

mediterraneanbank

Think Ahead. Bank Ahead.

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

**by
Mediterranean Bank plc**

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

Summary Note dated 25 September 2017

This Summary Note is issued in accordance with the provisions of Chapter 4 of the Listing Rules issued by the Listing Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012, Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012, Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013, Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015. Application has been made for the admission to listing and trading of the Bonds on the Malta Stock Exchange EUR Bonds - ISIN MT0000551284; GBP Bonds - ISIN MT0000551292. This Summary Note should be read in conjunction with the Registration Document containing information about the Issuer and Securities Note containing information about the Bonds.

Legal Counsel

Sponsor

Manager & Registrar

CAMILLERI PREZIOSI
ADVOCATES

**Jesmond
Mizzi**
FINANCIAL ADVISORS


MALTA STOCK EXCHANGE plc

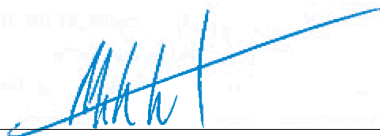
THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THESE SECURITIES AS A LISTED FINANCIAL INSTRUMENT. THIS MEANS THAT THE SAID INSTRUMENTS ARE IN COMPLIANCE WITH THE REQUIREMENTS AND CONDITIONS SET OUT IN THE LISTING RULES. IN PROVIDING THIS AUTHORISATION, THE LISTING AUTHORITY DOES NOT GIVE ANY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

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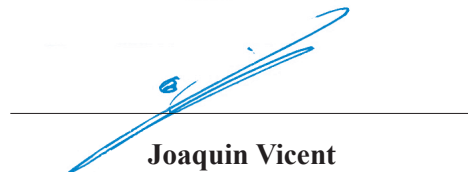
A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENTS. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE SECURITIES OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION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

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

APPROVED BY THE DIRECTORS



**Mark A. Watson
Director**



**Joaquin Vicent
Director**

In their own name and on behalf of

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

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 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'.

Except where the context otherwise requires, the capitalised words and expressions used in this Summary Note shall bear the meanings assigned to them in the Registration Document and the Securities Note, as the case may be.

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 the 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 the 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 by Authorised Financial Intermediaries listed in Annex II of the Securities Note, either for their own account or for the account of underlying customers;
 - 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 sixty (60) days from the date of the Prospectus.
- ii. **in the event of a resale, placement or other offering of Bonds by an Authorised Financial Intermediary, the Authorised Financial Intermediary shall be responsible to provide information to investors on the terms and conditions of the resale, placement or other offering at the time such is made.**

SECTION B ISSUER

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

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

B.4b The global economy has been relatively strong in 2017 despite significant levels of political uncertainty. Numerous high profile elections have taken place such as the United States, France, Italy and the Netherlands. In addition, the United Kingdom's decision in June 2016 to leave the European Union has provided an

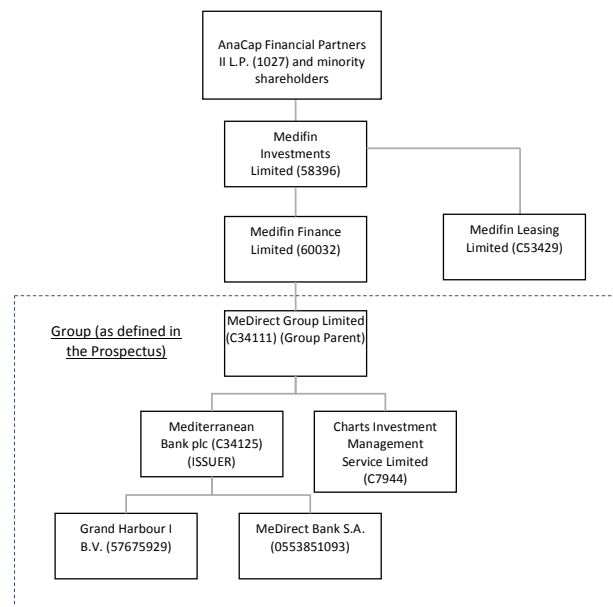
undercurrent of uncertainty to European economics. Encouragingly however, European Purchasing Marketing Indexes are at post-sovereign debt crisis highs, unemployment continues to trend lower and consumer confidence levels are back to levels last seen prior to 2008.

The continued impact of accommodative monetary and interest rate policies has had a demonstrable impact on the financial markets. Quantitative easing has resulted in excess banking reserves exceeding c. €1,600 billion and with the programme expected to continue to the conclusion of 2017, excess reserves will grow to beyond €2,000 billion. The negative interest rate environment that has enveloped Europe has put significant downward pressure on interbank borrowing rates and ultimately, deposit rates. The ultimate objective of such policies, which have been interspersed with other liquidity mechanisms such as Targeted Longer Term Refinancing Operations (“TLTROs”), has been to promote growth in lending to the wider economy. Over the course of the past year, many banking institutions have worked to clean up their balance sheets, disposing of Non-Performing Loans and streamlining their operations. This, combined with the establishment of a robust bank resolution framework and improving economic conditions, has been supportive of loan growth.

In respect of Malta, economic activity was robust in 2016 as real GDP grew by 5.1% in comparison to 1.7% for the Euro Area. This growth was supported by strong exports and labour market conditions. The Maltese banking system continues to operate with strong levels of capital adequacy; MeDirect Group’s CET1 ratio for the financial year ending 31 March 2017 was 11.7%. Belgian GDP growth in 2016 was slightly lower than the Euro Area at 1.2%. In spite of this, key underlying economic indicators remain robust and Belgian banks are amongst the best capitalised in Europe with an average CET1 ratio of c. 15%. MeDirect Bank’s CET1 ratio for the financial year ending 31 March 2017 was 18.9%.

The trends described above have been supportive of the Issuer’s business. The general improvement in economic conditions coupled with ongoing accommodative monetary policy has supported both the asset and liability side of the Issuer’s balance sheet. In addition, these developments have increased the number of wealth management customers and the size of the aggregate assets under custody of the Issuer and MeDirect Bank S.A. Though the economic environment is not anticipated to change materially in the remaining months of 2017, the Issuer is confident that it possesses an adequately dynamic business model to respond to any prospective shift in trends.

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



The organisational structure set out above does not include Medifin Estates, a subsidiary of the Issuer which, as at the date of this Prospectus, does not constitute a material part of the Issuer’s business. Medifin Estates is a partnership *en nom collectif* registered under the laws of Malta with partnership number P 1408, set up for the purpose of acquiring by way of lease, emphyteusis or other title immovable property for the purpose of investment, commercial speculation, development or sublease. It is a 97% owned subsidiary of the Issuer and it is included in the Issuer’s consolidated financial statements.

B.9 Not Applicable: no profit forecasts or estimates have been included in the Registration Document.

- B.10 Not Applicable: the audit reports on the audited financial statements for the years ended 31 March 2015 to 2017 do not contain any material qualifications.
- B.12 The historical financial information for the financial year ended 31 March 2015 and the financial years ended 31 March 2016 and 2017 are set out in the consolidated financial statements of the Issuer as audited by KPMG and PricewaterhouseCoopers, respectively. Copies of the aforementioned financial statements are available from the Issuer's registered office and website at <http://www.medbank.com.mt/>. There have been no material adverse changes in the prospects of the Issuer since the date of its last published audited financial statements.

The following are extracts from the consolidated audited financial statements of the Issuer for the financial years ended 31 March 2015, 2016 and 2017.

There have been no significant changes in the financial or trading position of the Issuer or the Group which has occurred since 31 March 2017.

**STATEMENTS OF
COMPREHENSIVE
INCOME**

	Mediterranean Bank PLC Group				
	Year ended 31 March	Period from 1 April to 30 September	Year ended 31 March	Period from 1 April to 30 September	Year ended 31 March
	2017	2016	2016	2015	2015
	€'000	€'000	€'000	€'000	€'000
Interest income	89,863	44,857	77,240	40,731	73,979
Interest expense	(32,299)	(16,437)	(36,408)	(18,495)	(40,492)
Net interest income	57,564	28,420	40,832	22,236	33,487
Fee and commission income	4,393	2,109	3,119	1,289	2,240
Fee and commission expense	(1,652)	(747)	(1,777)	(713)	(1,218)
Net fee and commission income	2,741	1,362	1,342	576	1,022
Net trading income	2,178	991	2,224	1,060	(1,778)
Net income from financial instruments at fair value through profit or loss	-	-	1,108	1,117	(1,623)
Gain on the initial accounting on acquisition of a subsidiary		-	-	-	22,414
Other operating income	4,408	1,582	15,640	11,674	21,593
Total operating income	66,891	32,355	61,146	36,663	75,115
Personnel expenses	(17,426)	(8,785)	(17,228)	(8,850)	(15,767)
Depreciation and amortisation	(551)	(129)	(608)	(316)	(914)
Administrative and other expenses	(24,783)	(11,339)	(26,186)	(11,896)	(19,716)
Operating expenses	(42,760)	(20,253)	(44,022)	(21,062)	(36,397)
Net operating income before impairment	24,131	12,102	17,124	15,601	38,718
Net impairment	(5,607)	(2,802)	(3,747)	773	(4,265)
Profit before income tax	18,524	9,300	13,377	16,374	34,453
Income tax expense	(3,373)	(2,870)	(2,061)	(4,081)	(4,414)
Profit for the period/year	15,151	6,430	11,316	12,293	30,039

STATEMENTS OF FINANCIAL POSITION

	Mediterranean Bank plc		
	Group		Bank*
	As at	As at	As at
	31 March	31 March	31 March
	2016	2015	2014
	€000	€000	€000
Assets			
Balances with Central Banks, treasury bills and cash	33,280	14,384	18,091
Derivative assets held for risk management	3,964	3,197	404
Derivative assets held for trading	-	-	404
Loans and advances to financial institutions	59,558	167,775	87,714
Loans and advances to customers	1,238,966	1,047,194	621,747
Investments	872,497	1,503,462	1,427,337
Investment in subsidiaries	-	-	1
Property and equipment	923	1,452	1,908
Intangible assets	27	63	128
Deferred tax asset	15,000	4,189	3,764
Current tax asset	5,633	-	-
Prepayments and accrued income	17,720	21,305	23,262
Other assets	26,733	20,542	18,888
Total assets	2,274,301	2,783,563	2,203,648
Equity			
Share capital	117,450	117,450	98,050
Share premium	13,464	13,464	13,464
Shareholders' contribution	60,803	2,103	9,750
Reserve for general banking risks	1,194	1,029	91
Fair value reserve	(7,580)	6,022	(5,691)
Retained earnings	18,348	29,197	19,496
Total equity	203,679	169,265	135,160
Liabilities			
Derivative liabilities held for risk management	7,337	5,200	2,973
Amounts owed to financial institutions	541,925	1,166,091	1,008,976
Amounts owed to customers	1,447,355	1,205,586	776,715
Debt securities in issue	-	157,137	230,127
Subordinated liabilities	47,380	47,777	22,385
Current tax liabilities	69	4,110	10,794
Deferred tax liabilities	-	1,901	-
Accruals and deferred income	23,321	24,600	15,409
Other liabilities	3,235	1,896	1,109
Total liabilities	2,070,622	2,614,298	2,068,488
Total equity and liabilities	2,274,301	2,783,563	2,203,648

* As at 31 March 2014. Mediterranean Bank plc did not have any material subsidiaries since MeDirect Bank SA was licensed as a Belgian credit institution and Mediterranean Corporate Bank Limited was acquired in 2015.

- B.13 Not Applicable: the Issuer is not aware of any recent events which are to a material extent relevant to the evaluation of its solvency.
- B.14 In July 2014 a corporate restructuring of the Group took place pursuant to which Medifin Investments Limited acquired 99.9% of the shareholding in the parent company of the Group, MeDirect Group Limited (at the time Medifin Holding Limited), with its previous shareholders receiving shares in Medifin Investments Limited. As a result of the restructuring process, Medifin Investments Limited became the direct parent of MeDirect Group Limited, which in turn is the parent company of the Issuer. In August 2015 Medifin Finance Limited acquired from Medifin Investments Limited the entire shareholding in MeDirect Group Limited in exchange for the issue, by Medifin Finance Limited to Medifin Investments Limited, of an equal amount in nominal value of ordinary shares in the capital of the Issuer. The majority of the issued share capital of Medifin Investments Limited is subscribed to by AnaCap, a specialist private equity firm focused on making investments in the financial services sector across Europe, and in terms of the voting rights attached to the shares held by AnaCap in Medifin Investments Limited indirect control of the Issuer is vested in Anacap.

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

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

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

The main markets in which the Issuer operates and competes are the Maltese and the Belgian markets. The banking, investment and wealth management services of the Issuer are provided to an array of Maltese and international individuals and corporate clients. Using the infrastructure created by the Issuer in Malta and supported by the Issuer's Maltese processing capability, the Issuer has launched in Belgium an investment services and wealth management offering directed toward the mass affluent audience, the principal customer related activities of which comprise the receipt and acceptance of customers' monies for deposit in savings and fixed term deposit accounts, denominated in Euro and other major currencies; and the provision of: online discretionary wealth management, model portfolios comprising mutual funds selected in cooperation with the investment research and investment management firm, Morningstar Inc; e-brokerage services for the purchase and sale of mutual funds, equities, bonds and exchange traded funds; and online tools and information to support and guide clients in their investment decisions. The Issuer is currently considering a number of organic and inorganic opportunities to broaden and diversify its investment activities to encompass new asset classes which may include speciality mortgages, amongst others. As at the date of this Prospectus, the Issuer is actively investigating and pursuing such specific opportunities in several markets in the European Union; however, as at the date of this Prospectus there is no certainty that any specific opportunity the Issuer is looking at or considering will materialise.

- B.16 As at the date of the Prospectus, MeDirect Group Limited holds all of the issued share capital of the Issuer save for one share held by FJV Management Limited. Medifin Finance Limited holds all of the issued share capital of MeDirect Group Limited save for one share held by Mark Watson Holdings Limited. Medifin Investments Limited holds the entire issued share capital of Medifin Finance Limited. Anacap holds a majority of the issued share capital in Medifin Investments Limited and accordingly indirect control of the Issuer is vested in AnaCap. As at the date of the Prospectus the Issuer is not aware of any existing arrangements between the Issuer and any potential acquirer which may result in a change of control. As a private equity investor, AnaCap regularly undertakes strategic reviews of its investments, including its investment in Medifin Investments Limited, in order to assess its future options, and receives, from time to time, approaches and/or expressions of interest from third parties that are interested in investing in, or acquiring, Medifin Investments Limited and/or the Issuer. It is therefore possible that during the term of the Bonds, one or more of these approaches and/or expressions of interest could ultimately lead to a change in control of Medifin Investments Limited and/or the Issuer. At present,

however, the Issuer is not aware of any existing arrangements between the Issuer and any potential acquirer which may result in a change of control.

- B.17 Not Applicable: the Issuer has not sought the credit rating of an independent rating agency, nor there has been any assessment by any independent rating agency of the Bonds issued by the Issuer.

SECTION C SECURITIES

- C.1 The Issuer shall issue an aggregate principal amount of the Euro equivalent value of €20,000,000 in EUR Bonds and GBP Bonds having a face value of €100 per EUR Bond or £100 per GBP Bond respectively. The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD. On admission to trading the EUR Bonds will have ISIN MT0000551284 and the GBP Bonds will have ISIN MT0000551292. The Bonds shall bear interest at the rate of 5% per annum and shall be repayable in full upon maturity on 13 October 2027 unless previously re-purchased, cancelled or redeemed, provided that the Issuer reserves the right to redeem any one or more of the Bonds or any part thereof on any of the Designated Early Redemption Dates, as the Issuer may determine with the prior approval of the MFSA on giving not less than thirty (30) days' notice to Bondholders.
- C.2 The EUR Bonds are denominated in Euro (€) and the GBP Bonds are denominated in Pounds Sterling (£).
- C.5 The Bonds are freely transferable and, once admitted to the Official List, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time and in accordance with the following requirements: trading in the EUR Bonds and the GBP Bonds shall take place on the MSE in multiples of €1,000 and £1,000 respectively subject to the retention of a minimum holding of €25,000 (or £25,000 as applicable) by each individual holder of EUR Bonds or GBP Bonds, which shall be maintained at all times throughout the holder's investment in the respective type of Bond. If EUR Bonds and GBP Bonds are held by financial intermediaries on behalf of clients under one or more nominee accounts, the minimum holding of €25,000 (or £25,000 as applicable) shall apply to each underlying beneficial owner. With respect to subsequent trading in the Bonds, any licensed financial intermediary effecting a transfer of Bonds in the secondary market shall be required to carry out an Appropriateness Test and, if providing advice, a Suitability Test, in respect of the transferee and be satisfied, based on the results of such test, that an investment in the Bonds may be considered appropriate and/or suitable for such transferee.
- C.8 Investors wishing to subscribe to 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;
 - (iv) attend, participate in and vote at meetings of Bondholders in accordance with the terms and conditions of the Bonds; and
 - (v) enjoy all such other rights attached to the Bonds emanating from the Prospectus.

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

- C.9 The Bonds shall bear interest from and including 13 October 2017 at the rate of 5% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date, the first Interest Payment Date being 13 October 2018, provided that any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day. The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at Redemption Date is at five per cent (5%). Redemption shall take place on 13 October 2027, provided that the Issuer reserves the right to redeem any one or more of the Bonds or any part thereof on any of the Designated Early Redemption Dates, as the Issuer may determine with the prior approval of the MFSA, on giving not less than thirty (30) days' notice to Bondholders. Without prejudice to the preceding paragraph, in the event that a Regulatory Change Event were to occur, the Issuer shall, at its sole discretion but subject to the prior approval of the MFSA, have the option to redeem the Bonds in full prior to the scheduled Redemption Date or any possible Designated Early Redemption Date. In the event that the MFSA were to grant its approval to such early redemption, the Issuer may, subject to giving not less than thirty (30) nor more than sixty (60) days' notice to Bondholders, redeem the Bonds in whole but not in part on the date specified in such notice (the "**Regulatory Redemption Date**") at a redemption price equal to par plus

interest accrued to but excluding the Regulatory Redemption Date.

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

- C.10 Not Applicable: there is no derivative component in the interest payments on the Bonds.
- C.11 The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 25 September 2017. 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 27 October 2017 and trading is expected to commence on 30 October 2017.

SECTION D RISKS

Holding of a Bond involves certain risks. Before deciding to make any investment decision with respect to the Issuer and the Bonds, prospective investors should, with their own independent financial and other professional advisers, make their own independent evaluation of 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. 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 of 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.

Prospective investors are advised to read the Prospectus in its entirety and, in particular, the sections entitled “Risk Factors” in the Registration Document and Securities Note, for an assessment of the factors that could affect the Issuer’s future performance.

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.

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

Exposure to Credit Risk: Risks arising from adverse changes in the credit quality and recoverability of loans, securities and amounts due from counterparties are inherent in the Issuer’s business. Unrated and non-investment grade corporate lending activities may be at higher risk of default than investment grade lending because of the relatively higher levels of debt that the issuing counterparty has relative to the amount of equity. The Issuer currently holds no specific impairment provisions in respect of its securities portfolio, based on the view that accounting standards do not currently require or permit specific provisions unless a loss has been deemed to have occurred. As at 31 December 2016, the Issuer held specific impairment provisions equivalent to approximately 0.96% of the carrying value before impairments of its loan portfolio. Adverse changes in the credit quality of the Issuer’s assets, either specific to individual obligors or caused by a general deterioration in European or global economic conditions, or by systemic risks in the financial system, could affect the recoverability and value of the Issuer’s assets and either lead to write-offs or require provisions for impairment. Write-offs or provisions for impairment could also be dictated by a change in accounting standards or prudential regulatory changes to financial services legislation.

Liquidity Risk: Liquidity risk is the risk that the Issuer will be unable to meet its obligations, including funding commitments, as they become due. The Issuer funds its portfolios largely through deposits and partly through the international wholesale financial markets. The availability of retail and commercial deposits may be impacted by increased competition from other deposit-takers or factors that constrain the volume of liquidity in the market. Further, in the event that funding from such markets were to become less available or more expensive, or in the event that it becomes difficult to sell financial assets close to their fair value, the Issuer may be adversely affected.

Interest Rate Risk: Interest rate risk arises from the mismatch between interest rate sensitive assets and liabilities. As is common to all banks, the Issuer runs a mismatch between its liabilities and assets. Fluctuations in interest rates are influenced by factors outside the Issuer’s control and can affect the interest rate margin realised between lending and deposit and other borrowing costs, thereby affecting the Issuer’s results and profitability.

Foreign Exchange Risk: Foreign exchange risk arises on monetary assets and liabilities not denominated in the base currency of a company. Currently the Issuer is not exposed to any material foreign exchange risk as a result of its hedging activities. However, in the future, the Issuer may decide to reduce the level of its hedging activities, in which case, subject to maintaining the necessary controls and limitations, the Issuer may be exposed to fluctuations in foreign currency exchange rates.

Concentration Risk: The investments made by the Issuer are primarily denominated in Euro and the obligors of most of such investments are issued by EU entities. In addition, the deposit base of the Issuer primarily consists of customers located in Malta and other European Union countries. As a result of the composition of the Issuer's investment portfolio and deposit base, any broadly negative economic trends affecting the European Union may have an adverse effect on the Issuer. In addition, the majority of the Issuer's securities portfolio consists of covered bonds which are secured on residential mortgages, primarily located in European Union countries. Accordingly, negative developments in European property markets may also have an adverse effect on the Issuer.

Operational Risk: The Issuer is exposed to the risk that policies, procedures and systems being implemented from time to time will not perform to the level expected and may have a negative impact on the financial performance of the Issuer. The same risk applies to online banking and investment services provided to customers, as well as systems to support such services, e-brokerage systems, websites and other wealth management tools and functions. Any losses arising from the failure of the Issuer's system of internal controls could have a material adverse effect on its business, financial condition, results of operations and prospects, and could materially adversely affect its reputation.

Risks relating to Information Technology: The Issuer depends on its information technology systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of the Issuer's business and operating data. The proper functioning of the Issuer's financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks between its branches and main data processing centres, are critical to the Issuer's business and ability to compete effectively. The Issuer's business activities would be materially disrupted if there were a partial or complete failure of any of these information technology systems or communications networks. Any failure or delay in recording or processing the Issuer's transaction data could subject it to claims for losses and regulatory fines and penalties.

Reputational Risk: The Issuer's business prospects could be adversely affected to the extent it fails to address, or appears to fail to address, various issues that could give rise to reputational risk. Such failure could result in customers, depositors or investors becoming unwilling to do business with the Issuer, thereby potentially adversely affecting its business, financial condition, results of operations and/or prospects and/or damaging its relationships with its regulators.

Expansion: In 2013 the Issuer was approved to establish its first international branch, in Belgium. As part of the establishment of the branch, the Issuer devoted significant time and resources to the build out of systems, infrastructure and organisational structure for the branch. On 1 June 2015, the Issuer completed the process of converting its Belgian branch into a subsidiary having its own separate legal personality and a Belgian banking licence. The Issuer may from time to time consider opportunities to expand its operations further in Belgium, Malta or in other European Union jurisdictions, to invest in new asset classes which may include speciality mortgages, amongst others, or to offer new services to its customers. If it were to decide to pursue one of these opportunities or any such future venture, such initiatives may prove not to be successful, whether for commercial or other reasons, and this may result in a material adverse effect on the operations and performance of the Issuer.

Regulatory Matters: The Issuer, through its operations in Malta and Belgium, is subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure their compliance with economic and other objectives and limit their exposure to risk including (i) the legislative package implementing the proposals of the Basel Committee (known as Basel III) in the European Union and amending and supplementing the existing Capital Requirements Directive and other regulatory developments impacting capital position ("CRD IV"); and (ii) the European Commission's Single Resolution Mechanism ("SRM") establishing uniform rules and procedures for the resolution of credit institutions and certain investment firms, providing for the establishment of a European Union-wide framework for the Bank Recovery and Resolution Directive (the "BRRD") in the Euro area. The Issuer faces risks associated with an uncertain and rapidly evolving prudential regulatory environment, pursuant to which it is required, amongst other things, to maintain adequate capital resources and to satisfy specified capital ratios at all times. The Issuer's capital requirements could be affected by further prudential regulatory developments.

The Issuer is also required to comply with applicable know your customer, anti-money laundering and counter-terrorism financing laws and regulations in Malta and Belgium and applicable anti-corruption laws. To the extent that the Issuer fails or is perceived to fail to comply with these and other applicable laws and regulations, its reputation could be materially damaged, with consequent adverse effects on its business, financial condition, results of operations and prospects. Any failure or delay in receiving any required regulatory approvals or the enactment of new and adverse regulations or regulatory requirements may have a material adverse effect on the Issuer's business. In addition, future legislative, judicial and regulatory agency actions could have a material adverse effect on the Issuer's business. Furthermore, changes in the regulatory environment could ultimately place increased regulatory pressure on the Issuer and could have a material adverse effect on its business, financial condition, results of operation and cash flow, particularly in the case of an adverse impact resulting from regulatory developments which could expose its business to a number of risks as well as limit growth, curtail revenues and impact the Issuer's service offerings. Moreover, there is a risk of noncompliance associated with the complexity of regulation. Failure to comply with current or future regulation could expose the Issuer's business to various sanctions, including fines or the withdrawal of authority to conduct certain lines of business.

External Factors: The Issuer's overall performance and results may also be adversely affected by external factors beyond the Issuer's control. These include changes in economic conditions, geopolitical issues such as the anticipated exit of the United Kingdom from the European Union, business cycles, volatility in financial markets and increased competitive pressure in the financial services sector.

Failure to attract and/or retain key employees: The Issuer may lose key employees as a result of natural attrition, including health, family and other reasons. In addition, external factors, such as macro-economic conditions, the developing and increasingly rigorous regulatory environment and/or negative media attention on the financial services industry, could adversely impact employee retention, sentiment and engagement. Each of these factors could have an adverse effect on the Issuer's ability to recruit and/or retain key employees, which could, in turn, materially adversely affect the Issuer's business, financial condition, results of operations and prospects.

The Issuer may be subject to privacy or data protection failures and fraudulent activity: The Issuer processes personal customer data as part of its business, some of which may be sensitive personal data, and therefore must comply with strict data protection and privacy laws and regulations. Notwithstanding the Issuer's efforts to ensure compliance with the relevant data protection regulations and protection from cyber theft, the Issuer is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, stolen or processed in breach of data protection and privacy laws and regulations. If the Issuer or any of the third party service providers on which it relies fails to store or transmit customer information in a secure manner, or if any loss of personal customer data were otherwise to occur, the Issuer could be subject to investigative or enforcement action by relevant regulatory authorities and could face liability under data protection and privacy laws and regulations.

The Issuer could be negatively affected by a deterioration in the soundness (or a perceived deterioration in the soundness) of other financial institutions: Within the financial services industry, the default of any one institution could lead to defaults by other institutions. Concerns about, or a default by, or a governmental "bail out" of, or "bail in" of, one institution could lead to significant liquidity problems, including increases in the cost of liquidity, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or concerns about, a counterparty may lead to market wide liquidity problems and losses or defaults by the Issuer or by other institutions. This risk is often referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges. Such systemic risk could have a material adverse effect on the Issuer's ability to raise new wholesale funding, which could affect its business, financial condition, results of operations, liquidity and/or prospects.

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

An investment in the Bonds involves certain risks, including those set out 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 advisors, the following risk factors (not listed in order of priority) and other investment considerations, together with the rest of the information contained in the Prospectus.

- i. The existence of an orderly and liquid market for the Bonds depends on a number of factors, including the presence of willing buyers and sellers of the Issuer's Bonds at any given time and the general

economic conditions in the market in which the Bonds are traded. Such presence is dependent upon the individual decisions of investors over which the Issuer has no control. Accordingly, there can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Furthermore, there can be no assurance that an investor will be able to sell the Bonds at or above the Bond Issue Price or at all.

- ii. There can be no assurance that the Bond Issue Price will correspond to the price at which the Bonds will trade in the market subsequent to the Bond Issue.
- iii. Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.
- iv. A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€ in the case of the EUR Bonds and £ in the case of the GBP Bonds) and the Bondholder's currency of reference, if different.
- v. No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time.
- vi. In the event that the Issuer wishes to amend any of the provisions of and/or conditions contained in any 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.
- vii. The Bonds are unsecured and subordinated. Subordination means that the rights and claims of Bondholders in respect of the payment of capital and interest on the Bonds will, in the event of dissolution and winding up of the Issuer, rank after the claims of all senior indebtedness and will not be repaid until all other senior indebtedness outstanding at the time has been settled. The Bonds constitute the general, direct, unconditional, subordinated and unsecured obligations of the Issuer and shall at all times rank equally and rateably without any priority or preference among themselves and with other subordinated unsecured debt.
- viii. The Bonds shall rank subsequent to any outstanding, unsubordinated and unsecured obligations of the Issuer, present and future. The Issuer may incur further borrowings or indebtedness and may create or permit to subsist other security interests upon the whole or any part of its present or future, undertaking, assets or revenues (including uncalled capital).
- ix. The Bonds shall also rank subsequent to any prior ranking security interest created for the purpose of securing the Issuer's secured interbank funding lines and repurchase agreements. Such interbank funding lines and repurchase agreements are used to finance the Issuer's investment portfolio.
- x. By purchasing the Bonds, the Bondholder agrees to waive his or her right of enforcement against the Issuer in the case of non-performance of the Issuer's obligations under the Bond, including the non-payment of interest and principal. The only remedy available to the Bondholder in the event of a default by the Issuer shall be the petitioning for the winding up of the Issuer, which shall constitute an Event of Default.
- xi. The Bonds are redeemable in whole or in part at the option of the Issuer prior to the Redemption Date on any of the Designated Early Redemption Dates upon giving 30 days' notice to the Bondholders, subject to obtaining the prior approval of the MFSA. Furthermore, the Bonds are redeemable in whole at any time during the term of the Bond in the case of a Regulatory Change Event taking place.
- xii. The feature allowing for optional redemption on a Designated Early Redemption Date may condition the market value of the Bonds and there can be no guarantee that the Bondholders may be able to re-invest the proceeds of such redemption at equivalent or higher rates of return.
- xiii. The occurrence of a Regulatory Change Event and the implementation of New Capital Regulations leading to such event, are not within the control of the Issuer. If a Regulatory Change Event were to occur, the Issuer would have the right to redeem the Bonds prior to their scheduled maturity at par plus accrued interest.
- xiv. 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.
- xv. Directive 2014/59/EU of the European Parliament and the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2004/47/EC, 2004/25/EC, 2005/56/EC,

2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council, known as the Bank Recovery and Resolution Directive (also referred to as the Crisis Management Directive), entered into force on 2 July 2014 (for the purposes of this Risk Factor, the “Directive”). This Directive grants regulators resolution powers to, *inter alia*, write down the debt of a failing bank (or to convert such debt into capital) to strengthen its financial position and allow it to continue as a going concern, subject to appropriate restructuring measures being taken. Such conversion of debt into capital would result in a change in the status of the holder of this instrument, from that of a bond holder to that of a shareholder.

Pursuant to the Directive or other resolution or recovery rules which may in the future be applicable to the Issuer (including Capital Requirements Directive IV), new powers have been given to the MFSA, as “Resolution Authority”, which could be used in such a way as to result in the Bonds absorbing losses (“Statutory Loss Absorption”). Pursuant to the exercise of any Statutory Loss Absorption measures, the Bonds could become subject to a determination by the Resolution Authority, or the Issuer following instructions from the Resolution Authority, that all or part of the principal amount of the Bonds, including accrued but unpaid interest in respect thereof, must be written off, converted into common equity Tier 1 capital or otherwise applied to absorb losses. Such determination shall not constitute an Event of Default and Bondholders will have no further claims in respect of any amount so written off, converted to equity or otherwise applied to absorb losses as aforesaid as a result of such Statutory Loss Absorption.

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

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

SECTION E OFFER

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

E.3 The Bonds are open for subscription to Authorised Financial Intermediaries, which include Mediterranean Bank plc as Issuer, Jesmond Mizzi Financial Advisors Limited as Sponsor, and Charts Investment Management Service Limited, a fully owned subsidiary of MeDirect Group Limited. Pursuant to conditional subscription agreements, Authorised Financial Intermediaries are to submit Application Forms representing the amount they have been bound to subscribe to by not later than 12:00 hours on 13 October 2017.

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:

1.1.1 Form, Denomination and Title

The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD. The Bonds will be issued without interest coupons, in minimum subscriptions of €25,000 (in case of EUR Bonds) and £25,000 (in case of GBP Bonds) and thereafter in integral multiples of €1,000 (in case of EUR Bonds) and £1,000 (in case of GBP Bonds). 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 the Securities Note.

1.1.2 Interest

Details of interest payable on the Bonds is provided in Element C.9 of this Summary Note.

1.1.3 Status of the Bonds

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

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

1.1.4 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.

1.1.5 Redemption

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 13 October 2027, provided that the Issuer may exercise the option to redeem any one or more of the Bonds or any part thereof early on a Designated Early Redemption Date with the MFSA's prior approval or upon a Regulatory Change Event occurring, as explained in section C.9 of this Summary Note.

1.1.6 Events of Default

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

1.1.7 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.

1.1.8 Register of Bondholders

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, registration numbers and MSE account numbers of the Bondholders and particulars of the Bonds held by them respectively, and the Bondholders shall have, at all reasonable times during business hours, access to the register of Bondholders held at the CSD for the purpose of inspecting information held on their respective account.

1.1.9 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.

1.1.10 Meetings of Bondholders

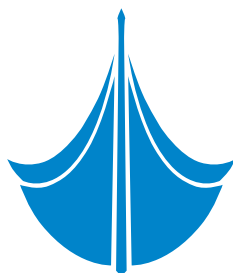
The provisions of the Prospectus may be amended with the approval of the Bondholders at a meeting called for that purpose by the Directors of the Issuer. Such meeting of Bondholders shall be called by giving all Bondholders listed on the register of Bondholders as at a date being not more than thirty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

1.1.11 Governing Law and Jurisdiction

The Bonds shall be governed by and 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 include the Issuer, the Sponsor and Charts Investment Management Service Limited), and any fees payable in connection with the Bond Issue to Jesmond Mizzi Financial Advisors Limited as Sponsor, so far as the Issuer is aware no person involved in the Issue has an interest material to the Issue.
- E.7 Professional fees, costs related to publicity, advertising, printing, listing and registration, selling commission, as well as sponsor, manager and registrar fees and other miscellaneous expenses in connection with this Bond Issue, are estimated not to exceed €500,000 and shall be borne by the Issuer.

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



mediterraneanbank

Think Ahead. Bank Ahead.

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

**by
Mediterranean Bank plc**

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

Registration Document dated 25 September 2017

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, Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015.

Legal Counsel

Sponsor

Manager & Registrar

CAMILLERI PREZIOSI
ADVOCATES

Jesmond Mizzi
FINANCIAL ADVISORS


MALTA STOCK EXCHANGE plc

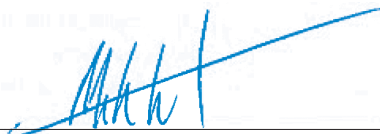
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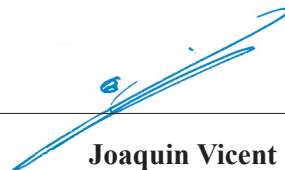
A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENTS. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE SECURITIES OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION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

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

APPROVED BY THE DIRECTORS



**Mark A. Watson
Director**



**Joaquin Vicent
Director**

In their own name and on behalf of

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

TABLE OF CONTENTS

1.	Important Information.....	5
2.	Definitions.....	7
3.	Risk Factors.....	9
3.1	Forward-Looking Statements.....	9
3.2	Risks Relating to the Issuer.....	10
3.2.1	Exposure to Credit Risk.....	10
3.2.2	Liquidity Risk.....	10
3.2.3	Interest Rate Risk.....	11
3.2.4	Foreign Exchange Risk.....	11
3.2.5	Concentration Risk.....	11
3.2.6	Operational Risk.....	11
3.2.7	Risks relating to Information Technology.....	12
3.2.8	Reputational Risk.....	12
3.2.9	Expansion.....	13
3.2.10	Regulatory Matters – the Issuer is subject to substantial and changing prudential regulation.....	13
3.2.11	External Factors.....	16
3.2.12	Failure to attract and/or retain key employees.....	16
3.2.13	The Issuer may be subject to privacy or data protection failures and fraudulent activity.....	16
3.2.14	The Issuer could be negatively affected by a deterioration in the soundness (or a perceived deterioration in the soundness) of other financial institutions.....	17
4.	Persons Responsible.....	17
5.	Statutory Auditors.....	17
6.	History and Development of the Issuer.....	18
7.	Business Overview.....	20
7.1	Principal Activities & Markets.....	20
8.	Selected Financial Information.....	22
8.1	Capital Adequacy and Liquidity Ratios.....	24
9.	Trend Information.....	26
10.	Business Strategy.....	27
11.	Organisational Structure.....	29

12.	Board of Directors and Board Committees	30
12.1	Board of Directors.....	30
12.1.1	Conflicts of Interest.....	32
12.2	Board and Management Committees.....	32
12.2.1	Board Committees	32
12.2.2	Principal Management Committees.....	34
12.3	Compliance with Corporate Governance Requirements.....	35
12.4	Management Team.....	36
13.	Major Shareholders	38
13.1	Shareholding of the Issuer	38
13.2	Shareholding of MeDirect Group Limited.....	38
13.3	Shareholding of Medifin Finance Limited.....	38
13.4	Shareholding of Medifin Investments Limited	38
14.	Financial Information.....	39
14.1	Historical Financial Information.....	39
14.2	Legal and Arbitration Proceedings.....	39
14.3	Significant Change in the Issuer’s Financial or Trading Position.....	39
15.	Material Contracts.....	39
16.	Documents on Display	39

1. IMPORTANT INFORMATION

THIS REGISTRATION DOCUMENT FORMS PART OF THE PROSPECTUS AND CONTAINS INFORMATION ON MEDITERRANEAN BANK PLC (THE “ISSUER”) IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES OF THE LISTING AUTHORITY, 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, COMMISSION DELEGATED REGULATION (EU) NO. 382/2014 OF 7 MARCH 2014 AND COMMISSION DELEGATED REGULATION (EU) NO. 2016/301 OF 30 NOVEMBER 2015.

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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 SECURITIES AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

SAVE FOR THE ISSUE IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFERING OF THE SECURITIES DESCRIBED IN THE SECURITIES NOTE 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 REGISTRATION DOCUMENT ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THEREIN.

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

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISERS.

2. DEFINITIONS

Act	the Companies Act (Cap. 386 of the laws of Malta);
AnaCap	AnaCap Financial Partners II L.P., a limited liability partnership incorporated under the laws of Guernsey with company number 1027;
Bond(s)	together, the EUR Bonds and the GBP Bonds;
Bond Issue	the Issue of the Bonds;
CRR	Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012;
CSD	the Central Securities Depository of the Malta Stock Exchange situated at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
Designated Early Redemption Date	any Interest Payment Date falling in the years 2022 to 2027 as the Issuer may determine by giving 30 days' prior notice to the Bondholders further to obtaining the prior approval of the MFSA;
Directors or Board	the directors of the Issuer whose names and addresses are set out under the heading " Board of Directors " in section 12.1 of this Registration Document;
ECB	the European Central Bank;
Euro or €	the lawful currency of the Republic of Malta;
EUR Bonds	the 5% Subordinated Unsecured Bonds due 2027 having a nominal value of €100 per bond redeemable at their nominal value on the Redemption Date or any of the Designated Early Redemption Dates bearing interest at the rate of 5% per annum, which in aggregate with the GBP Bonds would not exceed the Euro equivalent of €20,000,000 in value of Bonds issued pursuant to this Prospectus;
GBP Bonds	the 5% Subordinated Unsecured Bonds due 2027 having a nominal value of €100 per bond redeemable at their nominal value on the Redemption Date or any of the Designated Early Redemption Dates bearing interest at the rate of 5% per annum, which in aggregate with the EUR Bonds would not exceed the Euro equivalent of €20,000,000 in value of Bonds issued pursuant to this Prospectus;
Group	the group of companies of which MeDirect Group Limited (until 26 October 2016 operating under the name "Medifin Holding Limited") is the parent company, further described under section 11 of this Registration Document;
Interest Payment Dates	annually, on 13 October of each year commencing on 13 October 2018 and ending with and including the Redemption Date, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
Issuer	Mediterranean Bank plc, a public limited liability company registered in Malta with company number C 34125 having its registered office at 10, St Barbara Bastion, Valletta, VLT 1961, Malta;
Listing Authority	the Board of Governors of the MFSA, appointed as Listing Authority for the purposes of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);
Listing Rules	the listing rules, issued by the Listing Authority;
Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the laws of Malta), having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta, and bearing company registration number C 42525;
Medifin Finance Limited	a non-cellular company limited by shares incorporated under the laws of Guernsey with company number 60032;
Medifin Investments Limited	a non-cellular company limited by shares incorporated under the laws of Guernsey with company number 58396;
MeDirect Group Limited or Parent	MeDirect Group Limited (formerly Medifin Holding Limited), a private company registered in Malta with company registration number C 34111 and having its registered office at 10, St Barbara Bastion, Valletta, VLT 1961, Malta;

MFSA	the Malta Financial Services Authority, incorporated in terms of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);
M&A	the memorandum and articles of association of the Issuer in force at the time of publication of the Prospectus;
Prospectus	collectively this Registration Document, the Securities Note and the Summary Note, as such documents may be amended, updated, replaced and supplemented from time to time;
Redemption Date	13 October 2027;
Registration Document	this document in its entirety;
Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in a prospectus and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities; Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 amending Regulation (EC) No. 809/2004 as regards to regulatory technical standards for publication of supplements to the prospectus; and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015 amending Regulation (EC) No. 809/2004 as regards to regulatory technical standards for publication of the prospectus and dissemination of advertisements;
Securities Note	the securities note issued by the Issuer dated 25 September 2017, forming part of the Prospectus;
Summary Note	the summary note issued by the Issuer dated 25 September 2017, forming part of the Prospectus.

3. RISK FACTORS

An investment in the Issuer involves certain risks including those described below. Before deciding to make any investment decision with respect to the Issuer and the Bonds, prospective investors should, with their own independent financial and other professional advisers, make their own independent evaluation of the following risk factors and other investment considerations as well as all the other information contained in this Registration Document.

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 hereunder were to materialise, they could have a serious effect on the Issuer's financial condition and trading prospects and on 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 of the Issuer, but these risks and uncertainties may not be the only ones that the Issuer faces. Consequently, 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. In addition, prospective investors ought to be aware that risk may be amplified due to a combination of risk factors. Accordingly, prospective investors should make their own independent evaluation of all risk factors, and should consider all other sections in this document.

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

3.1 Forward-Looking Statements

The Prospectus and the documents incorporated therein by reference or annexed thereto contain forward-looking statements which include, among others, statements concerning the Issuer's strategies and plans relating to the attainment of its objectives, capital requirements and other statements of expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts and which may involve predictions of future circumstances.

Investors can generally identify forward-looking statements by the use of terminology such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", or similar phrases. These forward-looking statements are inherently subject to a number of risks, uncertainties and assumptions. Important factors that could cause actual risks to differ materially from the expectations of the Issuer's Directors include those risks identified under the heading "Risk Factors" and elsewhere in the Prospectus. If any of the risks described were to materialise, they could have a serious effect on the Issuer's financial condition and operational performance. Accordingly, the Issuer cautions the reader that these forward-looking statements are subject to risks and uncertainties that could cause actual events or results to differ from those expressed or implied by such statements and no assurance is given that the future results or expectations will be achieved.

All forward-looking statements contained in this Registration Document are made only as at the date hereof. The Issuer and its Directors expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

3.2 Risks Relating to the Issuer

3.2.1 Exposure to Credit Risk

Risks arising from adverse changes in the credit quality and recoverability of loans, securities and amounts due from counterparties are inherent in the Issuer's business. The financial assets of the Group primarily comprise two types of assets: (i) extensions of credit, primarily on a senior secured basis, to sub-investment grade international corporate borrowers; and (ii) investment grade treasury instruments, primarily covered bonds issued by EU financial institutions.

The Group's portfolio of investment grade treasury investments is significantly smaller in risk-weighted terms than its international corporate lending portfolio. The Issuer's international corporate lending activities are focussed on pan-European widely-syndicated and mid-market transactions for unrated counterparties (approximately 64.2% of total international corporate lending exposures) and non-investment grade counterparties (approximately 35.8% of international corporate lending exposures).

Unrated and non-investment grade corporate lending activities may be at higher risk of default than investment grade lending because of the relatively higher levels of debt that the issuing counterparty has relative to the amount of equity. This could affect the probability of default for each counterparty and increase the level of write-offs or provisions to which the Issuer is potentially exposed.

The Issuer currently holds no specific impairment provisions in respect of its securities portfolio, based on the view that accounting standards do not currently require or permit specific provisions unless a loss event has been deemed to have occurred. As at 31 December 2016, the Issuer held specific impairment provisions equivalent to approximately 0.96% of the carrying value before impairments of its loan portfolio. Adverse changes in the credit quality of the Issuer's assets, either specific to individual obligors or caused by a general deterioration in European or global economic conditions, or by systemic risks in the financial system, could affect the recoverability and value of the Issuer's assets and either lead to write-offs or require provisions for impairment. Write-offs or provisions for impairment could also be dictated by a change in accounting standards or prudential regulatory changes to financial services legislation.

3.2.2 Liquidity Risk

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

The Issuer funds its portfolios largely through deposits and partly through the international wholesale financial markets. The availability of retail and commercial deposits, the Issuer's primary source of liquidity, may be impacted by increased competition from other deposit-takers or factors that constrain the volume of liquidity in the market.

Extreme market disruptions, such as the severe dislocations experienced in credit and financing markets following the onset of the global financial crisis in 2008, a prolonged and severe restriction on the Issuer's access to liquidity (including to government and central bank funding and liquidity support) and/or a prolonged and severe decline in consumer confidence, could adversely affect the Issuer's ability to meet its minimum regulatory liquidity requirements or to fulfil its financial and lending commitments. In extreme circumstances, the Issuer may not be in a position to continue to operate without additional funding support and failure to access such support in these circumstances could have a material impact on the Issuer's solvency. A loss in customer confidence in the Issuer or in the market generally, as well as events beyond the Issuer's control which may have a detrimental effect on the market, could also give rise to significant increases in deposit withdrawals.

While the Issuer does not intend to rely on wholesale funding, if access to deposit funding were constrained, the Issuer may need to make increased use of international wholesale funding markets. In the event that funding from such markets were to become less available or more expensive, or in the event that it becomes difficult to sell financial assets close to their fair value, the Issuer may be adversely affected and its ability to grow may be hampered. Such a deterioration of the Issuer's

ability to raise funding at attractive levels may adversely affect the Issuer's margins and profit, potentially materially affecting its business, financial condition, results of operations and prospects.

3.2.3 Interest Rate Risk

Interest rate risk arises from the mismatch between interest rate sensitive assets and liabilities. As is common to all banks, the Issuer runs a mismatch between its liabilities and assets. Fluctuations in interest rates are influenced by factors outside the Issuer's control (such as the fiscal and monetary policies of governments and central banks and political and economic conditions in the countries in which it operates) and can affect the interest rate margin realised between lending and deposit and other borrowing costs, thereby affecting the Issuer's results and profitability.

3.2.4 Foreign Exchange Risk

Foreign exchange risk arises on monetary assets and liabilities not denominated in the base currency of a company. Currently the Issuer is not exposed to any material foreign exchange risk as a result of its hedging activities. However, in the future, the Issuer may decide to reduce the level of its hedging activities, in which case, subject to maintaining the necessary controls and limitations, the Issuer may be exposed to fluctuations in foreign currency exchange rates.

3.2.5 Concentration Risk

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

The majority of the Issuer's international corporate lending portfolio consists of internationally syndicated senior secured leveraged loans. As at 31st December 2016, approximately 60.0% of the Group's consolidated assets were related to the Issuer's international corporate lending portfolio. The Issuer could be adversely affected to the extent that: (i) adverse economic or market conditions affect the credit quality of such loans or the ability to refinance such loans at their maturity; or (ii) the prudential regulator makes alterations to the leveraged lending guidelines that it currently applies to loans. In addition, the Issuer intends to increase materially the proportion of such loans in its total asset portfolio over the medium term, thus increasing both the market concentration of the Issuer's portfolio of senior secured loans and the proportion of less investment grade credits relative to the treasury portfolio.

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

3.2.6 Operational Risk

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

The Issuer is exposed to the risk that policies, procedures, internal controls and systems implemented from time to time will not perform to the level expected and may have a negative impact on the financial performance of the Issuer. The same risk applies to online banking and investment services provided to customers, as well as systems to support such services, e-brokerage systems, websites and other wealth management tools and functions.

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

3.2.7 Risks relating to Information Technology

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

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

The Issuer has implemented online banking and wealth management functionality, including the provision of online financial advice in Belgium. These functionalities might not operate as intended and might suffer unexpected downtime. In addition, the Issuer intends to continue to build out its systems and improve its online functionalities, and the implementation of such new systems and functionalities might result in operational losses.

3.2.8 Reputational Risk

The Issuer's business prospects could be adversely affected to the extent it fails to address, or appears to fail to address, various issues that could give rise to reputational risk. Reputational issues could result from a number of factors, including but not limited to:

- failing to appropriately address potential conflicts of interest;
- breaching or facing allegations of having breached legal and regulatory requirements (including, *inter alia*, money laundering, anti-terrorism financing and capital adequacy requirements);
- acting or facing allegations of having acted unethically (including having adopted inappropriate sales and trading practices);
- failing or facing allegations of having failed to maintain appropriate standards of customer privacy, customer service and record keeping;
- technology failures that adversely impact customer services and accounts;
- failing to properly identify legal, reputational, credit, conduct, liquidity and market risks inherent in the products it offers;
- generally poor company performance;
- risk of association in respect of issues being faced by competitors or the banking industry generally, which may or may not be directly applicable to the Issuer; and
- negative reporting and wide dissemination of issues relating to the Issuer by the media, including social media.

A failure to address these or any other relevant issues adequately should they arise could result in customers, depositors or investors becoming unwilling to do business with the Issuer, thereby potentially adversely affecting its business, financial condition, results of operations and/or prospects and/or damaging its relationships with its regulators.

3.2.9 Expansion

In July 2013 the Issuer received authorisation to establish its first international branch, in Belgium. As part of the establishment of the branch, the Issuer devoted significant time and resources to the build out of systems, infrastructure and organisational structure for the branch. On 1 June 2015, the Issuer completed the process of converting its Belgian branch into a subsidiary having its own separate legal personality and a Belgian banking licence.

The Issuer may from time to time consider opportunities to expand its operations further in Belgium, Malta or in other European Union jurisdictions, to invest in new asset classes which may include speciality mortgages, amongst others, or to offer new services to its customers. If it were to decide to pursue one of these opportunities or any such future venture, such initiatives may prove not to be successful, whether for commercial or other reasons, and this may result in a material adverse effect on the operations and performance of the Issuer.

3.2.10 Regulatory Matters – the Issuer is subject to substantial and changing prudential regulation

The Issuer, through its operations in Malta and Belgium, is subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure their compliance with economic and other objectives and limit their exposure to risk including (i) the legislative package implementing the proposals of the Basel Committee (known as Basel III) in the European Union and amending and supplementing the existing Capital Requirements Directive and other regulatory developments impacting capital position (“CRD IV”); and (ii) the European Commission’s Single Resolution Mechanism (“SRM”) establishing uniform rules and procedures for the resolution of credit institutions and certain investment firms, providing for the establishment of a European Union-wide framework for the Bank Recovery and Resolution Directive (the “BRRD”) in the Euro area. The Issuer faces risks associated with an uncertain and rapidly evolving prudential regulatory environment, pursuant to which it is required, amongst other things, to maintain adequate capital resources and to satisfy specified capital ratios at all times. The Issuer’s capital requirements could be affected by further prudential regulatory developments.

CRD IV and CRR (the “CRD IV Package”)

The CRD IV Package introduced significant changes in the prudential regulatory regime applicable to banks with effect from 1 January 2014, including: (i) increased minimum levels of capital and additional minimum capital buffers; (ii) enhanced quality standards for qualifying capital; (iii) increased risk weighting of assets, particularly in relation to market risk and counterparty credit risk; and (iv) the future introduction of a minimum leverage ratio. Although the CRD IV Package provides for some of these measures to be phased in over a transitional period to 2018, the majority of measures were applicable from 1 January 2014. The requirements emanating from the CRD IV Package adopted in Malta or Belgium may change, whether as a result of further changes to the CRD IV Package agreed by European Union legislators, Delegated Acts, binding regulatory and implementing technical standards to be developed by the European Banking Authority, changes to the way in which the prudential regulator interprets and applies these requirements to banks under its supervision (including as regards individual model approvals granted under CRD II and III), or otherwise. Such changes, either individually and/or in aggregate, may lead to further unexpected enhanced requirements in relation to the Issuer’s capital, leverage, liquidity and funding ratios or alter the way such ratios are calculated.

A perceived or actual shortage of capital held by the Issuer or any of its subsidiaries could result in actions by regulatory authorities, including public censure and the imposition of sanctions. This may also affect the Issuer’s capacity to continue its business operations, generate a sufficient return on capital, pay variable remuneration to staff, pay future dividends or pursue acquisitions or other

strategic opportunities, affecting future growth potential. If, in response to any such shortage, the Issuer raises additional capital through the issuance of share capital or capital instruments, existing shareholders or holders of debt of a capital nature may experience a dilution of their holdings.

BRRD

On 6 May 2014, the Council of the European Union adopted the BRRD. The BRRD was published in the Official Journal of the European Union on 12 June 2014 and the SRM became fully operational on 1 January 2016. The SRM implements the EU-wide BRRD in the euro area. The full resolution powers of the Single Resolution Board (“SRB”) also apply as of 1 January 2016.

The powers provided to the SRB and national resolution authorities under the supervision of the SRB include write-down powers to ensure relevant capital instruments absorb losses upon, amongst other events, the occurrence of the non-viability of the relevant institution or its parent company, as well as a bail-in tool comprising a more general power for resolution authorities to write down the claims of unsecured creditors of a failing institution and to convert unsecured debt claims to equity.

BRRD - Malta

In Malta, the Recovery & Resolution Regulations (the “R&R Regulations”), 2015 transpose into Maltese law the provisions of the BRRD. Pursuant to Article 7B of the MFSA Act, the Board of Governors of the MFSA also acts as the Resolution Authority for the purposes of Article 3 of the BRRD. The Resolution Authority has appointed a Resolution Committee which shall have all the powers assigned to the Resolution Authority under the BRRD. R&R Regulations provide for various powers and tools of the Resolution Committee in the event that the Resolution Committee considers that all of the criteria set out in Regulation 32 of the R&R Regulations are met.

In the case of credit institutions (primarily credit institutions and certain investment firms) that meet the applicable conditions for resolution, the Resolution Committee has the following tools available at its disposal:

- the sale of business tool: enabling the Resolution Committee to effect a sale of the whole or part of the business;
- the bridge institution tool: providing for a new institution to continue to provide essential services to clients of the institution under resolution;
- the asset separation tool: enabling the transfer of ‘bad’ assets to a separate asset management vehicle; and
- the bail-in tool: ensuring that most unsecured creditors bear losses and bail-in the institution under resolution.

The power to write down or convert capital instruments may also be exercised by the Resolution Committee.

Pursuant to Regulation 63 of the R&R Regulations, the Resolution Committee has very wide powers to apply the aforementioned resolution tools, including but not limited to:

- the power to take control of an institution under resolution and exercise all the rights and powers conferred upon the shareholders, other owners and the board of directors of the institution under resolution;
- the power to transfer shares or other instruments of ownership issued by an institution under resolution;
- the power to transfer to another entity, rights, assets or liabilities of an institution under resolution; and
- the power to reduce, including to zero, the nominal amount of shares or other instruments of ownership of an institution under resolution and to cancel such shares or other instruments of ownership.

The exercise by the Resolution Committee of any of these powers may have a material effect on the business and prospects of the Issuer. In addition, any bail-in of capital instruments will mean

that shareholders might have some or all of their shareholdings diluted or cancelled without any compensation therefor.

BRRD – Belgium

Belgium implemented the BRRD as part of the Belgian Banking Act of 25 April 2014. Should the Issuer become subject to such bail-in or resolution powers, existing shareholders or holders of debt of a capital nature may experience a dilution or cancellation of their holdings without any compensation therefor.

Single Resolution Mechanism

Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 (the “SRM Regulation”) established uniform rules and procedures for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism (“SRM”) and the Single Resolution Fund.

The SRM is a key pillar of the Eurozone’s banking union and complements the Single Supervisory Mechanism (“SSM”). The SRM is the European framework for the orderly resolution of failed Eurozone banks.

The Single Resolution Board (“SRB”), established by the SRM Regulation, is the European resolution authority within the Eurozone’s banking union. The SRB assesses, in cooperation with national resolution authorities, the resolvability of banks of Member States participating in the Eurozone’s banking union and creates their resolution plans. Responsibilities for resolution are shared between the SRB, the national resolution authorities of participating Member States, the European Commission and the ECB in particular.

The SRB is, in general, in charge of the most significant banking groups while the national resolution authorities oversee other institutions.

Domestic prudential regulation and controls

In Malta, these prudential regulations and controls include laws and regulations promulgated by the prudential regulator, which is the regulatory body for banks. In Belgium, the activities of MeDirect Bank S.A. are regulated by the National Bank of Belgium (NBB) and the Belgian Financial Services and Markets Authority.

Categorisation as a significant institution and regulation by the European Central Bank

The Group has been classified as a significant institution (“SI”) in Malta in 2016. As an SI, the Issuer is subject to regulation under the SSM through a Joint Supervisory Team (“JST”) including representatives of the ECB, the MFSA and the NBB, with capital adequacy requirements determined by the JST. Moreover, for capital purposes, it has also been classified as an O-SII, which has imposed additional capital buffer requirements (see the risk factor below for further details).

As an SI, the Issuer is currently subject to regulation at the level of the ECB, together with the MFSA and the NBB (each as part of the JST) pursuant to the SSM. The regulation of the Issuer by the ECB introduces uncertainty, which could have an adverse impact on the Issuer’s business, capital structure, financial condition, results of operations and prospects.

Categorisation as an O-SII for the purposes of regulatory capital requirements and results of the Comprehensive Assessment

In accordance with Legal Notice 29 of 2014 (S.L. 204.06), the MFSA and the Central Bank of Malta assumed the task of implementing Article 131 of CRD IV and in November 2015 determined that the Group should be deemed to be an O-SII. An O-SII is subject to additional capital buffer requirements beyond the minimum capital requirements for European financial institutions, and, in the case of

the Issuer, additional capital buffer requirements of 0.5% over a transitional period of four years commencing on 1 January 2016 have been imposed (as a result, during this period additional capital buffer requirements will be 0.125% in 2016, 0.25% in 2017, 0.375% in 2018 and 0.5% in 2019).

A comprehensive assessment (“CA”) by the ECB carried out in 2015 resulted in an acknowledgment of the Group’s capital level and confirmation that no further capital enhancing measures were required at the time.

Following a capital contribution of €28.7 million in September 2015, the CET 1 capital ratio, after the application of the baseline scenario, was equivalent to 10.56% (compared to the 8% threshold imposed under CRD IV), and the CET 1 capital ratio after the application of the more severe adverse scenario, was equivalent to 7.07% (compared to the 5.5% stress test adverse scenario threshold).

General

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

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

3.2.11 External Factors

The Issuer’s overall performance and results may also be adversely affected by external factors beyond the Issuer’s control. These include changes in economic conditions, geopolitical issues such as the anticipated exit of the United Kingdom from the European Union, business cycles, volatility in financial markets and increased competitive pressure in the financial services sector.

3.2.12 Failure to attract and/or retain key employees

The Issuer’s success depends on the continued service and performance of its key employees, an organised plan of succession to ensure the Issuer’s long-term stability and its ability to attract, retain and develop high calibre talent. The Issuer may lose key employees as a result of natural attrition, including health, family and other reasons. In addition, external factors, such as macro-economic conditions, the developing and increasingly rigorous regulatory environment and/or negative media attention on the financial services industry, could adversely impact employee retention, sentiment and engagement. Each of these factors could have an adverse effect on the Issuer’s ability to recruit and/or retain key employees, which could, in turn, materially adversely affect the Issuer’s business, financial condition, results of operations and prospects.

3.2.13 The Issuer may be subject to privacy or data protection failures and fraudulent activity

The Issuer is subject to regulation regarding the use of personal customer data. The Issuer processes personal customer data (including name, address and bank details) as part of its business, some

of which may be sensitive personal data, and therefore must comply with strict data protection and privacy laws and regulations. Such laws restrict the Issuer's ability to collect and use personal information relating to customers and potential customers including the use of that information for marketing purposes. The Issuer is also at risk from cyber theft. Notwithstanding the Issuer's efforts to ensure compliance with the relevant data protection regulations and protection from cyber theft, the Issuer is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, stolen or processed in breach of data protection and privacy laws and regulations. If the Issuer or any of the third party service providers on which it relies fails to store or transmit customer information in a secure manner, or if any loss of personal customer data were otherwise to occur, the Issuer could be subject to investigative or enforcement action by relevant regulatory authorities and could face liability under data protection and privacy laws and regulations. The Issuer could also be targeted by other forms of fraudulent activity. Any of these events could also result in the loss of the goodwill of its customers and deter new customers which could have a material adverse effect on the Issuer's business, financial condition, results of operation and prospects.

3.2.14 The Issuer could be negatively affected by a deterioration in the soundness (or a perceived deterioration in the soundness) of other financial institutions.

Given the high level of interdependence between financial institutions, the Issuer is and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of other financial services institutions.

Within the financial services industry, the default of any one institution could lead to defaults by other institutions. Concerns about, or a default by, or a governmental "bail out" of, or "bail in" of, one institution could lead to significant liquidity problems, including increases in the cost of liquidity, losses or defaults by other institutions, as was the case after the bankruptcy of Lehman Brothers in 2008, because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or concerns about, a counterparty may lead to market wide liquidity problems and losses or defaults by the Issuer or by other institutions. This risk is often referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges. Such systemic risk could have a material adverse effect on the Issuer's ability to raise new wholesale funding, which could affect its business, financial condition, results of operations, liquidity and/or prospects.

4. PERSONS RESPONSIBLE

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

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 ACCEPT RESPONSIBILITY ACCORDINGLY.

5. STATUTORY AUDITORS

The annual statutory consolidated financial statements of the Issuer for the financial year ended 31 March 2015 have been audited by KPMG, Certified Public Accountants, of Portico Building, Marina Street, Pieta, PTA 9044, Malta. KPMG is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act (Cap. 281 of the laws of Malta).

The annual statutory consolidated financial statements of the Issuer for the financial years ended 31 March 2016 and 31 March 2017 have been audited by PricewaterhouseCoopers, Certified Public Accountants, of 93, Mill Street, Qormi, QRM 3102. PricewaterhouseCoopers is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act (Cap. 281 of the laws of Malta).

6. HISTORY AND DEVELOPMENT OF THE ISSUER

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

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

In July 2009, the Issuer was, indirectly through MeDirect Group Limited (at the time Medifin Holding Limited), acquired by AnaCap (a private equity firm specialising in financial services and incorporated in Guernsey) and the Issuer's senior management (see the section entitled "**Major Shareholders**"). In July 2014 a corporate restructuring of the Group took place pursuant to which Medifin Investments Limited acquired 99.9% of the shareholding in the parent company of the Group, MeDirect Group Limited, with its previous shareholders receiving shares in Medifin Investments Limited, as set out in further detail in section 11 under the heading "**Organisational Structure**". As a result, Medifin Investments Limited became the direct parent of MeDirect Group Limited, which in turn is the parent company of the Issuer. On 19 August 2015 Medifin Finance Limited acquired from Medifin Investments Limited the entire shareholding in the Parent in exchange for the issue, by Medifin Finance Limited to Medifin Investments Limited, of an equal amount in nominal value of ordinary shares in the capital of the Issuer. These ordinary shares in the capital of the Issuer were subsequently re-designated as ordinary 'A' Shares.

Local debt market issues

The following sets out the debt issues by the Issuer on the Official List of the Malta Stock Exchange to date:

- i. pursuant to a prospectus dated 13 September 2010, the Issuer issued €15,000,000 in bonds of a face value of €100 per bond, redeemable at their nominal value on the 30 October 2015 and bearing interest at the rate of 6.25% per annum (ISIN: MT0000551201);
- ii. subsequently, in terms of a securities note, supplement and summary note dated 30 May 2011, the Issuer issued a further €5,000,000 in bonds, also redeemable at their nominal value on the 30 October 2015 and bearing interest at the rate of 6.25% per annum (ISIN: MT0000551219), fully fungible with, and subject to the same terms and conditions as, the bonds issued by the Issuer pursuant to the 2010 prospectus. As from 31 October 2011, the two bonds have been deemed to constitute one bond;
- iii. on 30 October 2015, unsecured debt securities bearing interest at 6.25% per annum matured and were redeemed by the Issuer at their nominal value of €9,200,000;
- iv. pursuant to a prospectus dated 21 November 2012, the Issuer issued the euro equivalent of €12,500,000 bonds in Euro (EUR Bonds) and Pounds Sterling (GBP Bonds) of a face value of €100 per EUR Bond and £100 per GBP Bond, redeemable at their nominal value on 14 December 2019

- and bearing interest at 7.5% per annum (ISIN MT 0000551227 (EUR Bonds) and MT 0000551235 (GBP Bonds)).
- v. pursuant to a prospectus issued on 12 June 2013, the Issuer issued the euro equivalent of €10,000,000 bonds in Euro (EUR Bonds) and Pounds Sterling (GBP Bonds) of a face value of €100 per EUR Bond and £100 per GBP Bond, redeemable at their nominal value on 14 December 2019 and bearing interest at 7.5% per annum (ISIN MT 0000551243 (EUR Bonds) and MT 0000551250 (GBP Bonds)), fully fungible with, and subject to the same terms and conditions as, the bonds issued by the Issuer pursuant to the 2012 prospectus. As from 15 December 2013, the two bonds have been deemed to constitute one bond. On 10 December 2013 the Issuer announced that the subordinated bonds issued in terms of the prospectus dated 12 June 2013 were to be merged with the 7.5% subordinated bonds 2019 issued in November 2012 (ISIN: EUR bonds - MT0000551227 and GBP bonds - MT0000551235) following the first interest payment on 14 December 2013, and that the two subordinated bonds were thereafter to be deemed to be one subordinated bond. Accordingly, trading in the 7.5% Subordinated Bonds 2019 Fungible Issue June 2013 was suspended forthwith
 - vi. on 3 November 2014 the Issuer issued the euro equivalent of €25,000,000 in euro and pounds sterling denominated subordinated bonds (ISIN: EUR bonds - MT0000551268 and GBP bonds - MT0000551276), redeemable at their nominal value on 28 November 2024 (or redeemable early at the option of the Issuer (with the prior approval of the MFSA) on 28 November in each year between 2015 and 2023) and bearing interest at 6.0% per annum.

Capital requirements

As noted above in the section entitled **“Regulatory Matters – the Issuer is subject to substantial and changing prudential regulation”**, the Group has been categorised as an O-SII and re-categorised by the Central Bank of Malta as a core domestic bank following a comprehensive assessment carried out by the ECB in 2015. The results of such comprehensive assessment were received in November 2015, whereby the ECB acknowledged that the Group as of 30 September 2015 had a capital surplus of €23,100,000 over the minimum capital requirement. Thereafter, on 30 September 2015, 11 December 2015 and 20 March 2016, Medifin Finance Limited, the parent company of MeDirect Group Limited, made capital contributions of €28,699,601, €14,000,000 and €16,000,000 respectively to MeDirect Group Limited. Such amounts were in turn contributed to the Issuer - in fact on 25 November 2015, 22 January 2016 and 30 March 2016, the Issuer received capital contributions from its parent company, MeDirect Group Limited, amounting to €28,699,601, €14,000,000 and €16,000,000 respectively.

Subsidiaries of the Issuer

On 11 April 2014 the Issuer announced that it entered into an agreement with VB-Holding Aktiengesellschaft and Mithra Holding Gesellschaft m.b.H. to acquire 100% of the share capital of Volksbank Malta Limited (**“Volksbank Malta”**) for a cash consideration of €35,300,000. The Issuer also agreed to refinance existing debt of Volksbank Malta payable to Österreichischen Volksbanken AG (**“Volksbank Austria”**) as of the closing date of the transaction. The acquisition was concluded subject to approval by the MFSA, which was obtained on 25 September 2014. Volksbank Malta was subsequently renamed Mediterranean Corporate Bank Limited. On 21 November 2016, the Issuer announced that the Board of Directors of the Issuer and its subsidiary, Mediterranean Corporate Bank Limited, have each voted to merge Mediterranean Corporate Bank Limited into the Issuer, subject to receipt of all applicable regulatory approvals and to completion of all applicable legal requirements. On 10 March 2017, the directors of the Issuer delivered the draft terms of acquisition for registration and publication in terms of paragraph (a) of Article 358(3) of the Companies Act to the Registrar of Companies, and registration of the same was effected on 17 March 2017. On 22 June 2017, the merger became effective

On 1 September 2013 the Issuer established a branch in Belgium, through which the Issuer sought to access a broader and deeper market for savings and investment clients. Following approval by the NBB on 1 June 2015 the Issuer transferred the business of its Belgian branch to MeDirect Bank S.A., a direct separately capitalised subsidiary of the Issuer. MeDirect Bank S.A. now operates as a fully authorised Belgian bank.

7. BUSINESS OVERVIEW

7.1 Principal Activities & Markets

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

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

The Issuer has a diversified investment portfolio comprising a treasury book consisting of high quality, liquid securities, including primarily senior financial instruments, bank covered bonds and public sector bonds, and a corporate lending portfolio consisting primarily of senior secured loans, revolving credit facilities and bonds. Its corporate lending portfolio largely consists of Western European credits, and all loans and bonds in the portfolio are denominated in Euro or Pounds Sterling.

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

- the provision of senior secured loans to foreign companies and the acquisition of senior secured bonds from foreign companies;
- the receipt and acceptance of customers' monies for deposit in savings and fixed term deposit accounts which may be denominated in euro and other major currencies;
- the provision of wealth management products;
- trading for account of customers in foreign exchange;
- the provision of money transmission services;
- the provision of safe custody services with a wide range of custom-tailored solutions as well as administration and safekeeping of securities;
- the provision of model portfolios comprising mutual funds selected in cooperation with the investment research and investment management firm, Morningstar Inc.;
- the provision of e-brokerage services for the purchase and sale of mutual funds, equities, bonds and exchange traded funds;
- the provision of online tools and information to support and guide clients in their investment decisions;
- the provision of corporate lending by providing innovative financing solutions for medium-sized and larger enterprises;
- the receipt and acceptance of customers' monies for deposit in current accounts, fixed term deposit accounts and savings accounts;
- trading for the account of customers in foreign exchange, be it on spot or forward basis; and
- the provision of money transmission services by handling local and international payments.

The main markets in which the Issuer operates and competes are the Maltese and the Belgian markets. The banking, investment and wealth management services of the Issuer are provided to an array of Maltese and international individuals and corporate clients.

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

successfully implemented a new corporate e-platform enabling its growing corporate customer base to access on a 24/7 basis its payments platform and foreign exchange execution service.

The Issuer is currently considering a number of organic and inorganic opportunities to broaden and diversify its investment activities to encompass new asset classes which may include speciality mortgages, amongst others. As at the date of this Prospectus, the Issuer is actively investigating and pursuing such specific opportunities in several markets in the European Union; however, as at the date of this Prospectus there is no certainty that any specific opportunity the Issuer is looking at or considering will materialise.

Grand Harbour I B.V.

On 23 December 2016, the Issuer acquired all of the issued share capital of the Dutch bankruptcy-remote funding vehicle Grand Harbour I B.V. (“**Grand Harbour I**”). The Issuer restructured Grand Harbour I as a subsidiary with the purpose of allocating risk more efficiently between the Issuer and its subsidiary, MeDirect Bank S.A., in line with the respective risk appetites of those entities. Following the restructuring, euro-denominated corporate credit assets were transferred both from the Issuer and MeDirect Bank S.A. to Grand Harbour I, which funded such purchases through a senior loan facility provided by MeDirect Bank S.A. and a junior loan facility provided by the Issuer. The Issuer also increased its equity investment in Grand Harbour I. Grand Harbour I is fully consolidated on the financial statements of the Issuer.

MeDirect Bank S.A.

As described in further detail under section 10 below (“**Business Strategy**”), in 2013 the Issuer established a branch in Belgium. Through the Belgian branch, the Issuer has broadened the range of markets in which it operates and competes. International expansion of the Issuer’s operations enables the Issuer to offer its products and services to a larger number of customers and to take advantage of relatively cost efficient back office and systems infrastructure in Malta. Following approval by the NBB of the Issuer’s application to convert its Belgian branch to a subsidiary, the Issuer transferred the business of its Belgian branch to MeDirect Bank S.A. (with registered number 0553851093) effective 1 June 2015.

Using the infrastructure created by the Issuer in Malta and supported by the Issuer’s Maltese processing capability, the Issuer has launched in Belgium an investment services and wealth management offering directed toward the mass affluent audience. The Issuer is operating for the first time under a different brand, “MeDirect”, with a refreshed image in keeping with the internet-based offering which currently is the Issuer’s principal channel for addressing the Belgian market. As at 30 September 2016, MeDirect Bank S.A. had over 19,500 clients, more than €790 million in deposits and a growing investment and wealth management business.

MeDirect Bank S.A. has its physical office in Brussels. It operates with a local team and is supported by a contact centre, client service group and other operational functions located in Malta. Through a disbursement agreement with the Issuer (the “**Disbursement Agreement**”), MeDirect Bank S.A. has access to the infrastructure and processing capability of the Issuer’s operating platform in Malta. Pursuant to the terms of the Disbursement Agreement, it was acknowledged and agreed that a number of goods and employee resources acquired by the Issuer and MeDirect Bank S.A. are commonly used by the parties thereto. The costs of such goods and employee resources shall be apportioned between them in a manner that reflects the portion actually used by each party to the Disbursement Agreement.

The principal customer-related activities of MeDirect Bank S.A. include the following, all of which are offered online at medirectbank.be:

- the receipt and acceptance of customers’ monies for deposit in savings and fixed term deposit accounts principally in euro and also in US dollars and pounds sterling;
- the provision of online discretionary wealth management;
- the provision of model portfolios comprising mutual funds selected in cooperation with the investment research and investment management firm, Morningstar Inc.;
- the provision of e-brokerage services for the purchase and sale of mutual funds, equities, bonds and exchange traded funds; and
- the provision of online tools and information to support and guide clients in their investment decisions.

8. SELECTED FINANCIAL INFORMATION

The following are extracts from the Issuer's consolidated audited financial information for the financial years ended 31 March 2015, 2016 and 2017.

STATEMENTS OF COMPREHENSIVE INCOME

	Mediterranean Bank PLC Group				
	Year ended 31 March 2017 €'000	Period from 1 April to 30 September 2016 €'000	Year ended 31 March 2016 €'000	Period from 1 April to 30 September 2015 €'000	Year ended 31 March 2015 €'000
Interest income	89,863	44,857	77,240	40,731	73,979
Interest expense	(32,299)	(16,437)	(36,408)	(18,495)	(40,492)
Net interest income	57,564	28,420	40,832	22,236	33,487
Fee and commission income	4,393	2,109	3,119	1,289	2,240
Fee and commission expense	(1,652)	(747)	(1,777)	(713)	(1,218)
Net fee and commission income	2,741	1,362	1,342	576	1,022
Net trading income	2,178	991	2,224	1,060	(1,778)
Net income from financial instruments at fair value through profit or loss	-	-	1,108	1,117	(1,623)
Gain on the initial accounting on acquisition of a subsidiary	-	-	-	-	22,414
Other operating income	4,408	1,582	15,640	11,674	21,593
Total operating income	66,891	32,355	61,146	36,663	75,115
Personnel expenses	(17,426)	(8,785)	(17,228)	(8,850)	(15,767)
Depreciation and amortisation	(551)	(129)	(608)	(316)	(914)
Administrative and other expenses	(24,783)	(11,339)	(26,186)	(11,896)	(19,716)
Operating expenses	(42,760)	(20,253)	(44,022)	(21,062)	(36,397)
Net operating income before impairment	24,131	12,102	17,124	15,601	38,718
Net impairment	(5,607)	(2,802)	(3,747)	773	(4,265)
Profit before income tax	18,524	9,300	13,377	16,374	34,453
Income tax expense	(3,373)	(2,870)	(2,061)	(4,081)	(4,414)
Profit for the period/year	15,151	6,430	11,316	12,293	30,039

STATEMENTS OF FINANCIAL POSITION

	Mediterranean Bank plc		
	Group		Bank*
	As at 31 March 2016 €000	As at 31 March 2015 €000	As at 31 March 2014 €000
Assets			
Balances with Central Banks, treasury bills and cash	33,280	14,384	18,091
Derivative assets held for risk management	3,964	3,197	404
Derivative assets held for trading	-	-	404
Loans and advances to financial institutions	59,558	167,775	87,714
Loans and advances to customers	1,238,966	1,047,194	621,747
Investments	872,497	1,503,462	1,427,337
Investment in subsidiaries	-	-	1
Property and equipment	923	1,452	1,908
Intangible assets	27	63	128
Deferred tax asset	15,000	4,189	3,764
Current tax asset	5,633	-	-
Prepayments and accrued income	17,720	21,305	23,262
Other assets	26,733	20,542	18,888
Total assets	2,274,301	2,783,563	2,203,648
Equity			
Share capital	117,450	117,450	98,050
Share premium	13,464	13,464	13,464
Shareholders' contribution	60,803	2,103	9,750
Reserve for general banking risks	1,194	1,029	91
Fair value reserve	(7,580)	6,022	(5,691)
Retained earnings	18,348	29,197	19,496
Total equity	203,679	169,265	135,160
Liabilities			
Derivative liabilities held for risk management	7,337	5,200	2,973
Amounts owed to financial institutions	541,925	1,166,091	1,008,976
Amounts owed to customers	1,447,355	1,205,586	776,715
Debt securities in issue	-	157,137	230,127
Subordinated liabilities	47,380	47,777	22,385
Current tax liabilities	69	4,110	10,794
Deferred tax liabilities	-	1,901	-
Accruals and deferred income	23,321	24,600	15,409
Other liabilities	3,235	1,896	1,109
Total liabilities	2,070,622	2,614,298	2,068,488
Total equity and liabilities	2,274,301	2,783,563	2,203,648

* As at 31 March 2014. Mediterranean Bank plc did not have any material subsidiaries since MeDirect Bank SA was licensed as a Belgian credit institution and Mediterranean Corporate Bank Limited was acquired in 2015.

The Group recorded a profit after tax for the financial year ended 31 March 2017 of €15.2 million (2016: €11.3 million). Total operating income for the year ended 31 March 2017 was €66.9 million (2016: €61.1 million).

Profitability has mainly been driven through growth in attracting savings and term deposit products primarily in the Maltese and Belgian markets, deploying liquidity in the Group's international corporate lending activities, and efforts to maintain a low cost base.

The Group continues to fund its portfolios through deposits and the international wholesale financial markets. The growth of the Group's deposit base, both in Malta and in Belgium, has strengthened the Group's funding platform and rendered it more robust. Access to the Eurex repo platform also provided efficient funding for the Group. The Group's core deposit offering is a range of fixed-term and other savings products. As at 31 March 2017, the Group's deposit base reached €1.9 billion (2016: €1.4 billion). Growth of the Group's deposit base has also provided a potential customer base for investment and wealth management products.

The Group's loans and advances to customers ("**Lending Portfolio**") largely consist of senior secured loans and revolving credit facilities to corporate borrowers domiciled in Western Europe. Substantially, all loans and revolving credit facilities comprising the Lending Portfolio are denominated in Euro or Pound Sterling and substantially all of the loans are floating rate instruments (some have interest rate floors embedded within the contracts) and would not be adversely affected by material decreases in interest rates.

In this respect, the Group's international and domestic Lending Portfolio stood at €1.5 billion (2016: €1.2 billion) as of 31 March 2017, net of collective impairment loss allowances of €5.1 million (2016: €4.4 million) and specific impairment loss allowances of €16.9 million (2016: €12.4 million). In addition the Group had commitments of €288.3 million under revolving credit facilities as at 31 March 2017 (2016: €144.1 million) and other undrawn credit facilities of €49.5 million (2016: €33.3 million).

The Group also holds a portfolio of liquid assets. As of 31 March 2017, the Group's treasury portfolio stood at €698.5 million (2016: €851.2 million) consisting of available-for-sale ("AFS") securities. The fair value of the AFS book is risk managed through interest rate derivatives such as interest rate swaps where the hedge accounting methodology under IAS 39 was adopted.

8.1 Capital Adequacy and Liquidity Ratios

The following provides the capital adequacy ratio and liquidity ratio with respect to the Issuer as at 31 March 2015, 2016 and 2017 (audited):

	Group		
	As at 31 March		
	2017	2016	2015
Capital Adequacy Ratio ¹	13.7%	15.6%	14.8%

	Issuer		
	As at 31 March		
	2017	2016	2015
Liquid-asset Ratio ²	56.9%	58.0%	91.1%

¹ The minimum capital adequacy ratio imposed by CRR Article 92 (“Own Funds requirements”) on credit institutions licensed under the Banking Act (Cap. 371 of the laws of Malta) is 8%. The Group and the Issuer were subject to additional buffers imposed by the MFSA and the JST under Pillar 2 as part of the Supervisory Review and Evaluation Process. In addition to the minimum capital requirements, the Issuer and the Group are, or may be, required (depending on the applicability of the buffer in question) to hold additional capital in order to conserve capital and provide additional loss-absorption capacity.

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

The following provides information calculated as of 31 March 2017:

Group	As at 31 March 2017
Common Equity Tier One Ratio ³	11.7%
Capital Adequacy Ratio	13.7%
CRD IV Liquidity Coverage Requirement Ratio ⁴	576.7%
Estimated CRD IV Net Stable Funding Ratio ⁵	128.9%
Estimated Leverage Ratio ⁶	7.29%

³ The calculation of capital ratios is based upon transitional rules as determined by the CRR/CRDIV capital framework and any circulars issued by the MFSA in respect of such transitional provisions.

⁴ The Liquidity Coverage Ratio (“LCR”) aims to ensure that institutions are able to withstand a 30-day period of stress by virtue of having sufficient unencumbered High Quality Liquidity Assets (“HQLA”). HQLA consist of cash or assets that can be converted into cash at little or no loss of value in the markets. The LCR metric is designed to promote the short-term resilience of the Group’s liquidity profile, and became a minimum regulatory standard from 1 October 2015, under European Commission (“EC”) Delegated Regulation 2015/61. As at 31 March 2017, the regulatory minimum LCR ratio in accordance with the transitional provisions was 80% whereas the fully phased in regulatory minimum LCR ratio is 100%.

⁵ The Net Stable Funding Ratio (“NSFR”) looks at the relationship between long term assets and long term funding. The NSFR requires institutions to maintain sufficient stable funding relative to required stable funding, and reflects a bank’s long term funding profile (funding with a term of more than a year). Although minimum standards for this ratio are not set out in the CRR, the Basel Committee has recommended a minimum level of 100% from 1 January 2018.

The European calibration of NSFR is pending following the European Commission’s proposal in November 2016. As a result, the Regulatory Group calculates NSFR in line with Basel Committee on Banking Supervision Publication 295, pending its implementation in Europe. This calculation requires various interpretations of the text, and therefore the Group’s NSFR may not be directly comparable with the ratios of other institutions.

⁶ The CRR requires financial institutions to calculate a non-risk based leverage ratio, to supplement risk-based capital requirements. The leverage ratio measures the relationship between the capital resources of the organisation and its total assets. The leverage ratio is a regulatory supervisory tool for the Regulator, to constrain the build-up of excessive leverage – one of the drivers of the banking crisis – previously not captured within Basel II.

The leverage ratio is calculated by taking capital as a proportion of total exposures at the end of each quarter. Capital is defined as Tier 1 capital in line with Article 25 of the CRR, whilst total exposure relates to the total on and off-balance sheet exposures, less deductions applied to Tier 1 capital.

The initial implementation of the current leverage ratio regime is to be effected as a Pillar II measure. In 2016, the European Banking Authority published its report on the impact assessment and calibration of the leverage ratio, recommending the introduction of a leverage ratio minimum requirement in the EU to mitigate the risk of excessive leverage. The analysis suggests that the potential impact of introducing a Pillar I leverage ratio requirement of 3% on the provision of financing by credit institutions would be relatively moderate, while, overall, it should lead to more stable credit institutions. It is expected that the leverage ratio should be introduced as a binding measure as of 2018. The Group currently complies with the minimum 3% Tier 1 leverage ratio based on fully-transitioned Basel III standards.

9. TREND INFORMATION

The global economy has been relatively strong in 2017 despite significant levels of political uncertainty. Numerous high profile elections have taken place such as the United States, France, Italy and the Netherlands. In addition, the United Kingdom's decision in June 2016 to leave the European Union has provided an undercurrent of uncertainty to European economics. Encouragingly however, European Purchasing Marketing Indexes are at post-sovereign debt crisis highs, unemployment continues to trend lower and consumer confidence levels are back to levels last seen prior to 2008.

The continued impact of accommodative monetary and interest rate policies has had a demonstrable impact on the financial markets. Quantitative easing has resulted in excess banking reserves exceeding c. €1,600 billion and with the programme expected to continue to the conclusion of 2017, excess reserves will grow to beyond €2,000 billion. The negative interest rate environment that has enveloped Europe has put significant downward pressure on interbank borrowing rates and ultimately, deposit rates. The ultimate objective of such policies, which have been interspersed with other liquidity mechanisms such as Targeted Longer Term Refinancing Operations (“TLTROs”), has been to promote growth in lending to the wider economy. Over the course of the past year, many banking institutions have worked to clean up their balance sheets, disposing of Non-Performing Loans and streamlining their operations. This, combined with the establishment of a robust bank resolution framework and improving economic conditions, has been supportive of loan growth.

In respect of Malta, economic activity was robust in 2016 as real GDP grew by 5.1% in comparison to 1.7% for the Euro Area. This growth was supported by strong exports and labour market conditions. The Maltese banking system continues to operate with strong levels of capital adequacy; MeDirect Group's CET1 ratio for the financial year ending 31 March 2017 was 11.7%. Belgian GDP growth in 2016 was slightly lower than the Euro Area at 1.2%. In spite of this, key underlying economic indicators remain robust and Belgian banks are amongst the best capitalised in Europe with an average CET1 ratio of c. 15%. MeDirect Bank's CET1 ratio for the financial year ending 31 March 2017 was 18.9%.

The trends described above have been supportive of the Issuer's business. The general improvement in economic conditions coupled with ongoing accommodative monetary policy has supported both the asset and liability side of the Issuer's balance sheet. In addition, these developments have increased the number of wealth management customers and the size of the aggregate assets under custody of the Issuer and MeDirect Bank S.A. Though the economic environment is not anticipated to change materially in the remaining months of 2017, the Issuer is confident that it possesses an adequately dynamic business model to respond to any prospective shift in trends.

10. BUSINESS STRATEGY

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

The Issuer's ongoing business strategy is based on:

- a) providing innovative, cost efficient wealth management services to its growing mass affluent customer base;
- b) continuing to develop its deposit product offering to attract customers and produce cross-selling opportunities;
- c) expanding internationally through implementation of the Issuer's scalable online retail platform, further broadening the customer base;
- d) developing its corporate banking business;
- e) growing interest income and non-interest income streams to support business profitability; and
- f) leveraging its low cost Maltese operational infrastructure to support each of the Issuer's business lines.

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

The Issuer's aim in building its online banking, investment and wealth management systems has been, and remains, to create a seamless, easy to use platform that delivers cost efficient and transparent execution capabilities for the Issuer's customers. The Issuer aims to create systems and processes that are scalable and can be deployed to new markets and products at relatively low incremental cost. The Issuer bases the bulk of its operations, including, amongst other things, back office, middle office, call centres, information technology and treasury operations, in Malta, a relatively low cost EU jurisdiction.

The Issuer is also diversifying its customer base internationally, initially through the establishment of its first international branch in Belgium and later through the conversion of that branch into MeDirect Bank S.A., a fully-licensed Belgian credit institution. Expansion of the Issuer's operations to international markets has broadened the Group's customer base and enabled the Group to offer its products and services, particularly investment services, to a larger pool of potential customers. This strategy is also intended to allow the Group to deliver competitive investment solutions to a larger number of customers and to take advantage of the Issuer's relatively cost efficient existing back office and systems infrastructure in Malta.

The vast majority of the Group's growth has been targeted at its Belgian subsidiary. With access to such a broad deposit market, MeDirect Bank S.A.'s balance sheet has grown to €805 million since commencement of operations in June 2015. MeDirect Bank S.A. has a well-diversified corporate lending portfolio and is currently an online provider of savings and investment products. Through its online platform for savings, e-brokerage and e-wealth management, it provides its Belgian client base with the following services, amongst others: online discretionary wealth management; model portfolios consisting of selected mutual funds, low cost trade execution for mutual funds, stocks, bonds and exchange traded funds; access to online investment analysis and tools and competitive savings rates.

In Malta, the Issuer continues to develop its customer base. Since setting up its first local branch in Sliema in August 2010, the Issuer has established a further six branch offices throughout Malta and Gozo. Further, the Group intends to centralise its operations in a new headquarters building which is currently being developed in Tigne Point, Sliema, completion of which is targeted towards the end of 2017.

The Issuer is also building its corporate banking business by expanding the range of payment, custody and foreign exchange services that it offers to its corporate customers. Through its recent acquisition of Mediterranean Corporate Bank Limited (previously Volksbank Malta), the Issuer intends to develop the corporate banking platform of the Mediterranean Bank group in Malta and to broaden and deepen its relationships with corporate customers in the Maltese market.

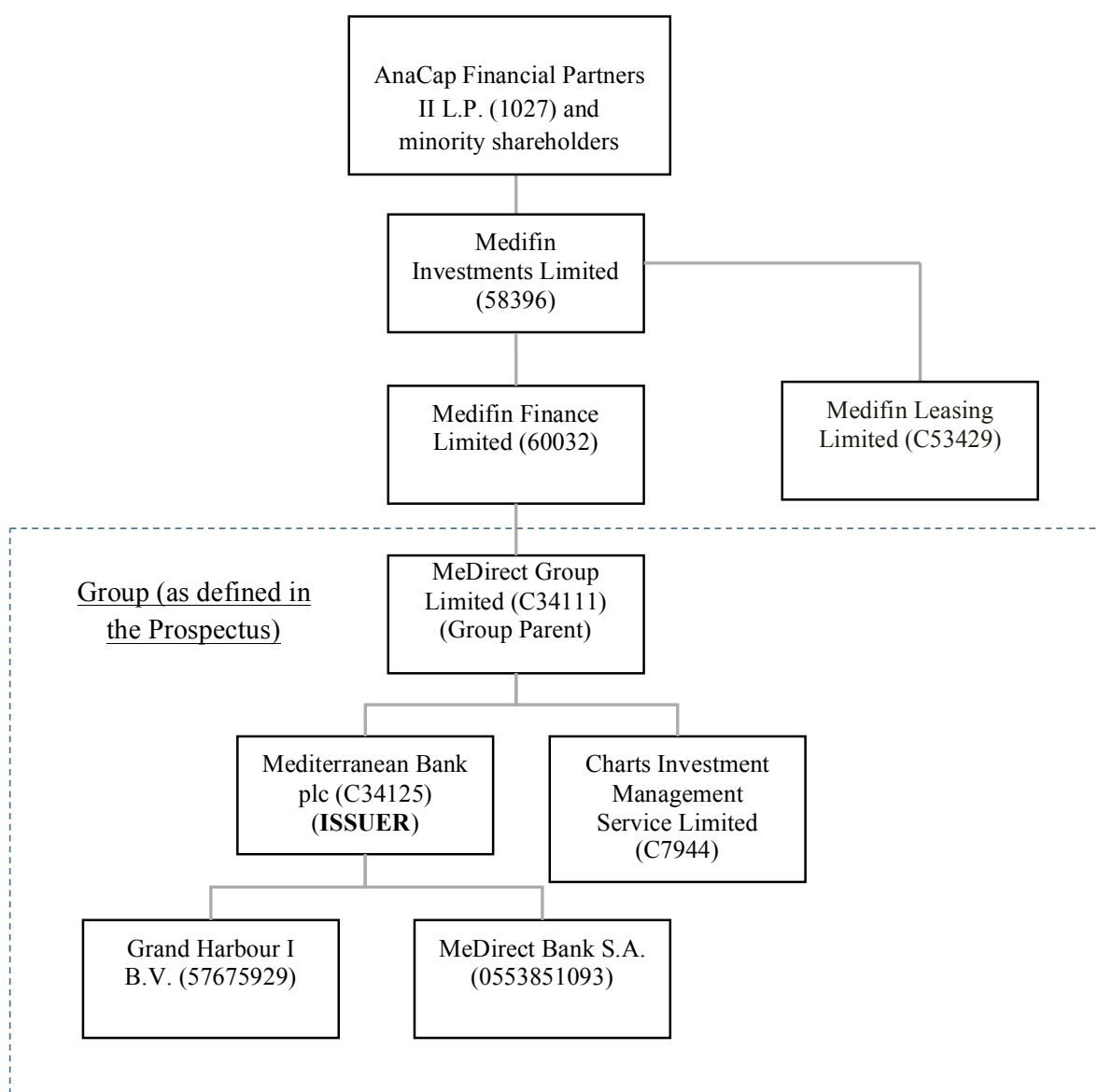
The Issuer also continues to diversify its range of funding alternatives in the international wholesale funding markets through bilateral repo lines, access to the Eurex repo platform and a secured three-year term funding facility with an international counterparty.

In respect of its investment activities, the Issuer has maintained and intends to continue its strategy of building a portfolio of senior secured loans to and bonds issued by European corporate issuers through its corporate credit platform. In addition, it has continued its policy of investing its treasury portfolio in highly-rated investment securities.

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

11. ORGANISATIONAL STRUCTURE

The Issuer forms part of a group of companies, the parent of which is AnaCap Financial Partners II L.P.



- AnaCap Financial Partners II L.P. - a specialist private equity firm focused on making investments in the financial services sector across Europe. AnaCap Financial Partners II L.P. is a limited liability partnership incorporated under the laws of Guernsey with company number 1027 and is managed by AnaCap Financial Partners LLP, a limited liability partnership incorporated under the laws of the United Kingdom with company registration number OC 314005.
- Medifin Investments Limited – a holding company organised under the laws of Guernsey with company number 58396. The majority of the issued share capital of Medifin Investments Limited (approximately 97.1% in terms of voting rights) is subscribed to by AnaCap.
- Medifin Leasing Limited – a company incorporated under the laws of Malta with company number C 53429. Medifin Leasing Limited was set up with the object of acquiring immovable or movable property and any rights or licenses relating to its business, including in particular software solutions and hardware. It is a 99.9% owned subsidiary of Medifin Investments Limited.
- Medifin Finance Limited – a holding company organised under the laws of Guernsey with company number 60032. It is a fully owned subsidiary of Medifin Investments Limited.
- MeDirect Group Limited – a holding company registered under the laws of Malta as a private limited liability company with company registration number C 34111. It is a fully owned subsidiary of Medifin Finance Limited, and the parent of the Group.

- Charts Investment Management Service Limited – a company licensed under the Investment Services Act (Cap. 370 of the laws of Malta) to provide investment services, to hold and control clients' money and assets, and to deal for its own account or underwrite. Charts Investment Management Service Limited is a private limited liability company registered under the laws of Malta with company registration number C 7944. It is a fully owned subsidiary of MeDirect Group Limited.
- Grand Harbour I B.V. – a limited liability company registered under the laws of the Netherlands with trade register number 57675929. It is a fully owned subsidiary of the Issuer.
- MeDirect Bank S.A. – a company licensed under Belgian law bearing Belgian company registration number 0553851093. The majority of the issued share capital of MeDirect Bank S.A. (99.9%) is held by the Issuer, with the remaining one share being held by the Parent.

The organisational structure set out above does not include Medifin Estates, a subsidiary of the Issuer which, as at the date of this Prospectus, does not constitute a material part of the Issuer's business. Medifin Estates is a partnership *en nom collectif* registered under the laws of Malta with partnership number P 1408, set up for the purpose of acquiring by way of lease, emphyteusis or other title immovable property for the purpose of investment, commercial speculation, development or sublease. It is a 97% owned subsidiary of the Issuer and it is included in the Issuer's consolidated financial statements.

12. BOARD OF DIRECTORS AND BOARD COMMITTEES

12.1 Board of Directors

The Board of Directors of the Issuer is to consist of a minimum of two (2) and a maximum of eleven (11) members. Presently there are seven (7) directors. The Board meets regularly to establish and review the policies and strategies of the Issuer and to monitor the implementation thereof and the overall performance of the Issuer.

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

Michael Adrian Bussey

Chairman & Non-Executive Director

Michael Bussey joined HSBC in 1980 as an international executive and spent over twenty years as an expatriate in a variety of senior roles. During that period he lived and worked in Asia, the Middle East, Africa, North America and the UK. His last role with HSBC was CEO HSBC Private Banking EMEA. From 2001, Michael decided to remain in UK and specialise in Private Banking and Wealth Management. After a short period with Schrodgers, he was appointed CEO Private Banking and Trust at NM Rothschild. His last executive role was as CEO of Arbuthnot Latham & Co. In 2011 Michael began his "portfolio" career by chairing UK Wealth Management which was a Leeds based IFA owned by Duke Street Capital. A successful exit was achieved in 2014 by way of a trade sale. He is chairman of Gentoo Genie Ltd, an award winning FCA regulated business which has created a new financing structure for first time home buyers, and a chairman and non-executive director of Credit Suisse (UK) Ltd, where he also chairs the Remuneration and Nominations Committee.

John Zarb

Non-Executive Director

Mr. Zarb has wide ranging experience in the financial services sector and is a Fellow Member of the Association of Chartered Certified Accountants in Scotland and a Fellow Member of the Malta Institute of Accountants. He is presently the Chairman of PG p.l.c., a board member and Chairman of the Audit Committee of Tumas Investments p.l.c. and a director of Foster Clarks Products Limited. He was previously also a director of Sorcery Shipping Limited, a limited liability company registered in Malta. He was a Partner of Pricewaterhouse Coopers in Malta since 1988, before his retirement in 2014. Mr. Zarb was elected to the Council of the Malta Institute of Accountants in 1984 and served as an official of the Institute for a period of 10 years. He was appointed as a member of the Accountancy Board in 1997 and served continually on the board until his retirement. Mr. Zarb was an external lecturer in auditing at the University of Malta from 1983 until 2014.

Michael Walker*Non-Executive Director*

Michael Walker has held a variety of both executive and non-executive directorships since 1985 and has provided specialist advice and training to the UK's Financial Conduct Authority and Prudential Regulation Authority, and the European Securities and Markets Authority. He is presently an executive director of Acuity 4 Limited and Sky Blue Management Limited and is a non-executive director of Peel Hunt LLP. He has held the position of chairman of both the UK Asset & Liability Management Association and the London Discount Market Association, requiring him to liaise between UK clearing banks, major building societies and Bank of England officials. Mr Walker is currently chairman of Peel Hunt LLP's Risk and Audit Committees and a member of the Remuneration committee. His chairmanship of the London Discount Markets Association saw him meeting weekly for one-to-one briefing sessions with the Governor of the Bank of England. In addition to these roles, Mr Walker is a Fellow of both the Chartered Institute of Bankers and the Royal Society of Arts and a past member of the British Bankers Association Council and various Bank of England standing committees. He has also held the chairmanship of the Prudential-Bache International Corporate Social Responsibility Committee, with overall responsibility for community affairs initiatives and the development of social enterprises in the Prudential-Bache Group in London.

Benjamin Hollowood*Non-Executive Director*

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

Dominic Wallace*Non-Executive Director*

Mr Wallace has more than 25 years' experience in the financial sector, gained at a number of international institutions, including 13 years at Citigroup and its predecessor companies. There Mr Wallace held a number of senior Risk Management positions: most recently he was global head of interest rate, liquidity, currency and equity risk for Citigroup's institutional business. His previous roles included responsibility for pricing risk and for new product approval. Mr Wallace has an MA from Cambridge University and a DPhil from Oxford University, both in theoretical physics. Mr. Wallace retired from his executive role as Chief Risk Officer and terminated his employment with the Group on 30 June 2016 but will continue to serve as a non-executive director of the Issuer. He has also served as Acting Chief Executive Officer in Mr Watson's absence.

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

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

Joaquin Vicent

Executive Director - Director of Treasury & Investments

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

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

12.1.1 Conflicts of Interest

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

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

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

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

12.2 Board and Management Committees

The Board of Directors has established the following Committees:

12.2.1 Board Committees

12.2.1.1 Audit Committee

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

- reviews accounting policies;
- monitors the Group's financial and other disclosures, ensuring compliance with legal and regulatory requirements;
- reviews the qualifications, performance and independence of the external auditor;
- reviews and approves Internal Audit's plans;
- assesses the effectiveness of Internal Audit, including the adequacy and competence of its staff; and
- assesses the quality of the Group's internal controls.

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

John Zarb	Committee Chairman and Non-Executive Director
Michael Adrian Bussey	Member and Non-Executive Director
Michael Walker	Member and Non-Executive Director

Mr John Zarb was appointed by the Board as an independent director who is competent in accounting and/or auditing in terms of listing rules 5.117 and 5.118. Mr Zarb is deemed (i) independent because he is free from any business, family or other relationship with the Issuer or its management that may create a conflict of interest such as to impair his judgment and (ii) is competent in accounting and/or auditing in view of his experience in those areas.

During the financial year ended 31 March 2017, eight meetings of the Issuer's Audit Committee were held.

12.2.1.2 Nomination and Remuneration Committee

The primary purpose of the Nomination and Remuneration Committee (“NRC”) is to oversee the Group's remuneration system and the composition of its management body.

In respect of nominations matters, the NRC is responsible for making recommendations to the Board in respect of key appointments including:

- Board appointments, including re-elections and succession planning, particularly in respect of Executive Directors;
- Membership of board committees;
- Endorsement of senior executive appointments.

It is also responsible for monitoring the performance of directors and ensuring that their professional development is appropriately facilitated.

In respect of remuneration matters, the NRC reviews the setting of remuneration levels (fixed and variable), as well as the structure and levels of variable remuneration, for senior executives (including Executive Directors) and risk-takers within the Group as defined in the Group's Remuneration Policy. In this regard it receives recommendations from the executive management of the Group for its consideration and approval.

In addition, the Committee is responsible for ensuring that the Group's Remuneration Policy itself, as well as the structure and levels of remuneration, are in accordance with prevailing laws and regulatory guidance, as well as with best practice, and are consistent with the long-term sound and prudent management of the Group.

The members of the NRC are:

Michael Adrian Bussey	Committee Chairman and Non-Executive Director
Michael Walker	Non-Executive Director
Benjamin Hollowood	Non-Executive Director

During the financial year ended 31 March 2017, one meeting of the Issuer's Nomination and Remuneration Committee was held.

12.2.1.3 Risk Committee

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

The members of the Risk Committee are:

Michael Walker	Committee Chairman and Independent Non-Executive Director
Benjamin Hollowood	Member and Non-Executive Director
Dominic Wallace	Member and Non-Executive Director

The Risk Committee is responsible for reviewing the Group's risks in sufficient detail that it can assess whether they are consistent with the Group's risk appetite, and for reviewing management's proposed courses of action if not. It may then approve these plans or require them to be altered, as appropriate.

It is also responsible for assessing the Group's high-level controls, limits, and risk aggregation and reporting framework to ensure that these are sufficient to maintain its level of risk (including, but of course not limited to, operational risk) within its appetite.

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

During the financial year ended 31 March 2017, six meetings of the Issuer's Risk Committee were held.

12.2.2 Principal Management Committees

12.2.2.1 Executive Management Committee ("EXCO")

The EXCO takes day-to-day responsibility for the efficient operation of the Issuer. In addition, the EXCO is responsible for the formulation and implementation of Board-approved strategies and plans and for ensuring that the Issuer's business is operated in accordance with such strategies and plans. The members of EXCO are the senior management of the Issuer and the Group of which it forms part. EXCO is divided into two sub-committees:

- (1) *Strategy EXCO*
Strategy EXCO meets bi-weekly and focuses on strategic matters.
- (2) *Management EXCO*
Management EXCO meets bi-weekly and focuses on group matters

12.2.2.2 Management Credit Committee

The Management Credit Committee is responsible for approving credit and investment recommendations and making other credit and investment decisions within its authority as delegated by the Board through its approval of the Group's applicable policies, including approving or rejecting investment and credit recommendations presented by the Treasury and Investments department; taking decisions on individual credits; reviewing and recommending credit and large exposures to the Board; considering credit hedging strategies, and recommending concentration limits for Board approval.

The members of the Management Credit Committee include the Issuer's Chief Risk Officer (Committee Chairman), the Issuer's Chief Executive Officer, and Director of Treasury and Investments. The Management Credit Committee meets regularly on an *ad hoc* basis. During the financial year ended 31 March 2017, the Management Credit Committee meetings were typically held at least once a week.

12.2.2.3 Asset and Liability Committee ("ALCO")

ALCO sets and reviews the Group's overall policies and objectives for asset and liability management, and analyses and reviews the liquidity position of the Group, working to manage and optimise the Group's asset liability mix by a number of means including product definition and pricing. The Committee also oversees the Group's market risk position.

The members of ALCO include the Issuer's Director of Treasury and Investments (Committee Chairman),

Chief Executive Officer, Head of Treasury, Head of Operations, Chief Financial Officer, Deputy Chief Financial Officer and Chief Risk Officer and MeDirect Bank's Chief Financial Officer. ALCO has scheduled meetings monthly but also holds additional *ad hoc* meetings. During the financial year ended 31 March 2017, 14 meetings of the ALCO were held.

12.2.2.5 New Products and Services Committee

The New Products and Services Committee ("NPSC") has been established to analyse potential new products and services that the Group proposes to offer to its customers or to undertake on its own account. Its primary mandate is to ensure that these products and services are not implemented or offered to customers unless the Group is adequately prepared, both legally and operationally.

The members of the NPSC are the Chief Risk Officer (Committee Chairman), Head of Operational Risk, Head of Operations, Head of Client Service Group, Chief Technology Officer, Director of Commercial Strategy and Head of Legal, Chief Financial Officer, Deputy Chief Financial Officer, Head of Information Technology, Risk Architecture Manager, Head of Middle Office Operations, Head of Treasury.

During the financial year ended 31 March 2017, three meetings of the NPSC were held.

12.3 Compliance with Corporate Governance Requirements

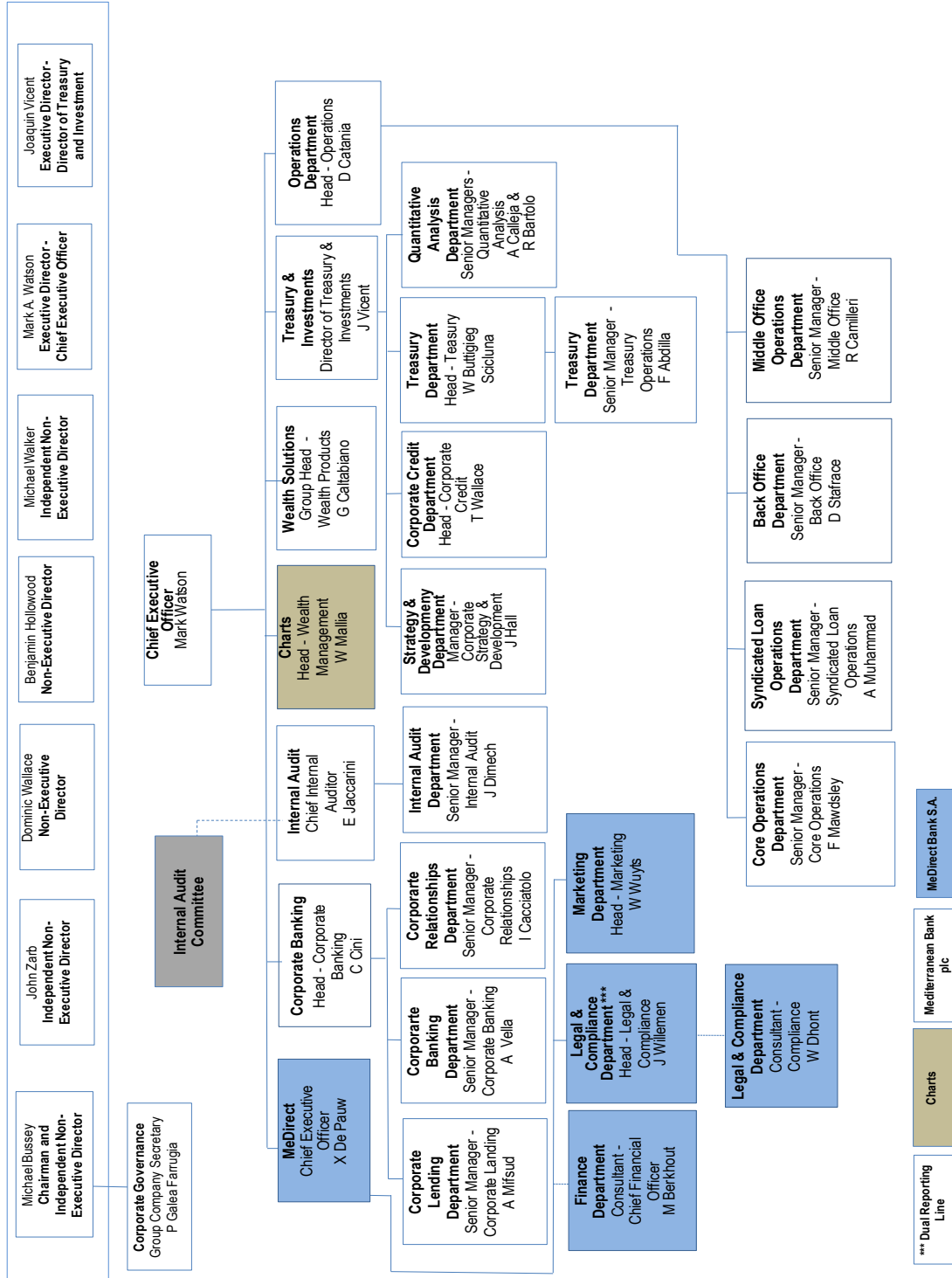
The Directors believe that the current organisational structures put in place by the Issuer are adequate and shall continue to build the organisation's structure at this level on the same model adopted so far. The Directors will maintain these structures under continuous review to ensure that they meet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

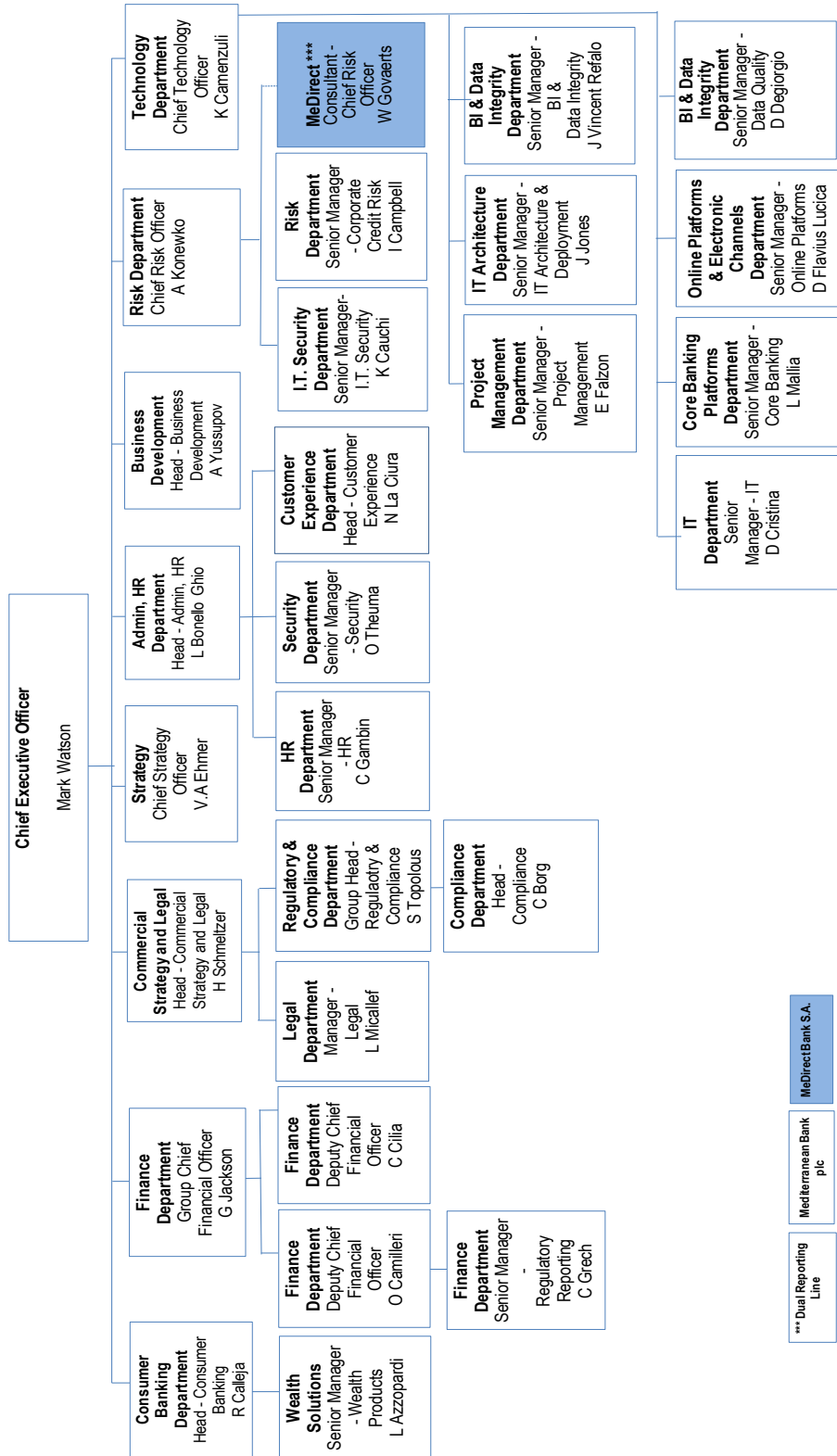
The statement of compliance with the Code of Principles of Good Corporate Governance (the "**Code**"), which indicates the extent to which the Issuer has complied with the Code, is set out in its entirety in the Issuer's annual report for the financial year ended 31 March 2017 under the heading "Statement of Compliance with the Principles of Good Corporate Governance".

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

12.4 Management Team

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





*** Dual Reporting Line
Mediterranean Bank plc
MeDirect Bank S.A.

13. MAJOR SHAREHOLDERS

13.1 Shareholding of the Issuer

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

13.2 Shareholding of MeDirect Group Limited

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

Pursuant to the memorandum and articles of MeDirect Group Limited, holders of the ordinary 'A' shares and of the ordinary 'B' shares are entitled to the right to receive notice of all general meetings. The right to vote at said meetings, the right to receive a dividend and the entitlement to surplus assets of the company on a winding up are restricted to the holders of the ordinary 'A' shares.

13.3 Shareholding of Medifin Finance Limited

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

- Medifin Investments Limited (a limited liability company registered under the laws of Guernsey with registration number 58396) holds 162,758,547 ordinary 'A' shares;
- There are also a number of shareholders holding class B non-voting shares.

13.4 Shareholding of Medifin Investments Limited

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

- AnaCap Financial Partners II L.P. (a limited partnership registered under the laws of Guernsey with registration number 1027) holds 40,188,556 ordinary 'A' shares and 15,000,000 ordinary 'D' shares;
- Mark Watson Holdings Limited (a limited liability company registered under the laws of the British Virgin Islands with registration number 1570918) holds 627,855 ordinary 'B' shares and 1,200,000 ordinary 'C' shares;
- HCS Holdings Limited (a limited liability company registered under the laws of the British Virgin Islands with registration number 1568277) holds 224,233 ordinary 'B' shares and 450,000 ordinary 'C' shares;
- JVP Holdings Limited (a limited liability company registered under the laws of the British Virgin Islands with registration number 1570979) holds 362,903 ordinary 'B' shares and 870,000 ordinary 'C' shares;
- XDP Holdings Limited (a limited liability company registered under the laws of the British Virgin Islands with registration number 1673054) holds 180,000 ordinary 'C' shares; and
- Overseas Pensions and Benefits Limited holds 300,000 ordinary 'C' shares.

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

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

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

14. FINANCIAL INFORMATION

14.1 Historical Financial Information

Full historical financial information are set out in the consolidated financial statements of the Issuer for the financial year ended 31 March 2015 (audited by KMPG) and financial years 31 March 2016 and 2017 (audited by PWC), and are available for public inspection.

The latest audited financial information available in respect of the Issuer may be found in the consolidated financial statements of the Issuer for the year ended on 31 March 2017, which have been audited by PricewaterhouseCoopers, and are available for public inspection.

14.2 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 Registration Document which may have, or have had in the recent past, significant effects on the Issuer and/or the Group's financial position or profitability.

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

There have been no significant changes in the financial or trading position of the Issuer or the Group which has occurred since 31 March 2017.

15. MATERIAL CONTRACTS

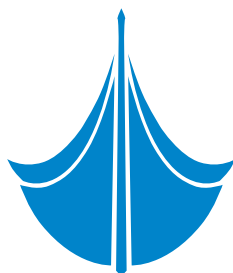
The Issuer has not entered into any material contracts which are not in the ordinary course of business and which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to security holders in respect of the securities being issued pursuant to, and described in, the Securities Note forming part of the Prospectus.

16. DOCUMENTS ON DISPLAY

For the life of the Registration Document, the following documents or copies thereof, where applicable, shall be available for inspection at the registered office of the Issuer:

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

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



mediterraneanbank

Think Ahead. Bank Ahead.

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

**by
Mediterranean Bank plc**

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

Securities Note dated 25 September 2017

This document is a Securities Note issued in accordance with the provisions of Chapter 4 of the Listing Rules issued by the Listing Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004 of 29 April 2004, as amended, implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in a prospectus and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012, Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012, Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013, Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015. This Securities Note is issued pursuant to the requirements of Listing Rule 4.14 of the Listing Rules and contains information about the Bonds being issued by Mediterranean Bank plc. Application has been made for the admission to listing and trading of the Bonds on the Malta Stock Exchange EUR Bonds - ISIN MT0000551284; GBP Bonds – ISIN MT0000551292. This Securities Note should be read in conjunction with the Registration Document containing information about the Issuer.

Legal Counsel

Sponsor

Manager & Registrar

CAMILLERI PREZIOSI
ADVOCATES

Jesmond Mizzi
FINANCIAL ADVISORS


MALTA STOCK EXCHANGE plc

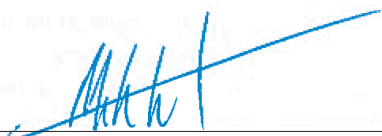
THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THESE SECURITIES AS A LISTED FINANCIAL INSTRUMENT. THIS MEANS THAT THE SAID INSTRUMENT IS IN COMPLIANCE WITH THE REQUIREMENTS AND CONDITIONS SET OUT IN THE LISTING RULES. IN PROVIDING THIS AUTHORISATION, THE LISTING AUTHORITY DOES NOT GIVE ANY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

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

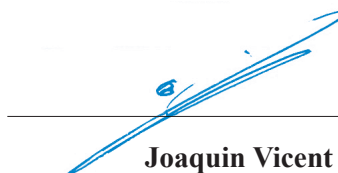
A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENTS. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE SECURITIES OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION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

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

APPROVED BY THE DIRECTORS



Mark A. Watson
Director



Joaquin Vicent
Director

In their own name and on behalf of

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

TABLE OF CONTENTS

1.	Important Information	4
2.	Definitions	6
3.	Risk Factors	9
4.	Persons Responsible	12
5.	Consent for Use of Prospectus	12
6.	Advisers to the Issuer	14
7.	Key Information	14
8.	Terms and Conditions of the Bonds	17
9.	Expected Timetable	29
10.	Intermediaries' Offer	29
11.	Allocation Policy	29
12.	Admission to Trading	29
13.	Documents on Display	29
14.	Annex I – Specimen Application Forms	30
15.	Annex II – Authorised Financial Intermediaries	34

1. IMPORTANT INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. DEFINITIONS

Words and expressions and capitalised terms used in this Securities Note shall, except where the context otherwise requires and except where otherwise defined herein, bear the same meaning as the meaning given to such words, expressed and capitalised terms as indicated in the Registration Document forming part of the Prospectus. Additionally, the following words and expressions as used in this Securities Note shall bear the following meanings whenever such words and expressions are used in their capitalised form, except where the context otherwise requires:

Act	the Companies Act (Cap 386 of the Laws of Malta);
Applicant/s	a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
Application/s	the application to subscribe for Bonds made by an Applicant/s by completing an Application Form/s and delivering same to the Issuer or to any of the other Authorised Financial Intermediaries;
Application Form/s	the form/s of application for the subscription for EUR Bonds or GBP Bonds, specimens of which are contained in Annex I of this Prospectus;
Appropriateness Test	shall have the meaning set out in section 8.1.15 of this Securities Note;
Authorised Financial Intermediaries	the licensed stockbrokers and financial intermediaries listed in Annex II of this Securities Note;
Bond(s)	together, the EUR Bonds and the GBP Bonds;
Bondholder	a holder of Bonds;
Bond Issue	the issue of the Bonds;
Bond Issue Price	the price of €100 per Bond in the case of the EUR Bonds, and the price of £100 per Bond in the case of the GBP Bonds;
Business Day	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
CRR	Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012;
CSD	the Central Securities Depository of the Malta Stock Exchange situated at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;

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

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

3. RISK FACTORS

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

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

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

3.1 Forward Looking Statements

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

3.2 Suitability of Investment in the Bond

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

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

3.3 Risks Relating to the Bonds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. PERSONS RESPONSIBLE

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

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

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

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

5. CONSENT FOR USE OF PROSPECTUS

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

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

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

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

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

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

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

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

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

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

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

6. ADVISERS TO THE ISSUER

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

7. KEY INFORMATION

7.1 Interest of Natural & Legal Persons in the Bond Issue

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

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

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

7.2 Reasons for the Issue and Use of Proceeds

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

7.3 Expenses

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

7.4 Issue Statistics

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

Interest:	The Bonds shall bear interest at the rate of 5% per annum on the nominal value thereof;
Interest Payment Dates:	13 October of each year, from 13 October 2018 until the Redemption Date;
First Interest Payment Date:	13 October 2018;
Redemption Value:	At par (€100 per EUR Bond or £100 per GBP Bond, as applicable);
Manager & Registrar:	MSE;
Sponsor:	Jesmond Mizzi Financial Advisors Limited;
Governing Law of Bonds:	The Bonds are governed by and shall be construed in accordance with Maltese law;
Jurisdiction:	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds.

8. TERMS AND CONDITIONS OF THE BONDS

8.1 General terms and conditions

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

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

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

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

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

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

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

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

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

8.2 Legislation under which the Bonds are created

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

8.3 Registration, Form, Denomination & Title

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

8.4 Currency of the Bonds

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

8.5 Status of the Bonds (Ranking and Subordination)

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

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

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

8.6 Privileges and Hypothecs

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

pledges would rank prior to Bondholders in respect of the pledged assets.

8.7 Rights Attached to the Bonds

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

8.8 Interest

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

8.9 Redemption, Payments of Redemption Value, Payment of Interest

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

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

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

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

8.10 Yield

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

8.11 Meetings of Bondholders

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

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

8.12 Authorisations & Approvals

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

8.13 Issue Date

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

8.14 Transferability of the Bonds

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

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

8.15 Taxation

8.15.1 General

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

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

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

8.15.2 Malta tax on interest

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

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

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

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

8.15.3 Exchange of Information

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

8.15.4 Malta capital gains on transfer of the Bonds

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

8.15.5 Duty on documents and transfers

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

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

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

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

8.16 Further Issues

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

8.17 Event of Default

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

8.18 Limited Recourse

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

8.19 Plan of Distribution

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

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

8.20 Allotment Results

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

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

9. EXPECTED TIMETABLE

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

10. INTERMEDIARIES' OFFER

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

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

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

11. ALLOCATION POLICY

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

12. ADMISSION TO TRADING

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

13. DOCUMENTS ON DISPLAY

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

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

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

ANNEX I – SPECIMEN APPLICATION FORMS



mediterraneanbank
Think Ahead. Bank Ahead.

Application Form

Application Number

5% € Subordinated Unsecured Bonds due 2027

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

APPLICANT (see notes 3 to 7)

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

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

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

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

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

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

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

AMOUNT IN FIGURES	AMOUNT IN WORDS
€	

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

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

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

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

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

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

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

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

Signature/s of Applicant/s

Date

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

Authorised Financial Intermediary's Stamp

Authorised Financial Intermediary's Code

Notes on how to complete this Application Form and other information

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

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

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



mediterraneanbank
Think Ahead. Bank Ahead.

Application Form

Application Number

5% £ Subordinated Unsecured Bonds due 2027

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

APPLICANT (see notes 3 to 7)

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

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

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

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

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

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

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

	AMOUNT IN FIGURES	AMOUNT IN WORDS
	£	

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

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

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

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

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

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

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

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

Signature/s of Applicant/s

Date

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

Authorised Financial Intermediary's Stamp

Authorised Financial Intermediary's Code

Notes on how to complete this Application Form and other information

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

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

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