

**SUMMARY NOTE  
DATED 18 MAY 2015**

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 the 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 €12,000,000 4.5% Unsecured Bonds 2025**  
of a nominal value of €100 per Bond issued at par by



**izola Bank**

**Izola Bank p.l.c.**

(a public limited liability company registered under the laws of Malta with registration number C 16343)

ISIN:- MT0000531211

Legal Counsel

**CAMILLERI PREZIOSI**  
ADVOCATES

Sponsor, Manager & Registrar

**CHARTS**  
WEALTH MANAGEMENT • CORPORATE BROKING

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APPROVED BY THE DIRECTORS

Andrew Mifsud  
on behalf of

Magdalena De Roeck, Caroline Van Marcke,  
Joseph Caruana, Francis X. Gouder, Charles Hertogs, Guido Mizzi, Patrick H. Van Leynseele



## IMPORTANT INFORMATION

THIS SUMMARY NOTE CONSTITUTES PART OF A PROSPECTUS AND CONTAINS INFORMATION IN RELATION TO IZOLA BANK P.L.C. (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.

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A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE LISTING AUTHORITY AND THE MALTA STOCK EXCHANGE, 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 MALTA STOCK EXCHANGE FOR THE BONDS TO BE ADMITTED TO THE OFFICIAL LIST. **A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE SECURITIES ISSUED BY 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 Regulation.

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

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

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

<b>Act</b>	the Companies Act (Cap. 386 of the Laws of Malta);
<b>Applicant/s</b>	a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
<b>Application/s</b>	the application to subscribe for Bonds made by an Applicant/s by completing an Application Form and delivering same to any of the Authorised Financial Intermediaries;
<b>Application Form</b>	the form of application of subscription for Bonds, a specimen of which is contained in Annex II of the Securities Note;
<b>Authorised Financial Intermediaries</b>	the licensed stockbrokers listed in Annex I of the Securities Note;
<b>Bond(s)</b>	the €12,000,000 unsecured bonds of a face value of €100 per bond bearing interest at the rate of 4.5% per annum and redeemable on the Redemption Date at their nominal value;
<b>Bondholder</b>	a holder of Bonds;
<b>Bond Issue</b>	the issue of the Bonds;
<b>Bond Issue Price</b>	the price of €100 per Bond;
<b>Business Day</b>	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
<b>CSD</b>	the Central Securities Depository of the Malta Stock Exchange, having its address at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
<b>Cut-Off Date</b>	close of business on 18 May 2015;
<b>Directors or Board</b>	the board of directors of the Issuer is composed of: Magdalena De Roeck, Caroline Van Marcke, Joseph Caruana, Francis X. Gouder, Charles Hertogs, Guido Mizzi and Patrick H. Van Leynseele;
<b>Euro or €</b>	the lawful currency of the Republic of Malta;
<b>Exchange, Malta Stock Exchange or MSE</b>	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;
<b>Existing Noteholder</b>	a holder of Maturing Notes as at the Cut-Off Date;



<b>Group</b>	the Van Marcke group of companies, the ultimate group holding company of which is VMKG PLLC, a company registered in Belgium with company number 0447.152.677;
<b>Interest Payment Date</b>	30 June of each year between and including each of the years 2016 and the year 2025, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next day that is a Business Day;
<b>Intermediaries' Offer</b>	the Issuer may enter into conditional subscription agreements with a number of Authorised Financial Intermediaries for the subscription of Bonds on 12 June 2015;
<b>Issue Date</b>	expected on 30 June 2015;
<b>Issuer or Bank</b>	Izola Bank p.l.c., a public limited liability company registered under the Laws of Malta with company registration number C 16343 and having its registered office at 53/58, East Street, Valletta VLT 1251, Malta;
<b>Listing Authority</b>	the MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act (Cap. 345 of the Laws of Malta) by virtue of Legal Notice 1 of 2003;
<b>Listing Rules</b>	the listing rules of the Listing Authority;
<b>Maturing Note Transfer</b>	the subscription for Bonds by an Existing Noteholder 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 Maturing Notes held by such Existing Noteholder as at the Cut-Off Date;
<b>Maturing Notes</b>	the 5.35% secured notes 2015 (ISIN MT0000531203) redeemable on 30 June 2015, amounting as at the date of the Prospectus to €9,000,000, issued by the Issuer pursuant to a prospectus dated 10 June 2010;
<b>MFSA</b>	Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta);
<b>Official List</b>	the list prepared and published by the MSE as its official list in accordance with the MSE Bye-Laws;
<b>Placement Agreement</b>	the Issuer has entered into conditional placement agreements with Authorised Financial Intermediaries whereby a maximum amount of €3 million in value of Bonds has been made available for subscription on 12 June 2015;
<b>Prospectus</b>	collectively, the Registration Document, the Securities Note and this Summary Note;
<b>Prospectus Directive</b>	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 and amending Directive 2001/34/EC, as may be amended from time to time;
<b>Redemption Date</b>	30 June 2025;
<b>Redemption Value</b>	the nominal value of each Bond (€100 per Bond);
<b>Registration Document</b>	the Registration document issued by the Issuer dated 18 May 2015, forming part of the Prospectus;
<b>Regulation</b>	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, 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;
<b>Securities Note</b>	the securities note issued by the Issuer dated 18 May 2015, forming part of the Prospectus;
<b>Sponsor</b>	Charts Investment Management Service Limited, an authorised financial intermediary licensed by the MFSA and a Member of the MSE;
<b>Summary Note</b>	this summary note issued by the Issuer dated 18 May 2015, forming part of the Prospectus;
<b>Terms and Conditions</b>	the terms and conditions of the Bond Issue, a summary of which is included in Element E.3.

## 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 in connection with the use of the Prospectus by the Authorised Financial Intermediaries.

Prospective investors are hereby informed that:

- i. for the purposes of any subscription for Bonds through any of the Authorised Financial Intermediaries 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 or placement or other offering of Bonds, provided this is limited only:
  - a. in respect of Bonds subscribed for through Authorised Financial Intermediaries in terms of the Placement Agreement and during the Intermediaries' Offer;
  - 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 or placement 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 or placement at the time such is made.**

## SECTION B ISSUER

**B.1** The legal and commercial name of the Issuer is Izola Bank p.l.c.

**B.2** The Issuer was registered in Malta on 8 June 1994 and is a public limited liability company. The Issuer is domiciled in Malta.

**B.4b** The Issuer is licensed by the MFSA under the Banking Act (Cap. 371 of the Laws of Malta), as a credit institution and is authorised to carry out the business of banking.

Despite the challenging environment characterised by low interest rates and geo-political turmoil, the Issuer continued to perform well in all its core operations in 2014.



The rate of inflation in the euro area remained at very low levels and averaged below 1%. This rate reflected itself in the low interest environment that major global economies continued to experience during 2014. Several measures were taken by the European Central Bank to address this situation, amongst which were the introduction of targeted longer-term refinancing operations aimed at improving bank lending to the euro area non-financial private sector, the reduction of the main refinancing rate to a new record low of 0.05% as well as an expanded asset purchase programme.

Notwithstanding the constant decline in market interest rates experienced during 2014, the Issuer managed to maintain its net interest margin in line with 2013 levels. This was achieved through increased loan and investment activity. Increased commissions generated by factoring activity also contributed positively to the Issuer's growth in profitability in 2014. On the factoring business side, there has, to date, been no evidence of any deterioration in credit quality and there were no significant material losses reported for 2015.

The Issuer's conservative funding and liquidity policies effectively mean that the Issuer does not rely on the short-term inter-bank or commercial paper market for funding the loan book. Nor does the Issuer engage in proprietary trading. Hence, the Issuer was, and remains, in a strong liquid position and at no time has it been forced to dispose of any assets in its portfolio of holdings to meet its liabilities.

The Issuer's credit risk is to a large extent contained, as 76% of the loan book is cash secured by amounts owed to customers. The Directors consider that trading conditions for the Issuer throughout 2015 will remain largely in line with those experienced in 2014.

The Directors look forward to further developing the factoring and credit business, both to Belgian corporate and personal customers. The factoring business has registered steady growth since its introduction in 2003. The Directors consider that there exists plenty of scope to carry on expanding this area of activity in the coming years. The existing vigilant controls will be kept in place. As at 31 December 2014, the Issuer's largest exposure to a single factoring debtor amounted to €525,147 which represented 2.33% of the total advances portfolio.

The current credit approval and monitoring structures have helped to ensure very good credit quality of factoring debtors and minimise losses for the Issuer. In fact out of a total amount of €134,392,599 of invoices factored during 2014, the Bank only incurred bad debts amounting to €39,814 pertaining to two debtors.

**B.5** The Issuer is 50% owned by IBL I Limited and 50% owned by IBL T Limited. Both IBL I Limited and IBL T Limited are Maltese registered companies. IBL I Limited and IBL T Limited are in turn owned by Van Marcke Trading Group S.A., the main holding company of the Group.

The Group, whose head office is located in Kortrijk, Belgium, operates 142 outlets in Belgium, France, the Netherlands, USA, Switzerland and Luxembourg, though the bulk of its operations are concentrated in Belgium. Its activities are diverse; the Group primarily sells sanitary ware, heating systems, kitchens and eco-friendly solutions for heating and water. The Group is also involved in packaging and transportation.

As at 31 December 2014 the Group's total assets amounted to €260,000,000 with a consolidated turnover of €410,000,000 (un-audited). The average number of persons employed by the Group in 2014 stood at 1,358.

**B.9** Not Applicable: the Registration Document forming part of the Prospectus does not contain any profit forecasts or estimates.

**B.10** Not Applicable: the audit reports on the audited financial statements for each of the years ended 31 December 2012 to 2014 do not contain any material qualifications.

**B.12** The historical financial information for the three financial years ended 31 December 2012 to 2014 as audited by KPMG is set out in the annual statutory financial statements of the Issuer. Such audited financial statements are available on the Issuer's website [www.izolabank.com](http://www.izolabank.com).

There has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements.

There were no significant changes to the financial or trading position of the Issuer since 31 December 2014, being the end of the financial period to which the last audited financial statements relate.

Extracts of the historical financial information referred to above are set out below:

## Izola Bank p.l.c. Summarised Income Statement

for the year ended 31 December

	2014 (€'000)	2013 (€'000)	2012 (€'000)
Net interest income	2,005	1,729	1,866
Net fee and commission income	2,735	2,234	1,715
Net trading exchange gains and other operating income	412	377	145
<b>Operating income</b>	<b>5,152</b>	<b>4,340</b>	<b>3,726</b>
Depreciation and amortisation	(188)	(177)	(223)
Impairment allowances	(62)	(164)	(171)
Personnel and other expenses	(1,375)	(1,157)	(924)
<b>Profit before tax</b>	<b>3,527</b>	<b>2,842</b>	<b>2,408</b>
Taxation	(1,229)	(988)	(839)
<b>Profit after tax</b>	<b>2,298</b>	<b>1,854</b>	<b>1,569</b>
Other comprehensive income, net of taxation	1,716	47	634
<b>Total comprehensive income for the year</b>	<b>4,014</b>	<b>1,901</b>	<b>2,203</b>

## Izola Bank p.l.c. Summarised Balance Sheet

as at 31 December

	2014 (€'000)	2013 (€'000)	2012 (€'000)
<b>ASSETS</b>			
Balances with Central Bank of Malta and cash	1,006	3,662	1,305
Investments	71,080	53,260	44,460
Loans and advances to banks	16,977	17,271	10,837
Factored receivables	21,293	21,343	16,082
Other loans and advances to customers	33,017	19,706	18,688
Property and equipment	2,495	2,349	2,377
Intangible and other assets	2,503	1,901	1,665
<b>Total assets</b>	<b>148,371</b>	<b>119,492</b>	<b>95,414</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Liabilities</b>			
Balances with Central Bank of Malta	20,000	15,500	9,500
Amounts owed to customers	90,853	70,864	54,612
Debt securities issued	8,970	8,910	8,852
Deferred tax liabilities	1,322	398	357
Current tax payable	766	1,147	930
Accruals and deferred income	1,520	1,194	1,160
<b>Total liabilities</b>	<b>123,431</b>	<b>98,013</b>	<b>75,411</b>
<b>Equity</b>			
<b>Total equity</b>	<b>24,940</b>	<b>21,479</b>	<b>20,003</b>
<b>Total liabilities and equity</b>	<b>148,371</b>	<b>119,492</b>	<b>95,414</b>

## Review of Performance

During the year ended 31 December 2014, the Bank generated a profit before tax of €3,527,401 up 24% on 2013. Profit after tax was €2,298,200, an increase of 24% over the previous year.

For the financial year ended 31 December 2014, net interest income increased by 16% (2014: €2.01 million; 2013: €1.73 million) whilst net fee and commission income registered a 22% increase compared to the previous year (2014: €2.74 million; 2013: €2.23 million).

Administrative expenses increased by 8% in the financial year ended 31 December 2014. The Bank's Cost-to-Income ratio stood at a healthy 31.5% (2013: 34.5%).

Total assets increased by 24% to €148,370,669 in the financial year ended 31 December 2014 whereas total liabilities rose from €98,012,284 to €123,430,226 – an increase of 26%. Shareholders' equity in the financial year ended 31 December 2014 amounted to €24,940,443 compared with €21,479,257 in 2013.

## Capital adequacy and liquidity ratios

As at 31 December 2014, the Capital Adequacy Ratio of 49% and Liquidity Ratio of 148% were both well above the requirements of the EU Credit Requirements Directive (CRD IV).

Additional impairment allowances taken in 2014 stood at €61,860 when compared to €163,643 taken in the previous year. The current credit approval and monitoring structures have been critical in enhancing the credit quality of factoring debtors and minimising losses. This has resulted in bad debts of €39,814 during financial year ended 31 December 2014 out of a total amount of €134,392,599 of net invoices factored in the same year.

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

**B.14** The Issuer is wholly owned by the Van Marcke private group of companies. One of the Issuer's main activities comprises the acceptance of customers' funds on current, savings and term deposit accounts in Euro and other major currencies and the provision of advances by way of short and medium term loans and subscription to private bond issues. In this regard, the Group is the Issuer's principal customer. The Issuer is also heavily involved in providing cash management services to the Group. These services, including balance reporting, zero balancing, sweep accounts and SWIFT and SEPA transfers, are delivered through highly computer automated straight through processing operations.

As a result of the business operations of the Issuer, the Bank is largely dependent on the Group for its ongoing business operations and future business expansion.

**B.15** The Issuer is licensed by the MFSA under the Banking Act (Cap. 371 of the Laws of Malta), as a credit institution and is authorised to carry out the business of banking.

The principal activities of the Issuer comprise the following:

- The receipt and acceptance of customers' money on deposit in current, savings and term accounts which may be denominated in Euro and other major currencies
- The provision of advances to business customers by way of short and longer term loans and subscription to private bond issues
- Consumer lending
- Money transmission services via SWIFT
- Factoring services
- Debit and Credit card issuance
- Internet banking services
- Cash and treasury management services

**B.16** The Bank's issued ordinary shares are equally held by IBL I Limited and IBL T Limited, which are 100% indirect subsidiaries of VMKG PLLC (the ultimate parent company of the Group). Accordingly, VMKG PLLC has the indirect control of the Issuer.



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

## SECTION C SECURITIES

**C.1** The Issuer shall issue an aggregate of €12,000,000 in Bonds having a face value of €100 per bond, subject to a minimum holding of €1,000 in 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 Bonds will have the following ISIN number MT0000531211. The Bonds shall bear interest at the rate of 4.5% per annum and shall be repayable in full upon maturity unless they are previously re-purchased and cancelled.

**C.2** The Bonds are denominated in Euro (€).

**C.5** 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.

**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 such Bondholder to:

- (i) the payment of capital;
- (ii) the payment of interest;
- (iii) ranking with respect to other indebtedness of the Issuer in accordance with the status of the Bonds, as follows:

The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt, if any. As at the date of the Prospectus, the Issuer does not have any subordinated indebtedness. The Bonds will rank after any future debts which may be secured by a cause of preference such as a privilege and/or a hypothec;

- (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 30 June 2015 at the rate of 4.5% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 30 June 2016 (covering the period 30 June 2015 to 29 June 2016). 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 4.5%.

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 18 May 2015. 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. The Bonds are expected to be admitted to the MSE with effect from 30 June 2015 and trading is expected to commence on 1 July 2015.

## SECTION D RISKS

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

This document contains statements that are, or may be deemed to be, “forward looking statements”, which relate to matters that are not historical facts and which may involve projections of future circumstances. They appear in a number of places throughout the Prospectus and include statements regarding the intentions, beliefs or current expectations of the Issuer and/or its Directors. These forward-looking statements are subject to a number of risks, uncertainties and assumptions and important factors that could cause actual risks to differ materially from the expectations of the Issuer’s Directors. No assurance is given that the future results or expectations will be achieved.

The risk factors set out below are a summary of the principal risks associated with an investment in the Issuer and the Bonds – there may be other risks which are not mentioned in this summary. Investors are therefore urged to consult their own financial or other professional advisers with respect to the suitability of investing 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) **Strategic and Business Risk**  
The Issuer principally provides banking services to the Group and to customers of the Group, including but not limited to, the provision of cash management services, factoring and advances and acceptance of funds on current, savings and term deposit accounts. The Issuer is largely dependent on the Group for its ongoing business operations and future business expansion. Consequently, any adverse changes to the Group’s operating results, financial position and business prospects could adversely affect the Issuer’s business and the results of its operations.
- (ii) **Credit Risk**  
Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in the Issuer’s business. As at 31 December 2014, the Issuer held specific impairment provisions in respect of approximately 1.6% of the principal amount of its factored receivables. Adverse changes in the credit quality of the Issuer’s borrowers and counterparties or a general deterioration in European or global economic conditions, or arising from systemic risks in the financial systems, could affect the recoverability and value of the Issuer’s assets and require an increase in the provision for impairment losses and other provisions.
- (iii) **Concentration Risk**  
Concentration risk denotes the risk arising from an uneven distribution of counterparties in a credit or any other business relationship or from a concentration in business sectors or geographical regions which is capable of generating losses large enough to jeopardise the Issuer’s solvency. The Issuer currently factors Group debtors on a non-recourse basis. The debtors are currently drawn from the Belgian property, building and construction and related services sector. Accordingly, the Issuer is currently exposed to the said business sectors and geographical region. The said concentration risk may, if the business sectors involved are the subject of adverse conditions or a negative trend, have a negative impact on the financial performance of the Issuer.
- (iv) **Liquidity Risk**  
Liquidity risk is the risk that the Issuer will encounter difficulty in raising funds to meet financial commitments. This may result from a number of causes, including the Issuer’s inability to realise financial assets in a timely manner at close to fair value or to obtain adequate funding which could have a material adverse effect on the financial performance of the Issuer.
- (v) **Interest Rate Risk**  
Interest rate risk arises from the extent that interest-earning assets and liabilities mature or re-price at different times. Such a mismatch, if it occurs, may have a negative impact on the financial performance of the Issuer.

- (vi) **Operational Risk**  
Operational risk covers the risk of losses arising from inadequate or failed internal processes and systems, the inability to retain key personnel, and unforeseen external events. The impact of such losses on the Issuer may be substantial. The Issuer has implemented risk controls and loss mitigation measures, and allocated considerable resources to business continuity planning, staff training and to developing efficient procedures and systems. As a result the Issuer can provide reasonable, but not absolute assurance, that such procedures will be effective in controlling each of the operational risks faced by the Issuer. The occurrence of any operational risk event due to failure of the Issuer's system of internal controls could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects and could also materially adversely affect its reputation. Operational risk specific to the Issuer's IT systems is described below.
- (vii) **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 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. 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.
- (viii) **External Risk**  
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. Negative changes in overall local and international economic conditions, inflation, consumer and business spending, recession, unemployment, limited credit availability and such other factors which are beyond the Issuer's control, may also negatively affect the performance of the Group.
- (ix) **Reputational Risk**  
Reputational risk is the risk that negative publicity regarding the Issuer's and/or the Group's business practices, whether true or not, will cause a decline in the customer base, costly litigation or revenue reductions. Negative publicity can result from the Issuer's actual or alleged conduct in any number of activities, including lending practices, corporate governance, and actions taken by government regulators in response to those activities.
- (x) **Regulatory Matters**  
The Issuer 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. These controls include laws and regulations promulgated by the MFSA, which is the regulatory body for banks. In addition, 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. 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 non-compliance 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.

### 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) Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.
- (iii) A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the Bondholder's currency of reference, if different.
- (iv) 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.
- (v) The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt, if any.
- (vi) In the event that the Issuer wishes to amend any of the Terms and Conditions of Issue of the Bond it shall call a meeting of Bondholders. The provisions relating to meetings of Bondholders permit defined majorities 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.
- (vii) 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.
- (viii) Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No. 1093/2010 and (EU) No. 648/2012, of the European Parliament and of the Council (known as the Bank Recovery and Resolution Directive and hereinafter referred to as the "BRRD") entered into force on 2 July 2014. Member States had until 31 December 2014 to adopt and publish laws, regulations and administrative provisions necessary to comply with the BRRD, prior to adopting such measures from 1 January 2015. As at the date hereof, the BRRD has not been transposed into Maltese law.

The BRRD is designed to provide authorities with a set of tools to intervene early and quickly in the affairs of an unsound or failing bank so as to ensure the continuity of the bank's critical financial and economic functions, whilst minimising the impact of a bank's failure on the economy and financial system.

The BRRD achieves this end by requiring the appointment of a resolution authority (the "Resolution Authority") that is empowered to intervene using a number of resolution tools in the event that the following requirements are satisfied cumulatively (an "Intervention Event"): (a) a bank is failing or likely to fail; (b) there is no reasonable prospect that alternative private sector measures would prevent the failure of a bank; and (c) a resolution action is in the public interest.

The Issuer is not in a position to declare, with any degree of certainty, what course of action may be adopted by the Resolution Authority in the event that an Intervention Event were to arise with respect to the Issuer, as, at the date hereof, none of the conditions prescribed in (a) to (c) above subsist.

## SECTION E OFFER

**E.2b** The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €11,800,000, 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 €9,000,000 will be used by the Issuer for the purpose of purchasing Maturing Notes from Existing Noteholders, for cancellation, by way of Maturing Note Transfer, and for the purpose of redeeming any Maturing Notes remaining in issue as at the 30 June 2015, being the redemption date of the Maturing Notes in terms of the prospectus dated 10 June 2010 (as at the date of the Prospectus the total value of Maturing Notes in issue stands at €9,000,000); and
- (ii) the remaining €2,800,000 balance of the net Bond Issue proceeds will be used by the Issuer to meet part of its general financial requirements.

In the event that the Issuer does not receive subscriptions for the full €12,000,000 in Bonds, the Issuer will proceed with the listing of the amount of Bonds subscribed for, and it shall firstly apply the net proceeds received for the purpose mentioned in (i) above. In the event that the subscriptions received do not exceed the amount specified in (i) above, the Issuer will complete the redemption of any remaining Maturing Notes through own funds on 30 June 2015, being the redemption date of the Maturing Notes in terms of the prospectus dated 10 June 2010.

**E.3** The Bonds are open for subscription as follows:

- (i) Holders of Maturing Notes may apply for Bonds and settle the consideration due by the transfer to the Issuer of all or part of the Maturing Notes held by such Applicant as at the Cut-Off Date by submitting an Application Form.
- (ii) Authorised Financial Intermediaries shall subscribe for Bonds, either for their own account or on behalf of clients, in terms of the Placement Agreement and during the Intermediaries' Offer.

Existing Noteholders applying for Bonds may elect to settle all or part of the amount due on the Bonds applied for by completing a pre-printed Application Form indicating that the consideration for the Bonds applied for shall be settled by way of transfer to the Issuer of all or part of the Maturing Notes held as at the Cut-Off Date in an amount equivalent to the par value of the Bonds applied for, subject to a minimum application of €1,000 ("**Maturing Note Transfer**").

Existing Noteholders electing to subscribe for Bonds through the transfer to the Issuer of all or part of the Maturing Notes held by them as at the Cut-Off Date shall be allocated Bonds for the corresponding nominal value of Maturing Notes transferred to the Issuer. The transfer of Maturing Notes to the Issuer in consideration for the subscription for Bonds shall cause the obligations of the Issuer with respect to such Maturing Notes to be extinguished, and shall give rise to obligations on the part of the Issuer under the Bonds.

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

- (i) Up to an aggregate amount of €9,000,000 shall be allocated to Existing Noteholders applying for Bonds by way of Maturing Note Transfer subject to a minimum application of €1,000;
- (ii) An aggregate amount of €3,000,000 shall be allocated to Authorised Financial Intermediaries pursuant to conditional Placement Agreements;
- (iii) In the event that following the allocation made pursuant to paragraph (i) above there shall remain unallocated Bonds, the Issuer shall offer such remaining Bonds to Authorised Financial Intermediaries through an Intermediaries' Offer.

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 annexes thereto:

### 1. **General**

Each Bond forms part of a duly authorised issue of 4.5% Unsecured Bonds 2025 of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €12 million.

## **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 denominations of any integral multiple of €100 provided that on subscription the Bonds will be issued for a minimum of €1,000 per individual Bondholder. Authorised Financial Intermediaries subscribing to the Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €1,000 to each underlying client. 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 in clause 8 of this Element E.3.

## **3. Interest**

The Bonds shall bear interest from and including 30 June 2015 at the rate of 4.5% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 30 June 2016 (covering the period 30 June 2015 to 29 June 2016). 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 and held with any licensed bank in Malta. Such payment shall be effected within seven (7) days of the Interest Payment Date. Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next day that is a Business Day.

## **4. Status of the Notes and Negative Pledge**

The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt, if any.

## **5. Payments**

Payment of the principal amount of a Bond will be made in Euro by the Issuer to the person in whose name such Bonds are registered, with interest accrued up to the Redemption Date, by means of direct credit transfer into such bank account as the Bondholder may designate from time to time. Such payment shall be effected within seven (7) days of the Redemption Date.

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. Such payment shall be effected within seven (7) days of the Interest Payment Date.

## **6. Redemption and Purchase**

Unless previously purchased and cancelled, the Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 30 June 2025. Subject to the provisions of this paragraph, the Issuer may at any time purchase Bonds in the open market or otherwise at any price and any purchase by tender shall be made available to all Bondholders alike. All Bonds so purchased will be cancelled forthwith and may not be re-issued or re-sold.

## **7. Acceleration**

The Bonds shall become immediately due and repayable, at their principal amount together with accrued interest, in an acceleration event. Subject to agreed exceptions, materiality qualifications, reservations of law and grace periods, an acceleration event shall occur if: (i) the Issuer fails to pay any interest on any Bond when due; or (ii) the Issuer is in breach of any material obligation contained in the terms and conditions of the Bonds; or (iii) the Issuer is *inter alia* dissolved, liquidated or bankrupt; or (iv) the Issuer stops or suspends payments, or announces to do so, to all or any class of its debts or ceases or threatens to cease to carry on its business or a substantial part thereof; or (v) the Issuer is unable to pay its debts; or (vi) a judgment by a court is made against the Issuer for the payment in excess of €1,250,000; or (vii) any default occurs relating to any financial indebtedness of the Issuer in excess of €1,250,000.

## **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. 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. 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.

**10. 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 Issuer.

**11. 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** Save for the possible subscription for Bonds by Authorised Financial Intermediaries (which includes Charts Investment Management Service Limited), and any fees payable in connection with the Bond Issue to Charts Investment Management Service Limited as Sponsor, so far as the Issuer is aware no person involved in the Bond Issue has an interest material to the Bond Issue.

**E.7** Professional fees, and costs related to publicity, advertising, printing, listing, registration, sponsor, management, registrar fees, selling commission, and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €200,000.

## TIME-TABLE

1.	Application Forms mailed to holders of Maturing Notes as at the Cut-Off Date	22 May 2015
2.	Closing date for applications to be received from holders of Maturing Notes as at the Cut-Off Date	5 June 2015
3.	Private Placement date	12 June 2015
4.	Intermediaries' Offer	12 June 2015
5.	Announcement of basis of acceptance	17 June 2015
6.	Refunds of unallocated monies	19 June 2015
7.	Expected dispatch of allotment advices	30 June 2015
8.	Commencement of interest on the Bonds	30 June 2015
9.	Expected date of admission of the securities to listing	30 June 2015
10.	Expected date of commencement of trading in the securities	1 July 2015

The Intermediaries' Offer shall not be undertaken in the event of full subscription by holders of Maturing Notes.

## REGISTRATION DOCUMENT DATED 18 MAY 2015

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 Bonds are being issued by



**Izola Bank p.l.c.**

(a public limited liability company registered under the laws of Malta with registration number C 16343)

ISIN:- MT0000531211

Legal Counsel

**CAMILLERI PREZIOSI**  
ADVOCATES

Sponsor, Manager & Registrar

**CHARTS**  
WEALTH MANAGEMENT • CORPORATE BROKING

**THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THESE SECURITIES AS A LISTED FINANCIAL INSTRUMENT. THIS SIGNIFIES COMPLIANCE OF THE INSTRUMENT ISSUED 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 INSTRUMENT. 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.**

APPROVED BY THE DIRECTORS

Andrew Mifsud  
on behalf of

Magdalena De Roeck, Caroline Van Marcke,  
Joseph Caruana, Francis X. Gouder, Charles Hertogs, Guido Mizzi, Patrick H. Van Leynseele





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## 1. IMPORTANT INFORMATION

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

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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.

ALL THE ADVISERS TO THE ISSUER HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THIS PUBLIC OFFER 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. 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

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

<b>Act</b>	the Companies Act (Cap. 386 of the Laws of Malta);
<b>Bond/s</b>	the €12,000,000 unsecured bonds of a nominal value of €100 per bond issued at par and redeemable on the Redemption Date at their nominal value, bearing interest at the rate of 4.5% per annum, as detailed in the Securities Note;
<b>Directors or Board</b>	the directors of the Issuer whose names are set out in section 4.1 of this Registration Document;
<b>Euro or €</b>	the lawful currency of the Republic of Malta;
<b>Group</b>	the Van Marcke group of companies, the ultimate group holding company of which is VMKG PLLC, a company registered in Belgium with company number 0447.152.677;
<b>Issuer or Bank</b>	Izola Bank p.l.c.;
<b>Listing Authority</b>	the MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act (Cap. 345 of the Laws of Malta) by virtue of Legal Notice 1 of 2003;
<b>Malta Stock Exchange or MSE</b>	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;
<b>Memorandum and Articles of Association or M&amp;As</b>	the memorandum and articles of association of the Issuer in force at the time of publication of the Prospectus;
<b>MFSA</b>	the Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta);
<b>Prospectus</b>	collectively this Registration Document, the Securities Note and the Summary Note, as such documents may be amended, updated, replaced and supplemented from time to time;
<b>Prospectus Directive</b>	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 and amending Directive 2001/34/EC, as may be amended from time to time;
<b>Redemption Date</b>	shall have the meaning set out in the Securities Note;
<b>Registration Document</b>	this document in its entirety;
<b>Regulation</b>	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 supplementing Directive 2003/71/EC with regard to regulatory technical standards for publication of supplements to the prospectus;
<b>Securities Note</b>	the securities note issued by the Issuer dated 18 May 2015, forming part of the Prospectus;
<b>Summary Note</b>	the summary note issued by the Issuer dated 18 May 2015, forming part of the Prospectus.

### 3. RISK FACTORS

#### 3.1 GENERAL

An investment in the Issuer involves certain risks including those described below. Prospective investors should carefully consider, with their own independent financial and other professional advisers, the following risk factors and other investment considerations as well as all the other information contained in this Prospectus before deciding to make an investment in the Issuer. Some of these risks are subject to contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingencies occurring. The sequence in which the risks below are listed is not intended to be indicative of any order of priority or of the extent of their consequences.

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

The risks and uncertainties discussed below are those identified as such by the Directors, but these risks and uncertainties may not be the only ones that the Issuer faces. Additional risks and uncertainties, including those which the Issuer's Directors are not currently aware of, may 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.

#### 3.2 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.

#### 3.3 RISKS RELATING TO THE ISSUER

The following are the risks that are material to the Issuer and that may affect the Issuer's ability to fulfil its obligations under the Bonds. Prospective investors ought to carefully consider these risk factors before deciding to invest in the Bonds.

##### (a) STRATEGIC AND BUSINESS RISK

The Issuer principally provides banking services to the Group and to customers of the Group, including but not limited to, the provision of cash management services, factoring and advances and acceptance of funds on current, savings and term deposit accounts. The Issuer is largely dependent on the Group for its ongoing business operations and future business expansion. Consequently, any adverse changes to the Group's operating results, financial position and business prospects could adversely affect the Issuer's business and the results of its operations.

##### (b) CREDIT RISK

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in the Issuer's business. As at 31 December 2014, the Issuer held specific impairment provisions in respect of approximately 1.6% of the principal amount of its factored receivables. Adverse changes in the credit quality of the Issuer's borrowers and counterparties or a general deterioration in European or global economic conditions, or arising from systemic risks in the financial systems, could affect the recoverability and value of the Issuer's assets and require an increase in the provision for impairment losses and other provisions.

**(c) CONCENTRATION RISK**

Concentration risk denotes the risk arising from an uneven distribution of counterparties in a credit or any other business relationship or from a concentration in business sectors or geographical regions which is capable of generating losses large enough to jeopardise the Issuer's solvency. The Issuer currently factors Group debtors on a non-recourse basis. The debtors are currently drawn from the Belgian property, building and construction and related services sector. Accordingly, the Issuer is currently exposed to the said business sectors and geographical region. The said concentration risk may, if the business sectors involved are the subject of adverse conditions or a negative trend, have a negative impact on the financial performance of the Issuer.

**(d) LIQUIDITY RISK**

Liquidity risk is the risk that the Issuer will encounter difficulty in raising funds to meet financial commitments. This may result from a number of causes, including the Issuer's inability to realise financial assets in a timely manner at close to fair value or to obtain adequate funding which could have a material adverse affect on the financial performance of the Issuer.

**(e) INTEREST RATE RISK**

Interest rate risk arises from the extent that interest-earning assets and liabilities mature or re-price at different times. Such a mismatch, if it occurs, may have a negative impact on the financial performance of the Issuer.

**(f) OPERATIONAL RISK**

Operational risk covers the risk of losses arising from inadequate or failed internal processes and systems, the inability to retain key personnel, and unforeseen external events. The impact of such losses on the Issuer may be substantial. The Issuer has implemented risk controls and loss mitigation measures, and allocated considerable resources to business continuity planning, staff training and to developing efficient procedures and systems. As a result the Issuer can provide reasonable, but not absolute assurance, that such procedures will be effective in controlling each of the operational risks faced by the Issuer.

The occurrence of any operational risk event due to failure of the Issuer's system of internal controls could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects and could also materially adversely affect its reputation. Operational risk specific to the Issuer's IT systems is described below.

**(g) 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 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.

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, 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.

**(h) EXTERNAL RISK**

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. Negative changes in overall local and international economic conditions, inflation, consumer and business spending, recession, unemployment, limited credit availability and such other factors which are beyond the Issuer's control, may also negatively affect the performance of the Group.

**(i) REPUTATIONAL RISK**

Reputational risk is the risk that negative publicity regarding the Issuer's and/or the Group's business practices, whether true or not, will cause a decline in the customer base, costly litigation or revenue reductions. Negative publicity can result from the Issuer's actual or alleged conduct in any number of activities, including lending practices, corporate governance, and actions taken by government regulators in response to those activities.

**(j) REGULATORY MATTERS**

The Issuer 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. These controls include laws and regulations promulgated by the MFSA, which is the regulatory body for banks. In addition, 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. 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 non-compliance 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.

## 4. IDENTITY OF DIRECTORS, ADVISERS AND AUDITORS OF THE ISSUER

### 4.1 DIRECTORS

As at the date of this Registration Document, the board of Directors of the Issuer is composed of the following persons:

Magdalena De Roeck	Chairperson
Caroline Van Marcke	Non-Executive Director
Joseph Caruana	Independent Non-Executive Director
Francis X. Gouder	Independent Non-Executive Director
Charles Hertogs	Independent Non-Executive Director
Guido Mizzi	Independent Non-Executive Director
Patrick H. Van Leynseele	Independent Non-Executive Director

The business address of said Directors is 53/58, East Street, Valletta VLT 1251, Malta.

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

### 4.2 ADVISERS

#### LEGAL COUNSEL

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

#### SPONSOR, MANAGER AND REGISTRAR

Name:	Charts Investment Management Service Limited
Address:	Vault 17, Valletta Waterfront, Pinto Wharf, Floriana FRN 1913, Malta

### 4.3 AUDITORS

Name:	KPMG
Address:	Portico Building, Marina Street, Pieta PTA 9044, Malta

The annual statutory financial statements of the Issuer for the financial years ended 31 December 2014, 31 December 2013 and 31 December 2012 have been audited by KPMG, 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).

## 5. INFORMATION ABOUT THE ISSUER

### 5.1 INTRODUCTION

Full legal & commercial name of Issuer:	Izola Bank p.l.c.
Registered address:	53/58 East Street, Valletta VLT 1251, Malta
Place of registration and domicile:	Malta
Registration number:	C 16343
Legal form:	Public limited liability company
Legislation under which the Issuer operates:	Companies Act (Cap. 386 of the Laws of Malta) and the Banking Act (Cap. 371 of the Laws of Malta)
Telephone number:	(00356) 2124 1258
Telefax:	(00356) 2124 1250
Email:	info@izolabank.com
Website:	www.izolabank.com

## 5.2 HISTORICAL BACKGROUND

The Issuer was incorporated on 8 June 1994 as Izola Bank Limited for an indefinite duration under the Commercial Partnerships Ordinance, 1962 (Cap. 168 of the Laws of Malta), and with effect from 28 February 1998 complied with the Act under which it, *inter alia*, is currently regulated.

On 15 February 2010, the shareholders of the Issuer resolved to change the status of the Issuer from a private limited liability company to that of a public limited liability company.

On 13 June 1994 the Issuer was granted a licence by the Ministry of Finance to carry on the business of banking as a credit institution operating initially with non-residents subject to such conditions as may from time to time be imposed under Section 4(6)(c) of the Banking Act, 1970. Following the enactment of the Banking Act, Cap. 371 of the Laws of Malta, the Central Bank of Malta became the competent authority responsible for the regulation and supervision of credit institutions. On 15 November 1994, the Central Bank of Malta issued a new licence in terms of the Banking Act.

In September 2005, the terms of the licence were changed and the Issuer was authorised to conduct full banking activities in all currencies, except the Maltese Lira, with both residents and non-residents. With the entry of Malta into the Eurozone in 2008 and the adoption of the Euro as its currency, the Maltese lira ceased to be legal tender.

On 10 June 2010, the Listing Authority authorised the admissibility to listing of a debt issuance programme of the Issuer amounting to €27,000,000. In terms of the programme, the Bank issued the first and only tranche on 30 June 2010 of €9,000,000 5.35% Secured Notes 2015. The Notes will mature on 30 June 2015.

## 6. ORGANISATIONAL STRUCTURE

The Issuer is wholly owned by the Group. The financial results and assets and liabilities of the Issuer are included in the consolidated financial statements of VMKG PLLC, company number 0447.152.677 (the ultimate group holding company), the registered office of which is Paepsemiaan 28-30, 1070 Brussels, Belgium.

The Issuer is 50% owned by IBL I Limited and 50% owned by IBL T Limited. Both IBL I Limited and IBL T Limited are Maltese registered companies. IBL I Limited and IBL T Limited are in turn owned by Van Marcke Trading Group S.A which is the main holding company of the Group.

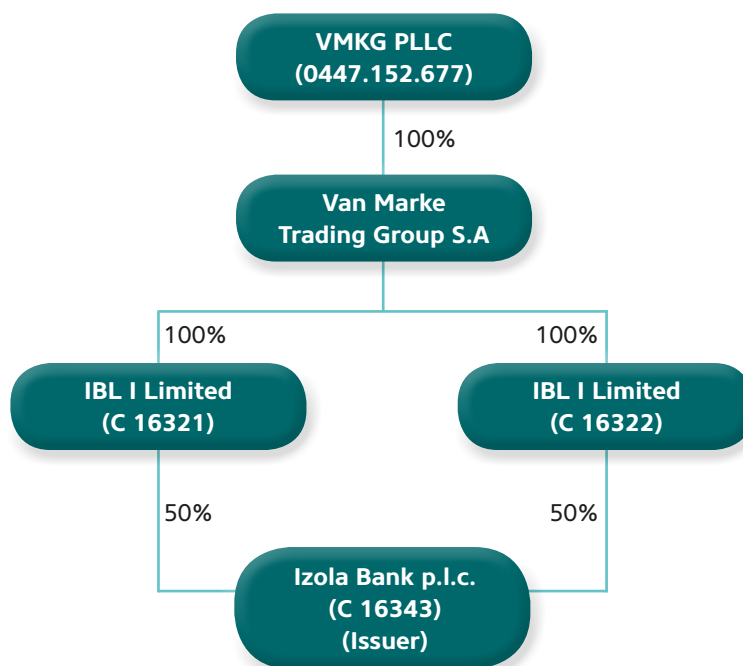
The Group, whose head office is located in Kortrijk, Belgium, operates 142 outlets in Belgium, France, the Netherlands, USA, Switzerland and Luxembourg, though the bulk of its operations are concentrated in Belgium. Its activities are diverse; the Group primarily sells sanitary ware, heating systems, kitchens and eco-friendly solutions for heating and water. The Group is also involved in packaging and transportation.

As at 31 December 2014 the Group's total assets amounted to €260,000,000 with a consolidated turnover of €410,000,000 (unaudited). The average number of persons employed by the Group in 2014 stood at 1,358.

As a result of the business operations of the Issuer as described in section 7 hereunder, the Issuer is largely dependent on the Group for its ongoing business operations and future business expansion. Consequently, any adverse changes to the Group's operating results, financial position and business prospects could adversely affect the Issuer's business and the results of its operations.



The following chart displays the position of the Issuer within the Group:



## 7. BUSINESS OVERVIEW

### 7.1 PRINCIPAL ACTIVITIES

The Issuer is licensed by the MFSA under the Banking Act (Cap. 371 of the Laws of Malta), as a credit institution and is authorised to carry out the business of banking. The Issuer is wholly owned by the Van Marcke private group of companies.

The principal activities of the Issuer comprise the following:

- The receipt and acceptance of customers' money on deposit in current, savings and term accounts which may be denominated in Euro and other major currencies
- The provision of advances to business customers by way of short and longer term loans and subscription to private bond issues
- Consumer lending
- Money transmission services via SWIFT
- Factoring services
- Debit and Credit card issuance
- Internet banking services
- Cash and treasury management services

One of the Issuer's main activities comprises the acceptance of customers' funds on current, savings and term deposit accounts in Euro and other major currencies and the provision of advances by way of short and medium term loans and subscription to private bond issues. In this regard, the Group is the Issuer's principal customer. The Issuer is also heavily involved in providing cash management services to the Group. These services, including balance reporting, zero balancing, sweep accounts and SWIFT and SEPA transfers, are delivered through highly computer automated straight through processing operations.

The Issuer began providing factoring services in 2003 on a customised software platform which caters for the straight-through processing of all factored invoices.

In 2005 the Issuer finalised its infrastructure to provide internet banking services and in accordance with LN88 of 2004, as amended by LN66 of 2005 Regulation 9, of the European Passport Rights for Credit Institutions Regulations 2004, gave notice to the MFSA of its intention to provide cross border internet banking services to residents of Belgium. Permission was granted by the Belgian authorities and in 2006 the Issuer launched its internet banking services to Belgian customers of the Group and began issuing debit cards which could be used by the Issuer's internet banking customers to access their accounts online and purchase goods in the Group's hundred odd stores across Belgium.

In 2008 the Issuer launched a credit card for its internet banking customers which could be used online to settle Group invoices and to purchase goods in the Group's stores.

In 2009 the Issuer, in accordance with LN88 of 2004, as amended by LN66 of 2005 Regulation 9, of the European Passport Rights for Credit Institutions Regulations 2004, gave notice to the MFSA of its intention to provide cross border internet banking services to residents of France. Permission was granted by the French authorities and the Issuer launched its internet banking services to French customers of the Group.

In 2010 the Issuer started offering term deposit accounts to the Maltese Public and also listed a Secured Note of €9,000,000 on the Malta Stock Exchange.

In 2014, the Issuer registered with the Belgian authorities to provide consumer lending to Belgian individuals. This lending is targeted principally at retail customers of the Van Marcke Group as well as Van Marcke staff.

Early in 2015, the Issuer launched Izola Saver, an online savings platform aimed at personal customers. This was initially launched in the Maltese market but will be offered to Belgian and French customers during the course of the year.

## **7.2 PRINCIPAL MARKETS**

The Issuer is authorised to provide banking services to residents of Malta, Belgium and France.

The Issuer provides a range of services to residents of Belgium: current, savings and term deposit accounts, short and medium term loans, money transmission services, factoring services, credit card issuance, internet banking and cash management services.

The Issuer provides internet banking services to residents of France and offers current, savings and term deposit accounts. The Bank also provides current, savings and term deposit accounts as well as money transmission services to residents of Malta.

## 8. FINANCIAL INFORMATION

The financial information about the Issuer is included in the audited financial statements of the Issuer for the financial years ended 31 December 2014, 31 December 2013 and 31 December 2012. The said statements have been published and are available at the registered office of the Issuer.

Set out below are highlights taken from the audited financial statements of the Issuer for the financial periods indicated hereunder.

### Izola Bank p.l.c. Summarised Income Statement

for the year ended 31 December

	2014 (€'000)	2013 (€'000)	2012 (€'000)
Net interest income	2,005	1,729	1,866
Net fee and commission income	2,735	2,234	1,715
Net trading exchange gains and other operating income	412	377	145
<b>Operating income</b>	<b>5,152</b>	<b>4,340</b>	<b>3,726</b>
Depreciation and amortisation	(188)	(177)	(223)
Impairment allowances	(62)	(164)	(171)
Personnel and other expenses	(1,375)	(1,157)	(924)
<b>Profit before tax</b>	<b>3,527</b>	<b>2,842</b>	<b>2,408</b>
Taxation	(1,229)	(988)	(839)
<b>Profit after tax</b>	<b>2,298</b>	<b>1,854</b>	<b>1,569</b>
Other comprehensive income, net of taxation	1,716	47	634
<b>Total comprehensive income for the year</b>	<b>4,014</b>	<b>1,901</b>	<b>2,203</b>

### Izola Bank p.l.c. Summarised Balance Sheet

as at 31 December

	2014 (€'000)	2013 (€'000)	2012 (€'000)
<b>ASSETS</b>			
Balances with Central Bank of Malta and cash	1,006	3,662	1,305
Investments	71,080	53,260	44,460
Loans and advances to banks	16,977	17,271	10,837
Factored receivables	21,293	21,343	16,082
Other loans and advances to customers	33,017	19,706	18,688
Property and equipment	2,495	2,349	2,377
Intangible and other assets	2,503	1,901	1,665
<b>Total assets</b>	<b>148,371</b>	<b>119,492</b>	<b>95,414</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Liabilities</b>			
Balances with Central Bank of Malta	20,000	15,500	9,500
Amounts owed to customers	90,853	70,864	54,612
Debt securities issued	8,970	8,910	8,852
Deferred tax liabilities	1,322	398	357
Current tax payable	766	1,147	930
Accruals and deferred income	1,520	1,194	1,160
<b>Total liabilities</b>	<b>123,431</b>	<b>98,013</b>	<b>75,411</b>
<b>Equity</b>			
<b>Total equity</b>	<b>24,940</b>	<b>21,479</b>	<b>20,003</b>
<b>Total liabilities and equity</b>	<b>148,371</b>	<b>119,492</b>	<b>95,414</b>

## Review of Performance

During the year ended 31 December 2014, the Bank generated a profit before tax of €3,527,401 up 24% on 2013. Profit after tax was €2,298,200, an increase of 24% over the previous year.

For the financial year ended 31 December 2014, net interest income increased by 16% (2014: €2.01 million; 2013: €1.73 million) whilst net fee and commission income registered a 22% increase compared to the previous year (2014: €2.74 million; 2013: €2.23 million).

Administrative expenses increased by 8% in the financial year ended 31 December 2014. The Bank's Cost-to-Income ratio stood at a healthy 31.5% (2013: 34.5%).

Total assets increased by 24% to €148,370,669 in the financial year ended 31 December 2014 whereas total liabilities rose from €98,012,284 to €123,430,226 – an increase of 26%. Shareholders' equity in the financial year ended 31 December 2014 amounted to €24,940,443 compared with €21,479,257 in 2013.

## Capital adequacy and liquidity ratios

As at 31 December 2014, the Capital Adequacy Ratio of 49% and Liquidity Ratio of 148% were both well above the requirements of the EU Credit Requirements Directive (CRD IV).

Additional impairment allowances taken in 2014 stood at €61,860 when compared to €163,643 taken in the previous year. The current credit approval and monitoring structures have been critical in enhancing the credit quality of factoring debtors and minimising losses. This has resulted in bad debts of €39,814 during financial year ended 31 December 2014 out of a total amount of €134,392,599 of net invoices factored in the same year.

## 9. TREND INFORMATION

Despite the challenging environment characterised by low interest rates and geo-political turmoil, the Issuer continued to perform well in all its core operations in 2014.

The rate of inflation in the euro area remained at very low levels and averaged below 1%. This rate reflected itself in the low interest environment that major global economies continued to experience during 2014. Several measures were taken by the European Central Bank to address this situation, amongst which were the introduction of targeted longer-term refinancing operations aimed at improving bank lending to the euro area non-financial private sector, the reduction of the main refinancing rate to a new record low of 0.05% as well as an expanded asset purchase programme.

Notwithstanding the constant decline in market interest rates experienced during 2014, the Issuer managed to maintain its net interest margin in line with 2013 levels. This was achieved through increased loan and investment activity. Increased commissions generated by factoring activity also contributed positively to the Issuer's growth in profitability in 2014. On the factoring business side, there has, to date, been no evidence of any deterioration in credit quality and there were no significant material losses reported for 2015.

The Issuer's conservative funding and liquidity policies effectively mean that the Issuer does not rely on the short-term inter-bank or commercial paper market for funding the loan book. Nor does the Issuer engage in proprietary trading. Hence, the Issuer was, and remains, in a strong liquid position and at no time has it been forced to dispose of any assets in its portfolio of holdings to meet its liabilities.

The Issuer's credit risk is to a large extent contained, as 76% of the loan book is cash secured by amounts owed to customers. The Directors consider that trading conditions for the Issuer throughout 2015 will remain largely in line with those experienced in 2014.

The Directors look forward to further developing the factoring and credit business, both to Belgian corporate and personal customers. The factoring business has registered steady growth since its introduction in 2003. The Directors consider that there exists plenty of scope to carry on expanding this area of activity in the coming years. The existing vigilant controls will be kept in place. As at 31 December 2014, the Issuer's largest exposure to a single factoring debtor amounted to €525,147 which represented 2.33% of the total advances portfolio.

The current credit approval and monitoring structures have helped to ensure very good credit quality of factoring debtors and minimise losses for the Issuer. In fact out of a total amount of €134,392,599 of invoices factored during 2014, the Bank only incurred bad debts amounting to €39,814 pertaining to two debtors.

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 December 2014.

## 10. BUSINESS STRATEGY

The Issuer's business strategy is to further diversify its customer base by expanding, principally, its targeted factoring activities, as well as corporate and retail lending, in Belgium, in order to foster organic growth for the Issuer and ultimately for the Group.

The Issuer intends to implement measures aimed at the further expansion of its depositor base in its target markets by positioning itself as the preferred "second bank" for retail customers, and providing straightforward, easy to use online products for customers' short or longer term savings needs, at competitive rates of interest.

Being part of a family run business ensures stability, security and a long term vision which allow the Issuer to move into the future confidently and at a steady pace. The Issuer will continue to adopt a cautious and risk-averse approach to lending and investments. This strategy is evident in the Issuer's maintenance of robust capital adequacy and liquidity ratios throughout the years, which are well above minimum statutory requirements. This provides added peace of mind to all stakeholders and also serves as a strong base to support future growth.

## 11. BOARD OF DIRECTORS, COMMITTEES AND SENIOR MANAGEMENT

### 11.1 BOARD OF DIRECTORS

The Issuer is currently managed by a board of seven non-executive directors entrusted with the overall direction and management of the Issuer. The Board meets to establish and review the policies and strategies of the Issuer and to monitor the implementation thereof and the overall performance of the Issuer. A brief biographical note for each director is included below:

**Magdalena De Roeck** - *Chairperson*

Appointed to the Board in February 2006. A UCL business engineering graduate from the Catholic University of Louvain, Belgium. Ms de Roeck is Chairperson and non-executive director of the Group.

**Caroline Van Marcke** – *Non-Executive Director*

Appointed to the Board in January 2000. A Solvay business engineering graduate from the University of Brussels, Belgium. Ms Van Marcke is the Chief Executive Officer and executive director of the Group.

**Joseph Caruana** – *Independent Non-Executive Director*

Appointed to the Board in February 2006. He has extensive banking experience, having worked for 44 years in the financial services sector both with Barclays Bank in Malta and the U.K., and as General Manager of the Mid-Med Bank Group and HSBC Bank Malta p.l.c. until his retirement in 2000. He is at present a director of APS Bank Limited, Malta and holds a number of other non-executive directorships.

**Francis X. Gouder** – *Independent Non-Executive Director*

Appointed to the Board in May 2015. He has extensive banking experience having worked for 45 years in the banking sector, both at branch and head office level, namely at Mid-Med Bank and HSBC Bank. More recently he also worked at Banif Bank, as an adviser to the executive committee and later as head of private banking. He presently holds a number of other non-executive directorships.

**Charles Hertogs** – *Independent Non-Executive Director*

Appointed to the Board in January 2010. A business graduate from the Catholic University of Louvain, Belgium. Mr Hertogs is a business consultant specialising in large industrial plants, mainly in relation to the ThyssenKrupp Group. He is a non-executive director on the boards of several companies of the Group.

**Guido Mizzi** – *Independent Non-Executive Director*

Appointed to the Board in September 2010. A Fellow of the Association of Chartered Certified Accountants. His career in the audit and accounting profession spanned a period of thirty years, the last seven years of which as managing partner of the local accountancy firm MSD & Co, then local representative firm of Andersen Worldwide. During this period he acted as engagement partner for some of the larger companies and national corporations in Malta including banks, utility corporations and private companies involved in varied industrial and commercial undertakings.

**Patrick H. Van Leynseele** – *Independent Non-Executive Director*

Appointed to the Board in January 2010. A law graduate from the Free University of Brussels, Belgium, Mr Van Leynseele holds a Masters degree in Comparative Law from the University of Miami. Called to the Bar in Brussels in 1979 and in New York in 1997, Mr Van Leynseele is a partner in the Brussels law firm Dal & Veldekens. He is a non-executive director on the boards of several companies of the Group.

## 11.2 CONFLICT OF INTEREST

Magdalena De Roeck and Caroline Van Marcke have an indirect beneficial interest in the shareholding of the Issuer through their indirect shareholding in VMKG PLLC, the ultimate group holding company. Furthermore, Magdalena De Roeck, Caroline Van Marcke, Charles Hertogs and Patrick H Van Leynseele are directors of the Issuer and other companies of the Group. Conflicts of interest could potentially arise in relation to transactions involving the Issuer and other companies of the Group.

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.

## 11.3 BOARD AND MANAGEMENT COMMITTEES

### Board Committee

The Board Committee comprises two non-executive Directors, namely, Magdalena De Roeck (Chairperson) and Caroline Van Marcke, and the Chief Executive Officer and acts in an advisory capacity to the Board of Directors on certain matters which include, but are not limited to, capital and other expenditure and human resources.

### Audit Committee

The Audit Committee currently comprises three independent non-executive Directors, namely, Guido Mizzi (Chairman), Charles Hertogs and Patrick Van Leynseele. Mr Mizzi has been identified by the board as the audit committee director competent in accounting and/or auditing as required by the Listing Rules. The Committee is responsible to monitor the audit of the annual accounts and to evaluate the scope, role and effectiveness of the internal audit function on an ongoing basis. The Audit Committee also monitors operational risk control effectiveness and reviews the Bank's compliance with applicable laws and regulations. The Chief Executive Officer acts as secretary to the Committee. The Financial Controller together with the ICT Manager attend meetings. The composition and operation of the Audit Committee is in line with the applicable listing rules as issued by the Listing Authority.

## **Credit Committee**

The Credit Committee currently comprises two non-executive Directors, namely, Joseph Caruana (Chairman) and Francis X. Gouder, and the Chief Executive Officer. The Credit Committee reviews the credit risk management of the Bank and considers and reviews credit applications and limits. The Financial Controller attends meetings of the Credit Committee and the Credit Officer acts as the secretary to the Committee.

## **Asset and Liability Management Committee (ALCO)**

The ALCO currently comprises the Chief Executive Officer (Chairman), one non-executive Director, namely, Francis X. Gouder, the Financial Controller and a Finance Executive. The ALCO monitors the Bank's financial performance, and reviews and manages financial risks in accordance with Bank policies, namely: interest rate, liquidity and funding risk, solvency, market sector and country risk and counterparty and foreign exchange risk.

## **11.4 COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS**

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 December 2014 under the heading "Statement of Compliance with the Principles of Good Corporate Governance".

The Board considers the Issuer to be in compliance with the Code save for the following exceptions:

### **Principle 2 – Code Provision 2.3**

The Chairperson (Ms Magdalena De Roeck) has an indirect beneficial interest in the shareholding of the Issuer through her indirect shareholding in VMKG PLLC, the ultimate group holding company. As such, the Chairperson cannot be considered independent in accordance with the principles relating to independence contained in the Code.

### **Principle 3 – Composition of the Board**

The Board is composed entirely of non-executive directors. The Chief Executive Officer, although not a member of the Board, attends all board meetings in order to provide the Board with all necessary management and operational information.

### **Principle 4 – Code Provision 4.2.7**

The Code Provision recommends that the Board should develop a succession policy for the future composition of the Board and particularly the executive component thereof, for which the Chairman should hold key responsibility. The Board does not have a succession policy in place for the future composition of the Board of Directors.

### **Principle 4 – Code Provision 4.3**

The Board does not organise formal information sessions for its Directors but information on the day-to-day running of the Bank is provided by the Chief Executive Officer who attends Board meetings. Through his attendance, the Chief Executive Officer keeps the Board informed of their statutory and fiduciary duties and the Bank's operations and prospects.

### **Principle 6 – Information and Professional Development**

Code Provision 6.4.4 recommends the Chief Executive Officer to establish a succession plan for senior management. The Board does not have a formal succession policy in place for senior management.

### **Principle 7 – Evaluation of the Board's Performance**

The Board does not consider it necessary to appoint a Committee to carry out an annual evaluation of its own performance and that of its Committees.

## **Principle 8.B.1 - Nomination Committee**

The Board has not established a Nomination Committee for the appointment of new directors to the Board. All potential new directors are informally assessed by the Board based on an evaluation of the skills, knowledge and experience already present and those needed.

## **11.5 SENIOR MANAGEMENT**

The business address of each of the below described persons is the registered office of the Issuer. Brief biographical notes on senior management are included hereunder:

### **Andrew Mifsud – Chief Executive Officer**

An Associate of the Chartered Institute of Bankers and holder of an MBA specialising in banking from the University of Exeter, U.K. Appointed Chief Executive Officer in December 2011, he joined the Bank in June 1994 as a Banking Executive and was appointed General Manager in August 1998. Previously Mr Mifsud held positions with National Westminster Bank plc, London and Melita Bank Limited, Malta (subsidiary of Istituto Bancario San Paolo di Torino).

### **Calvin Bartolo – Financial Controller**

Joined the Bank in November 2010 as Finance Officer and was appointed Financial Controller in June 2014. He is responsible for Finance, Treasury, Credit and Legal & Compliance and also acts as Company Secretary and MLRO. Previously Mr Bartolo held the position of Internal Auditor within the Middlesea Group. He is a graduate of the University of Malta in Banking and Finance and is also in possession of post-graduate qualifications in Financial Reporting and Auditing.

### **Alexander Micallef - ICT Manager**

Prior to joining the Bank Mr Micallef had twenty years' experience in IT programming, systems analysis and systems administration. He joined the Bank in December 2007 and is responsible for the ICT department. Previously he held positions with ST Microelectronics Ltd (Malta), Marsovin, Employment and Training Corporation and the Mizzi Organisation.

### **Adrian Formosa – Operations Manager**

Joined the Bank in January 2015 as Operations Manager. He is responsible for the management of the operations function, customer relations, and assists the Chief Executive Officer with marketing strategies. Mr Formosa has wide banking experience, having worked for 20 years in the financial services sector with APS Bank Limited, Malta. He is a holder of an MBA specialising in Finance from Leicester University, U.K.

## **12. MAJOR SHAREHOLDERS**

The Bank's issued ordinary shares are equally held by IBL I Limited and IBL T Limited, which are 100% indirect subsidiaries of VMKG PLLC (the ultimate parent company of the Group). Accordingly, VMKG PLLC has the indirect control of the Issuer. The presence of independent Non-Executive Directors on the Board of Directors and on the Audit Committee of the Issuer serves to ensure compliance with good corporate governance of the Issuer.

## **13. HISTORICAL FINANCIAL INFORMATION**

The historical financial information of the Issuer is included in the audited financial statements for the financial years ended 31 December 2014, 31 December 2013 and 31 December 2012. The aforesaid statements have been published and can be viewed on the Issuer's website [www.izolabank.com](http://www.izolabank.com)

There were no significant changes to the financial or trading position of the Issuer since 31 December 2014, being the end of the financial period to which the last audited financial statements relate.





## 14. LEGAL AND ARBITRATION PROCEEDINGS

There have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the period covering twelve (12) months prior to the date of the Prospectus which may have, or have had in the recent past significant effects on the financial position or profitability of the Issuer or of the Group.

## 15. MATERIAL CONTRACTS

The Issuer has not entered into any material contracts which are not in the ordinary course of business and which, in the view of the Issuer, could result in the Issuer 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.

## 16. DOCUMENTS ON DISPLAY

For the duration period of this Registration Document, the following documents or certified copies thereof, where applicable, shall be available for inspection at the registered office of the Issuer during office hours:

- Memorandum and Articles of Association of the Issuer; and
- Audited Financial Statements of the Issuer for each of the financial years ended 31 December 2012, 2013 and 2014.

The above mentioned documents are also available for inspection in electronic form on the Issuer's website at [www.izolabank.com](http://www.izolabank.com)

## SECURITIES NOTE DATED 18 MAY 2015

This document is a Securities Note issued in accordance with the provisions of Chapter 4 of the Listing Rules published 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 the 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. 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 Izola Bank p.l.c. Application has been made for the admission to listing and trading of the Bonds on the Official List of the Malta Stock Exchange. This Securities Note should be read in conjunction with the most updated Registration Document containing information about the Issuer.

### **Issue of €12,000,000 4.5% Unsecured Bonds 2025** of a nominal value of €100 per Bond issued at par by



**Izola Bank p.l.c.**

(a public limited liability company registered under the laws of Malta with registration number C 16343)

ISIN:- MT0000531211

Legal Counsel

**CAMILLERI PREZIOSI**  
ADVOCATES

Sponsor, Manager & Registrar

**CHARTS**  
WEALTH MANAGEMENT • CORPORATE BROKING

**THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THESE SECURITIES AS A LISTED FINANCIAL INSTRUMENT. THIS SIGNIFIES COMPLIANCE OF THE INSTRUMENT ISSUED 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 INSTRUMENT. 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.**

APPROVED BY THE DIRECTORS

Andrew Mifsud  
on behalf of

Magdalena De Roeck, Caroline Van Marcke,  
Joseph Caruana, Francis X. Gouder, Charles Hertogs, Guido Mizzi, Patrick H. Van Leynseele



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## IMPORTANT INFORMATION

THIS SECURITIES NOTE CONTAINS INFORMATION ON AN ISSUE BY IZOLA BANK PLC (THE “ISSUER”) OF €12,000,000 UNSECURED BONDS 2025 OF A NOMINAL VALUE OF €100, ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 4.5% PER ANNUM, PAYABLE ANNUALLY ON 30 JUNE OF EACH YEAR. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL ON THE REDEMPTION DATE.

IN ACCORDANCE WITH THE ALLOCATION POLICY TO BE DETERMINED AND PUBLISHED BY THE ISSUER, BONDS SHALL ALSO BE ALLOCATED TO HOLDERS OF 5.35% SECURED NOTES 2015 ISSUED BY THE ISSUER PURSUANT TO A PROSPECTUS DATED 10 JUNE 2010 (THE “MATURING NOTES”) WHO, IN CONSIDERATION FOR THE BONDS APPLIED FOR PURSUANT TO THIS PROSPECTUS, ELECT TO SURRENDER MATURING NOTES IN FAVOUR OF THE ISSUER.

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

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE SALE OF BONDS OF THE ISSUER OTHER THAN THOSE CONTAINED IN THE PROSPECTUS AND IN THE DOCUMENTS REFERRED TO HEREIN, 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.**

THE 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; 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 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 COUNTRY OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

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

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

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



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

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

ALL THE ADVISERS TO THE ISSUER NAMED IN THE PROSPECTUS UNDER THE HEADING "ADVISERS" UNDER SECTION 4 OF THE REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THIS ISSUE AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

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

## 1. 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, expressions and capitalised terms as indicated in the Registration Document forming part of the Prospectus. Additionally, the following words and expressions as used in this Securities Note shall bear the following meanings whenever such words and expressions are used in their capitalised form, except where the context otherwise requires:

<b>Act</b>	the Companies Act (Cap 386 of the Laws of Malta);
<b>Applicant/s</b>	a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
<b>Application/s</b>	the application to subscribe for Bonds made by an Applicant/s by completing an Application Form and delivering same to any of the Authorised Financial Intermediaries;
<b>Application Form</b>	the form of application of subscription for Bonds, a specimen of which is contained in Annex II of this Securities Note;
<b>Authorised Financial Intermediaries</b>	the licensed stockbrokers listed in Annex I of this Securities Note;
<b>Bond/s</b>	the €12,000,000 unsecured bonds of a face value of €100 per bond, bearing interest at the rate of 4.5% per annum and redeemable on the Redemption Date at their nominal value;
<b>Bondholder</b>	a holder of Bonds;
<b>Bond Issue</b>	the issue of the Bonds;
<b>Bond Issue Price</b>	the price of €100 per Bond;
<b>Business Day</b>	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
<b>CSD</b>	the Central Securities Depository of the Malta Stock Exchange, having its address at Garrison Chapel, Castille Place, Valletta, VLT 1063, Malta;
<b>Cut-Off Date</b>	close of business on 18 May 2015;
<b>Euro or €</b>	the lawful currency of the Republic of Malta;
<b>Exchange, Malta Stock Exchange or MSE</b>	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, and bearing company registration number C 42525;
<b>Existing Noteholder</b>	a holder of Maturing Notes as at the Cut-Off Date;
<b>Interest Payment Date</b>	30 June of each year between and including each of the years 2016 and the year 2025, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next day that is a Business Day;
<b>Issue Date</b>	expected on 30 June 2015;
<b>Issuer or Bank</b>	Izola Bank p.l.c., a public limited liability company registered under the Laws of Malta with company registration number C 16343 and having its registered office at 53/58, East Street, Valletta VLT 1251, Malta;
<b>Listing Authority</b>	the MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act (Cap. 345 of the Laws of Malta) by virtue of Legal Notice 1 of 2003;
<b>Listing Rules</b>	the listing rules of the Listing Authority;
<b>Maturing Note Transfer</b>	the subscription for Bonds by an Existing Noteholder 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 Maturing Notes held by such Existing Noteholder as at the Cut-Off Date;
<b>Maturing Notes</b>	the 5.35% secured notes 2015 (ISIN MT0000531203) redeemable on 30 June 2015, amounting as at the date of the Prospectus to €9,000,000, issued by the Issuer pursuant to a prospectus dated 10 June 2010;

<b>Official List</b>	the list prepared and published by the MSE as its official list in accordance with the MSE Bye-Laws;
<b>Prospectus</b>	collectively the Registration Document, Summary Note and this Securities Note (each as defined in this Securities Note);
<b>Prospectus Directive</b>	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 and amending Directive 2001/34/EC, as may be amended from time to time;
<b>Redemption Date</b>	30 June 2025;
<b>Redemption Value</b>	the nominal value of each Bond (€100 per Bond);
<b>Registration Document</b>	the registration document issued by the Issuer dated 18 May 2015, forming part of the Prospectus;
<b>Regulation</b>	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 supplementing Directive 2003/71/EC with regard to regulatory technical standards for publication of supplements to the prospectus;
<b>Securities Note</b>	this document in its entirety;
<b>Sponsor</b>	Charts Investment Management Service Limited, an authorised financial intermediary licensed by the MFSA and a Member of the MSE;
<b>Summary Note</b>	the summary note issued by the Issuer dated 18 May 2015, forming part of the Prospectus;
<b>Terms and Conditions</b>	the terms and conditions of the Bond Issue, including the terms contained in this Securities Note.

## 2. RISK FACTORS

### 2.1 GENERAL

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 ON THE REDEMPTION DATE UNLESS THE BONDS ARE PREVIOUSLY RE-PURCHASED AND CANCELLED.

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 THE PROSPECTUS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS. THE SEQUENCE IN WHICH THE RISKS BELOW ARE LISTED IS NOT INTENDED TO BE INDICATIVE OF ANY ORDER OF PRIORITY OR OF THE EXTENT OF THEIR CONSEQUENCES.

NEITHER THIS SECURITIES NOTE, NOR ANY OTHER PARTS OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE BONDS: (I) IS INTENDED TO PROVIDE THE BASIS OF ANY CREDIT OR OTHER EVALUATION OR (II) SHOULD BE CONSIDERED AS A RECOMMENDATION BY THE ISSUER OR THE SPONSOR OR AUTHORISED FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THIS SECURITIES NOTE OR ANY OTHER PART OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE PROSPECTUS OR ANY BONDS, SHOULD PURCHASE ANY BONDS.

ACCORDINGLY PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT.

### 2.2 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.

### 2.3 RISKS RELATING TO THE BONDS

- 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.
- Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.
- A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the Bondholder’s currency of reference, if different.
- 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.
- The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt, if any.



- 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.
- 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.
- Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No. 1093/2010 and (EU) No. 648/2012, of the European Parliament and of the Council (known as the Bank Recovery and Resolution Directive and hereinafter referred to as the “BRRD”) entered into force on 2 July 2014. Member States had until 31 December 2014 to adopt and publish laws, regulations and administrative provisions necessary to comply with the BRRD, prior to adopting such measures from 1 January 2015. As at the date hereof, the BRRD has not been transposed into Maltese law.

The BRRD is designed to provide authorities with a set of tools to intervene early and quickly in the affairs of an unsound or failing bank so as to ensure the continuity of the bank’s critical financial and economic functions, whilst minimising the impact of a bank’s failure on the economy and financial system.

The BRRD achieves this end by requiring the appointment of a resolution authority (the “Resolution Authority”) that is empowered to intervene using a number of resolution tools in the event that the following requirements are satisfied cumulatively (an “Intervention Event”): (a) a bank is failing or likely to fail; (b) there is no reasonable prospect that alternative private sector measures would prevent the failure of a bank; and (c) a resolution action is in the public interest.

The Issuer is not in a position to declare, with any degree of certainty, what course of action may be adopted by the Resolution Authority in the event that an Intervention Event were to arise with respect to the Issuer, as, at the date hereof, none of the conditions prescribed in (a) to (c) above subsist.

However, Bondholders should be aware that in terms of the BRRD, if an Intervention Event were deemed to occur with respect to the Issuer, the Resolution Authority may determine that the principal amount of the Bonds, including accrued but unpaid interest in respect thereof, may be written off, converted into common equity Tier 1 capital or otherwise applied to absorb losses. This 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 thereof, Bondholders may lose all or part of their investment.

### 3 PERSONS RESPONSIBLE

This document includes information given in compliance with the Listing Rules for the purpose of providing prospective investors with information with regard to the Issuer. All of the Directors of the Issuer, whose names appear under the sub-heading “Directors” under the heading ‘Identity of Directors, Advisers and Auditors of the Issuer’ in section 4 of the Registration Document, accept responsibility for the information contained in this Securities Note.

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 Securities Note is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

### 3.1 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 or placement or other offering of Bonds, provided this is limited only:

- (i) in respect of Bonds subscribed for through Authorised Financial Intermediaries listed in Annex I of this Securities Note in terms of section 7.6 (Placement Agreement) and section 7.7 (Intermediaries' Offer);
- (ii) to any resale or placement of Bonds subscribed for as aforesaid, taking place in Malta;
- (iii) to any resale or placement of Bonds subscribed for as aforesaid, taking place within the period of 60 days from the date of the Prospectus.

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

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

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

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

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

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

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

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

## 4 ESSENTIAL INFORMATION

### 4.1 REASONS FOR THE ISSUE AND USE OF PROCEEDS

The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €11,800,000, 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 €9,000,000 will be used by the Issuer for the purpose of purchasing Maturing Notes from Existing Noteholders, for cancellation, by way of Maturing Note Transfer, and for the purpose of redeeming any Maturing Notes remaining in issue as at the 30 June 2015, being the redemption date of the Maturing Notes in terms of the prospectus dated 10 June 2010 (as at the date of the Prospectus the total value of Maturing Notes in issue stands at €9,000,000); and
- (ii) the remaining €2,800,000 balance of the net Bond Issue proceeds will be used by the Issuer to meet part of its general financial requirements.

In the event that the Issuer does not receive subscriptions for the full €12,000,000 in Bonds, the Issuer will proceed with the listing of the amount of Bonds subscribed for, and it shall firstly apply the net proceeds received for the purpose mentioned in (i) above. In the event that the subscriptions received do not exceed the amount specified in (i) above, the Issuer will complete the redemption of any remaining Maturing Notes through own funds on 30 June 2015, being the redemption date of the Maturing Notes in terms of the prospectus dated 10 June 2010.

### 4.2 EXPENSES

Professional fees, and costs related to publicity, advertising, printing, listing, registration, sponsor, management, registrar fees, selling commission, and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €200,000. There is no particular order of priority with respect to such expenses.

### 4.3 ISSUE STATISTICS

<b>Amount:</b>	€12,000,000;
<b>Form:</b>	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 Central Securities Depository of the Malta Stock Exchange ('CSD');
<b>Denomination:</b>	Euro (€);
<b>ISIN:</b>	MT0000531211;
<b>Minimum amount per subscription:</b>	Minimum of €1,000 and multiples of €100 thereafter;
<b>Redemption Date:</b>	30 June 2025;
<b>Plan of Distribution:</b>	The Bonds are open for subscription by holders of Maturing Notes and Authorised Financial Intermediaries, either for their own account or on behalf of clients;
<b>Preferred Allocation to Holders of Maturing Notes:</b>	Existing Noteholders applying for Bonds may elect to settle all or part of the amount due on the Bonds applied for by the transfer to the Issuer of Maturing Notes at par value, subject to a minimum holding of €1,000 in Bonds.

Existing Noteholders electing to subscribe for Bonds through the transfer to the Issuer of all or part of the Maturing Notes held by them as at the Cut-Off Date shall be allocated Bonds for the corresponding nominal value of Maturing Notes transferred to the Issuer.

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

<b>Placement Agreement:</b>	The Issuer has entered into conditional placement agreements with Authorised Financial Intermediaries whereby a maximum amount of €3 million in value of Bonds has been made available for subscription on 12 June 2015;
<b>Bond Issue Price:</b>	At par (€100 per Bond);
<b>Status of the Bonds:</b>	The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves and with other unsecured debt, if any;
<b>Listing:</b>	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;
<b>Application Forms mailed to Existing Noteholders:</b>	22 May 2015;
<b>Closing date for Applications in the case of Existing Noteholders:</b>	5 June 2015;
<b>Issue Period:</b>	25 May 2015 to 12 June 2015, both days included;
<b>Interest:</b>	4.5% per annum;
<b>Interest Payment Date(s):</b>	Annually on 30 June as from 30 June 2016 (the first interest payment date);
<b>Governing Law of Bonds:</b>	The Bonds are governed by and shall be construed in accordance with Maltese law;
<b>Jurisdiction:</b>	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds.

#### 4.4 INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for the possible subscription for Bonds by Authorised Financial Intermediaries (which includes Charts Investment Management Service Limited), and any fees payable in connection with the Bond Issue to Charts Investment Management Service Limited as Sponsor, so far as the Issuer is aware no person involved in the Issue has an interest material to the Issue.

## 5 INFORMATION CONCERNING THE SECURITIES TO BE ISSUED AND ADMITTED TO TRADING

### 5.1 GENERAL

**5.1.1** Each Bond forms part of a duly authorised issue of 4.5% Unsecured Bonds 2025 of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €12,000,000 (except as otherwise provided under section 5.11 “Further Issues”).

**5.1.2** The currency of the Bonds is Euro (€).

**5.1.3** Subject to admission to listing of the Bonds to the Official List of the MSE, the Bonds are expected to be assigned ISIN MT0000531211. The Issue Date is expected on 30 June 2015.

**5.1.4** All outstanding Bonds not previously purchased and cancelled shall be redeemed by the Issuer at par on the Redemption Date.



- 5.1.5** The issue of the Bonds is made in accordance with the requirements of the Listing Rules, the Act, and the Regulation.
- 5.1.6** The Issue Period of the Bonds is between 25 May 2015 and 12 June 2015, both days included.
- 5.1.7** The Bond Issue is not underwritten.
- 5.1.8** In the event that the Bond Issue is not fully subscribed, the Issuer will proceed to: list the Bonds subscribed for; and effect cancellation of the Maturing Notes received from Existing Noteholders electing to acquire Bonds by Maturing Note Transfer. Any Maturing Notes remaining in issue are due to be redeemed by the Issuer on 30 June 2015, being the redemption date of the Maturing Notes in terms of the prospectus dated 10 June 2010.

## **5.2 RANKING OF THE BONDS**

The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt, if any. In terms of article 1995 of the Civil Code (Cap. 16 of the Laws of Malta), the property of a debtor is the common guarantee of his creditors, all of whom have an equal right over such property, unless there exist between them lawful causes of preference. The Bonds will thus rank after any claims which are preferred in terms of the law but will rank before and with priority over the Issuer's subordinated debt, if any. As at the date of this Securities Note, the Issuer does not have any subordinated indebtedness.

## **5.3 RIGHTS ATTACHED TO THE BONDS**

There are no special rights attached to the Bonds other than the right of the Bondholders to:

- (i) the payment of capital;
- (ii) the payment of interest;
- (iii) ranking with respect to other indebtedness of the Issuer in accordance with the provisions of section 5.2 hereof;
- (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 this Prospectus.

## **5.4 INTEREST**

- 5.4.1** The Bonds shall bear interest from and including 30 June 2015 at the rate of 4.5% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 30 June 2016 (covering the period 30 June 2015 to 29 June 2016). 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. In terms of article 2156 of the Civil Code (Cap. 16 of the Laws of Malta), the right of Bondholders to bring claims for payment of interest and repayment of the principal on the Bonds is barred by the lapse of five years.
- 5.4.2** When interest is required to be calculated for any period of less than a full year, it shall be calculated on the basis of a three hundred and sixty (360) day year consisting of twelve (12) months of thirty (30) days each, and in the case of an incomplete month, the number of days elapsed.
- 5.4.3** A Maturing Note Transfer (as defined in section 7.2.1 below) shall be without prejudice to the rights of the holders of Maturing Notes to receive the interest payment on 30 June 2015 for the period 30 June 2014 to 29 June 2015.

## **5.5 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 four point five per cent (4.5%).

## 5.6 REGISTRATION, FORM, DENOMINATION AND TITLE

- 5.6.1** Certificates will not be delivered to Bondholders in respect of the Bonds in virtue of 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 (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 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.
- 5.6.2** The CSD will issue, upon a request by a Bondholder, a statement of holdings to such Bondholder evidencing his/her/its entitlement to Bonds held in the register kept by the CSD.
- 5.6.3** The Bonds will be issued in fully registered form, without interest coupons, in denominations of any integral multiple of €100 provided that on subscription the Bonds will be issued for a minimum of €1,000 per individual Bondholder. Authorised Financial Intermediaries subscribing for Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €1,000 to each underlying client.
- 5.6.4** 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' in section 5.10 of this Securities Note.

## 5.7 PAYMENTS

- 5.7.1** Payment of the principal amount of a Bond will be made in Euro by the Issuer to the person in whose name such Bonds are registered, with interest accrued up to the Redemption Date, by means of direct credit transfer into such bank account as the Bondholder may designate from time to time, provided such bank account is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven (7) days of the Redemption Date. The Issuer shall not be responsible for any loss or delay in transmission or any charges in connection therewith. 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.

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.

- 5.7.2** 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 and held with any licensed bank in Malta. Such payment shall be effected within seven (7) days of the Interest Payment Date. The Issuer shall not be responsible for any loss or delay in transmission or any charges in connection therewith.
- 5.7.3** 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.
- 5.7.4** No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments.

## 5.8 REDEMPTION AND PURCHASE

- 5.8.1 Unless previously purchased and cancelled, the Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 30 June 2025.
- 5.8.2 Subject to the provisions of this section 5.8, the Issuer may at any time purchase Bonds in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike.
- 5.8.3 All Bonds so purchased will be cancelled forthwith and may not be re-issued or re-sold.

## 5.9 ACCELERATION

The Bonds shall become immediately due and repayable at their principal amount together with accrued interest, if any, of the following events (each an “**Acceleration Event**”) shall occur:

- 5.9.1 the Issuer shall fail to pay any interest on any Bond when due and such failure shall continue for thirty (30) days after written notice thereof shall have been given to the Issuer by any Bondholder; or
- 5.9.2 the Issuer shall fail duly to perform or shall otherwise be in breach of any other material obligation contained in the terms and conditions of the Bonds and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer by any Bondholder; or
- 5.9.3 an order is made or resolution passed or other action taken for the dissolution, termination of existence, liquidation, winding-up or bankruptcy of the Issuer; or
- 5.9.4 the Issuer stops or suspends payments (whether of principal or interest) with respect to all or any class of its debts or announces an intention to do so or ceases or threatens to cease to carry on its business or a substantial part of its business; or
- 5.9.5 the Issuer is unable, or admits in writing its inability, to pay its debts as they fall due or otherwise becomes insolvent; or
- 5.9.6 there shall have been entered against the Issuer a final judgment by a court of competent jurisdiction from which no appeal may be or is made for the payment of money in excess of €1,250,000 or its equivalent and ninety (90) days shall have passed since the date of entry of such judgment without its having been satisfied or stayed; or
- 5.9.7 any default occurs and continues for ninety (90) days under any contract or document relating to any financial indebtedness of the Issuer in excess of €1,250,000 or its equivalent at any time.

## 5.10 TRANSFERABILITY OF THE BONDS

- 5.10.1 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.
- 5.10.2 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.
- 5.10.3 All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.
- 5.10.4 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.

**5.10.5** 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.

## **5.11 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.

## **5.12 MEETINGS OF BONDHOLDERS**

**5.12.1** 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.

**5.12.2** 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 5.12 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.

**5.12.3** 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.

**5.12.4** 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 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.

**5.12.5** Any person who in accordance with the Memorandum and Articles of Association of the Issuer is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders.

**5.12.6** 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.



**5.12.7** The voting process shall be managed by the Company Secretary under the supervision and scrutiny of the auditors of the Issuer.

**5.12.8** The proposal placed before a meeting of Bondholders shall only be considered approved if at least 65% 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.

**5.12.9** 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.

### **5.13 AUTHORISATIONS AND APPROVALS**

The Board of Directors of the Issuer authorised the Bond Issue pursuant to a board of directors' resolution passed on 3 March 2015.

### **5.14 NOTICES**

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 Bondholder at his registered address and posted.

## **6 TAXATION**

### **6.1 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.

### **6.2 MALTA TAX ON INTEREST**

Since interest is payable in respect of a Bond which is the subject of a public issue, unless the Issuer is otherwise instructed by a Bondholder or if the Bondholder does not fall within the definition of "recipient" in terms of article 41(c) of the Income Tax Act (Cap. 123 of the Laws of Malta), interest shall be paid to such person net of a final withholding tax, currently at the rate of 15% of the gross amount of the interest, pursuant to article 33 of the Income Tax Act (Cap. 123 of the Laws of Malta). Bondholders who do not fall within the definition of a "recipient" do not qualify for the said rate and should seek advice on the taxation of such income as special rules may apply.

This withholding tax is considered as a final tax and a Maltese resident individual Bondholder need not declare the interest so received in his income tax return. No person shall be charged further tax in respect of such income.

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 unless the beneficiary is a non-resident

of Malta. 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.

### 6.3 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 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.

### 6.4 MALTESE TAXATION ON 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.

### 6.5 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 are exempt from Maltese duty.

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

## 7 TERMS AND CONDITIONS OF THE BOND ISSUE

### 7.1 EXPECTED TIMETABLE OF THE BOND ISSUE

1.	Application Forms mailed to holders of Maturing Notes as at the Cut-Off Date	22 May 2015
2.	Closing date for applications to be received from holders of Maturing Notes as at the Cut-Off Date	5 June 2015
3.	Private Placement date	12 June 2015
4.	Intermediaries' Offer	12 June 2015
5.	Announcement of basis of acceptance	17 June 2015
6.	Refunds of unallocated monies	19 June 2015
7.	Expected dispatch of allotment advices	30 June 2015
8.	Commencement of interest on the Bonds	30 June 2015
9.	Expected date of admission of the securities to listing	30 June 2015
10.	Expected date of commencement of trading in the securities	1 July 2015

The Intermediaries' Offer shall not be undertaken in the event of full subscription by holders of Maturing Notes.

## 7.2 TERMS AND CONDITIONS OF APPLICATION

- 7.2.1** Existing Noteholders applying for Bonds may elect to settle all or part of the amount due on the Bonds applied for by completing a pre-printed Application Form indicating that the consideration for the Bonds applied for shall be settled by way of transfer to the Issuer of all or part of the Maturing Notes held as at the Cut-Off Date in an amount equivalent to the par value of the Bonds applied for, subject to a minimum application of €1,000 (“**Maturing Note Transfer**”).
- 7.2.2** The completed Application Form is to be lodged with any of the Authorised Financial Intermediaries by not later than 14.00 hours on 5 June 2015.
- 7.2.3** By submitting a signed Application Form indicating that the Maturing Note Transfer is being selected (whether in whole or in part consideration for the Bonds being applied for), the Applicant is thereby confirming:
- i. that all or part (as the case may be) of the Maturing Notes held by the Applicant on the Cut-Off Date are being transferred to the Issuer;
  - ii. that the pre-printed Application Form constitutes the Applicant’s irrevocable mandate to the Issuer to:
    - a. cause the transfer of the said Maturing Notes in the Issuer’s name in consideration of the issue of 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 Maturing Notes in the Issuer and fully and effectively vest title in the appropriate number of Bonds in the Applicant;
  - iii. the obligations of the Issuer with respect to the Maturing Notes being transferred to the Issuer are extinguished, replaced by obligations on the part of the Issuer under the Bonds to be issued upon acceptance by the Issuer of the application in question.
- 7.2.4** Where the Applicant is the holder of Maturing Notes which as at the Cut-Off Date are held subject to usufruct, the signatures of both the bare owner and the usufructuary will be required in the Application Form.

## 7.3 GENERAL TERMS AND CONDITIONS

- 7.3.1** The issue and allotment of the Bonds is conditional upon the Bonds being admitted to the Official List of the MSE. In the event that the Bonds are not admitted to the Official List of the MSE, no Maturing Note Transfers (see section 7.2 above) shall take effect.
- 7.3.2** 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 Maturing Notes, the Issuer has not established an aggregate minimum subscription level for the Bond Issue.
- As indicated in section 4.1 above under the heading “Reasons for the Issue and Use of Proceeds”, the Maturing Notes shall be redeemed out of the proceeds of the Bond Issue, for cancellation by the Issuer. Any Maturing Notes remaining in issue thereafter are due to be redeemed by the Issuer on 30 June 2015, being the redemption date of the Maturing Notes in terms of the prospectus dated 10 June 2010.
- It is the responsibility of investors wishing to apply for the Bonds to inform themselves as to the legal requirements of so applying including any requirements relating to external transaction requirements in Malta and any exchange control in the countries of their nationality, residence or domicile.
- 7.3.3** The contract created by the Issuer’s acceptance of an Application filed by a prospective bondholder shall be subject to all the terms and conditions set out in this Securities Note and the Memorandum and Articles of Association of the Issuer.
- 7.3.4** If an 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 duly 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 representative 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 Issuer and the Registrar, but it shall not be the duty or responsibility of the Registrar or Issuer to ascertain that such representative is duly authorised to appear on the Application Form.

- 7.3.5** In the case of joint Applications, reference to the Applicant in these Terms and Conditions is a reference to each of the joint Applicants, and liability therefor is joint and several. The person whose name shall be inserted in the field entitled “Applicant” on the Application Form, or first-named in the register of Bondholders shall, for all intents and purposes, be deemed to be such nominated person by all those joint holders whose names appear in the field entitled “Additional Applicants” in the Application Form or joint holders in the register, as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.
- 7.3.6** 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, and shall not be entitled to the repayment of principal on the Bond (which shall be due to the bare owner).
- 7.3.7** Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents / legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (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 eighteen (18) years.
- 7.3.8** The Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.
- 7.3.9** No person receiving a copy of the Prospectus or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to such person, nor should such person in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or such Application Form could lawfully be used without contravention of any registration or other legal requirements.
- 7.3.10** It is the responsibility of any person outside Malta wishing to make any Application to satisfy himself/herself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- 7.3.11** Subject to all other terms and conditions set out in the Prospectus, the Issuer reserves the right to reject, in whole or in part, or to scale down, any Application, including multiple or suspected multiple applications. The right is also reserved to refuse any Application which in the opinion of the Issuer is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted.
- 7.3.12** The Bonds will be issued in multiples of €100 and the minimum subscription amount of Bonds that can be subscribed for by Applicants is €1,000.
- 7.3.13** Within three (3) Business Days from closing of the Private Placement, the Issuer shall announce the result of the Issue and shall determine, and issue a company announcement setting out, the basis of acceptance of applications and allocation policy to be adopted.

**7.3.14** In the event that Authorised Financial Intermediaries subscribing for Bonds during the Intermediaries' Offer have been allocated a number of Bonds which is less than the number applied for, then such Authorised Financial Intermediaries shall receive the balance of the price of the Bonds applied for but not allocated, without interest, by credit transfer to such account indicated in the subscription agreement, at the Authorised Financial Intermediary's sole risk within two (2) Business Days from the date of final allocation. The Issuer shall not be responsible for any charges or delay arising in connection with such credit transfer.

**7.3.15** For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations 2008 as amended from time to time, all appointed Authorised Financial Intermediaries are under a duty to communicate, upon request, all information about clients as is mentioned in Articles 1.2(d) and 2.4 of the "Code of Conduct for Members of the Malta Stock Exchange" appended as Appendix IV to Chapter 3 of the MSE Bye-Laws, irrespective of whether the said appointed Authorised Financial Intermediaries are MSE Members or not. Such information shall be held and controlled by the MSE in terms of the Data Protection Act (Cap. 440 of the Laws of Malta) for the purposes and within the terms of the MSE Data Protection Policy as published from time to time.

**7.3.16** 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 returnable to the Applicant may be retained pending the surrender of the Maturing Notes 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;
- 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 has not taken any action which will or may result in the Issuer or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Bond or 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) and that the Applicant is not 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 Charts Investment Management Service Limited will not, in their capacity of Sponsor, treat the Applicant as their customer by virtue of such Applicant making an Application for the Bonds, and that Charts Investment Management Service Limited will owe the Applicant no duties or responsibilities concerning the price of the Bonds or their 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.

#### **7.4 PLAN OF DISTRIBUTION AND ALLOTMENT**

The Bonds are open for subscription as follows:

- i. Holders of Maturing Notes may apply for Bonds and settle the consideration due by the transfer to the Issuer of all or part of the Maturing Notes held by such Applicant as at the Cut-Off Date by submitting an Application Form.
- ii. Authorised Financial Intermediaries shall subscribe for Bonds, either for their own account or on behalf of clients, as detailed in sections 7.5 and 7.6 below.

The minimum subscription amount of Bonds that can be subscribed for by Applicants is €1,000.

It is expected that an allotment advice will be dispatched to Applicants on 30 June 2015. The registration advice and other documents and any monies returnable to Applicants may be retained pending clearance of the remittance or surrender of the Maturing Notes, 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.

Dealings in the Bonds shall not commence prior to admission to trading of the Bonds by the MSE or prior to the said notification.

#### **7.5 PRICING**

The Bonds are being issued at par, that is, at €100 per Bond.

## 7.6 PLACEMENT AGREEMENT

On 13 May 2015, the Issuer entered into conditional placement agreements with Authorised Financial Intermediaries as indicated hereunder, for the subscription by Authorised Financial Intermediaries of an aggregate amount of €3 million of the Bonds on 12 June 2015.

Amount of Bonds to be subscribed by each of the Authorised Financial Intermediaries on 12 June 2015 is as follows:

	€
Calamatta Cuschieri & Co Ltd	700,000
Charts Investment Management Service Ltd	900,000
Curmi and Partners Ltd	700,000
Rizzo, Farrugia & Co (Stockbrokers) Ltd	700,000
	<hr/>
	3,000,000
	<hr/>

In terms of the Placement Agreements entered into with Authorised Financial Intermediaries, the Issuer bound itself to issue, and each of the Authorised Financial Intermediaries bound itself to subscribe for, the respective amounts detailed above (in aggregate €3 million) of the Bonds, subject to:

- (a) the Prospectus being approved by the Listing Authority; and
- (b) the Bonds being admitted to trading on the Official List.

In terms of the Placement Agreements, each of the 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 either:

- (a) distribute to the underlying customers any portion of the Bonds subscribed for upon commencement of trading; or
- (b) instruct the Issuer and the Registrar to issue a portion of the Bonds subscribed by them directly to their underlying customers.

## 7.7 INTERMEDIARIES' OFFER

The Issuer may enter into conditional subscription agreements with a number of Authorised Financial Intermediaries for the subscription of Bonds whereby it will bind itself to allocate Bonds to such investors during the Intermediaries' Offer, if any, provided that in aggregate, Applications by Existing Noteholders as set out in section 7.2.1 above) do not exceed €9,000,000.

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 of the Malta Stock Exchange. The Subscription Agreements will become binding on the Issuer and each of 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.

## 7.8 ALLOCATION POLICY

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

- i. Up to an aggregate amount of €9,000,000 shall be allocated to Existing Noteholders applying for Bonds by way of Maturing Note Transfer in accordance with section 7.2.1 above and subject to a minimum application of €1,000;
- ii. An aggregate amount of €3,000,000 shall be allocated to Authorised Financial Intermediaries pursuant to conditional placement agreements referred to in section 7.6 above;
- iii. In the event that following the allocation made pursuant to paragraph (i) above there shall remain unallocated Bonds, the Issuer shall offer such remaining Bonds to Authorised Financial Intermediaries through an Intermediaries' Offer as detailed in section 7.7 above.

## 7.9 ADMISSION TO TRADING

- (a) The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 18 May 2015.
- (b) 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.
- (c) The Bonds are expected to be admitted to the MSE with effect from 30 June 2015 and trading is expected to commence on 1 July 2015.



## Annex I – AUTHORISED FINANCIAL INTERMEDIARIES

NAME	ADDRESS	TELEPHONE
Calamatta Cuschieri & Co Ltd	Fifth Floor, Valletta Buildings, South Street, Valletta VLT 1103	25688688
Charts Investment Management Service Ltd	Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913	21224106
Curmi & Partners Ltd	Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102	23426000
Rizzo, Farrugia & Co (Stockbrokers) Ltd	Airways House, Third Floor, High Street, Sliema SLM 1549	22583000

## Annex II – SPECIMEN APPLICATION FORM



# izola Bank

**IZOLA BANK P.L.C.**  
**€12,000,000 4.5% UNSECURED BONDS 2025**  
**APPLICATION FORM**

Application Number

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

**A APPLICANT** (See notes 2 to 4)

MSE ACCOUNT NO.	I.D. CARD NO. / PASSPORT NO. / COMPANY REG. NO.	TELEPHONE NO.	MOBILE NO.
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This Application Form is not transferable and entitles you to a preferential treatment as holder of Izola Bank p.l.c. 5.35% Secured Notes 2015 (the "Maturing Notes") and is to be submitted as a method of payment where the Applicant selects to apply for the Izola Bank p.l.c. 4.5% Unsecured Bonds 2025 (the "Bonds") so as to transfer to the Issuer all or part of the holding in Maturing Notes held by the Applicant as at the Cut-Off Date, the nominal value of which is set out in Box 1 of Panel B hereunder. By submitting this signed Application Form, the Applicant is thereby confirming that:

- a. all or part (as the case may be) of the Maturing Notes held by the Applicant as at the Cut-Off Date are being transferred to the Issuer as a form of payment at their nominal value, thereby releasing the Issuer from all and any obligations with respect to such Maturing Notes; and
- b. this Application Form constitutes the Applicant's irrevocable mandate to the Issuer to cause the transfer of the Maturing Notes in the Issuer's name in consideration of the issue of the Bonds.

**B BOX 1 – NOMINAL VALUE OF THE MATURING NOTES.** BOX 1 AMOUNT IN FIGURES €

**BOX 2 –** I/We wish to purchase and acquire the amount set out in Box 2 in Bonds at the Bond Issue Price (at par) pursuant to the Prospectus dated 18 May 2015 (minimum €1,000 and in multiples of €100 thereafter). **Izola Bank p.l.c. wishes to highlight that the Bonds are unsecured. Unlike in the case of the Bonds, the Maturing Notes are secured.**

AMOUNT IN WORDS	BOX 2 AMOUNT IN FIGURES €
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**C RESIDENT – WITHHOLDING TAX DECLARATION** (See note 7) (to be completed ONLY if the Applicant is a Resident of Malta)

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

**D NON-RESIDENT – DECLARATION FOR TAX PURPOSES** (See note 8) (to be completed ONLY if the Applicant is a Non-Resident)

TAX COUNTRY	CITY OF BIRTH	
T.I.N. (TAX IDENTIFICATION NUMBER)	COUNTRY OF BIRTH	
PASSPORT/NATIONAL I.D. CARD NO.	COUNTRY OF ISSUE	ISSUE DATE

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

**E INTEREST & REDEMPTION MANDATE** (See note 9) Completion of this Panel is MANDATORY

BANK	IBAN
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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 contained therein) which I/we fully accept.

Signature/s of Applicant/s <small>(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 Maturing Notes that are subject to usufruct)</small>	Date
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AUTHORISED FINANCIAL INTERMEDIARY'S STAMP	AUTHORISED FINANCIAL INTERMEDIARY'S CODE
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## NOTES ON HOW TO COMPLETE THIS APPLICATION FORM AND OTHER INFORMATION

*The following notes are to be read in conjunction with the Prospectus dated 18 May 2015 regulating the Bond Issue*

1. This Application is governed by the Terms and Conditions of Application contained in Section 7.2 of the Securities Note dated 18 May 2015 forming part of the Prospectus. Capitalised terms not defined herein shall, unless the context otherwise requires, have the meaning ascribed to them in the Prospectus.
2. This Application Form is to be completed in BLOCK LETTERS.
3. Applicants who are Non-Residents in Malta for tax purposes must complete Panel D overleaf.
4. 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 18 May 2015 (trading session of the 14 May 2015). **APPLICANTS ARE TO NOTE THAT ANY BONDS ALLOTTED TO THEM WILL BE RECORDED BY THE MALTA STOCK EXCHANGE IN THE MSE ACCOUNT QUOTED ON THE APPLICATION FORM EVEN IF THE DETAILS OF SUCH MSE ACCOUNT, AS HELD BY THE CSD OF THE MALTA STOCK EXCHANGE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF.**
5. In the case where a holder of Maturing Notes is a body corporate, Application Forms must be signed by duly authorised representative/s indicating the capacity in which they are signing.
6. The amount set out in Box 2 of Panel B overleaf must be in multiples of €100. The Issuer will be giving preference to Applications made by holders of Maturing Notes up to their full amount held as at the Cut-Off Date, subject to a minimum application of €1,000.
7. Only Applicants who hold a valid official Maltese Identity Card or companies registered in Malta will be treated as residents in Malta. In such a case, 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 will then be obliged to declare interest so received in the 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.
8. European Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the "Directive") 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 (a "specified territory") then the interest paid will be reported.  
  
The contents of Notes 7 and 8 above do not constitute tax advice by the Issuer and Applicants are to consult their own independent tax advisers in case of doubt.
9. Interest or redemption proceeds will be credited to the account designated in Panel E or as otherwise amended by the Bondholder/s during the term of the Bond.
10. Completed Application Forms are to be delivered to any of the Authorised Financial Intermediaries listed in Annex I of the Securities Note during normal office hours by not later than 14:00 on 5 June 2015. The Issuer reserves the right to refuse any Application which appears to be in breach of the Terms and Conditions of the Bonds as contained in the Prospectus. Any Applications received by the Registrar after 14:00 on 5 June 2015 will be rejected.
11. By completing and delivering an Application Form, you (as the Applicant/s) acknowledge that:
  - a. the Issuer may process the personal data that you may provide in the Application Form in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta);
  - b. the Issuer may process such personal data for all purposes necessary for and related to the Bonds applied for; and
  - c. 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 requests must be made in writing and addressed to the Issuer. The request must be signed by yourself, as the Applicant to whom the personal data relates.

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**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 financial adviser, licensed under the Investments Services Act (Cap. 370 of the Laws of Malta), for advice.**