinated Unsecured Bonds 2019-2024 denominated in Euro (the "EUR Bonds") at the Bond Issue Price (at par) pursuant to the Prospectus dated 3 November 2014 (minimum €25,000 and in multiples of €1,000 thereafter).</p>			<p>€</p>
<p>B AMOUNT IN WORDS</p>			<p>AMOUNT IN FIGURES BOX 2</p>
<p>The amount to be included in Box 2 shall not be less than €25,000.</p>			<p>€</p>
<p>Holders of Exchangeable Bonds transferring all of the Exchangeable Bonds indicated in Box 1 may apply for additional EUR Bonds by including such additional amount in Box 2.</p>			<p>AMOUNT IN FIGURES BOX 3</p>
<p>A discount of 4% is applicable on the nominal amount of EUR Bonds allocated to an Existing Bondholder as consideration for the transfer to the Issuer of his/her holding in Exchangeable Bonds. The discount shall be settled by credit transfer to such account indicated in the Application Form within 5 Business Days from the date of final allocation.</p>			<p>Difference payable on Application BOX 2 - BOX 1</p>
<p>We draw your attention that the EUR Bonds are unsecured and subordinated (see note 3 for further detail). Unlike in the case of the EUR Bonds, the Exchangeable Bonds are not subordinated and have a higher level of priority than the EUR Bonds.</p>			<p>€</p>
<p>C RESIDENT - WITHHOLDING TAX DECLARATION (See note 9) (to be completed ONLY if the Applicant is a Resident of Malta)</p>			
<p><input type="checkbox"/> I/We elect to have Final Withholding Tax deducted from my/our interest.</p>			
<p><input type="checkbox"/> I/We elect to receive interest GROSS (i.e. without deduction of withholding tax).</p>			
<p>D NON-RESIDENT - DECLARATION FOR TAX PURPOSES (to be completed ONLY if the Applicant is a Non-Resident)</p>			
TAX COUNTRY		TOWN OF BIRTH	
T.I.N. (Tax Identification Number)		COUNTRY OF BIRTH	
PASSPORT/NATIONAL I.D. CARD NUMBER		ISSUE DATE	
<p><input type="checkbox"/> I/We am/are NOT Resident in Malta but I/we am/are Resident in the European Union.</p>			
<p><input type="checkbox"/> I/We am/are NOT Resident in Malta and I/we am/are NOT Resident in the European Union.</p>			
<p>E INTEREST MANDATE (see note 9) Completion of this Panel is MANDATORY</p>			
BANK		IBAN	
<p>F This Application form is to be submitted in the case where the Applicant selects, as a method of payment for the EUR Bonds being applied for, to transfer to the Issuer all or part of the Exchangeable Bonds held by the Applicant as at the Cut-Off Date, the nominal value of which is set out in Box 1 of Panel B above. By submitting this signed Application Form, the Applicant is thereby confirming that:</p>			
<p>a. all or part (as applicable) of the Exchangeable Bonds held by the Applicant at the Cut-Off Date are being transferred to the Issuer at their nominal value; and</p>			
<p>b. this Application Form constitutes the Applicant's irrevocable mandate to the Issuer to:</p>			
<p>i. cause the transfer of the said holding in Exchangeable Bonds in the Issuer's name in consideration of the issue of EUR Bonds; and</p>			
<p>ii. engage, at the Issuer's cost, the services of such brokers or intermediaries as may be necessary to fully and effectively vest title in the said Exchangeable Bonds in the Issuer and fully and effectively vest title in the appropriate number of EUR Bonds in the Applicant.</p>			
<p>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 (as defined herein) which I/we fully accept.</p>			
Signature/s of Applicant/s		Date	
(Parent/s 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)			
(Bare owner/s and usufructuary/ies to sign in the case of holdings of Exchangeable Bonds that are subject to usufruct)			
AUTHORISED FINANCIAL INTERMEDIARY'S STAMP	AUTHORISED FINANCIAL INTERMEDIARY'S CODE	APPLICATION NUMBER	

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. The terms used in this Application Form have the same meaning as that assigned to them in the Prospectus.
2. This Application Form is to be completed in BLOCK LETTERS.
3. This Application Form is not transferable and entitles you to a preferential treatment as a holder of the Exchangeable Bonds (see note 6 below). **We draw your attention to the fact that the EUR Bonds are unsecured and Subordinated. Subordination means that in the event of dissolution and winding up of the Issuer, the EUR Bonds will rank after the claims of all senior indebtedness and will be repayable after all other senior debts have been settled. Unlike in the case of the EUR Bonds, the Exchangeable Bonds are not subordinated and have a higher level of priority than the EUR Bonds.**
4. Interest and redemption proceeds will be issued in the name of the person as shown in Panel A overleaf.
5. This Application Form is to be submitted in the case where the Applicant selects, as a method of payment for the Mediterranean Bank plc 6% Subordinated Unsecured Bonds 2019-2024 denominated in Euro (the "EUR Bonds") being applied for, to transfer to the Issuer all or part of the holding in the Exchangeable Bonds held by the Applicant as at the Cut-Off Date, the nominal value of which is set out in Box 1 of Panel B overleaf. By submitting this signed Application Form, the Applicant is thereby confirming that:
 - a. all or part (as applicable) of the Exchangeable Bonds held by the Applicant as at the Cut-Off Date are being transferred to the Issuer at their nominal value, thereby releasing the Issuer from all and any obligations with respect to such Exchangeable Bonds; and
 - b. this Application Form constitutes the Applicant's irrevocable mandate to the Issuer to:
 - i. cause the transfer of the Exchangeable Bonds in the Issuer's name in consideration of the issue of EUR Bonds; and
 - ii. engage, at the Issuer's cost, the services of such brokers or intermediaries as may be necessary to fully and effectively vest title in the appropriate number of EUR Bonds in the Applicant's name.
6. The amount set out in Box 2 of Panel B overleaf must be in multiples of €1,000. The Issuer will be giving preference to Applications made by holders of Exchangeable Bonds up to their full amount held as at the Cut-Off Date, rounded to the nearest €1,000 and subject to a minimum application of €25,000, provided that the aggregate nominal value of Exchangeable Bonds transferred to the Issuer as consideration for EUR Bonds is, following rounding up to the nearest €1,000, not in excess of €15 million.

Payment of the Cash Top-Up, which is to be inserted in Box 3 of Panel B overleaf, may be made in cash or by cheque payable to "The Registrar - Med Bank Bond Issue" which is to be attached to the Application Form being submitted to any Authorised Financial Intermediary listed in section 8.20 of the Securities Note. In the event that the cheque accompanying an Application Form is not honoured on the first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application.
7. Applicants who are Non-Residents in Malta for tax purposes must complete Panel D overleaf.
8. In the case where a holder of Exchangeable Bonds is a body corporate, Application Forms must be signed by duly authorised representative/s indicating the capacity in which they are signing.
9. Applicants who are resident in Malta in terms of the Income Tax Act (Cap. 123 of the Laws of Malta), may elect to have final withholding tax (currently 15%) deducted from interest payments. This withholding tax is considered as a final tax and where the Applicant is a Maltese resident individual, he/she need not declare the interest so received in his/her income tax return. However, the individual is still entitled to declare the gross interest in the tax return and the tax so deducted will be available as a credit against the individual's tax liability or for a refund, as the case may be. The Applicant may elect to receive the interest gross (i.e. without deduction of final withholding tax), but will then be obliged to declare interest so received in their tax return. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. Authorised entities applying in the name of a Prescribed Fund will have final withholding tax (currently 10%) deducted from interest payments. Applicants will receive interest directly in a bank account held locally in Euro and such choice is to be indicated in Panel E overleaf.

In terms of section 8.16.2 of the Securities Note, 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, interest shall be paid to such person net of final withholding tax (currently 15%) of the gross amount of interest, pursuant to Article 33 of the Income Tax Act.
10. 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 which 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 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.

The contents of 9 and 10 above do not constitute tax advice by the Issuer and Applicants are to consult their own independent tax advisors in case of doubt.
11. The MSE account number pertaining to the Applicant has been pre-printed in Panel A and reflects the MSE account number on the Issuer's Register at the CSD as at 3 November 2014. **APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED BY THE MSE IN THE MSE ACCOUNT QUOTED ON THE APPLICATION FORM EVEN IF THE DETAILS OF SUCH MSE ACCOUNT, AS HELD BY THE CSD OF THE MSE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF.**
12. Completed Application Forms are to be delivered to any of the Authorised Financial Intermediaries listed in section 8.20 of the Securities Note during normal office hours by not later than 12:00 hours on 20 November 2014. Remittances by post are made at the risk of the Applicant and the Issuer disclaims all responsibility for any such remittances not being received by the closing date indicated above. 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. Any Applications received by the Registrar after 12:00 hours on 20 November 2014 will not be accepted. If an Application is not accepted or is accepted for fewer EUR Bonds than those applied for, the balance of the amount paid but not allocated will be returned by direct credit into the bank account indicated in Panel E.
13. By completing and delivering an Application Form you (as the Applicant/s) acknowledge/s that:
 - a. the Issuer may process the personal data that you provide on the Application Form in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta);
 - b. the pre-printed Application Form constitutes the Applicant's irrevocable mandate to the Issuer to:
 - i. cause the transfer of the said holding in Exchangeable Bonds in the Issuer's name in consideration of the Issue of EUR Bonds; and
 - ii. engage, at the Issuer's cost, the services of such brokers or intermediaries as may be necessary to fully and effectively vest title in the said Exchangeable Bonds in the Issuer and fully and effectively vest title in the appropriate number of EUR Bonds in the Applicant.
 - e. you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer. Any such request must be made in writing and addressed to the Issuer. The request must further be signed by yourself, as 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 EUR Bonds on offer will be repayable in full upon redemption. An investor should consult an independent financial advisor, licensed under the Investment Services Act (Cap. 370 of the laws of Malta), for advice.

