



Prospectus

An issue of €15,000,000 4.5% Unsecured Subordinated Bonds Due 2027-2032

A public limited liability company registered under the laws of Malta with company registration number C 41030.

With a nominal value of €100 and due 29 July 2032, subject to early redemption at the option of the Bank on each Early Redemption Date.

ISIN: MT0002581206



BNF BANK P.L.C.
Company Registration No. C 41030
Prospectus 2022 | 7th July 2022

Investors wishing to acquire the Bond should read the Prospectus before making any investment decision to understand the potential risks and rewards associated with investing in the Bond. A copy of the Prospectus is available on the Bank's website or from authorised intermediaries. Prospective investors are required to consult their financial advisers as to the suitability or otherwise of acquiring the Bond. The value of the investment and the income therefrom may go down as well as up and investors may lose some or all of the money invested. This advertisement has been issued by BNF Bank p.l.c., a credit institution licensed to undertake the business of banking by the MFSA in terms of the Banking Act (Chapter 371 of the Laws of Malta) and is a member of the Depositor Compensation Scheme established under the Depositor Compensation Scheme Regulations (Legal Notice 383 of 2015). Registered in Malta C41030 – 203, Level 2, Rue D'Argens, Gzira, GZR 1368, Malta.

Legal Counsel



Registrar



Sponsor & Manager



Prospectus

Dated 28 June 2022



a public limited liability company registered under the laws of Malta with company registration number C 41030 and with its registered office at Level 2, 203, Rue D'Argens, Gzira, Malta

An issue of €15,000,000 4.5% Unsecured Subordinated Bonds Due 2027-2032 (with an Over-Allotment Option of an additional €5,000,000)

with a nominal value of €100 and due 29 July 2032, subject to early redemption at the option of the Bank on each Early Redemption Date

ISIN: MT0002581206

THIS PROSPECTUS HAS BEEN APPROVED BY THE MFSA, WHICH IS THE COMPETENT AUTHORITY IN MALTA FOR THE PURPOSES OF THE PROSPECTUS REGULATION. THE MFSA HAS ONLY APPROVED THIS PROSPECTUS AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY IMPOSED BY THE PROSPECTUS REGULATION AND SUCH APPROVAL SHOULD NOT BE CONSIDERED AS AN ENDORSEMENT OF THE BANK OR OF THE QUALITY OF THE BONDS. INVESTORS SHOULD MAKE THEIR OWN ASSESSMENT AS TO THE SUITABILITY OF INVESTING IN THE BONDS.

THE MFSA 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 INCLUDING ANY LOSSES INCURRED BY INVESTING IN THE BONDS.

PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN THE BONDS. ACCORDINGLY, PROSPECTIVE INVESTORS SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE INVESTING IN THE BONDS. THE BONDS ARE COMPLEX FINANCIAL INSTRUMENTS AND MAY NOT BE SUITABLE FOR ALL TYPES OF INVESTORS. AUTHORISED INTERMEDIARIES MAY ONLY DISTRIBUTE THE BONDS TO RETAIL CLIENTS WHEN PROVIDING THEM WITH INVESTMENT ADVISORY OR DISCRETIONARY PORTFOLIO MANAGEMENT SERVICES, AND SUBJECT TO A SUITABILITY TEST TO BE PERFORMED IN RESPECT OF SUCH APPLICANTS. AN AUTHORISED INTERMEDIARY SHALL NOT ACCEPT AN APPLICATION FROM A RETAIL CLIENT UNLESS IT IS SATISFIED, BASED ON THE RESULTS OF SUCH SUITABILITY TEST, THAT AN INVESTMENT IN THE BONDS IS SUITABLE FOR THE APPLICANT.

Sponsor & Manager



Legal Counsel



Registrar



Approved by the directors of the bank:

A handwritten signature in black ink, appearing to read 'Michael Frendo'.

Michael Frendo

As Chairperson and Director of the Bank and on behalf of each of Sheikh Mohamed Feisal Q.F. Al-Thani, Michael Anthony Collis, Juanita Bencini, Charles Borg, Sheikh Turki Feisal Q.F. Al Thani, Mario Galea, Paul Mark Johnson, Kenneth Mizzi, Chev. Maurice Mizzi and Mark Portelli.

Important Information

THIS PROSPECTUS CONTAINS INFORMATION ON THE BANK AND THE BOND ISSUE IN ACCORDANCE WITH THE REQUIREMENTS OF THE CAPITAL MARKETS RULES, THE COMPANIES ACT AND THE PROSPECTUS REGULATION.

THIS PROSPECTUS HAS BEEN FILED WITH THE MFSA, AS COMPETENT AUTHORITY, IN SATISFACTION OF THE CAPITAL MARKETS RULES, WITH THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS AND WITH THE MALTA BUSINESS REGISTRY IN ACCORDANCE WITH THE COMPANIES ACT. THIS PROSPECTUS IS PUBLISHED IN ELECTRONIC FORM ON THE WEBSITE OF THE MFSA AND IS ALSO AVAILABLE, IN PRINTED FORM, FREE OF CHARGE, FROM THE REGISTERED OFFICE OF THE BANK AND THE AUTHORISED INTERMEDIARIES.

THE MFSA HAS AUTHORISED THE ADMISSIBILITY OF THE BONDS TO LISTING ON THE OFFICIAL LIST OF THE MALTA STOCK EXCHANGE, WHICH MEANS THAT THE BONDS ARE IN COMPLIANCE WITH THE CAPITAL MARKETS RULES. IN PROVIDING THIS AUTHORISATION, THE MFSA DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS OF INVESTING IN THE BONDS AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN THE BONDS.

INVESTING IN THE BONDS INVOLVES CERTAIN RISKS AND SPECIAL CONSIDERATIONS. A NUMBER OF RISK FACTORS RELATING TO THE BANK AND THE BONDS ARE SET OUT IN SECTION 1 BELOW, AND PROSPECTIVE INVESTORS ARE ENCOURAGED TO READ THEM CAREFULLY. AUTHORISED INTERMEDIARIES MAY ONLY DISTRIBUTE THE BONDS TO RETAIL CLIENTS WHEN PROVIDING THEM WITH INVESTMENT ADVISORY OR DISCRETIONARY PORTFOLIO MANAGEMENT SERVICES, AND SUBJECT TO A SUITABILITY TEST TO BE PERFORMED IN RESPECT OF SUCH APPLICANTS. AN AUTHORISED INTERMEDIARY SHALL NOT ACCEPT AN APPLICATION FROM A RETAIL CLIENT UNLESS IT IS SATISFIED, BASED ON THE RESULTS OF SUCH SUITABILITY TEST, THAT AN INVESTMENT IN THE BONDS IS SUITABLE FOR THE APPLICANT.

THE BANK CONFIRMS THAT (I) THIS PROSPECTUS CONTAINS ALL MATERIAL INFORMATION WITH RESPECT TO THE BANK AND THE BONDS; (II) THE INFORMATION CONTAINED HEREIN IN RESPECT OF THE BANK AND THE BONDS IS ACCURATE IN ALL MATERIAL RESPECTS AND IS NOT MISLEADING; (III) ANY OPINIONS AND INTENTIONS EXPRESSED HEREIN ARE HONESTLY HELD AND BASED ON REASONABLE ASSUMPTIONS; (IV) THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT, WHETHER FACT OR OPINION, IN THIS PROSPECTUS MISLEADING IN ANY MATERIAL RESPECT; AND (V) ALL REASONABLE ENQUIRIES HAVE BEEN MADE TO ASCERTAIN ALL FACTS AND TO VERIFY THE ACCURACY OF ALL STATEMENTS CONTAINED HEREIN.

IN THIS RESPECT, TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS (ALL OF WHOM ARE THE PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS PROSPECTUS), THE INFORMATION CONTAINED IN THIS PROSPECTUS IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT ITS IMPORT, AND THE DIRECTORS HAVE TAKEN ALL REASONABLE CARE TO ENSURE THAT THIS IS THE CASE. THE DIRECTORS ACCEPT RESPONSIBILITY ACCORDINGLY.

NO PERSON HAS BEEN AUTHORISED TO GIVE ANY INFORMATION, ISSUE ANY ADVERTISEMENT OR MAKE ANY REPRESENTATION WHICH IS NOT CONTAINED OR CONSISTENT WITH THIS PROSPECTUS OR ANY OTHER DOCUMENT PRODUCED IN RELATION TO THE BANK AND/OR THE BONDS AND, IF GIVEN OR MADE, SUCH INFORMATION, ADVERTISEMENT OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE BANK.

UNLESS OTHERWISE STATED, THE CONTENTS OF THE BANK'S WEBSITE (OR ANY OTHER WEBSITE REFERRED TO HEREIN) OR ANY OTHER WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE BANK'S WEBSITE DO NOT FORM PART OF THE PROSPECTUS. ACCORDINGLY, NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITE AS A BASIS FOR A DECISION TO ACQUIRE THE BONDS.

ALL THE ADVISORS TO THE BANK (AS SET OUT IN SECTION 3 BELOW) HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE BANK IN RELATION TO THIS PROSPECTUS AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION OR RESPONSIBILITY TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE CONTENTS OF AND ANY INFORMATION CONTAINED IN THE PROSPECTUS, ITS COMPLETENESS OR ACCURACY OR ANY OTHER STATEMENT MADE IN CONNECTION THEREWITH. ACCORDINGLY, NONE OF THE AFOREMENTIONED ADVISORS OR ANY PERSON MENTIONED IN THIS PROSPECTUS, OTHER THAN THE BANK AND ITS DIRECTORS, SHALL BE RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS PROSPECTUS, IN ANY SUPPLEMENT, AND IN ANY DOCUMENTS INCORPORATED BY REFERENCE, AND ACCORDINGLY, TO THE EXTENT PERMITTED BY THE LAWS OF ANY RELEVANT JURISDICTION,

NONE OF THESE PERSONS ACCEPTS ANY RESPONSIBILITY AS TO THE ACCURACY AND COMPLETENESS OF THE INFORMATION CONTAINED IN ANY OF THESE DOCUMENTS.

EACH PERSON RECEIVING THIS PROSPECTUS ACKNOWLEDGES THAT SUCH PERSON HAS NOT RELIED ON ANY OF THE ADVISORS SET OUT IN SECTION 3 BELOW IN CONNECTION WITH ITS INVESTIGATION OF THE ACCURACY OF SUCH INFORMATION OR ITS INVESTMENT DECISION AND EACH PERSON MUST RELY ON (A) ITS OWN EVALUATION OF THE BANK AND THE BONDS AND THE MERITS AND RISKS INVOLVED IN INVESTING IN THE BONDS AND (B) THEIR OWN PROFESSIONAL ADVISORS, AS TO LEGAL, TAX, INVESTMENT OR ANY OTHER RELATED MATTERS CONCERNING THE BANK AND WHETHER TO ACQUIRE THE BONDS.

PROSPECTIVE INVESTORS SHOULD NOT TREAT THE CONTENTS OF THE PROSPECTUS AS ADVICE RELATING TO LEGAL, TAXATION, INVESTMENT OR ANY OTHER MATTERS AND SHOULD INFORM THEMSELVES, IN CONSULTATION WITH THEIR INDEPENDENT PROFESSIONAL ADVISORS ON: (A) THE LEGAL, TAX, FINANCIAL AND OTHER REQUIREMENTS FOR THE PURCHASE, HOLDING, TRANSFER OR OTHER DISPOSAL OF BONDS IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE OR DOMICILE; (B) ANY FOREIGN EXCHANGE RESTRICTIONS APPLICABLE TO THE PURCHASE, HOLDING, TRANSFER OR OTHER DISPOSAL OF BONDS WHICH THEY MIGHT ENCOUNTER; AND (C) THE INCOME AND OTHER TAX CONSEQUENCES WHICH MAY APPLY IN THEIR OWN COUNTRIES AS A RESULT OF THE PURCHASE, HOLDING, TRANSFER OR OTHER DISPOSAL OF BONDS.

THE PROSPECTUS AND/OR ANY OTHER DOCUMENT PRODUCED IN RELATION TO THE BANK, AND/OR THE BONDS AND/OR THE DELIVERY OF ANY BONDS MAY NOT BE TAKEN AS AN IMPLICATION THAT: (I) THE INFORMATION CONTAINED IN SUCH DOCUMENTS IS ACCURATE AND COMPLETE SUBSEQUENT TO THEIR RESPECTIVE DATES OF ISSUE; (II) THERE HAS BEEN NO ADVERSE CHANGE IN THE FINANCIAL CONDITION OF THE BANK SINCE SUCH DATES; OR (III) ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE MATTERS CONTAINED IN THIS PROSPECTUS IS ACCURATE AT ANY TIME SUBSEQUENT TO THE DATE ON WHICH IT IS SUPPLIED OR, IF DIFFERENT, THE DATE INDICATED IN THE DOCUMENT CONTAINING THE SAME.

THIS PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR THE PURPOSES OF AN OFFER, INVITATION OR SOLICITATION TO ANY PERSON (I) IN ANY JURISDICTION IN WHICH SUCH OFFER, INVITATION OR SOLICITATION IS NOT AUTHORISED, (II) IN ANY JURISDICTION IN WHICH ANY PERSON MAKING SUCH OFFER, INVITATION OR SOLICITATION IS NOT QUALIFIED TO DO SO OR (III) TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER, INVITATION OR SOLICITATION. THE DISTRIBUTION OF THIS PROSPECTUS IN CERTAIN JURISDICTIONS MAY BE RESTRICTED AND ACCORDINGLY, PERSONS INTO WHOSE POSSESSION IT IS RECEIVED ARE REQUIRED TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, SUCH RESTRICTIONS.

THE BONDS, ALL THE RIGHTS AND OBLIGATIONS OF THE BONDHOLDERS AND THE BANK, AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH THE BONDS, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH MALTESE LAW. THE COURTS OF MALTA SHALL HAVE EXCLUSIVE JURISDICTION TO SETTLE ANY DISPUTES THAT MAY ARISE OUT OF OR IN CONNECTION WITH THE BONDS, ALL THE RIGHTS AND OBLIGATIONS OF THE BONDHOLDERS AND/OR THE BANK, AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH THE BONDS.

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

THIS PROSPECTUS IS TO BE READ IN ITS ENTIRETY AND CONSTRUED IN CONJUNCTION WITH ANY SUPPLEMENT HERETO AND ANY DOCUMENTS THAT ARE INCORPORATED HEREIN BY REFERENCE.

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 ADVISORS.

THIS PROSPECTUS IS VALID FOR A PERIOD OF 12 MONTHS FROM THE DATE HEREOF. THE OBLIGATION TO SUPPLEMENT THE PROSPECTUS IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES OR MATERIAL INACCURACIES WILL NO LONGER APPLY WHEN THE PROSPECTUS IS NO LONGER VALID.

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Definitions

The following words and expressions shall bear the following meanings, except where the context otherwise requires:

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| Additional Tier 1 Capital | the term used in the CRD IV and in the CRR to denote capital of the Bank maintained in terms of Article 61 of the CRR and consisting of Additional Tier 1 items in terms of Article 51 of the CRR, or, if such term is no longer used, any equivalent or successor term, whether in the same law or regulations or in any other law or regulation applicable to the Bank from time to time; |
| Al Faisal International | Al Faisal International for Investment Company, Q.P.S.C., a Qatari Private Shareholding Company registered under the laws of Qatar with commercial registration number 43094, and with its registered office situated at 17th Floor, Marriot Marquis Centre, Doha, Qatar; |
| Applicant/s | an applicant for the Bonds, being an Authorised Intermediary (applying for its own account and/or for its underlying clients) and/or underlying clients of an Authorised Intermediary that are applying through the Authorised Intermediary; |
| Application | any application/s to subscribe to Bonds made by an Applicant/s; |
| Authorised Intermediary | each of the licensed stockbrokers and financial intermediaries listed in Annex A to this Prospectus; |
| Bank | BNF Bank p.l.c., a public limited liability company registered under the laws of Malta with company registration number C 41030, with its registered office at Level 2, 203, Rue D'Argens, Gzira, Malta and licensed by the MFSA as a credit institution in terms of the Banking Act; |
| Banking Act | the Banking Act, Chapter 371 of the laws of Malta; |
| Board | the board of directors of the Bank; |
| Bond/s | the 4.5% unsecured subordinated bonds (ISIN: MT0002581206) to be issued by the Bank in terms of this Prospectus; |
| Bond Issue | the issue of the Bonds pursuant to this Prospectus; |
| Bondholder/s | any holder/s of the Bonds from time to time, as evidenced by an electronic entry in the CSD Register; |
| BRRD | Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council, as may be amended from time to time; |
| BRRD II | Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC; |
| Business Day | any day from Monday to Friday, on which commercial banks in Malta settle payments and are open for normal banking business (with the exclusion of Saturdays); |
| Capital Markets Rules | the rules issued by the competent authority in terms of the Financial Market Act, as amended from time to time. |

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| CET 1 Capital | the term used in the CRD IV and in the CRR to denote capital of the Bank maintained in terms of Article 50 of the CRR and consisting of Common Equity Tier 1 items in terms of Article 26 of the CRR, or, if such term is no longer used, any equivalent or successor term, whether in the same law or regulations or in any other law or regulation applicable to the Bank from time to time; |
| Companies Act | the Companies Act, Chapter 386 of the laws of Malta; |
| Competent Authority | the MFSA in its capacity as the competent authority in terms of the Financial Markets Act authorised to approve prospectuses and admissibility to listing and to monitor and supervise local regulated markets and participants thereof falling within the regulatory and supervisory remit of the MFSA; |
| Conduct of Business Rulebook | the Conduct of Business Rulebook issued by the MFSA in terms of Article 16 of the MFSA Act; |
| Corporate Governance Code | the Code of Principles of Good Corporate Governance set out as Appendix 5.1 to Chapter 5 of the Capital Markets Rules; |
| CRD IV | Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as may be amended from time to time; |
| CRD IV Package | the CRD IV and the CRR; |
| CRD V | Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures; |
| CRD V Package | the CRD V and the CRR II; |
| CRD Packages | the CRD IV Package and the CRD V Package; |
| 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, as may be amended from time to time; |
| CRR II | Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012; |
| CSD | the central registration system for dematerialised financial instruments in Malta operated by the MSE and authorised in terms of the Financial Markets Act; |
| CSD Register | the register of Bonds held and maintained by the CSD on behalf of the Bank; |
| Data Protection Act | the Data Protection Act, Chapter 586 of the laws of Malta; |
| Depositor Compensation Scheme | the depositor compensation scheme established in terms of regulation 4 of the Depositor Compensation Scheme Regulations (Subsidiary Legislation 371.09); |
| Directors | the directors of the Bank; |
| Duty on Documents and Transfers Act | the Duty on Documents and Transfers Act, Chapter 364 of the laws of Malta; |

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| Early Redemption Date | each the 5th, 6th, 7th, 8th and 9th anniversaries of the Issue Date, subject to MFSA approval and subject to the Bank giving the Bondholders at least 30 days' notice in writing; |
| ECB | the European Central Bank; |
| Eligible Counterparty | a client recognised as an 'eligible counterparty' in terms of Article 30 of MiFID II, which includes investment firms, credit institutions, insurance companies, UCITS and their management companies, pension funds and their management companies and other financial institutions authorised or regulated under EU law or under the national law of an EU member state, national governments and their corresponding offices including public bodies that deal with public debt at national level, central banks and supranational organisations; |
| Euro or € | the lawful currency of the Eurozone, being the region comprised of Member States of the European Union that have and continue to adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and by the Treaty of Amsterdam; |
| FATF | the Financial Action Task Force, an inter-governmental body, established by the G7 summit in 1989, the aim of which is to set standards and foster international action against money laundering and funding of terrorism; |
| Financial Markets Act | the Financial Markets Act, Chapter 345 of the laws of Malta; |
| GDPR | Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC; |
| Income Tax Act | the Income Tax Act, Chapter 123 of the laws of Malta; |
| Interest Commencement Date | 29 July 2022 or such earlier date on which the Bonds are issued in the event that the Bank closes the offer of Bonds prior to the end of the Offer Period as set out in Section 7.1; |
| Interest Payment Date | 29 July of each year (including 29 July 2023, being the first interest payment date) and the Maturity Date (or if any such date is not a Business Day, the next following day that is a Business Day); |
| Investment Services Act | the Investment Services Act, Chapter 370 of the laws of Malta; |
| Intermediaries' Offer | the offer of Bonds, pursuant to this Prospectus, by the Bank to the Authorised Intermediaries, for their own account and/or for the purposes of allocating the Bonds to their own clients, consisting of a maximum aggregate amount of €14,385,000 in Nominal Value of Bonds (including the additional €5,000,000 in Nominal Value that may be issued if the Over-Allotment Option is exercised in full), and which is equal to the balance of the Bonds not subscribed to by Authorised Intermediaries and other third party investors in terms of the Pre-Allocation Agreements; |
| Issue Date | 29 July 2022 or such earlier date on which the Bonds are issued in the event that the Bank closes the offer of Bonds prior to the end of the Offer Period as set out in Section 7.1; |
| Issue Price | €100 per Bond; |

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| JUD Investment Group Limited | JUD Investment Group Limited, a limited liability company, registered under the laws of Malta having company registration number C 74331 and having its registered office situated at 35, St Barbara Bastions, Valletta, Malta (formerly Al Faisal International for Investment Malta Limited); |
| Maturity Date | 29 July 2032 or in the event of an early redemption, any Early Redemption Date; |
| Memorandum and Articles of Association | the Memorandum and Articles of Association of the Bank in force at the time of publication of this Prospectus, and the terms ' Memorandum of Association ' and ' Articles of Association ' shall be construed accordingly; |
| MFSA | Malta Financial Services Authority as established under article 3 of the MFSA Act; |
| MFSA Act | the Malta Financial Services Authority Act, Chapter 330 of the laws of Malta; |
| MiFID II | Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2004 on markets in financial instruments and amending Directives 2002/92/EC and 2011/61/EU (recast); |
| MSE | Malta Stock Exchange p.l.c., as originally constituted by the Financial Markets Act, bearing company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta; |
| MSE Bye-Laws | the bye-laws of and issued by the MSE; |
| Nominal Value | €100 (in respect of each Bond); |
| Offer Period | the period between 09:00 CET on 7 July 2022 and 17:00 CET on 22 July 2022, both days inclusive (or such earlier date as may be determined by the Bank) during which the Bonds are available for subscription; |
| Official List | the list prepared and published by the MSE as its official list in accordance with the MSE Bye-Laws; |
| Over-Allotment Option | the option of the Bank, at its sole discretion, to increase the aggregate amount (in Nominal Value) of Bonds issued by (and up to) an additional €5,000,000, up to a maximum aggregate amount of €20,000,000, in the event of an over-subscription by Applicants; |
| PMLA | Prevention of Money Laundering Act (Chapter 373 of the laws of Malta) and all regulations issued thereunder; |
| Pound Sterling | the lawful currency of the United Kingdom; |
| Pre-Allocation Agreements | the conditional pre-allocation agreements entered into between the Bank and certain Authorised Intermediaries and other third party investors as described in Section 7.5.1.1 of this Prospectus; |
| Pre-Allocation Payment Date | 4 July 2022; |

| | |
|--|--|
| Professional Client | <p>a 'professional client' as defined under MiFID II, which means a client falls within at least one of the following categories is:</p> <p>(1) entities required to be authorised or regulated to operate in the financial markets including banks, investment firms, other authorised or regulated financial institutions, insurance companies, collective investment schemes and management companies of such schemes, pension funds and management companies of such funds, commodity and commodity derivatives dealers, local firms and other institutional investors;</p> <p>(2) a large undertaking meeting two of the following size requirements on a company basis: (a) balance sheet total of €20,000,000 or more, (b) net turnover of €40,000,000 or more, and (c) own funds of €2,000,000 or more;</p> <p>(3) a national or regional government, a public body that manage public debt, a central bank, an international or supranational institution such as the World Bank, the IMF, the ECB, the EIB and other similar international organisations;</p> <p>(4) another institutional investor whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions; or</p> <p>(5) a client that has requested to be treated as a Professional Client (and has been appropriately categorised as such by an Authorised Intermediary) in terms of the procedure, and that meets the relevant criteria, set out in terms of Part II of Annex II of MiFID II;</p> |
| Prospectus | this Prospectus in its entirety together with any Supplements; |
| Prospectus Regulation | Regulation (EU) No 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC; |
| Ranking Legislation | Article 29A of the Banking Act or Regulation 108 of the Recovery & Resolution Regulations, as the same may be in force at the relevant time, in each case, as the same may be amended from time to time or any other law or provision of Maltese law which may replace such provision from time to time; |
| Registrar | the MSE; |
| Recovery & Resolution Regulations | the Recovery and Resolution Regulations (Subsidiary Legislation 330.09 of the laws of Malta), as may be amended from time to time; |
| Recovery & Resolution (Amendment) Regulations | the Recovery and Resolution (Amendment) Regulations, 2021 as published via Legal Notice 6 of 2021 in the Supplement of the Maltese Government Gazette Number 20,551 which Recovery and Resolution (Amendment) Regulations shall be read and construed as one with the Recovery and Resolution Regulations; |
| Retail Client | a client that is not a Professional Client or an Eligible Counterparty; |
| Sponsor | Jesmond Mizzi Financial Advisors Limited, an MFSA authorised investment services firm (in terms of the Investment Services Act) registered under the laws of Malta with company registration number C 30176 and having its registered office at 67, Flat 3, South Street, Valletta, Malta, in its capacity as the Bank's Sponsor and Manager in respect of the Bonds; |

| | |
|-----------------------------|--|
| SRMR | Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism (SRM) and a Single Resolution Fund and amending Regulation (EU) No.1093/2010, as may be amended from time to time; |
| SRMR II | Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 806/2014 as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms; |
| Suitability Test | the process through which an Authorised Intermediary providing investment advice or portfolio management services in relation to the subscription for the Bonds obtains such information from the Applicant as is necessary to enable the Authorised Intermediary to recommend to or, in the case of portfolio management, to effect for the Applicant the investment service in the Bonds that are considered suitable for him/her, in accordance with the Conduct of Business Rulebook, as set out in Section 7.4; |
| Supplement | any supplement to this Prospectus that may be issued from time to time by the Bank; |
| Target 2 | means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007 or any successor thereto; |
| Terms and Conditions | the terms and conditions of the Bonds set out in Section 8; |
| Tier 2 Capital | the term used in the CRD IV and in the CRR to denote capital of the Bank maintained in terms of article 71 of the CRR and consisting of Tier 2 items in terms of article 62 of the CRR, or, if such term is no longer used, any equivalent or successor term, whether in the same law or regulations or in any other law or regulation applicable to the Bank from time to time; and |
| U.S. Dollar | the lawful currency of the United States of America. |

Any reference in the Prospectus to "Malta" is to the "Republic of Malta".

Unless it otherwise required by the context:

- a. words in this Prospectus importing the singular shall include the plural and vice versa;
- b. words in this Prospectus importing the masculine gender shall include the feminine gender and vice versa;
- c. the word "may" in this Prospectus shall be construed as permissive and the word "shall" in this Prospectus shall be construed as imperative; and
- d. the word "person" shall refer to both natural and legal persons.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Summary

This summary is issued in accordance with the provisions of the Prospectus Regulation and the Capital Markets Rules. Capitalised terms used but not otherwise defined in this Summary shall have the meanings assigned to them in the 'Definitions' section of the Prospectus.

a. Introduction and Warnings

Prospective investors are hereby warned that:

- this summary should be read as an introduction to the Prospectus;
- any decision to invest in the Bonds should be based on consideration of the Prospectus as a whole by the prospective investor;
- a prospective investor may lose all or part of the capital invested in subscribing for Bonds;
- where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under Maltese law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and
- 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 the Bonds; and
- this summary (and the entire Prospectus) relate to a product that is not simple and may be difficult to understand.

International Securities Identification Number (ISIN) of the Bonds: MT0002581206

Identity and Contact Details of the Bank:

| | |
|-----------------------------|--|
| Legal & Commercial Name | BNF Bank p.l.c. |
| Company Registration Number | C 41030 |
| Registered Office Address | Level 2, 203, Rue D'Argens, Gzira, Malta |
| LEI | 549300TEJKOLFN65KR76 |
| Telephone Number | +356 2260 1000 |
| E-mail Address | customercare@bnf.bank |
| Website | www.bnf.bank |

This Prospectus has been approved by the Malta Financial Services Authority (MFSA), which is the competent authority in Malta for the purposes of the Prospectus Regulation, on 28 June 2022. The MFSA has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of the Bank or of the quality of the Bonds.

The address of the MFSA is Malta Financial Services Authority, Triq I-Imdina, Zone 1, Central Business District, Birkirkara CBD 1010, Malta. Its telephone number is +356 2144 1155 and its website is www.mfsa.mt

b. Key Information on the Issuer

Who is the issuer of the securities?

The issuer of the Bonds is BNF Bank p.l.c., a public limited liability company registered in Malta in terms of the Companies Act. The Bank's Legal Entity Identifier (LEI) number is 549300TEJKOLFN65KR76. The Bank is licensed by the MFSA to carry out the business of banking in terms of the Banking Act and offers a range of services to retail, small to medium sized enterprises (SMEs) and corporate customers.

Major Shareholders

The Bank's largest shareholder is JUD Investment Group Limited, which holds 91,235,202 ordinary shares (which amounts to 92.43% of the issued share capital of the Bank). JUD Investment Group Limited is owned by Al Faisal International, an investment company based in Qatar. Sheikh Feisal Qassim F. Th. Al-Thani owns 49% of the shares in Al Faisal International.

Directors of the Bank

As at the date of this Prospectus, the Board is composed of the following 11 Directors:

| | |
|--------------------------------------|--|
| Dr. Michael Frendo | Non-Executive Independent Director & Chairperson |
| Sheikh Mohammed Feisal Q.F. Al-Thani | Non-Executive Director & Deputy Chairperson |
| Mr. Michael Anthony Collis | Managing Director & Chief Executive Officer |
| Ms. Juanita Bencini | Non-Executive Independent Director |
| Mr. Charles Borg | Non-Executive Director |

| | |
|-----------------------------------|------------------------------------|
| Sheikh Turki Feisal Q.F. Al Thani | Non-Executive Director |
| Mr. Mario Galea | Non-Executive Independent Director |
| Mr. Paul Mark Johnson | Non-Executive Independent Director |
| Mr. Kenneth Mizzi | Non-Executive Director |
| Chev. Maurice Mizzi | Non-Executive Director |
| Mr. Mark Portelli | Non-Executive Director |

Statutory Auditors of the Bank

The Bank's statutory auditors are PricewaterhouseCoopers of 78, Mill Street, Qormi QRM 3101, Malta.

What is the key financial information regarding the issuer?

The below tables show the main financial information and relevant ratios of the Bank:

| Income Statement (€000's) | 2021 | 2020 | 2019 | 2018 |
|---|---------|---------|---------|---------|
| Net interest income | 22,698 | 20,541 | 18,448 | 15,533 |
| Net fee and commission income | 2,639 | 2,623 | 2,479 | 2,717 |
| Net impairment loss on financial assets | (1,067) | (2,815) | (1,749) | (1,572) |
| Net trading income | 326 | 491 | 790 | 744 |
| Operating profit | 27,241 | 24,222 | 22,735 | 19,078 |
| Net profit or loss | 6,301 | 4,475 | 3,342 | 2,270 |

| Statement of Financial Position (€000's) | 2021 | 2020 | 2019 | 2018 |
|--|-----------|---------|---------|---------|
| Total assets | 1,004,698 | 901,211 | 831,580 | 767,472 |
| Senior debt | 0 | 0 | 0 | 0 |
| Subordinated debt | 0 | 0 | 0 | 0 |
| Loans and receivables from customers (net) | 793,093 | 688,334 | 627,607 | 520,745 |
| Deposits from customers | 859,152 | 776,986 | 722,920 | 677,272 |
| Total equity | 97,711 | 92,949 | 89,386 | 76,463 |
| Non-performing loans (based on net carrying amount)* / Loans and receivables | 2.61% | 2.16% | 2.38% | 3.65% |
| Common Equity Tier 1 capital (CET1) ratio | 15.64% | 17.06% | 15.71% | 15.39% |
| Total Capital Ratio | 17.48% | 19.17% | 17.77% | 17.15% |
| Leverage Ratio | 8.99% | 9.51% | 9.84% | 8.95% |

*Non-performing Loans (based on net carrying amount) is equivalent to the loan balances net of provisions.

What are the key risks that are specific to the issuer?

The most material risk factors specific to the Bank are the following:

Cyber-Security Risk

The activities of the Bank are reliant on the continuous and proper functioning of its operating systems, including its information technology (IT) systems and other technologies. The Bank is susceptible to a variety of risks relating to the functioning of these systems, including, but not limited to, the risk of cyber-attacks (such as malware attacks, ransomware, phishing, hacking, or any other form or type of cyber-attack), data theft or other unauthorised use of data, errors, bugs, malfunctions, inadequate maintenance service levels, or other malicious interference with or disruptions to the Bank's systems. In addition, to the extent that the Bank is reliant upon technologies and operating systems (including IT systems and other technological arrangements) developed by third parties for the efficient running of its business, it will be exposed to the risk of failures, errors or other interruptions in such systems. There can be limited or no assurance that the maintenance and service level agreements, business continuity and disaster recovery plans intended to ensure continuity and stability of these systems will prove effective in ensuring that the service or systems will not be disrupted. The COVID-19 pandemic has further increased the Bank's dependency on IT systems and exposure to cyber-security risk, mainly to enable

remote working for its employees. Moreover, the situation between Ukraine and Russia brings concerns of additional cyber-attacks. In the event that a cyber-attack occurs on the Bank's operating systems, this could adversely affect the Bank's reputation, financial performance and financial position.

Credit Risk

The Bank is subject to a range of credit risks, the main source of which is the Bank's loan portfolio, with other sources of credit risk being securities and interbank deals. In particular, the Bank is subject to (i) default risk and (ii) concentration risk. Default risk is the risk that a borrower or counterparty fails to meet its obligations to the Bank in accordance with agreed terms, generally resulting from deterioration in the financial condition of the borrower. The Bank is exposed to default risk from various elements, such as from the customers, market counterparties, through interbank, commercial and consumer loans and advances, loan commitments arising from such lending activities, and credit enhancement provided, such as financial guarantees, documentary credits, endorsements, and acceptances. The Bank is also exposed to default risk on investments in debt securities as well as settlement balances with market counterparties. Credit risk from default could impair the quality and hence the value of the Bank's lending assets. Therefore, the Bank is responsible to monitor and manage the credit quality of its borrowers on a regular basis in order to maintain the provisioning levels at an acceptable level. The recent Russian invasion and the economic implications such as inflationary pressures might contribute to a higher probability of default risk in the financial industry.

Concentration risk is an exposure or group of exposures with the potential to produce losses large enough to threaten the Bank's health or its ability to maintain its core business. This risk may arise from large individual exposures or significant exposures to groups of counterparties whose likelihood of default is driven by common underlying factors. While the Bank adopts a prudent view on asset quality and maintains a diversified portfolio and attempts to diversify its credit risk in terms of geography, tenor and economic sector through various measures, there can be no assurance that this will successfully reduce or eliminate the Bank's exposure to concentration risk. Accordingly, any impairment in the ability of one or more counterparties or borrowers in the categories described above to service or repay their obligations to the Bank could have a material adverse effect on the Bank's financial condition and results of operations. Despite having a diversified lending portfolio, the Bank is exposed to real estate, which implies a heightened sensitivity to a potential correction in property prices. The Bank is exposed to the risks of the property market, as a result of, among other things: (i) loans granted to clients where the collateral securing the loan is immovable property; and (ii) loans granted by the Bank to companies operating in the property sector where the cash flow is generated mainly by the rental or sale of properties (commercial real estate).

A significant drop in property prices originating from an economic contraction could result in a decline in the value of collateral, leading to higher levels of non-performing real-estate loans and provisioning, which could in turn have a negative impact on the Bank's business, results of operations, financial condition and cash flows.

Liquidity Risk

Liquidity risk is defined as the risk of losses due to (i) the Bank's funding costs increasing disproportionately; (ii) lack of funding preventing the Bank from establishing new business; and (iii) lack of funding which will ultimately prevent the Bank from meeting its obligations. Liquidity risk may result in the Bank's inability to meet its obligations when they fall due without incurring higher-than-expected costs, as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, as well as the inability to sell a financial asset quickly at close to its fair value. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current and call deposits, maturing term deposits, loan drawdowns and guarantees. Such risk is inherent in all banking operations, which is generally affected by a range of institution specific and market-wide events including, but not limited to, credit events, systemic shocks and natural disasters. The management of liquidity and funding is central to the Bank's operations, just as the ability to fund asset growth and meet obligations as they come due is crucial to the on-going viability of the Bank. The Bank's liquidity contingency plans are not intended to, nor can they eliminate, the Bank's liquidity and funding risk. Nor can such plans guarantee that unexpected liquidity events will be managed successfully if they were to occur.

Reputational Risk

Reputational risk refers to risks arising from the loss of confidence by negative perception on the part of stakeholders that can adversely affect the Bank's ability to continue operating smoothly. It is the risk of negative publicity, public perception or uncontrollable events leading to an adverse impact on the Bank's reputation, thereby affecting its revenue, ability to maintain existing, or establish new, business and client relationships, and to have continued access to sources of funding. Given that retail funding is highly correlated to the public's perception of the Bank's trustworthiness and reputation, a significant negative impact on the Bank's reputation could result in above normal levels of withdrawals of deposits by its customers. If, for some reason, the Bank is unable to access the necessary liquidity to conduct its operations and/or meet its obligations, this could negatively impact the Bank's financial condition and performance.

Financial Crime Risk

The Bank is under an obligation to ensure that the Bank's infrastructure is not used to integrate and launder money obtained from illegal activities into the financial system. The Bank is also exposed to the risk of making funds or other assets available to support, even indirectly, the carrying out of terrorist activities. In particular, the Bank may be at risk if it fails to identify suspicious transactions, activities or connections and protect customers from financial crime. Such failure may arise from: (i) lack of adherence to the appropriate regulatory environment and/or market practice; (ii) failures arising from the lack of implementation of updated directives, rules, regulations, and/or internal operating procedures; and/or (iii) inadequate internal controls to monitor level of adherence to the required standards inclusive of illegal practices such as bribery and corruption. The materialisation of such risks could have a detrimental impact on customers and expose the Bank to financial sanctions and regulatory reprimands, reputational risks and regulatory censure. The risk, and therefore the impact of financial crime on credit institutions and/or investment firms, has developed beyond money laundering and terrorist financing. The far-reaching effects of a sanctions breach or the failure to implement adequate anti-fraud and anti-bribery and corruption measures could also give rise to additional financial or reputational

risks. Following Malta's grey-listing by the FATF, additional regulatory requirements, increased regulatory and reporting obligations, changes to current market practices and higher penalties are expected. In the rapidly changing regulatory environment in which the Bank operates, the Bank's failure to implement any new measures in a timely manner could lead to additional reputational risks and possibly costs. Although the Bank ensures adherence to any legislative or regulatory requirements, changes to rule sets and supervisory expectations create openings for operational missteps, challenges, restrictions on activity or straightforward financial penalties. Moreover, during 2022 additional sanctions were imposed on Russia over the Ukraine invasion and any failure of the Bank to adhere to these latest measures could result in administrative action or sanctions.

Bank Regulatory Risk

The Bank 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 but not limited to CRD IV / CRD V, CRR / CRR II and BRRD / BRRD II. In this regard, the Bank faces risks associated with an uncertain and rapidly evolving prudential regulatory environment pursuant to which it is required, among other things, to maintain adequate capital and liquidity resources and to satisfy specified capital and liquidity ratios at all times. The interpretation and application by regulators of existing laws and regulations to which the Bank is subject may also change from time to time. Any legislative or regulatory actions and any required changes to the Bank's business operations resulting from such legislation and regulations (or their interpretation or application) could result in significant loss of revenue, limit the ability to pursue business opportunities in which the Bank might otherwise consider engaging or limit the ability to provide certain products and services, affect the value of assets held, impose additional compliance and other costs or otherwise adversely affect its business.

There can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect the Bank and its financial position. For example, a perceived or actual shortage of capital held by the Bank in terms of the CRD Packages could result in actions by regulatory authorities, including public censure and the imposition of quantitative and qualitative sanctions. This may also affect the Bank's capacity to continue or grow its business operations, generate a sufficient return on capital or pursue acquisitions or other strategic opportunities, affecting future growth potential. If, in response to any such shortage, the Bank 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 investment.

The BRRD (as amended by the BRRD II) establishes a framework for the recovery and resolution of credit institutions and certain investment firms. The BRRD establishes a legal regime which provides authorities with a set of powers to intervene sufficiently, early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system. Should the Bank become subject to a write-down, conversion or resolution powers under the BRRD, this may adversely affect the Bank's business, financial condition, ability to pay dividends, results of operations and/or prospects. Moreover, any bail-in of bonds will mean that bondholders might have some or all of their holdings cancelled without compensation.

Information Security and Data Protection Risk

This risk relates to the risk of loss caused by deliberate or accidental loss, alteration, falsification or leakage of information, or by destruction, disruption, errors or misuse of information systems. The Bank is exposed to the risk of loss (both financial and non-financial) arising from events caused by internal factors, external factors or third parties, including, theft of information/technology assets, damage to information/technology assets, compromised integrity of information/technology assets, external and internal fraud or business disruption. Loss or leakage of confidential information could have a material adverse effect on the operations and performance of the Bank. The Bank is also subject to comprehensive regulation regarding the use of personal customer data. Compliance with the GDPR creates significant regulatory obligations for the Bank and will continue to have an ongoing impact on the acceptance, processing and storage of personal sensitive data. The possible damage, loss, unauthorised processing or disclosure of personal data could have a negative impact on the activity of the Bank, in reputational terms too, and could lead to the imposition of fines. In addition, any changes to the applicable laws and/or regulations, including at European Union level, could have a negative impact on the Bank's activities, including the need to incur costs for adapting to the new regulations.

Business and Strategic Risk

Business and strategic risk refers to the risk that the Bank does not achieve its pre-established targets and, in the worst-case scenario, that its business model becomes unviable or unsustainable. A key risk to the Bank's sustainability is the Bank's inability to maintain income drivers which are both consistent and stable. The Bank could suffer potential losses due to inadequate implementation of strategic decisions or extreme changes in the business environment resulting in a negative impact on the Bank's profitability, capital position, risk profile, reputation and long-term strategic position.

Despite Malta being removed from the Grey List by the FATF, negative implications could persist and potentially lead to the termination of correspondent banking services and relationships with local banks. Without correspondent banks, the Bank cannot sustain all current U.S. Dollar or Pound Sterling operations, triggering a revision of the current business model, possibly resulting in a negative impact on the Bank's profitability, strategic and capital position.

Operational Risk

Operational risk relates to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. An operational risk event is an incident or experience that has caused or has the potential to cause material loss to the Bank either directly or indirectly with other incidents. In line with the Basel Committee on Banking Supervision's definitions, the following types of operational risk events are considered as having the potential to result in material operational losses: (i) internal fraud; (ii) external fraud; (iii) employment practices and workplace safety; (iv) clients, products and business practices; (v) damage to physical assets; (vi) business disruption and system failure; and (vii) execution, delivery and process management. Losses from the failure of the Bank's system of internal controls to discover and rectify such matters could have a material adverse effect on

the Bank's business, financial condition and/or results of operations.

a. Key Information on the Bonds

What are the main features of the Bonds?

| | |
|-------------------------------|---|
| Securities | Subordinated callable bonds |
| Amount | €15,000,000 (or €20,000,000 in the event the Bank exercises the Over-Allotment Option) |
| Nominal Value | €100 per Bond |
| Denomination | Euro (€); |
| ISIN | MT0002581206 |
| Issue Price | At Nominal Value (€100 per Bond); |
| Minimum Subscription | €10,000 and in multiples of €100 thereafter; |
| Interest | 4.5% per annum; |
| Issue Date | 29 July 2022 |
| Interest Payment Dates | 29 July of each year, including 29 July 2023 (the first interest payment date) and the Maturity Date (or if not a Business Day, the next following Business Day) |
| Redemption | On each Early Redemption Date and on the Maturity Date |
| Maturity Date | 29 July 2032 |
| Rights | The only rights attached to the Bonds are the right to (i) attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions; (ii) receive payment of capital and interest in accordance with the ranking as provided in the Terms and Conditions; and (iii) enjoy such other rights attached to the Bonds emanating from the Prospectus. |
| Status | The Bonds shall be the general, direct, subordinated, unsecured and unconditional obligations of the Bank to the Bondholders, and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves. In a dissolution and winding up of the Bank, the claims of Bondholders in respect of the Bonds will be subordinated to the claims of all depositors and other unsubordinated secured and unsecured creditors of the Bank, and will not be repaid until all other unsubordinated debt outstanding at the time has been settled in full. In the event of a resolution of the Bank or in any other instances under applicable law, the Bonds are subject to conversion or write down by the applicable resolution authorities as provided by law. |
| Transferability | The Bonds shall be freely transferable |

Where will be Bonds be traded?

Application has been made to the MSE for the Bonds to be listed and traded on the Official List.

What are the key risks that are specific to the Bonds?

The most material risk factors specific to the Bank are the following:

Subordinated Status

The Bonds shall constitute the general, direct, subordinated, unsecured and unconditional obligations of the Bank. In a dissolution and winding up of the Bank, the claims of Bondholders in respect of the payment of capital and interest on the Bonds will be subordinated to the claims of all depositors and other unsubordinated secured and unsecured creditors of the Bank, and if the assets of the Bank are insufficient to enable the Bank to repay the claims of more senior-ranking creditors in full, the Bondholders will lose their entire investment in the Bonds. If there are sufficient assets to pay the claims of senior-ranking creditors in full but insufficient assets to pay claims in respect of the Bonds and all other claims that rank *pari passu* with the Bonds, Bondholders may lose some (which may be substantially all) of their investment in the Bonds. The same principles would apply in the case of a resolution where the resolution authorities shall apply the powers of write-down and conversion of capital in a way that respects the *pari passu* treatment of creditors and the statutory ranking of claims under the applicable insolvency law.

Bail-In Risk

The Recovery & Resolution Regulations provide for various powers and tools of the Resolution Committee in the event that the Resolution Committee considers that all of the relevant conditions are met. Resolution occurs at the point where the applicable authority determines that a bank is failing or likely to fail, that there is no other private sector intervention or supervisory action, including early intervention measures or the write-down or conversion of relevant capital instruments that would prevent the failure of the institution within a reasonable timeframe and that a resolution action is necessary in the public interest. As such, the Resolution Committee may exercise the bail-in tool in respect of the Bank if the Bank is under resolution, which may result in a loss in value of the Bonds, whereby they may be subject to a write-down and/or conversion into equity. Such a development could have an adverse impact on the financial performance and condition of the Bank and its ability to meet its obligations to Bondholders.

Limited Recourse Obligations

The Bonds are the obligations of the Bank only and do not establish any liability or other obligation of any other person mentioned in this Prospectus. Each Bondholder agrees that the only remedy available to the Bondholders in the case of non-performance by the Bank of any of its obligations in respect of the Bonds shall be the ability to petition for the winding-up of the Bank. The Bondholders are not able to call an event of default or otherwise bring any enforcement action in respect of the Bank or its assets. 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 Bank, this shall constitute an acceleration event, as a result of which the Bonds shall immediately become due and payable at their Nominal Value, together with interest accrued up to the date of repayment, if any.

Waiver Set-Off

Bondholders waive any right of set-off in relation to the Bonds insofar as permitted by applicable law. Therefore, the Bondholders will not be entitled (subject to applicable law) to set-off the Bank's obligations under the Bonds against obligations owed by them to the Bank.

Complex Financial Instruments

The Bonds are complex financial instruments and may not be suitable for all prospective investors. Subject to the overarching requirement that Applicants who are Retail Clients may only subscribe for Bonds after passing a Suitability Test, all prospective investors are urged to consult an independent investment advisor licensed under the Investment Services Act 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 and understand the merits and risks of investing in the Bonds and the information contained, or incorporated by reference, in the Prospectus or any 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; (c) understands thoroughly the terms of the Bonds and is familiar with the behaviour of any relevant indices and financial markets; and (d) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Bonds are Redeemable at the Option of the Bank

Any or all of the Bonds may be redeemed by the Bank on any Early Redemption Date on at least 30 days' prior written notice to the relevant Bondholders. If Bonds are redeemed prior to the Maturity Date a Bondholder would not receive the same return on its investment that it would have received if those Bonds were redeemed on the Maturity Date. In addition, the Bondholder may not be able to re-invest the proceeds from the early redemption at yields that would have been received on the Bonds had they not been redeemed early.

This optional redemption feature may also have a negative impact on the market value of the Bonds. During a period when the Bank may opt to redeem the Bonds, it is unlikely that the market value will rise above the price at which the Bond will be redeemed.

a. Key Information on the offer of Bonds to the public and the admission to trading on a regulated market

Under which conditions and timetable can I invest in the Bonds?

General Terms and Conditions

The Bond Issue, the listing of the Bonds on the Official List and the publication of the Prospectus were authorised by a resolution of the Board passed on 9 June 2022. Application has been made to the MSE for the Bonds to be listed and traded on the Official List. The Bonds are being issued at their Nominal Value (€100 per Bond) subject to a maximum aggregate principal amount of the Bonds that may be issued not exceeding €15,000,000 (or up to €20,000,000 in the event that the Bank exercises the Over-Allotment Option in full).

Authorised Intermediaries who shall be subscribing to Bonds pursuant to subscription agreements shall be doing so for their own account and/or for the account of their underlying clients, subject to a minimum subscription amount of €10,000 in Nominal Value of Bonds (and in multiples of €100 thereafter) in relation to each underlying client.

The issue and allotment of the Bonds is conditional inter alia upon: (a) a minimum aggregate subscription amount of €10,000,000 and (b) the approval by the MSE of the Bank's application for the Bonds to be admitted to the Official List. In the event that any of these conditions is not satisfied by the close of the Offer Period, the Bond Issue will be withdrawn or revoked unilaterally by the Bank. The Bank also reserves the right to withdraw the offer of Bonds prior to the Issue Date for reasons beyond its control, such as extraordinary events, substantial change of the political, financial, economic, legal, monetary or market conditions at national or international level and/or adverse events regarding the financial or commercial position of the Bank and/or other relevant events that in the reasonable discretion of the Bank may be prejudicial to the offer.

Expected Timetable of the Bond Issue

| | |
|--|----------------|
| Pre-Allocation Payment Date: | 04 July 2022 |
| Opening of Offer Period (Intermediaries' Offer): | 07 July 2022 |
| Closing of Offer Period (Intermediaries' Offer): | 22 July 2022 |
| Announcement of Intermediaries' Offer results: | 27 July 2022 |
| Issue Date: | 29 July 2022 |
| Commencement of interest on the Bonds: | 29 July 2022 |
| Expected date of admission of the Bonds to listing: | 29 July 2022 |
| Expected date of commencement of trading of the Bonds: | 01 August 2022 |

Plan of Distribution

The Bonds will be distributed and are open for subscription as follows:

(1) The Bank, together with the Registrar, have entered into Pre-Allocation Agreements with a number of Authorised Intermediaries and other third party investors in advance of the Offer Period, pursuant to which the Bank bound itself to allocate a total amount of €5,615,000 (in Nominal Value) of Bonds to such Authorised Intermediaries and other third party investors.

(2) The remaining balance of up to €14,385,000 (in Nominal Value) of Bonds (including the additional €5,000,000 that may be issued if the Bank exercises the Over-Allotment Option in full) is open for subscription by all categories of investors including the general public and will be distributed by the Authorised Intermediaries participating in the Intermediaries' Offer, provided that an Authorised Intermediary may only distribute the Bonds to Retail Clients when providing them with investment advisory or portfolio management services, and therefore subject to a Suitability Test to be performed in respect of such Applicants.

In the event of an over-subscription of the Bonds, the Bank may elect to exercise the Over-Allotment Option and allocate, in accordance with an allocation policy to be determined by the Bank, up to an additional €5,000,000 (in Nominal Value) of Bonds to Applicants in respect of amounts subscribed by (but not allocated to) them in excess of the amounts available under (2) above.

Estimated Expenses of the Bond Issue

The Bond Issue will involve expenses, including professional fees and costs related to publicity, advertising, printing, listing, registration, sponsor, management, selling commission and other miscellaneous costs incurred in connection with this Bond Issue. Such expenses are estimated to amount to €330,000 (or €400,000 in the event that the Bank exercises the Over-Allotment Option) and shall be borne by the Bank and deducted from the proceeds of the Bond Issue.

Why is this prospectus being produced?

The net proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €14,670,000 (or €19,600,000 in the event that the Bank exercises the Over-Allotment Option), will make up a fundamental part of the Bank's capital plan that will qualify as Tier 2 Capital in terms of the CRR, and will be used by the Bank to sustain its medium-term growth strategy.

The Bond Issue is not underwritten. Other than the possible subscription for Bonds by Authorised Intermediaries (which include the Sponsor) and any fees payable to the various professional advisors and service providers in connection with the Bond Issue, the Bank is not aware of any person involved in the Bond Issue that has a material interest in the Bond Issue.

1. Risk Factors

1.1 General

NOTWITHSTANDING THAT RETAIL CLIENTS NEED TO PASS A SUITABILITY TEST BEFORE INVESTING IN THE BONDS, PROSPECTIVE INVESTORS SHOULD NOTE THAT AN INVESTMENT IN THE BONDS ISSUED BY THE BANK INVOLVES CERTAIN RISKS, INCLUDING BUT NOT LIMITED TO THOSE RISKS DESCRIBED IN THIS SECTION. THE FOLLOWING RISKS ARE THOSE IDENTIFIED BY THE BANK AS AT THE DATE OF THIS PROSPECTUS. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER, TOGETHER WITH THEIR INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS, 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 BANK AND THE BONDS.

THE RISK FACTORS BELOW HAVE BEEN CATEGORISED UNDER TWO MAIN CATEGORIES, ACCORDING TO WHETHER THE RISKS UNDER REVIEW RELATE TO THE: (I) THE BANK; AND (II) THE SECURITIES.

THE RISK FACTOR APPEARING FIRST UNDER EACH SUB-CATEGORY CONSTITUTES THAT RISK FACTOR THAT THE BOARD HAS ASSESSED TO BE THE MOST MATERIAL RISK FACTOR UNDER SUCH CATEGORY AS AT THE DATE OF THIS PROSPECTUS. IN MAKING THEIR ASSESSMENT OF MATERIALITY, THE BOARD HAS EVALUATED THE COMBINATION OF: (I) THE PROBABILITY THAT THE RISK FACTOR OCCURS AND (II) THE EXPECTED MAGNITUDE OF THE ADVERSE EFFECT ON THE FINANCIAL CONDITION AND PERFORMANCE OF THE BANK, IF THE RISK FACTOR WERE TO MATERIALISE.

SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES THAT MAY OR MAY NOT OCCUR AND THE BANK IS NOT IN A POSITION TO EXPRESS A VIEW ON THE LIKELIHOOD OF ANY SUCH CONTINGENCIES OCCURRING.

SHOULD ANY OF THE RISKS DESCRIBED BELOW MATERIALISE, THEY COULD HAVE A SERIOUS ADVERSE EFFECT ON THE BANK'S FINANCIAL RESULTS AND TRADING PROSPECTS AND THE ABILITY OF THE BANK TO FULFIL ITS OBLIGATIONS UNDER THE BONDS.

THE RISKS AND UNCERTAINTIES DISCUSSED BELOW MAY NOT BE THE ONLY ONES THAT THE BANK FACES. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE THE DIRECTORS OF THE BANK MAY NOT CURRENTLY BE AWARE OF, COULD WELL RESULT IN A MATERIAL IMPACT ON THE FINANCIAL CONDITION AND OPERATIONAL PERFORMANCE OF THE BANK. ACCORDINGLY, PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CAREFULLY READ, CONSIDER AND UNDERSTAND THE PROSPECTUS AS A WHOLE BEFORE INVESTING IN THE BONDS. IN ADDITION, PROSPECTIVE INVESTORS OUGHT TO BE AWARE THAT RISK MAY BE AMPLIFIED DUE TO A COMBINATION OF RISK FACTORS.

1.2 Forward-Looking Statements

This document includes statements that are or may be deemed to be "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including but not limited to the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will", or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements are based purely on the intentions, beliefs or current expectations of the bank and/or the directors. There can be no assurance that the results and events contemplated by the forward-looking statements contained in this prospectus will occur.

Forward-looking statements, by their very nature, involve substantial uncertainties because they relate to events and depend on circumstances that may or may not occur in the future, many of which are beyond the bank's control. Forward-looking statements are not guarantees of future performance and should therefore not be construed as such. The bank's actual results of operations and financial condition may, as a result of many different factors, differ materially from the impression created by the forward-looking statements contained in this

document. In addition, even if the results of operations and financial condition of the bank are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Subject to its legal and regulatory obligations (including those under the capital markets rules), the bank 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.

1.3 Risks Relating to the Bank

1.3.1 Cyber-Security Risks

The activities of the Bank are reliant on the continuous and proper functioning of its operating systems, including its information technology (IT) systems and other technologies. The Bank is susceptible to a variety of risks relating to the functioning of these systems, including, but not limited to, the risk of cyber-attacks (such as malware attacks, ransomware, phishing, hacking, or any other form or type of cyber-attack), data theft or other unauthorised use of data, errors, bugs, malfunctions, inadequate maintenance service levels, or other malicious interference with or disruptions to the Bank's systems. In addition, to the extent that the Bank is reliant upon technologies and operating systems (including IT systems and other technological arrangements) developed by third parties for the efficient running of its business, it will be exposed to the risk of failures, errors or other interruptions in such systems. There can be limited or no assurance that the maintenance and service level agreements, business continuity and disaster recovery plans intended to ensure continuity and stability of these systems will prove effective in ensuring that the service or systems will not be disrupted. The COVID-19 pandemic has further increased the Bank's dependency on IT systems and exposure to cyber-security risk, mainly to enable remote working for its employees. Moreover, the situation between Ukraine and Russia brings concerns of additional cyber-attacks. In the event that a cyber-attack occurs on the Bank's operating systems, this could adversely affect the Bank's reputation, financial performance and financial position.

1.3.2 Credit Risk

The Bank is subject to a range of credit risks, the main source of which is the Bank's loan portfolio, with other sources of credit risk being securities and interbank deals. In particular, the Bank is subject to (i) default risk and (ii) concentration risk.

Default Risk

Default risk is the risk that a borrower or counterparty fails to meet its obligations to the Bank in accordance with agreed terms, generally resulting from deterioration in the financial condition of the borrower. The Bank is exposed to default risk from various elements, such as from the customers, market counterparties, through interbank, commercial and consumer loans and advances, loan commitments arising from such lending activities, and credit enhancement provided, such as financial guarantees, documentary credits, endorsements, and acceptances. The Bank is also exposed to default risk on investments in debt securities as well as settlement balances with market counterparties. Credit risk from default could impair the quality and hence the value of the Bank's lending assets. Therefore, the Bank is responsible to monitor and manage the credit quality of its borrowers on a regular basis in order to maintain the provisioning levels at an acceptable level. The recent Russian invasion and its economic implications such as inflationary pressures might contribute to a higher probability of default risk in the financial industry.

Concentration Risk

Concentration risk is an exposure or group of exposures with the potential to produce losses large enough to threaten the Bank's health or its ability to maintain its core business. This risk may arise from large individual exposures or significant exposures to groups of counterparties whose likelihood of default is driven by common underlying factors. While the Bank adopts a prudent view on asset quality and maintains a diversified portfolio and attempts to diversify its credit risk in terms of geography, tenor and economic sector through various measures, there can be no assurance that this will successfully reduce or eliminate the Bank's exposure to concentration risk. Accordingly, any

impairment in the ability of one or more counterparties or borrowers in the categories described above to service or repay their obligations to the Bank could have a material adverse effect on the Bank's financial condition and results of operations.

Despite having a diversified lending portfolio, the Bank is exposed to real estate, which implies a heightened sensitivity to a potential correction in property prices. The Bank is exposed to the risks of the local property market, as a result of, among other things: (i) loans granted to clients where the collateral securing the loan is immovable property; and (ii) loans granted by the Bank to companies operating in the property sector where the cash flow is generated mainly by the rental or sale of properties (commercial real estate). A significant drop in property prices originating from an economic contraction could result in a decline in the value of collateral, leading to higher levels of non-performing real-estate loans and provisioning, which could in turn have a negative impact on the Bank's business, results of operations, financial condition and cash flows.

1.3.3 Liquidity Risk

Liquidity risk is defined as the risk of losses due to (i) the Bank's funding costs increasing disproportionately; (ii) lack of funding preventing the Bank from establishing new business; and (iii) lack of funding which will ultimately prevent the Bank from meeting its obligations. Liquidity risk may result in the Bank's inability to meet its obligations when they fall due without incurring higher-than-expected costs, as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, as well as the inability to sell a financial asset quickly at close to its fair value.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current and call deposits, maturing term deposits, loan drawdowns and guarantees. Such risk is inherent in all banking operations, which is generally affected by a range of institution specific and market-wide events including, but not limited to, credit events, systemic shocks and natural disasters.

The management of liquidity and funding is central to the Bank's operations, just as the ability to fund asset growth and meet obligations as they come due is crucial to the on-going viability of the Bank. The Bank's liquidity contingency plans are not intended to, nor can they eliminate, the Bank's liquidity and funding risk. Nor can such plans guarantee that unexpected liquidity events will be managed successfully if they were to occur.

1.3.4 Reputational Risk

Reputational risk refers to risks arising from the loss of confidence by negative perception on the part of, stakeholders that can adversely affect the Bank's ability to continue operating smoothly. It is the risk of negative publicity, public perception or uncontrollable events leading to an adverse impact on the Bank's reputation, thereby affecting its revenue, ability to maintain existing, or establish new, business and client relationships, and to have continued access to sources of funding. Given that retail funding is highly correlated to the public's perception of the Bank's trustworthiness and reputation, a significant negative impact on the Bank's reputation could result in above normal levels of withdrawals of deposits by its customers. If, for some reason, the Bank is unable to access the necessary liquidity to conduct its operations and/or meet its obligations, this could negatively impact the Bank's financial condition and performance.

1.3.5 Financial Crime Risk

The Bank is under an obligation to ensure that the Bank's infrastructure is not used to integrate and launder money obtained from illegal activities into the financial system. The Bank is also exposed to the risk of making funds or other assets available to support, even indirectly, the carrying out of terrorist activities. In particular, the Bank may be at risk if it fails to identify suspicious transactions, activities or connections and protect customers from financial crime. Such failure may arise from: (i) lack of adherence to the appropriate regulatory environment and/or market practice; (ii) failures arising from the lack of implementation of updated directives, rules, regulations, and/or internal operating procedures; and/or (iii) inadequate internal controls to monitor level of adherence to the required standards inclusive of illegal practices such as bribery and corruption. The materialisation of such risks could have a detrimental impact on customers and expose the Bank to financial sanctions and regulatory reprimands, reputational risks and regulatory censure. The risk, and therefore the impact of financial crime on credit institutions and/or investment firms, has developed beyond money laundering and terrorist financing. The far-reaching effects of a sanctions breach or the failure to implement adequate anti-fraud and anti-bribery and corruption measures could also give rise to additional financial or reputational risks.

Following Malta's grey-listing by the FATF, additional regulatory requirements, increased regulatory and reporting obligations, changes to current market practices and higher penalties are expected. In the rapidly changing regulatory environment in which the Bank operates, the Bank's failure to implement any new measures in a timely manner could lead to additional reputational risks and possibly costs. Although the Bank ensures adherence to any legislative or regulatory requirements, changes to rule sets and supervisory expectations create openings for operational missteps, challenges, restrictions on activity or straightforward financial penalties. Moreover, during 2022 additional sanctions were imposed on Russia over the Ukraine invasion and any failure of the Bank to adhere to these latest measures could result in administrative action or sanctions.

1.3.6 Bank Regulatory Risk

The Bank 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 but not limited to CRD IV / CRD V, CRR / CRR II and BRRD / BRRD II (each as described in further detail in Section 4.5 below). In this regard, the Bank faces risks associated with an uncertain and rapidly evolving prudential regulatory environment pursuant to which it is required, among other things, to maintain adequate capital and liquidity resources and to satisfy specified capital and liquidity ratios at all times. The interpretation and application by regulators of existing laws and regulations to which the Bank is subject may also change from time to time.

Any legislative or regulatory actions and any required changes to the Bank's business operations resulting from such legislation and regulations (or their interpretation or application) could result in significant loss of revenue, limit the ability to pursue business opportunities in which the Bank might otherwise consider engaging or limit the ability to provide certain products and services, affect the value of assets held, impose additional compliance and other costs or otherwise adversely affect its business. There can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect the Bank and its financial position. For example, a perceived or actual shortage of capital held by the Bank in terms of the CRD Packages could result in actions by regulatory authorities, including public censure and the imposition of quantitative and qualitative sanctions. This may also affect the Bank's capacity to continue or grow its business operations, generate a sufficient return on capital or pursue acquisitions or other strategic opportunities, affecting future growth potential. If, in response to any such shortage, the Bank 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 investment.

The BRRD (as amended by the BRRD II) establishes a framework for the recovery and resolution of credit institutions and certain investment firms. The BRRD establishes a legal regime which provides authorities with a set of powers to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system. Should the Bank become subject to a write-down, conversion or resolution powers under the BRRD, this may adversely affect the Bank's business, financial condition, ability to pay dividends, results of operations and/or prospects. Moreover, any bail-in of bonds will mean that bondholders might have some or all of their holdings cancelled without compensation.

1.3.7 Information Security and Data Protection Risk

This risk relates to the risk of loss caused by deliberate or accidental loss, alteration, falsification or leakage of information, or by destruction, disruption, errors or misuse of information systems. The Bank is exposed to the risk of loss (both financial and non-financial) arising from events caused by internal factors, external factors or third parties, including, theft of information/technology assets, damage to information/technology assets, compromised integrity of information/technology assets, external and internal fraud or business disruption. Loss or leakage of confidential information could have a material adverse effect on the operations and performance of the Bank.

The Bank is also subject to comprehensive regulation regarding the use of personal customer data. Compliance with the GDPR creates significant regulatory obligations for the Bank and will continue to have an ongoing impact on the acceptance, processing and storage of personal sensitive data. The possible damage, loss, unauthorised processing or disclosure of personal data could have a negative impact on the activity of the Bank, in reputational terms too, and could lead to the imposition of fines. In addition, any changes to the applicable laws and/or regulations, including at European Union level, could have a negative impact on the Bank's activities, including the need to incur costs for adapting to the new regulations.

1.3.8 Business and Strategic Risks

Business and strategic risk refers to the risk that the Bank does not achieve its pre-established targets and, in the worst-case scenario, that its business model becomes unviable or unsustainable. A key risk to the Bank's sustainability is the Bank's inability to maintain income drivers which are both consistent and stable. The Bank could suffer potential losses due to inadequate implementation of strategic decisions or extreme changes in the business environment resulting in a negative impact on the Bank's profitability, capital position, risk profile, reputation and long-term strategic position.

Despite Malta being removed from the Grey List by the FATF, negative implications could persist and potentially lead to the termination of correspondent banking services and relationships with local banks. Without correspondent banks, the Bank cannot sustain all current U.S. Dollar or Pound Sterling operations, triggering a revision of the current business model, possibly resulting in a negative impact on the Bank's profitability, strategic and capital position.

1.3.9 Operational Risk

Operational risk relates to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. An operational risk event is an incident or experience that has caused or has the potential to cause material loss to the Bank either directly or indirectly with other incidents. In line with the Basel Committee on Banking Supervision's (BCBS) definitions, the following types of operational risk events are considered as having the potential to result in material operational losses: (i) internal fraud; (ii) external fraud; (iii) employment practices and workplace safety; (iv) clients, products and business practices; (v) damage to physical assets; (vi) business disruption and system failure; and (vii) execution, delivery and process management. Losses from the failure of the Bank's system of internal controls to discover and rectify such matters could have a material adverse effect on the Bank's business, financial condition and/or results of operations.

1.3.10 Information communications technology (ICT) Risk

Information communications technology (ICT) risk is the risk of failure of integrity of systems and data, inappropriateness or unavailability of systems and data or inability to change information technology within a reasonable time and cost in line with business needs. The Bank relies on its ICT systems in all aspects of its business, to process transactions, store data, provide information in an accurate and timely manner and provide services. ICT is critical to the Bank's activities and a partial or complete failure in operation of the Bank's key systems or infrastructure could cause a failure of service to customers whilst negatively impacting the Bank's reputation and returns.

1.3.11 Market Risk

Market risk relates to the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and the prices of equities, bonds and commodities. The Bank's exposure to market risk is mainly in the form of interest rate risk and foreign exchange risk. Any significant fluctuations in interest rates or foreign exchange rates could therefore have an adverse effect on the fair value or future cash flows of financial instruments held by the Bank.

1.4 Risks Relating to the Bonds

1.4.1 Subordinated Status

The Bonds (their redemption and the payment of interest thereon) shall constitute the general, direct, subordinated, unsecured and unconditional obligations of the Bank to the Bondholders, and shall at all times rank *pari passu*, without any priority or preference among themselves. In the event of the dissolution and winding up of the Bank, the claims of Bondholders in respect of the payment of capital and interest on the Bonds will have the ranking set out in the Ranking Legislation and will be subordinated to the claims of all depositors and other unsubordinated secured and unsecured creditors of the Bank, and will not be repaid until all other unsubordinated debt outstanding at the time has been settled in full. In addition, as per the said Ranking Legislation, to the extent that the Bonds qualify as Tier 2 instruments, they shall also rank below other subordinated debt that does not qualify as Additional Tier 1 Capital or Tier 2 Capital.

If, on a dissolution and winding-up of the Bank, the assets of the Bank are insufficient to enable the Bank to repay the claims of more senior-ranking creditors in full, the Bondholders will lose their entire investment in the Bonds. If there are sufficient assets to enable the Bank to pay the claims of senior-ranking creditors in full but insufficient

assets to enable it to pay claims in respect of the Bonds and all other claims that rank *pari passu* with the Bonds, Bondholders may lose some (which may be substantially all) of their investment in the Bonds.

The same principles would apply to the Bank where the relevant resolution authority applies the appropriate powers of write-down or conversion of capital (the Bonds) (whether in the event of a resolution of the Bank or in any other instances under applicable law), in which case it must respect the *pari passu* treatment of creditors and the statutory ranking of claims under the applicable insolvency law.

1.4.2 Bail-In Risk

As described in Section 4.5, the Recovery and Resolution Regulations provide for various powers and tools of the Resolution Committee in the event that the Resolution Committee considers that all of the conditions set out in Regulation 32 of the Recovery and Resolution Regulations are met by the Bank. Resolution occurs at the point where the applicable authority determines that a bank is failing or likely to fail, that there is no other private sector intervention or supervisory action, including early intervention measures or the write-down or conversion of relevant capital instruments that would prevent the failure of the institution within a reasonable timeframe and that a resolution action is necessary in the public interest. As such, the Resolution Committee may exercise the bail-in tool (in accordance with Regulation 43 of the Recovery and Resolution Regulations) in respect of the Bank if the Bank is under resolution, which may result in a loss in value of the Bonds, whereby they may be subject to a write-down and/or conversion into equity, the extent of which depends on Regulation 36 of the Recovery and Resolution Regulations. Such a development could have an adverse impact on the financial performance and condition of the Bank and its ability to meet its obligations to Bondholders.

1.4.3 Limited Recourse Obligations

The Bonds are the obligations of the Bank only and do not establish any liability or other obligation of any other person mentioned in this Prospectus. Moreover, by purchasing the Bonds, each Bondholder agrees that the only remedy available to the Bondholders in the case of non-performance by the Bank of any of its obligations or any other breach by the Bank of the Terms and Conditions (including the non-payment of interest and principal) shall be the ability to petition for the winding-up of the Bank. The Bondholders are not entitled to any other remedy in such cases. In this regard, Bondholders are not able to call an event of default or otherwise bring any enforcement action in respect of the Bank or its assets. The remedies under the Bonds are, therefore, more limited than those typically available to the Bank's unsubordinated creditors. 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 Bank, this shall constitute an acceleration event (as described in Section 8.5 of this Prospectus) and, as a result of which, the Bonds shall immediately become due and payable at their Nominal Value, together with interest accrued up to the date of repayment, if any.

1.4.4 Waiver of Set-Off

Bondholders waive any right of set-off in relation to the Bonds insofar as permitted by applicable law. Therefore, the Bondholders will not be entitled (subject to applicable law) to set-off the Bank's obligations under the Bonds against obligations owed by them to the Bank.

1.4.5 Complex Financial Instrument and Suitability Risk

The Bonds are complex financial instruments and may not be suitable for all prospective investors. Subject to the overarching requirement that Applicants who are Retail Clients may only subscribe for Bonds after passing a Suitability Test (as described in Section 7.4), all prospective investors are urged to consult an independent investment advisor licensed under the Investment Services Act 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 and understand the merits and risks of investing in the Bonds and the information contained, or incorporated by reference, in the Prospectus or any 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; (c) understands thoroughly the terms of the Bonds and is familiar with the behaviour of any relevant indices and financial markets; and (d) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

1.4.6 Bonds are Redeemable at the Option of the Bank

Any or all of the Bonds may be redeemed by the Bank on any Early Redemption Date on at least 30 days' prior written notice to the relevant Bondholders. Bondholders will be entitled to, in respect of the Bonds being redeemed, repayment of all principal together with interest accrued until the date of redemption but once the Bonds are redeemed the relevant Bondholders will no longer be entitled to any interest or other rights in relation to those Bonds. If Bonds are redeemed prior to the Maturity Date a Bondholder would not receive the same return on its investment that it would have received if those Bonds were redeemed on the Maturity Date. In addition, the Bondholder may not be able to re-invest the proceeds from the early redemption at yields that would have been received on the Bonds had they not been redeemed early. This optional redemption feature may also have a negative impact on the market value of the Bonds. During a period when the Bank may opt to redeem the Bonds, it is unlikely that the market value will rise above the price at which the Bond will be redeemed.

1.4.7 Interest Rate Risk of the Bonds

The Bonds are fixed rate debt securities. Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the market value of the Bonds. Investors should be aware that because of the way yield is typically calculated by market participants, the price of fixed income securities tends to move in a way that is inversely proportional to changes in interest rates. Accordingly, when prevailing market interest rates are rising, the prices that market participants will generally be willing to pay for the Bonds can be expected to decline. Conversely, if market interest rates are declining, secondary market prices for the Bonds will tend to rise. Moreover, fixed rate debt securities with a longer period to maturity will tend to reflect a greater degree of secondary market price volatility relative to movements in market interest rates when compared to fixed rate debt securities with a shorter remaining life.

1.4.8 No Assurance of Active Secondary Market for the Bonds

The existence of an orderly and liquid market for the Bonds will depend on a number of factors, including the presence of willing buyers and sellers of the Bonds at any given time and over whom the Bank has no control. Moreover, certain regulatory requirements could have an impact on the level of activity in the secondary market. For example, certain Retail Clients with a financial instrument portfolio of less than €500,000 is subject to a minimum initial investment of €10,000 when acquiring Bonds on the secondary market. Accordingly, it is impossible to guarantee a liquid or any secondary market for the Bonds after their admission to trading or that such a market, should it develop, will subsist. Illiquidity can have a severe adverse effect on the market value of the Bonds and the price quoted by Bondholders for Bonds already admitted to trading on the Official List may be at a significant discount to the original purchase price of those Bonds. There can be no assurance that Bondholders will be able to sell the Bonds at or above the price at which the Bank issued the Bonds or at all.

1.4.9 No Restriction on the Bank Incurring Additional Indebtedness

The Bonds do not restrict the Bank's ability to incur additional debt (including through the issuance of bonds or other debt securities) or securing that indebtedness in the future, which actions may negatively affect the Bank's financial position and its ability to make payments on the Bonds when due. Moreover, such indebtedness may have a prior ranking than the Bonds, in which case it could rank ahead of the Bonds in the event of a dissolution and winding up of the Bank. See also Section 1.4.1 (*Subordinated Status*) above.

1.4.10 Suspension of Trading or Discontinuation of Listing

Even after the Bonds are admitted to trading on the Official List, the Bank is required to remain in compliance with certain requirements relating, *inter alia*, to the free transferability, clearance and settlement of the Bonds in order to remain a listed company in good standing. Moreover, the Competent Authority has the authority to suspend trading or listing of the Bonds if, among other things, it determines that such action is required for the protection of investors or of the integrity or reputation of the market. The Competent Authority may also discontinue the listing of the Bonds on the Official List. Any trading suspension or listing discontinuation described above could have a material adverse effect on the liquidity and value of the Bonds.

1.4.11 Changes to the Terms and Conditions

In the event that the Bank wishes to amend any of the Terms and Conditions it shall call a meeting of Bondholders in accordance with the provisions of Section 8.14.3 below. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who

voted in a manner contrary to the majority.

THE FOREGOING RISK FACTORS ARE NOT EXHAUSTIVE AND DO NOT PURPORT TO BE A COMPLETE LIST OF ALL OF THE RISKS AND CONSIDERATIONS INVOLVED IN INVESTING IN THE BONDS. IN PARTICULAR, THE BANK'S PERFORMANCE MAY BE AFFECTED BY CHANGES IN MARKET OR ECONOMIC CONDITIONS AS WELL AS LEGAL, REGULATORY AND TAX REQUIREMENTS APPLICABLE TO THE BANK AND/OR THE BONDS.

2. Persons Responsible, Consent for Use and Authorisation of Prospectus

2.1 Persons Responsible

All of the Directors whose names appear under Section 5.1 of this Prospectus are the persons responsible for all of the information contained in this Prospectus. To the best of the knowledge and belief of the Directors, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect its import, and the Directors have taken all reasonable care to ensure that this is the case. The Directors accept responsibility accordingly.

2.2 Consent for Use of Prospectus

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

- a. in respect of Bonds subscribed through Authorised Intermediaries during the Offer Period; and
- b. to any resale or placement of Bonds subscribed for as aforesaid, taking place in Malta within the period of 60 days from the date of the Prospectus.

There are no other conditions attached to the consent given by the Bank hereby which are relevant for the use of the Prospectus.

Neither the Bank, the Sponsor, the Registrar, nor any of their respective advisors, takes any responsibility for any of the actions of any Authorised 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 Bank, the Sponsor, nor the Registrar have 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 Bank, the Sponsor or the Registrar and neither the Bank, the Sponsor, nor the Registrar 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 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 Bank, Sponsor, or Registrar. The Bank 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 Intermediary, the Authorised Intermediary will 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 Intermediary will be made in accordance with any terms and other arrangements in place between such Authorised 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 Intermediary at the time of such resale,

placement or other offering to provide the investor with that information and neither the Bank, the Sponsor, nor the Registrar, has, or shall have, any responsibility or liability for such information.

Any Authorised 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 Bank 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 any Authorised Intermediary unknown at the time of approval of this Prospectus will be made available through a company announcement published on the Bank's website (www.bnf.bank)

2.3 Authorisation Statement

This Prospectus has been approved by the Competent Authority as the competent authority in Malta for the purposes of the Prospectus Regulation. The Competent Authority has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of the Bank or the quality of the Bonds (that are the subject of this Prospectus). Investors should make their own assessment as to the suitability of investing in the Bonds.

3. Advisors and Statutory Auditors

3.1 Advisors

| | |
|---------------------|---|
| Legal Council | Ganado Advocates, 171, Old Bakery Street Valletta, VLT 1455, Malta |
| Sponsor and Manager | Jesmond Mizzi Financial Advisors Limited, 67, Flat 3 South Street Valletta Malta |
| Registrar | Malta Stock Exchange p.l.c. Garrison Chapel, Castille Place Valletta VLT 1063 Malta |

The services of the Bank's legal counsel and other advisors in respect of this Prospectus are limited to the specific matters upon which they have been consulted. There may be other matters that would have a bearing on the Bank or an investment in the Bonds upon which the Bank's legal counsel and other advisors have not been consulted. The Bank's legal counsel and the other advisors do not undertake to monitor the compliance by the Bank with its obligations as described in this Prospectus, nor do they monitor the Bank's activities for compliance with applicable laws. Additionally the Bank's legal counsel and other advisors have relied and continue to rely upon information furnished to them by the Bank and the Directors, and have not investigated or verified, nor will they investigate or verify the accuracy and completeness of information set out herein concerning the Bank, the Bank's service providers or any other parties involved in the Bond Issue (including all of their respective affiliates, directors, officers, employees and agents). Moreover, the Bank's legal counsel and the other advisors accept no responsibility for any description of matters in this Prospectus that relate to (and any issues arising from) any applicable law that is not Maltese law.

3.2 Statutory Auditors

PricewaterhouseCoopers of 78, Mill Street, Qormi QRM 3101, Malta, were the auditors of the Bank for the period covered by the historical financial information incorporated by reference into this Prospectus and have been appointed as the Bank's statutory auditors until the end of the next annual general meeting of the Bank. PricewaterhouseCoopers is a registered audit firm with the Accountancy Board of Malta in terms of the Accountancy Profession Act (Chapter 281 of the laws of Malta) with registration number AB/26/84/38.

4. The Bank

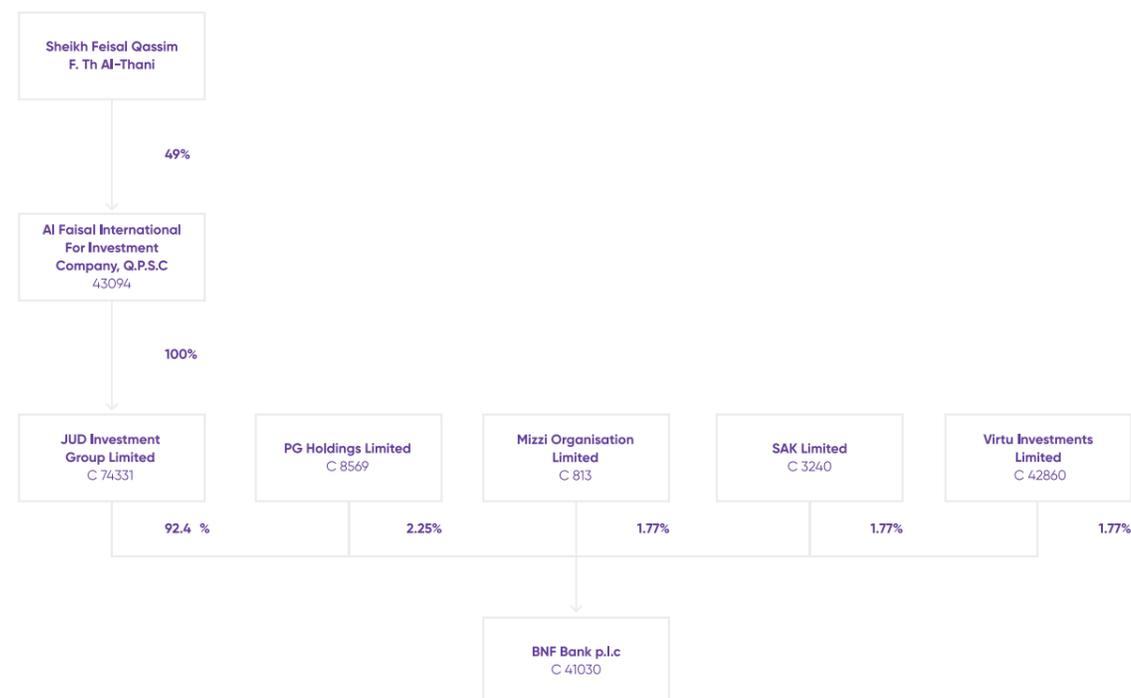
4.1 General Information

| | |
|----------------------------------|--|
| Full legal & Commercial Name | BNF Bank p.l.c. |
| Company Registration Number | C 41030 |
| Legal Form | Public limited liability company in terms of the Companies Act |
| Place of Registration & Domicile | Malta |
| Date of Registration | 27 March 2007 |
| Registered Office Address | Level 2, 203, Rue D'Argens, Gzira, Malta |
| LEI | 549300TEJKOLFN65KR76 |
| Telephone Number | +356 2260 1000 |
| E-mail Address | customer@bnf.bank |
| Website | www.bnf.bank |

Unless it is specifically stated herein that particular information is incorporated by reference into this Prospectus, the contents of the Bank's website, any other website directly or indirectly linked to the Bank's website, or any other website referred to herein, do not form part of the Prospectus. Accordingly, no reliance ought to be made by any investor on any information or other data contained in such website as a basis for a decision to invest in the Bonds.

4.2 Bank Ownership Structure

The following diagram illustrates the Bank's ownership structure as at the date of this Prospectus:



As at the date of this Prospectus, the Bank does not have any subsidiaries.

4.3 Business Overview of the Bank

4.3.1 Historical Development and Recent Events

BNF Bank p.l.c. was incorporated as Banif Bank (Malta) p.l.c. and licenced to operate as a credit institution in terms of the Banking Act on 27 March 2007.

On 4 October 2016, following the non-objection of the ECB by virtue of a decision dated 12 August 2016 made pursuant to articles 4(1)(c) and 15(3) of Council Regulation EU no. 1024/2013, Article 87 of Regulation (EU) no. 468/2014 of the ECB (EC/2014/17) and article 13(1) and article 13A of the Banking Act, a controlling stake in the Bank was purchased by Al Faisal International for Investment Malta Limited (which subsequently changed its name to JUD Investment Group Limited), a subsidiary of Al Faisal International and which remains the Bank's largest shareholder (please refer to Section 4.9 below). The Bank's name was subsequently changed to BNF Bank p.l.c.

In September 2019, the Bank established BNF Bank plc (London Branch), an overseas company in the United Kingdom bearing company registration number FC036636. This followed the UK's Prudential Regulation Authority's confirmation that the Bank be authorised to carry out its licensed business under the Temporary Permissions Regime Regulations, in March 2019.

4.3.2 Principal Activities and Markets of the Bank

The Bank is a key player in the Maltese financial services sector and aims to be the bank of choice for individuals and businesses, driven by the highest principles of ethical and social responsibility. The Bank offers personal and business clients highly personalised products and services, through its network of automated teller machines (ATMs) and deposit machines, and through a network of 12 retail branches spread across Malta, a corporate and business banking centre, a local trading room, as well as a strong team of customer care representatives.

The Bank is a commercial bank offering a range of services to retail, small to medium sized enterprises (SMEs) and corporate customers. The Bank makes every effort not to treat customers as mere numbers and for this reason, the Bank has managed to carve lasting relationships with its customers while attracting new ones, who see the Bank as innovative and above all true to the promise of service personalisation.

The Bank primarily operates within the Maltese market, but also has an international presence through its branch in London. The Bank also offers an array of services which gives it presence in the international market such as retail deposits raised through European online platforms and syndicated loan participants.

Products and Services

The Bank has a mix of customers – both personal and corporate. On the personal customers' side, the home loan product is at the core of the Bank's offering. Over the years, the Bank has attracted several customers with its tailor-made solutions, where the Bank offers an option for a fixed interest for 2 years or 4 years with a variable rate thereafter. The fixed interest rate helps customers plan their financial needs better during a time when their outflow is high. The rates offered are highly competitive and are amongst the market leading available to the customers. All the Bank's mortgage clients are serviced through a dedicated, skilled team of professionals who have recently been officially accredited by the Institute of Financial Services in Malta.

With regards to corporate customers, given that no business is alike, and every business has different financing requirements, the Bank seeks to offer corporate customers a fully customised service. To this end, the Bank offers its corporate customers bespoke finance solutions ranging from traditional project finance, varied working capital financing, trade finance and corporate real estate financing.

Furthermore, the Bank was and remains one of the two banks in Malta which were entrusted by the European Investment Fund to administer a loan budget under the European Investment Fund's SME Initiative. 'BNF Business Accelerate', as the product is branded, came to fruition after a rigorous scrutinisation process by the European Investment Fund. This instrument carries a 75% guarantee by the European Investment Fund which allows the Bank to offer business loans at highly reduced rates of interest to eligible SMEs. This product proved to be very successful, so much so that the Bank now administers a budget which amounts to almost double the initial allocation, due to the fast take up.

The Bank has supported its clients experiencing temporary liquidity issues due to COVID-19 by means of moratoria granted and by entering into an agreement with the Malta Development Bank to offer the MDB COVID-19 Guarantee Scheme and the Interest Rate Subsidy Scheme, whereby the Malta Development Bank provides guarantees to the

Bank in order to enhance access to finance for working capital requirements of business facing a sudden acute liquidity shortage as a result of the COVID-19 outbreak.

Technology

As part of its vision 2023, and as the Bank continues to adapt to the dynamic and ever-changing digital environment, the Bank is currently in the process of updating its technological platform with a view to providing new and improved customer experience. To this end, the Bank launched a new internet banking platform in 2020. The Bank's customers can now navigate from any device of their choice, through a refreshed and responsive internet banking platform which caters for all customers' banking needs.

In the first half of 2021, the Bank also launched an all-new mobile banking application designed to strengthen financial freedom for the Bank's customers. Aimed at leveraging the Bank's technology and expertise to deliver a comprehensive digital experience, the new mobile banking application provides convenience and a streamlined user experience. With fully secured biometric-based authentication, the mobile banking application offers the Bank's customers peace of mind for their everyday banking activity which allows them to bank digitally, comfortably and above all safely from any location and mobile device.

The Bank also has a portfolio of VISA debit and credit contactless cards and offers the latest technology with strong customer authentication for safe and secure online shopping experience, verified by VISA.

Furthermore, in August 2021, the Bank signed an agreement with Temenos Cloud Switzerland S.A. ("**Temenos**"), by virtue of which the Bank agreed to implement cutting-edge core systems and digital channels leading to an overhaul of the Bank's I.T. system resulting in increased efficiency in the Bank's business operations.

The Bank's decision was primarily driven by the Temenos's ability to provide a cloud deployment in an affordable manner considering the Bank's post-pandemic business strategy and projections. Temenos products are installed in over 3,000 banks worldwide, and this agreement will therefore enable the Bank to leverage on the accumulated expertise of the banking industry and focus on areas which are of utmost importance to the Bank's operations.

Values

The Bank's long-term strategic objective is to strengthen its position and reinforce its values, being the basis of the Bank's operations, whilst making sure that it is ready for future trends and challenges. The 3 main values which the Bank seeks to uphold are: (i) ambition, (ii) empathy, and (iii) responsibility.

- i. Ambition – To the Bank, 'ambition' represents a strong desire to do and achieve. The Bank embraces change and thrives on challenges, while continually looking for solutions.
- ii. Empathy – The Bank strives to be empathetic by understanding and sharing the feelings of others. The Bank does its best to understand customers' needs and to deliver quality service.
- iii. Responsibility – The Bank seeks to take personal responsibility for growth and development, keeping in mind the community in which it operates. In this respect, a key priority for the Bank is to act responsibly and make a positive contribution to society. In the Bank's view, growth and development are only effective when they result in wider access to opportunities and benefit a broader section of society, which is why the Bank supports programmes that deliver sustainable outcomes by partnering with relevant stakeholders in each focus area. To this end, the Bank supports a broad range of charitable non-profit organisations.

Human Capital

People are at the heart of the Bank's business strategy. In fact, the Bank sees its employees as the most valuable resource and the major contributors to the Bank's achievements. To this end, the Bank remains committed to the creation of an inspiring workplace where people can enjoy the best work environment built on inclusivity and diversity allowing each individual to realise his/her full professional potential in a meaningful and rewarding manner.

The Bank also strives to build highly competent teams that are empathetic and passionate about establishing meaningful relationships with customers which, combined with technical expertise, leads to customer satisfaction. The Bank therefore encourages and motivates its employees to go the extra mile and make a difference.

4.3.3 Trend Information

The Bank's strategy is to generate sustainable growth in terms of balance sheet and profitability, whilst providing excellent service to all stakeholders and operating high standards of corporate governance. The Board reviews and approves the Bank's strategy annually, and management transposes the strategic direction into a three-year plan to provide clear guidance for the short to medium term.

Since Al Faisal International's acquisition of a majority stake in the Bank in October 2016, the Bank embarked on a growth strategy and has since increased total assets by more than 480 million and net profitability by 3 times multiple. Growth since acquisition has been financed primarily by capital injections and profit retention, whilst managing to keep healthy provisioning and coverage levels on the basis of a growing balance sheet.

The Bank's vision for the medium-term is to supplement continued local growth with international diversification via an existing branch in the United Kingdom, while investing in technology and people.

A key strategic enabler for the Bank is a digital transformation which will ultimately see the implementation of cutting-edge core systems and digital channels. This process embarked on by the Bank will result in an overhaul of the Bank's I.T. system resulting in increased efficiency in the Bank's business operations. The digital transformation which is currently being undertaken by the Bank, is expected to take two to three years to complete and will enable better customer service, increase process efficiency, and further improve control effectiveness. This project requires a significant investment of time and capital.

Despite the disruption brought about by the COVID-19 pandemic during 2020 and 2021, which brought about unprecedented levels of disruption globally that previously was not considered in stress testing scenarios, the Bank successfully continued the positive financial performance and growth trajectory built over the previous years, with careful cost control and further optimisation of income. The Bank ended 2021 with capital and liquidity ratios well above regulatory minimum requirements.

COVID-19 disrupted the local economy, with the social restrictions leading to a material contraction in economic activity when compared to pre-pandemic levels. The sectors most impacted were hospitality and tourism, which constitute a minor proportion of the Bank's portfolio. During the pandemic, the Bank introduced various initiatives to support customers and employees, by investing in technology to increase effectiveness of digital channels for its customers and further facilitate the work from home initiative to assist employees. The Bank continues to finance sustainable and financially sound projects that are mostly collateralised by property.

The local economy entered in a phase of post-Covid economic rebound however faces new risks emanating from the global inflationary pressures mainly coming from supply chain disruptions as a result of the pandemic, and high energy and commodity prices magnified by the Russia Ukraine Conflict. The Bank has no direct exposure to Russia and Ukraine. The inflationary outlook is being addressed by the major Central Banks through tightening Monetary Policy conditions, that aim to address the demand side pressures on prices. The outlook of the impact which these pressures bring on the financial markets generally, and the Bank in particular, may change throughout the course of 2022 and 2023, and it is difficult to project the longer-term impact of such challenges on expected credit losses.

Apart from the impact of COVID-19, Malta's recent grey-listing by the FATF is also a matter on investors' agendas and the Bank acknowledges that the grey-listing may have an operational impact on the Bank as it may affect the Bank's ability to procure correspondent banking services from leading international institutions. As at the date of the Prospectus, the Bank managed to retain both its U.S. Dollar and Pound Sterling correspondent banking relationships, and remains close to the correspondent banks, swiftly addressing any concerns they might have. However, the Bank, having over 93% of assets denominated in Euro, estimates that any potential de-risking from correspondent banks will not adversely affect the Bank's financial performance and financial position. In 2019 the Bank invested in direct participation in Target 2 and direct Single European Payments Area (SEPA) clearing, reducing the reliance on correspondent banks ensuring operational continuity in its functional currencies. The recent news that Malta has been voted off the FATF grey list is welcome although the risks arising from the original listing are expected to prevail in the short term.

Save for the effects of the COVID-19 pandemic, inflationary pressures, Russia and Ukraine conflict and the FATF grey-listing (as described above), the Bank is not aware of any other factors or events that are likely to influence the Bank's prospects in the current financial year.

4.4 Capital and Funding

Capital Structure

The Bank's authorised share capital is €99,999,999.82 divided into 132,415,254 ordinary shares of €0.7552 each, and its issued share capital is €74,543,999.16 divided into 98,707,626 ordinary shares of €0.7552 each, all fully paid up. These issued ordinary shares qualify as CET 1 Capital.

Additionally, in October 2016, the Bank issued floating rate capital notes amounting to an aggregate amount of €5,000,000. In December 2018 and March 2019, the Bank issued two additional fixed rate perpetual capital notes, each amounting to €2,500,000. All of these capital instruments, amounting to €10,000,000 in aggregate nominal value, constitute unsecured, undated and subordinated obligations of the Bank, and qualify as Additional Tier 1 Capital (and are categorised as equity within the Bank's Statement of Financial Position under the requirements of IFRS as adopted by the EU).

Capital Plan

The Bank's available capital and reserves for the purposes of capital adequacy are represented by the Bank's regulatory own funds, which consist of the following items:

- ordinary share capital;
- retained earnings;
- revaluation reserve;
- reserve for general banking risks;
- perpetual capital notes; and
- other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes, including the treatment of deferred tax assets, deductions relating to amounts pledged in favour of the Depositor Compensation Scheme and deductions relating to intangible assets.

Prudential capital requirements set out in the CRR set out minimum requirements for regulatory own funds to satisfy the Bank's risk weighted assets, which requirements are projected and assessed as part of the Bank's capital plan.

The Bond Issue proceeds will constitute a fundamental part of the Bank's capital plan, qualifying as Tier 2 Capital (in terms of the CRR), and will therefore serve to strengthen the Bank's capital position and sustain its medium-term growth strategy.

Funding Plan

The Bank's key source of funding remains retail and commercial deposits from the Maltese market, although the Bank has also continued to strengthen its partnerships with online deposit platforms to raise funding from German and UK retail depositors. In addition, the Bank participates in targeted longer-term refinancing operations (TLTRO) funding offered by the ECB, and intends to bolster funding with the proceeds from the Bond Issue.

4.5 Bank Regulatory Framework

The Bank 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 but not limited to various laws, regulations and rules described below.

The CRD Packages

In 2013, the European Union adopted the 'CRD IV Package', the third set of amendments to the original capital requirements directive (CRD), following two earlier sets of revisions adopted in 2009 (CRD II) and 2010 (CRD III). The CRD IV Package introduced in the EU law the majority of the international standards agreed by the Basel Committee on Banking Supervision (BCBS) in 2010, known as Basel III framework. The CRD IV Package is comprised of a directive (CRD IV) governing the access to banking activities and a regulation (CRR) establishing the prudential requirements that institutions need to respect.

The CRD IV Package impacted 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.

The CRD IV Package has been amended through the CRD V Package, which was published in the Official Journal of the European Union on 7 June 2019. The CRD V Package consists of an additional EU Regulation (CRR II amending the CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements) and an EU Directive (CRD V amending the CRD IV as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures). The CRD V Package was adopted with the aim of addressing those elements of the Basel III framework which were still to be fully implemented as well as introducing EU-specific amendments that are not driven by Basel III framework or other international standards.

The majority of CRR II provisions were applicable as from 28 June 2021, with certain provisions applicable both before and after that date. The deadline for the transposition of CRD V into local legislation was the 28 December 2020 with staggered implementation dates: certain provisions were to be applied from 29 December 2020, whilst others were to be applied from 28 June 2021 and from 1 January 2022 respectively. The CRD V was transposed into Maltese law on 28 December 2021, mainly through the enactment of Act LXXI of 2021 and Act LXXII of 2021.

Furthermore, on 27 October 2021, the European Commission published a proposed review of EU banking rules (the Capital Requirements Regulation III and the Capital Requirements Directive VI) which finalises the implementation of the Basel III agreement in the EU. The latter is still subject to discussion at EU level. It provides for enhancing the way banks measure and manage Environmental, Social and Governance risks and requires disclosures on the area. This includes regular climate stress testing by both supervisors and banks. Other amendments relate to the fit and proper framework, operational risk management and risk weighting of residential mortgage exposures.

The requirements of the CRD Packages as adopted or applicable in Malta may change, whether as a result of further changes to the CRD Packages agreed by European Union legislators, binding regulatory technical standards to be developed by the European Banking Authority or changes to the way in which the MFSA and/or the ECB interprets and applies these requirements to banks under its supervision. Such changes, either individually and/or in aggregate, may lead to further unexpected enhanced requirements in relation to the Bank'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 Bank could result in actions by regulatory authorities, including public censure and the imposition of quantitative and qualitative sanctions. This may also affect the Bank's capacity to continue or grow its business operations, generate a sufficient return on capital or pursue acquisitions or other strategic opportunities, affecting future growth potential. If, in response to any such shortage, the Bank 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 investment.

BRRD and SRMR

The BRRD was published in the Official Journal of the European Union on 12 June 2014 and came into force on 2 July 2014. The SRMR, which complements the BRRD, entered into force on the 19 August 2016. The BRRD establishes a framework for the recovery and resolution of credit institutions and certain investment firms. The BRRD establishes a legal regime which requires firms to prepare recovery plans and resolution authorities to prepare resolution plans and provides competent authorities with early intervention powers to intervene sufficiently early and quickly in an unsound or failing institution. In addition, once it is determined that an institution is failing or likely to fail, the BRRD gives resolution authorities powers and tools intended to ensure the continuity of critical functions, to safeguard the resolution objectives and to manage the failure of an institution in an orderly manner if deemed to be in the public interest.

The Single Resolution Board (the 'SRB') is the central resolution authority within the banking union. Together with the National Resolution Authorities (the 'NRAs'), it forms the SRM. The NRAs are the resolution authorities of the participating Member States of the banking union, which are empowered to exercise resolution powers over banks within their own remit and, in compliance with a resolution scheme adopted by the SRB, over the banks within the SRB's remit. The SRB and the NRAs cooperate closely with each other within the SRM and exercise their respective powers and tasks in terms of the provisions of the SRMR.

Normal insolvency proceedings are the default outcome in the event of a bank failure, unless the resolution authorities consider that resolution action is feasible and credible in the circumstances. Before deciding whether or not to take resolution action, a Public Interest Assessment (the 'PIA') needs to be carried out by the resolution authorities in order to analyse the feasibility of winding up a bank under normal insolvency proceedings as well as to assess the feasibility of any foreseen resolution action. The PIA builds on the preliminary public interest assessment carried out during the resolution planning phase and is specific to each case, as it considers the national insolvency proceedings and the preferred resolution strategy that would be applied to the bank should it be resolved.

The resolution powers provided to the SRB and the NRAs 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. The BRRD also requires banks to meet a minimum requirement for own funds and eligible liabilities ('MREL') so as to be able to absorb losses and restore their capital position, allowing banks to continuously perform their critical economic functions during and after a crisis.

On 23 November 2016, the European Commission released proposals to revise both the SRMR and the BRRD, which proposals resulted in the SRMR II and BRRD II being published in the Official Journal of the European Union on 7 June 2019. SRMR II entered into force on 28 December 2020 and BRRD II had to be transposed by European Union Member states into national law by no later than 28 December 2020. SRMR II incorporates the amendments to the BRRD at the level of the SRM. BRRD II aims to enhance the framework for bank resolution by, among other things, adjusting the MREL of resolution entities and subsidiaries to align it with the Total loss Absorbing Capacity ('TLAC') standard. The more stringent new rules aim to increase the bail-inable capital available in case of a bank resolution, thus improving resolvability and consequently reducing the risk of public funds being used for bank resolutions and therefore creating a closer balance between liability and control. Furthermore, the BRRD II includes other reforms unrelated to TLAC or MREL such as amendments to requirements on the contractual recognition of bail-in, the introduction of a new moratorium power for resolution authorities and the introduction of requirements on the contractual recognition of resolution stay powers.

The Recovery & Resolution Regulations, transpose into Maltese law the provisions of the BRRD. The Recovery & Resolution (Amendment) Regulations transpose the BRRD II into local legislation by amending the Recovery & Resolution Regulations. Pursuant to Article 7B of the MFSA Act, the Board of Governors of the MFSA 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 and whose composition, powers and functions are governed by provisions set out in the First Schedule to the MFSA Act and the Recovery & Resolution Regulations. The Recovery & Resolution Regulations provide for various powers and tools of the Resolution Committee in the event that the Resolution Committee considers that all of the conditions set out in Regulation 32 of the Recovery & Resolution Regulations are met. In certain instances, the Resolution Committee needs to work hand in hand with the SRB. The SRB assesses, in cooperation with the NRAs, the resolvability of banks and drafts resolution plans for banks falling under its direct supervision.

The SRB also has an oversight function on the resolution plans drafted by the respective NRA for banks falling within the NRA's remit. The SRB is responsible for the resolution of systemically important institutions and the relative NRA would be entrusted with the implementation of the resolution scheme adopted by the SRB. In the case of banks falling under the direct supervision of the NRAs, the latter would be responsible for the resolution of the bank in question. In the case of credit institutions that meet the applicable conditions for resolution, the SRB or the Resolution Committee, as the case may be, has the following tools available at its disposal: (i) the sale of business tool: enabling the SRB or the Resolution Committee, as the case may be, to affect a sale of the whole or part of the business; (ii) the bridge institution tool: providing for a temporary bridge institution to continue to provide essential services to clients of the institution under resolution; (iii) the asset separation tool: enabling the transfer of 'bad' assets to a separate asset management vehicle. This tool can only be used in conjunction with any other tool; and (iv) the bail-in tool: ensuring that most unsecured creditors bear losses and bail-in the institution under resolution.

The SRB or the Resolution Committee, as the case may be, must exercise the power to write down and convert shares and other capital instruments immediately before or together with the application of a resolution tool. The power to write down or convert capital instruments may be exercised by the SRB or the Resolution Committee, as the case may be, either: (i) independently of resolution action; or (ii) in combination with a resolution action, where the conditions for resolution are met. Regulation 34 of the Recovery & Resolution Regulations sets out a number of general principles which are applicable when applying such resolution tools and exercising such resolution powers,

including that (i) the shareholders of the institution under resolution bear first losses and (ii) the creditors of the institution under resolution bear losses after the shareholders in accordance with the order of priority of their claims under normal insolvency proceedings, save as expressly provided otherwise in the Recovery & Resolution Regulations.

The SRB or the Resolution Committee, as the case may be, has very wide powers as necessary to apply the resolution tools (which include the sale of business tool, the bridge institution tool, the asset separation tool and the bail-in tool described above), including, but not limited to: (i) 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; (ii) the power to transfer shares or other instruments of ownership issued by an institution under resolution; (iii) the power to transfer to another entity, rights, assets or liabilities of an institution under resolution; and (iv) 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.

4.6 Financial Information

4.6.1 Historical Financial Information

The Bank's audited financial statements for financial years ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021 have all been filed with the Competent Authority and shall be deemed to be incorporated by reference in, and form part of, this Prospectus. The aforementioned financial statements are available for inspection as set out in Section 11 of this Prospectus and are also available for download from the Company's website: https://www.bnf.bank/financial_reports. As at the date of this Prospectus there has been no material adverse change in the prospects of the Bank since 31 December 2021 (being the date of the Bank's last published audited financial statements).

Key References

The following are a list of cross-references to specific items of information in the Bank's audited financial statements for financial years ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021.

| | Page Number in Financial Statements | | | |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | Financial Year ended 31 December 2021 | Financial year ended 31 December 2020 | Financial year ended 31 December 2019 | Financial year ended 31 December 2018 |
| Independent Auditors' Report | 65 | 46 | 39 | 37 |
| Statement of Financial Position | 82 | 62 | 51 | 49 |
| Income Statement | 84 | 66 | 54 | 52 |
| Statement of Cash Flows | 90 | 72 | 60 | 58 |
| Notes to Financial Statements | 94 | 74 | 63 | 61 |

4.6.2 Financial Review

Key Financial Figures

The below financial information has been extracted from the Bank's audited annual financial statements for the years ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021.

| | Financial year ended 31 December 2021 | Financial year ended 31 December 2020 | Financial year ended 31 December 2019 | Financial year ended 31 December 2018 |
|---|---|---|---|---|
| Net interest income (€000s) | 22,698 | 20,541 | 18,448 | 15,533 |
| Other operating income (€000s) | 4,543 | 3,681 | 4,287 | 3,545 |
| Operating expenses (€000s) | 17,123 | 16,096 | 15,605 | 13,947 |
| Profit before tax and impairment (€000s) | 10,118 | 8,126 | 7,130 | 5,131 |
| Credit impairment losses (€000s) | 1,067 | 2,815 | 1,749 | 1,572 |
| Profit after tax (€000s) | 6,301 | 4,475 | 3,342 | 2,270 |
| Total assets (€000s) | 1,004,698 | 901,211 | 831,580 | 767,472 |
| Total liabilities (€000s) | 906,987 | 808,262 | 742,194 | 691,009 |
| Total equity (€000s) | 97,711 | 92,949 | 89,386 | 76,463 |
| Profit after tax to equity | 6.45% | 4.81% | 3.74% | 2.97% |
| CET 1 Capital ratio | 15.64% | 17.06% | 15.71% | 15.39% |
| Total capital adequacy ratio | 17.48% | 19.17% | 17.77% | 17.15% |
| Cost-to-income ratio | 62.86% | 66.45% | 68.64% | 73.1% |

Financial Performance

Profitability has continued to increase during 2021, with a profit before tax of €9.1 million in December 2021 (December 2020: €5.3 million) despite the economic challenges presented by the COVID-19 pandemic. Profitability is mainly driven by net interest income, which increased in 2021 by 11% compared with 2020, resulting in operating income of €27.2 million (December 2020: €24.2 million).

The Bank remains committed to managing its costs effectively, while continuing to invest in technology, human capital and infrastructure. Operating expenses as of December 2021 amounted to €17.1 million (December 2020: €16.1 million), with a cost-to-income ratio of 62.9%; an improvement compared to the 2020 ratio of 66.5%.

Lower credit impairment losses of €1.1 million in 2021 (2020: €2.8 million) were required due to a cautious provisioning stance in recent years which permitted the Bank to absorb any known or expected impact of the pandemic to date.

Financial Position

The Bank's total assets grew by a further 11.5% during 2021, with the growth largely coming from the Bank's loan book which has increased by 15% when compared to December 2020 figures. The asset base stood at €1,004.7 million as of December 2021 (December 2020: €901.2 million), primarily funded through an increase in amounts owed to customers of €82.0 million and an increase in retained earnings of €5.4 million.

The Bank constantly and rigorously monitors its loan portfolio, applying sound risk management practices in order to identify any possible deterioration in credit quality as early as possible. The percentage of total loans and advances to customers which were credit impaired amounted to 4.1% (December 2020: 3.7%), and the total credit-impaired exposure amounted to €33.3 million (December 2020: €25.7 million). Exposure to credit-impaired loans and advances to customers was mitigated with collateral amounting to €27.3 million (December 2020: €20.5 million).

The liquidity position of the Bank remained robust, with the Liquidity Coverage Ratio ("LCR") remaining significantly above regulatory limits, with an LCR of 129.11% (December 2020: 231.07%). The main source of funding remains retail and commercial deposits from the Maltese market, with a further diversified source of funding by means of participation in ECB refinancing operations as well as partnership with online deposit platforms to raise Euro and Sterling funding from German and UK retail depositors respectively.

The Bank's capital adequacy ratio as of December 2021 was 17.48% (December 2020: 19.17%) and the Common Equity Tier 1 Ratio was 15.64% (December 2020: 17.06%) the decrease being due to the growth in the Bank's asset base but still well above overall capital requirements.

4.7 Legal and arbitration proceedings

There have not been any governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Bank is aware) during the 12 months prior to the date of this Prospectus, which may have or have had significant effects on the Bank's financial position or profitability.

4.8 Material Contracts

The Bank has not entered into any material contract that was not entered into in the ordinary course of the Bank's business, which could result in the Bank or any member of the Group being under an obligation or an entitlement that is material to the Bank's ability to meet its obligations to Bondholders in respect of the Bonds.

4.9 Share Capital Structure and Major Shareholder

As at the date of this Prospectus, the Bank's authorised share capital is €99,999,999.82 divided into 132,415,254 ordinary shares of €0.7552 each. The Bank's issued share capital is €74,543,999.16 divided into 98,707,626 ordinary shares of €0.7552 each, all fully paid up. The ordinary shares are the only authorised and issued class of shares in the Bank.

All of the ordinary shares in the Bank rank *pari passu* in all respects, including in terms voting rights, participation in dividends and other distributions of profits of the Bank or otherwise.

The Bank's largest shareholder is JUD Investment Group Limited, which holds 91,235,202 ordinary shares (which amounts to 92.43% of the issued share capital of the Bank). JUD Investment Group Limited is owned by Al Faisal International, an investment company based in Qatar. Its operations include acting as a holding company for various strategic investments, including the Bank and Masraf Al Rayan (a bank, having its head offices situated in Doha - Qatar), and managing the various proprietary portfolios of high-grade stocks and bonds. Al Faisal International generates funds from time to time through either general profitability or through the sale of market-based investments in the normal course of business. Al Faisal International is part of the wider Al Faisal Group, a multinational conglomerate headquartered in Qatar with interests in healthcare, hospitality, transportation, education, manufacturing and financial services. Sheikh Feisal Qassim F. Th. Al-Thani owns 49% of the shares in Al Faisal International.

In terms of article 88 of the Bank's Articles of Association, extraordinary resolutions require the assent of a member(s) holding in the aggregate (i) not less than 75% in nominal value of the shares represented and entitled to vote at the meeting; and (ii) at least 51% in nominal value of all the shares entitled to vote at the meeting. In turn, article 89 of the Bank's Articles of Association provides that an ordinary resolution requires the assent of a member(s) holding in

the aggregate more 50% of the voting rights attached to shares represented and entitled to vote at the meeting. Therefore, given that JUD Investment Group Limited, holds approximately 92.43% of the issued share capital of the Bank, JUD Investment Group Limited effectively controls the Bank as all shareholder resolutions (including for any amendment to the Bank's Memorandum and Articles of Association and/or for any appointment or removal of directors) require its approval.

Despite the fact that the Corporate Governance Code did not apply to the Bank prior to the date of this Prospectus, the Bank has, to date, voluntarily chosen to comply with the Corporate Governance Code in order to ensure that it upholds the highest levels of corporate governance. As a consequence, the Bank already adopts measures in line with the Corporate Governance Code, including with a view to ensuring that the relationship with its major shareholder remains at arm's length and that any control by the major shareholder is not abused. The Board is ultimately responsible for the management and control of the Bank. In terms of the Corporate Governance Code, all Directors are also expected to apply high ethical standards, are obliged to avoid conflicts of interest and, in particular, are required to always act in the interest of the Bank and its shareholders as a whole irrespective of which shareholder appointed them to the Board.

The majority of the Board is composed of non-executive Directors, four of which are also considered to be independent of the Bank (meaning that they are free of any business, family, or other relationship with the Bank, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair their judgement). The Chairperson of the Board, who is responsible for leading the Board and facilitating the contribution of non-executive Directors, is also a non-executive independent Director. The non-executive Directors and, in particular, the non-executive independent Directors, have an important role in overseeing the executive directors (appointed from to time), dealing with situations involving conflicts of interests, and contributing more objectively in supporting, as well as constructively challenging and monitoring, the management team.

There are no arrangements currently known to the Bank, the operation of which may at a subsequent date result in a change of control in the Bank.

4.10 Objects and Purposes of the Bank

The objects of the Bank are set out in clause 4 of its memorandum of association. The principal object of the Bank is, in summary, to carry on the business of banking and, in particular, to accept deposits of money from the public, withdrawable or repayable on demand, or after a fixed period or after notice, and to borrow or raise money from the public (including the borrowing or raising of money by the issue of debentures or debenture stock or other instruments creating or acknowledging indebtedness and to offer same to the public), in either case for the purpose of employing such money in whole or in part by lending to others, or otherwise investing for the account and at the risk of the person accepting such money. A copy of the Bank's Memorandum and Articles of Association is available for inspection as set out in Section 11 of this Prospectus.

5. Administrative, Management and Supervisory Bodies

5.1 The Board of Directors

The Memorandum of Association of the Bank provides that the business and affairs of the Bank shall be managed and administered by a Board of not less than 5 and not more than 12 Directors. Directors of the Bank are appointed by means of an ordinary resolution taken in a general meeting.

As at the date of this Prospectus, the Board is composed of 11 Directors who are responsible for the overall direction, management and strategy of the Bank, each of whom is listed below:

| | |
|--------------------------------------|--|
| Dr. Michael Frendo | Non-Executive Independent Director & Chairperson |
| Sheikh Mohammed Feisal Q.F. Al-Thani | Non-Executive Director & Deputy Chairperson |
| Mr. Michael Anthony Collis | Managing Director & Chief Executive Officer |
| Ms. Juanita Bencini | Non-Executive Independent Director |

| | |
|-----------------------------------|------------------------------------|
| Mr. Charles Borg | Non-Executive Director |
| Sheikh Turki Feisal Q.F. Al Thani | Non-Executive Director |
| Mr. Mario Galea | Non-Executive Independent Director |
| Mr. Paul Mark Johnson | Non-Executive Independent Director |
| Mr. Kenneth Mizzi | Non-Executive Director |
| Chev. Maurice Mizzi | Non-Executive Director |
| Mr. Mark Portelli | Non-Executive Director |

The majority of Directors are non-executive Directors.

The company secretary of the Bank is Dr. Jean Noel Cutajar.

The business address of the Directors and the company secretary is that of the Bank. The curriculum vitae of the Directors is set out in Section 5.2 below.

None of the Directors have been: (a) convicted in relation to fraud or fraudulent conduct; (b) made bankrupt or associated with any liquidation or insolvency caused by action of creditors; (c) the subject of any official public incrimination or sanction by any statutory or regulatory authority; or (d) disqualified by a court from acting as director or manager.

5.2 Curriculum Vitae of the Directors

Dr. Michael Frendo

Dr. Frendo has been Chairperson of the Board since May 2013 and is a former Speaker of the House of Representatives, Parliament of Malta (2010–2013) and a former Minister for Foreign Affairs (2004–2008). Dr. Frendo also held various other Ministerial portfolios including Information and Communication Technologies, Transport and Civil Aviation, and Culture, Broadcasting and Consumer Protection. Dr. Frendo is a lawyer with a postgraduate specialisation in European Union law who has also worked in the private sector in both Malta and the United Kingdom. Dr. Frendo is a signatory of the Treaty of Lisbon and was a member of the European Convention on the Future of Europe. He has published widely including a number of books and articles on European, diplomatic and legal issues.

Sheikh Mohammed Feisal Q.F. Al-Thani

Sheikh Mohamed Faisal Q.F. Al Thani has been Vice Chairperson of the Board of Al Faisal Holding since 2010 and also sits on the board of directors of Al Khaliji Bank. He is a member of the Board of Trustees at the American University of Sharjah (UAE) and of the Arab Academy for Banking and Financial Sciences (Egypt), as well as being Honorary President of the Italian Chamber of Commerce in Qatar. He holds a Bachelor's degree in Business Administration from Carnegie Mellon University, Qatar.

Mr. Michael Anthony Collis

Mr. Collis, current Managing Director and Chief Executive Officer of the Bank, has extensive banking experience having worked in the banking industry in the UK and Middle East in excess of thirty years. During this time, he served on a number of bank boards and held senior positions in a number of banks with responsibility for a wide variety of activities including retail and wholesale banking, corporate finance and private banking. He has served as Chief Executive Officer (CEO) and Executive Director of Ahli United Bank (UK) Limited, a UK licensed bank regulated by the FSA. He also served as Senior Deputy Group CEO of Ahli United Bank B.S.C. (Bahrain). Prior to that he served as executive director and head of European corporate finance at Nikko Bank, a UK licensed bank regulated by the FSA. He originally started his banking career with Lloyds Bank p.l.c. and subsequently joined Mizuho Bank where he held various senior positions and headed the bank's UK corporate banking and corporate finance activities for over ten years. Prior to this latest appointment, Mr. Collis served as Chief Executive Officer of Al Faisal International for Investment QPSC (Qatar), the ultimate majority shareholder of the Bank, a position which he has since relinquished.

He had occupied this position since 2015 during which time he was also responsible for the proprietary trading and strategic financial investments of Al Faisal International, including the acquisition of the Bank in 2016.

Ms. Juanita Bencini

Ms. Bencini is an ex-KPMG partner where for 17 years she headed Risk Consulting Advisory within the Malta practice and for seven years was also Head of Risk Consulting within the KPMG international region of which the Malta practice forms part. Today, she acts as a professional director on boards of regulated entities. Her areas of expertise include risk management, financial services regulation, corporate governance and Anti-Money Laundering (AML). She has also served as President of the Institute of Financial Services Practitioners and today is still a Council member. She acts as Chairperson of the Anti-Money Laundering (AML) Committee of both the Institute of Financial Services Practitioners and lectures and examines on financial services topics at the University of Malta.

Mr. Charles Borg

Mr. Borg, a fellow of the Chartered Institute of Bankers (UK), holds a Banking and Finance Honours Degree and a Masters Degree in Financial Services from the University of Malta. He enjoyed a 34-year career at Bank of Valletta p.l.c. until December 2015. During this time, he occupied various senior management positions, including that of Chief Executive Officer from 2012 to 2015. Prior to that, Mr. Borg also served as Chief Officer, Financial Markets and Investments at Bank of Valletta, with responsibility for all retail and wholesale funding of the Bank of Valletta Group, as well as the management of Bank of Valletta’s treasury portfolio.

Mr. Borg also served as a Director of Valletta Fund Management Ltd, of which he was also General Manager, Valletta Fund Services Limited and BOV Investments Limited. In addition, Mr. Borg also served as a Director on other listed companies on the MSE, including Mapfre Middlesea Insurance p.l.c. He also chaired the Audit Board of the European Investment Fund, a subsidiary of the European Investment Bank. He served as a Director on the World’s Savings Bank in Brussels and was also the President of the Institute of Financial Services and the President of the Malta Bankers Association. Mr. Borg is currently the CEO and an Executive Director of PG p.l.c. which has recently been listed on the MSE, and occupies the position of Chairperson at Ferratum Bank p.l.c., a subsidiary of the Ferratum Group. Additionally, Mr. Borg holds a number of other non-executive directorship positions locally.

Sheikh Turki Faisal Q.F. Al Thani

Sheikh Turki Faisal Q.F. Al Thani is Chairperson of Al Sawari Holding Company and is also a member of the Board of Al Faisal Holding since 2014. Sheikh Turki Faisal Q.F. Al Thani is also Founder and CEO of Catalyst Company. He holds a Bachelor’s Degree in Economics from Georgetown University Qatar.

Mr. Mario Galea

Mr. Galea has been a member of the audit committee since 2013. A fellow of the Association of Chartered Certified Accountants and the Malta Institute of Accountants. Mr. Galea sits on the Accountancy Board, which is the accountancy profession regulator in Malta. He founded and served as Managing Partner and Chairperson of Ernst & Young in Malta specialising mainly in auditing, until his retirement in 2012. He served on the Council of the Malta Institute of Accountants as Officer and President. He served on the Council of the Federation des Experts Comptables Europeens (FEE). More recently he has been serving as independent non-executive director on the boards of a number of companies listed on the MSE. He also served as Chairperson of the Malta Resources Authority. He also serves as a member or chairperson on a number of audit committees in both regulated and non-regulated sectors. He is engaged in assisting the boards of a number of family businesses with governance, organisational and financial matters. He sits on a number of finance committees and currently serves as Chairperson of the Ethics Committee and member of the Anti-Money Laundering committee of the Malta Institute of Accountants.

Mr. Paul Mark Johnson

Mr. Johnson has a wealth of experience in banking and other financial service industries where he occupied various senior management roles and served on a number of boards of directors. Mr. Johnson first joined the Royal Navy where he gained experience in a wide variety of activities including technology, operations and change across a number of sectors including IBM Consultancy. His recent senior and executive positions have included, Chief Information Officer and Chief Operations Officer at GMAC, Lloyds Bank, Aldermore Bank and an independent non-executive director for Sonali Bank UK (UK regulated). Mr. Johnson was also involved in the design and setup of a fintech blockchain based bank. Apart from his involvement with the Bank, presently Mr. Johnson serves as the Chief Operating and Information Officer of a fast growing UK based Insurance Broker (PIB Group).

Mr. Kenneth Mizzi

Mr. Mizzi has been a Director since April 2008. A qualified chartered accountant, after working with Touche Ross in London he returned to Malta to join the family business in 1971. He has served as Director on the Board of the Malta Development Corporation (1978-1980) and a number of other parastatal companies. He also served as Director on the Board of Mid-Med Bank Limited and of HSBC Fund Management (Malta) Limited. He is also Managing Director, and shareholder, of SAK Limited, franchisee of The Body Shop in Malta, Managing Director of Muscat’s Motors Limited and United Acceptances Finance Limited and a Director of a number of other Mizzi Organisation companies.

Chev. Maurice Mizzi

Chev. Mizzi has been a director of the Bank since April 2008. He read law at the University of Malta where he obtained a Diploma of Legal Procurator. He joined the family business in 1957 and was appointed on the Board of a number of Mizzi Organisation companies. He is currently Managing Director of Continental Cars Limited, Mizzi Limited and Titan International Limited. He has held a number of chairmanships for the government including Mediterranean Film Studios (1984-1990) and the Malta Development Corporation (1997-1998). He has been Honorary Consul of Iceland since 1978. He also served as a Director on the Board of Plaza Centres p.l.c, Allcom Limited, Technical and Management Services Limited, Datatrak Holdings p.l.c, Datatrak Systems Limited, Datastream Limited, and Maltacom p.l.c. He is currently also inter alia Director of Mizzi Associated Enterprises and President of Mizzi Organisation and of the Maltese Chinese Chamber of Commerce.

Mr. Mark Portelli

Mr. Portelli has been a Director of the Bank since April 2008. A graduate in Economics from the University of Manchester and a member of the Institute of Chartered Accountants in England and Wales. He has served as Executive Chairman of Malta Freeport Corporation between 2002 and 2013 and as Chairman of the Grand Harbour Regeneration Corporation and Transport Malta between 2007 and 2013. He is currently employed as Chief Executive Officer of MIDI p.l.c. and he serves as a non-executive director of a number of companies.

5.3 Senior Management

The Bank’s senior management team is comprised primarily of the following Chief Officers:

| | |
|----------------------------|---|
| Mr. Michael Anthony Collis | Chief Executive Officer and Managing Director |
| Ms. Maruska Buttigieg Gili | Chief Risk Officer |
| Mr. Mark Micallef | Chief Finance Officer |
| Mr. George Debono | Chief Commercial Officer |
| Dr. Jean Noel Cutajar | Chief Legal Officer |

5.4 Curriculum Vitae of the Senior Management

Mr. Michael Anthony Collis

Please refer to Mr. Collis’ curriculum vitae in Section 5.2.

Ms. Maruska Buttigieg Gili

Ms. Buttigieg Gili joined the Bank at its inception, setting up the Bank’s Compliance and Internal Audit functions. She also occupied the roles of Money Laundering Reporting Officer and Compliance Officer. Subsequently, she was appointed Head of the Internal Control Department responsible for the Legal and Compliance Unit, the Risk Control and Oversight Unit and the Credit Analysis Unit. Prior to joining the Bank, Ms. Buttigieg Gili worked at the Central Bank of Malta for over 12 years. During this period, she occupied various positions within the Bank’s Human Resources and Economic Statistics departments. She represented the Central Bank of Malta on various working groups of the European Central Bank in relation to statistics. Ms. Buttigieg Gili graduated in Financial Services (UMIST) and holds a Masters in Economics from the University of Malta.

Mr. Mark Micallef

Mr. Micallef was Deloitte Malta's Banking Advisory Leader, his specialist areas being banking risk, regulation, strategy and finance. Throughout his career, Mr. Micallef has assisted banks and prudential regulators on various exercises ranging from risk governance and business strategy to supervisory credit risk and asset quality reviews. Mr. Micallef's auditing experience extends from Malta across international borders within the European market, such as the UK, Germany, Slovenia and Bulgaria. An auditor by profession, Mark is a Malta CPA warrant holder and a fellow member of the Association of Chartered Certified Accountants. In the role of Chief Finance Officer, Mr. Micallef is responsible for the financial governance of the Bank together with statutory and reporting, management reporting, budgets and forecasts, investment appraisal, taxation and investment operations.

Mr. George Debono

Mr. Debono has more than 20 years' experience in the financial services industry, during which he occupied senior management roles, predominantly within HSBC's Commercial Banking, Retail Banking and Risk. In 2010, Mr. Debono was entrusted with the establishment and management of HSBC Malta's first Premier Centre. Subsequently, he held various senior roles within HSBC's Commercial Banking, heading its International Banking Unit, Mid-Market Enterprises and Corporate Real Estate and Hotels. In the role of Chief Commercial Officer at the Bank, Mr. Debono leads the Commercial Banking Department, Business Development Department, Treasury and International Banking Unit. Mr. Debono holds a Masters Degree with Distinction in International Banking and Finance from the University of Salford, Manchester, taught by Robert Kennedy College, Switzerland.

Dr. Jean Noel Cutajar

Dr Cutajar is a lawyer by profession with his areas of expertise being focused on banking, finance and corporate law. Further to obtaining his Doctorate of Laws from the University of Malta in 2010, Dr Cutajar also attained a Masters in Laws degree specializing in banking and finance from the University of London in 2017.

Throughout his career Dr Cutajar advised a variety of corporate clients, and occupied the position of company secretary for various companies. Dr Cutajar held various roles at the Central Bank of Malta and HSBC Bank Malta p.l.c, amongst others. Currently, Dr Cutajar also heads the Bank's Legal Department and is a visiting lecturer at the University of Malta.

5.5 Conflicts of Interest

As at the date of this Prospectus, the Bank has identified and manages the following roles which may give rise to conflicts of interest:

- i. Sheikh Mohamed Faisal Q.F. Al Thani (Non-Executive Director and Deputy Chairperson of the Bank) and Sheikh Turki Faisal Q.F. Al Thani (Non-Executive Director of the Bank) have an indirect minority ownership interest in the Bank's controlling shareholder, being JUD Investment Group Limited, which is a subsidiary of Al Faisal International.
- ii. Furthermore, certain Directors of the Bank occupy senior positions with and/or hold ownership interests in, third party companies which are customers of the Bank and which have substantial loan facilities with the Bank. These relationships may potentially give rise to conflicts between each of their respective positions as Directors of the Bank and their potentially diverging interests in the said third party companies.

Save for the above, there are no other identified conflicts of interest between the duties of the Directors or the members of the senior management team towards the Bank and their private interests and/or other duties.

The Corporate Governance Code requires Directors to avoid conflicts of interest and provides that they must act in the interest of the Bank and its shareholders as a whole irrespective of which shareholder nominated him/her to the Board.

This notwithstanding, actual or potential conflicts of interest may arise from time to time, in which case it needs to be ensured that these are managed properly by the Board and the interested Director. In such instances, actual or potential conflicts will be managed in the best interests of the Bank in accordance with the procedures set out in the Bank's conflicts of interest policy and the procedures set out in the Articles of Association. In this regard, Directors

are required to inform the Board of any matter that may result or has already resulted in a conflict of interest. A record of such declaration is entered into the Bank's minute book and the said Director is precluded from voting in any resolution concerning a matter in respect of which he/she has declared a direct or indirect interest or asked to absent himself/herself when the conflicting matter is discussed.

5.6 Committees

In order to provide effective oversight and leadership, the Board has established a number of Board Committees each of which with its own particular responsibilities.

5.6.1 Board Committees

Board Committees are composed entirely of Directors. Each Board Committee has its own terms of reference, setting out the Board Committee's mandate, scope and working procedure. Minutes are kept of all the business transacted in the course of Committee meetings. All Directors have access to Board Committee papers and minutes, which are also tabled at Board meetings. Board Committee Chairs report on Board Committee business at the subsequent Board meetings, also through written briefs. Below are descriptions of the functions of each Board Committee and of the composition thereof as at the date of this Prospectus.

Audit Committee

The Audit Committee is responsible for monitoring the financial reporting process in order to ensure the integrity of the Bank's financial statements. Furthermore, the Audit Committee reviews and reports on estimates and judgments in the Bank's financial information, and on any significant financial reporting issues. The Audit Committee advises the Board on whether the annual report and accounts of the Bank are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Bank's performance, business model and strategy.

The Audit Committee, through its review and assessment of the work of the internal auditor, provides information, direction and recommendations to the Board about the operation of controls implemented by management as well as their completeness and effectiveness. The Audit Committee also reviews and monitors management's actions and timeliness in addressing control weaknesses, non-compliance with laws, regulations and policies, and any matters identified by internal and external auditors. The Audit Committee follows closely correspondence with regulators and management actions.

The Bank's internal audit function reports specifically and exclusively to the Audit Committee. The Audit Committee frames the policy on internal audit, and subsequently monitors and reviews the effectiveness, independence and objectivity of the Bank's internal audit function.

Furthermore, the Audit Committee oversees the Bank's relationship with the external auditors and assesses the effectiveness of the external audit process. It makes recommendations to the Board regarding the appointment of the Bank's external auditors, their remuneration and terms of engagement.

The Audit Committee also oversees the function of the Bank's Whistleblowing Reporting Officer and the effectiveness of the Bank's whistleblowing procedures.

The Audit Committee is made up of three non-executive Directors appointed by the Board, the majority of which are independent. The Committee as a whole has competence relevant to the sector/s which the Bank operates in, and all members of the Committee have significant recent and relevant experience in financial reporting, auditing and/or accounting.

The Audit Committee is composed of the following members:

- Mr. Mario Galea - Chairperson
- Mr. Mark Portelli
- Mr. Paul M. Johnson

The Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer, the Whistleblowing Reporting Officer and representatives of the Bank's External Auditors attend the Audit Committee meetings by invitation. The Head of Internal Audit Function also attends the meetings of the Audit Committee. The Audit Committee follows closely correspondence with regulators and management actions.

Various one-to-one meetings are also held regularly between the Chairperson of the Audit Committee and members of Management.

Mr. Mario Galea and Mr Mark Portelli are the Audit Committee members who are competent in accounting and auditing.

Risk Committee

The Risk Committee monitors and reviews risk exposure, and management's risk processes and strategies. Any risk identified falls within one of the following categories: (i) financial risk; (ii) market risk; (iii) credit risk; (iv) operational risk (including relating to the prevention of money laundering and funding of terrorism); and (v) reputational risk.

The Risk Committee recommends the risk appetite framework in line with the Bank's strategy, and regularly reviews the Bank's risk profile taking into account the current and prospective macroeconomic, macro-prudential and financial environment. Risk strategies are discussed on both an aggregate basis, as well as by type of risk. The Risk Committee follows closely correspondence with regulators and management actions.

The Risk Committee reviews and considers reports from the Risk Management, Financial Crime Compliance and Regulatory Compliance functions to ensure good standing of the Bank's risk profile, risk culture, risk appetite and limits, and risk mitigation plans.

The Risk Committee reviews and advises the Board on the liquidity adequacy assessment and internal capital adequacy assessment process (such as the Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP)), and endorses statements in relation to risks in the annual report. Furthermore, the Risk Committee actively participates in the annual review of the Bank's Business Risk Assessment and in the review of policies relating to the prevention of money laundering and funding of terrorism. The Risk Committee advises and where necessary, updates and approves, any recommendations of the Audit Committee to the Board, relating to any financial or operational risk policy statements required by law or regulation.

The Risk Committee is made up of three non-executive directors whose combined skills are sufficient to address all the above risk categories.

The Risk Committee is composed of the following members:

- Ms. Juanita Bencini - Chairperson
- Mr. Mario Galea
- Mr. Charles Borg

The Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer, the Head of Risk Function and the Head of Financial Crime Compliance Function/Money Laundering Reporting Officer attend meetings of the Risk Committee by invitation.

Numerous one-to-one meetings are also held regularly between the Chairperson of the Risk Committee and members of Management, the Head of Risk Function, the Compliance Officer and the Bank's Money Laundering Reporting Officer.

Compensation and Nomination Committee

The Compensation and Nomination Committee, which is equivalent to a remuneration and nomination committee, is responsible for reviewing the remuneration policy of the Bank and for making any recommendations as the Committee deems appropriate in light of the general strategic interests of the Bank and regulations. The Compensation and Nomination Committee (a) sets the over-arching principles and parameters of the remuneration policy; (b) considers and approves remuneration arrangements of senior executives and highly paid persons; (c) monitors and reviews remuneration paid to the Chairperson and other members of the Board, and makes recommendations to shareholders in general meetings; (d) approves annual pay increases and bonuses as recommended by management; (e) oversees any remuneration matters; and (f) exercises the functions of a Board Nomination Committee.

The Compensation and Nomination Committee is composed of the following members:

- Mr. Paul Mark Johnson – Chairperson
- Dr. Michael Frendo
- Mr. Kenneth Mizzi

Credit Approval Committee

The Credit Approval Committee is responsible for assessing credit facilities and taking credit decisions within certain monetary and risk bands. It also makes recommendations to the Board on credit facilities which exceed its upper discretionary threshold.

The Credit Approval Committee is made up of three directors appointed by the Board with experience in credit.

The Credit Approval Committee is composed of the following members:

- Mr. Charles Borg – Chairperson
- Mr. Michael Anthony Collis
- Mr. Mark Portelli

The Chief Commercial Officer, the Head of Credit Analysis Function and senior representatives of the Bank's Commercial Function attend the Credit Approval Committee meetings by invitation.

Executive Committee

The Executive Committee is composed of five members, the Chief Executive Officer, the Chief Risk Officer, the Chief Financial Officer, the Chief Commercial Officer and the Chief Legal Officer.

Formulation of risk strategies and risk profiles, including policies conducive to the achievement of organisational goals, are the responsibility of the Executive Committee, however implementation is delegated to the Departmental Heads through a formally documented organisational structure with clear and transparent demarcation of functional responsibilities. The Executive Committee is also responsible for assessing credit facilities and taking credit decisions as prescribed in the Bank's credit policy. Various senior members of the Bank's management attend the meetings of the Executive Committee by invitation.

The Executive Committee has established a number of management committees within the Bank, as detailed in Section 5.6.2.

5.6.2 Management Committees

The Bank has also established a number of management committees, which report directly to the Executive Committee, namely the Investments Committee, the Credit Committees (the latter three committees all reporting to the Executive Committee), the Assets & Liabilities Committee, the Products Oversight Committee and the Environmental, Social and Governance Committee. The various management committees are made up entirely of members of the senior management team and other senior executives of the Bank. Each management committee has its own terms of reference, setting out the committee's mandate, scope and working procedure. Minutes are kept of all the business transacted in the course of committee meetings. All Directors have access to management committee papers and minutes.

Investments Committee

The Investments Committee meets with the aim to discuss the investment strategy and specific investments for the Bank's proprietary portfolio. The objective of the Committee is to achieve returns for the Bank in line with the Bank's liquidity; capital adequacy; risk and profitability goals.

The Investments Committee meets at least once every two months. It includes Members of the Executive Committee and the Head of Treasury Function.

Credit Committees

The Credit Committees are responsible for assessing credit facilities and taking credit decisions within certain monetary and risk bands. The Committees are coordinated at three different levels, each assigned a sanctioning limit under which they operate. If a divergence in the respective committee level exist, the lending decision would need to be taken one authorisation level upwards.

The Credit Committees meet as frequently as necessary and comprise of officials from the Commercial Function and the Credit Analysis Function. Each Credit Committee is chaired by a member of the Credit Analysis Function.

Assets and Liabilities Committee

The Assets and Liabilities Committee (ALCO) meets on a monthly basis to analyse financial information and to assess the impact that the various types of risks arising from changes in interest rates, exchange rates and the market, have on the profitability of the Bank and the various other components of the financial statements. This Committee also monitors the commercial activity of the Bank, reviews risks to liquidity and capital, and plays a vital role in the management and mitigation of the same risks.

The ALCO is made up of the Members of the Executive Committee, the Head of the Treasury Function, the Head of the Business Development Function, the Head of the Retail Banking Function, the Head of Corporate Banking Function, the Head of Financial Management Function and the Head of Risk Function. Other Bank officials may be invited to attend meetings depending on the agenda to be discussed or when determined by the Committee.

The Products Oversight Committee

The Products Oversight Committee's main purpose is that of discussing and implementing projects in relation to new products, new services, channels and/or changes to existing products.

The Committee is made up of senior members from a number of functions, mainly Business Development, Corporate Banking, Retail Banking, Financial Crime Compliance, Regulatory Compliance, Risk, Credit Operations, Credit Analysis, Financial Management, Treasury, Information Technology, Legal Function and the Business Analysis. The Business Development function is responsible for the chairing and steering of this Committee.

Environmental, Social and Governance Committee

The Environmental, Social and Governance Committee (ESG) meets frequently and at least on a quarterly basis to propose the Bank's ESG practices and strategies, identify and rank ESG risks that are likely to affect the operation of the Bank, monitor external ESG trends, report to the Executive Committee current and emerging topics relating to ESG matters and propose content on ESG related areas.

The committee also provides or coordinate ESG related training to members of staff, including the Executive Committee and the Board of Directors and makes recommendations to the Executive Committee on the required budget of ESG related activity.

The ESG Committee is made up of, the Chief Risk Officer, the Chief Commercial Officer, the Head of Risk, the Head of Financial Management, the Head of Business Development, the Head of Corporate Services, and the Co-Ordinator of Governance and Processes. Other Bank officials may be invited to attend meetings depending on the agenda to be discussed or when determined by the Committee.

5.7 Compliance with Corporate Governance Requirements

As previously mentioned, although the Corporate Governance Code did not apply to the Bank prior to the date of this Prospectus, the Bank has, to date, voluntarily chosen to comply with the said Corporate Governance Code in order to ensure that it upholds the highest levels of corporate governance. In this respect, the Bank declares its full support for the Corporate Governance Code and undertakes to continue complying with the Corporate Governance Code to the extent that this is considered complementary to the size, nature, and operations of the Bank. The Bank shall also, on an annual basis in its annual report, detail the level of the Bank's compliance with the principles of the Corporate Governance Code, explaining the reasons for non-compliance, if any. As at the date of this Prospectus, the Board considers the Bank to be in compliance with the Corporate Governance Code, save for the following exceptions:

Principle 4 (The Responsibilities of the Board), specifically provision 4.2.7 which provides that the Board should develop a succession policy for the future composition of the Board and particularly the executive component thereof, for which the Chairperson should hold key responsibility.

When carrying out the Board suitability assessment, the Bank's Compensation and Nomination Committee (being one of the Board committees detailed in Section 5.6.1), considers the results of the suitability assessment and makes appropriate recommendations to the Board, to maintain the appropriate balance of knowledge, skills and experience on the Board. Any gaps in knowledge, skills and experience on the Board are identified by the Compensation and Nomination Committee. The Compensation and Nomination Committee puts forward recommendations to the Board on how any identified gaps are to be addressed.

The Board Suitability Policy also sets out that the Compensation and Nomination Committee is to keep under review the leadership needs of the Bank, and on an annual basis consider the adequacy of succession of key positions and roles.

6. Use of Proceeds and other Key Information

6.1 Use of Proceeds

The net proceeds from the Bond issue, which net of Bond Issue expenses are expected to amount to approximately €14,670,000 (or up to €19,600,000 in the event of the exercise of the Over-Allotment Option in full by the Bank), will make up a fundamental part of the Bank's capital plan that will qualify as Tier 2 Capital in terms of the CRR, and will be used by the Bank to sustain its medium-term growth strategy.

6.2 Estimated Expenses and Proceeds of the Bond Issue

The Bond Issue will involve expenses, including professional fees and costs related to publicity, advertising, printing, listing, registration, sponsor, management, selling commission and other miscellaneous costs incurred in connection with this Bond Issue. Such expenses are estimated to add up to €330,000 (or €400,000 in the event of the exercise of the Over-Allotment Option in full) and will be borne by the Bank. The amount of the expenses will be deducted from the proceeds of the Bond Issue, which, accordingly, will result in estimated net proceeds from the Bond Issue of €14,670,000 (or up to €19,600,000 in the event of exercise of the Over-Allotment Option in full). There is no particular order of priority with respect to such expenses.

6.3 Overview of the Bond Issue

The following is a brief overview of certain terms and conditions of the Bond Issue and of the Bonds. For a full description of the terms and conditions of the Bond Issue and of the Bonds this Section 6 should be read in conjunction with the rest of this Prospectus, particularly Section 7 (*Terms and Conditions of the Bond Issue*) and Section 8 (*Terms and Conditions of the Bonds*). Any decision to invest in the Bonds should be based on a consideration of this Prospectus as a whole.

| | |
|-------------------------------|--|
| Securities: | Unsecured subordinated callable bonds; |
| Amount: | €15,000,000, (or up to €20,000,000 in the event that the Bank exercises the Over-Allotment Option in full); |
| Over-Allotment Option: | The Bank may opt to increase the aggregate amount (in Nominal Value) of Bonds issued by (and up to) an additional €5,000,000, up to a maximum aggregate amount of €20,000,000, in the event of an over-subscription by Applicants; |
| Nominal Value: | €100 per Bond; |
| Denomination: | Euro (€); |
| ISIN: | MT0002581206; |

| | |
|-------------------------------------|---|
| Issue Price: | At Nominal Value (€100 per Bond); |
| Minimum Subscription Amount: | €10,000 and in multiples of €100 thereafter; |
| Offer Period: | The period between 09:00 CET on 7 July 2022 and 17:00 CET on 22 July 2022 (or such earlier date as may be determined by the Bank) during which the Bonds are available for subscription; |
| Transferability: | The Bonds shall be freely transferable; |
| Plan of Distribution: | A total amount of €5,615,000 (in Nominal Value) of Bonds has been pre-allocated to Authorised Intermediaries and other third party investors. Those Bonds that have not been so pre-allocated are open for subscription by all categories of investors, subject to the provisions of Section 7.4 of the Prospectus, through Authorised Intermediaries, who may subscribe either for their own account or for the account of their underlying clients; |
| Issue Date: | 29 July 2022; |
| Interest: | 4.5% per annum; |
| Interest Payment Dates: | 29 July of each year (including 29 July 2023, being the first interest payment date) and the Maturity Date (or if any such date is not a Business Day, the next following day that is a Business Day); |
| Maturity Date: | 29 July 2032; |
| Early Redemption Date: | Each of the 5th, 6th, 7th, 8th and 9th anniversaries of the Issue Date, subject to MFSA approval and subject to the Bank giving the Bondholders at least 30 days' notice in writing; |
| Redemption Amount: | Nominal Value together with accrued and unpaid interest up to the relevant Early Redemption Date or Maturity Date, as applicable; |
| Listing: | The Competent Authority has approved the Bonds for admissibility to listing and subsequent trading on the Official List of the MSE. An application has been made to the MSE for the bonds to be listed and traded on the Official List; |
| Form: | The Bonds will be issued in fully registered and dematerialised form and represented in uncertificated form by the appropriate entry in the CSD Register; |
| Status: | The Bonds (their repayment and the payment of interest thereon) shall constitute the general, direct, subordinated, unsecured and unconditional obligations of the Bank to the Bondholders, and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves; |
| Underwriting: | The Bond Issue will not be underwritten; |
| Governing Law of Bonds: | Maltese law; |
| Jurisdiction: | The Maltese Courts. |

6.4 Interests of Persons Involved in the Bond Issue

Other than the possible subscription for Bonds by Authorised Intermediaries (which include the Sponsor) and any fees payable to the various professional advisors and service providers in connection with the Bond Issue, the Bank is not aware of any person involved in the Bond Issue that has a material interest in the Bond Issue.

7. Terms and Conditions of the Bond Issue

7.1 Expected Timetable of the Bond Issue

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|--|----------------|
| Pre-Allocation Payment Date: | 04 July 2022 |
| Opening of Offer Period (Intermediaries' Offer): | 07 July 2022 |
| Closing of Offer Period (Intermediaries' Offer): | 22 July 2022 |
| Announcement of Intermediaries' Offer results: | 27 July 2022 |
| Issue Date: | 29 July 2022 |
| Commencement of interest on the Bonds: | 29 July 2022 |
| Expected date of admission of the Bonds to listing: | 29 July 2022 |
| Expected date of commencement of trading of the Bonds: | 01 August 2022 |

Subject to the Bank's right to exercise the Over-Allotment Option, the Bank reserves the right to close the offer of Bonds prior to the end of the Offer Period in the event that the Bonds are fully subscribed prior to such date and time, in which case the events set out in steps 3 to 9 above shall be brought forward (although the number of Business Days between each of these events is not expected to be varied).

7.2 General Terms and Conditions

The Bond Issue, the listing of the Bonds on the Official List and the publication of the Prospectus were authorised by a resolution of the Board passed on 9 June 2022. Application has been made to the MSE for the Bonds to be listed and traded on the Official List.

The Bonds are being issued at their Nominal Value (€100 per Bond) subject to a maximum aggregate principal amount of the Bonds that may be issued not exceeding €15,000,000 (or up to €20,000,000 in the event that the Bank exercises the Over-Allotment Option in full). Authorised Intermediaries who shall be subscribing to Bonds pursuant to subscription agreements (as described in Section 7.5 below) shall be doing so for their own account and/or for the account of their underlying clients, subject to a minimum subscription amount of €10,000 in Nominal Value of Bonds (and in multiples of €100 thereafter) in relation to each underlying client.

The issue and allotment of the Bonds is conditional *inter alia* upon: (a) a minimum aggregate subscription amount of €10,000,000 and (b) the approval by the MSE of the Bank's application for the Bonds to be admitted to the Official List.

In the event that any of these conditions is not satisfied by the close of the Offer Period, the Bond Issue will be withdrawn or revoked unilaterally by the Bank.

The Bank also reserves the right to withdraw the offer of Bonds prior to the Issue Date for reasons beyond its control, such as extraordinary events, substantial change of the political, financial, economic, legal, monetary or market conditions at national or international level and/or adverse events regarding the financial or commercial position of the Bank and/or other relevant events that in the reasonable discretion of the Bank may be prejudicial to the offer.

In the event of a revocation of the Bond Issue or withdrawal of the offer of the Bonds as aforesaid, any application monies received by or on behalf of the Bank will be returned without interest (through the Registrar and/or the Authorised Intermediaries, as applicable) by direct credit into the Applicant's bank account indicated by the Applicant in the relative Application. If no such bank account number is provided, or in the event that bank account details in

the Application are incorrect or inaccurate, such returns will be made by means of a cheque mailed to the Applicant's address (or, in the case of joint Applications, the address of the first named Applicant) indicated in the Application.

The Bond Issue is not underwritten. In the event that the Bond Issue is not fully subscribed the Bank will, subject to a minimum aggregate subscription amount of €10,000,000, proceed with the listing of the amount of Bonds subscribed for.

Dealings in the Bonds shall not commence prior to the Bonds being admitted to the Official List of the MSE.

7.3 Terms and Conditions of Application

7.3.1

Applications for subscriptions to the Bonds may be made through the Authorised Intermediaries (including the Sponsor) during the Offer Period. The Offer Period shall close immediately upon attaining full subscription or at the end of the Offer Period, whichever is the earliest. Applications must be accompanied by the full price of the Bonds applied for in Euro and in cleared funds at the Issue Price. If the Application(s) and proof of payment of cleared funds do not reach the Registrar by the close of the Offer Period, the Application will be deemed to have been declined.

7.3.2

Applications shall be subject to a minimum subscription amount of €10,000 in Nominal Value of Bonds (and in multiples of €100 thereafter) in relation to each underlying client to which an Application relates.

7.3.3

The contract created by the Bank's (or an Authorised Intermediary's) acceptance of an Application shall be subject to the terms and conditions set out in this Prospectus as well as the Terms and Conditions.

7.3.4

If the subscription is made on behalf of another person, legal or natural, the person making such subscription will be deemed to have bound that person and will be deemed also to have given the confirmations, warranties, and undertakings contained in these terms and conditions on their behalf. Such Applicant 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 or the relevant Authorised Intermediary, as applicable.

7.3.5

In the case of joint Applicants, reference to the Bondholder in the Application and in this Prospectus is a reference to each Bondholder, and liability thereof is joint and several. In respect of a Bond held jointly by several persons, the joint holders shall nominate one of their numbers as their representative and his/her name will be entered in the CSD Register with such designation. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond so held. In the absence of such nomination and until such nomination is made, the person first named in the CSD Register in respect of such Bond shall, for all intents and purposes, be deemed to be the registered holder of the Bond so held.

7.3.6

In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the CSD Register. The usufructuary shall, for all intents and purposes, be deemed vis-à-vis the Bank to be the holder of the Bond so held and shall have the right to receive interest on the Bond and to vote at meetings of Bondholders, but shall not, during the continuance of the Bond, have the right to dispose of the Bond so held without the consent of the bare owner.

7.3.7

Any Bonds held by minors shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents/legal guardian/s 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. This is provided that the Bank has been duly notified in writing of the fact that the minor has attained the age of 18 years.

7.3.8

Legal entities, including corporates or corporate entities or association of persons, applying for the Bonds need to have a valid Legal Entity Identifier ("LEI") which needs to be valid and unexpired, at least, until the admission to listing of the Bonds. Without a valid LEI, the Application will be cancelled by the Registrar and/or the Authorised Intermediary (as applicable) and subscription monies will be returned to the Applicant.

7.3.9

No person receiving a copy of the Prospectus in any territory other than Malta may treat the same as constituting an invitation or offer to such person, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person without contravention of any registration or other legal requirements. It is the responsibility of any person outside Malta wishing to subscribe for the Bonds to satisfy himself/herself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

7.3.10

It shall be incumbent on the respective Authorised Intermediaries to ascertain that all other applicable regulatory requirements relating to the subscription of the Bonds by an Applicant are complied with, including without limitation, the obligation to comply with all anti-money laundering and counter-terrorist financing rules and regulations, all applicable requirements of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (MiFIR) as well as the applicable MFSA Conduct of Business Rules and MFSA rules for investment services providers.

7.3.11

For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations (Subsidiary Legislation 373.01 of the laws of Malta), as amended from time to time, all appointed Authorised 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 "Members' Code of Conduct" appended as Appendix 3.6 to Chapter 3 of the MSE Bye-Laws. Furthermore, such information shall be held and controlled by the MSE in terms of the Data Protection Act and/or the GDPR, each as amended from time to time, for the purposes, and within the terms of the MSE's Data Protection Policy as published from time to time.

7.3.12

Subject to all other terms and conditions set out in this Prospectus, the Bank or the Registrar (acting on the Bank's behalf) reserves the right to reject, in whole or in part, or to scale down, any Application, for any reason whatsoever, including but not limited to multiple or suspected multiple Applications or any Application which in the opinion of the Bank or the Registrar (acting on the Bank's behalf) is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Both original and electronic copies of Applications submitted to the Bank by Authorised Intermediaries will be accepted.

7.3.13

By submitting a completed and signed Application, any 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 Bank and the issue of the Bonds contained therein;
- b. acknowledges the processing of any personal data for the purposes specified in the privacy policy published by the Bank, which is available on the Bank's website at <https://www.bnf.bank/>. The Applicant hereby acknowledges that the processing of personal data may validly take place, even without the Applicant's consent, in the circumstances set out in the GDPR and the Data Protection Act and any applicable subsidiary legislation, as may be amended from time to time. The Applicant hereby confirms that he/she/it has been provided with and read the privacy policy;

- c. warrants that the information submitted by the Applicant when subscribing for the Bonds is true and correct in all respects. All Applicants must have a valid MSE account number that will be used for the purposes of registering the Bonds by the CSD. In the event of a discrepancy between the details provided by the Applicant and those held by the MSE in relation to the MSE account number indicated by the Applicant, the details held by the MSE shall be deemed to be the correct details of the Applicant;
- d. authorises the Bank (or its service providers, including the CSD and/or the Registrar) and/or the relevant Authorised Intermediary, as applicable, to process the personal data provided by the Applicant, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act and the GDPR. The Applicant has the right to request access to and rectification of the personal data relating to him/her in relation to the Bond Issue. Any such requests must be made in writing and addressed to the Bank and sent to the CSD at the MSE. The requests must be signed by the Applicant to whom the personal data relates;
- e. confirms that in making such Application, no reliance was placed on any information or representation in relation to the Bank or the Bond Issue other than what is contained in this Prospectus and accordingly agree/s that no person responsible solely or jointly for this Prospectus or any part thereof will have any liability for any such other information or representation;
- f. agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her remittance and any verification of identity as required by the PMLA, and that such monies will not bear interest;
- g. agrees to provide the Authorised Intermediary, Sponsor, Registrar and/or the Bank, as the case may be, with any information which it/they may request in connection with the Application;
- h. warrants, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his/her Application in any territory, and that the Applicant has not taken any action which will or may result in the Bank, Authorised Intermediary, the Registrar or the Sponsor, as applicable, acting in breach of the regulatory or legal requirements of any territory in connection with the Bond Issue and/or his/her Application;
- i. warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
- j. represents that s/he 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 or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
- k. agrees that the advisors to the Bank in relation to the Bond Issue will owe the Applicant no duties or responsibilities concerning the Bonds or their suitability for the Applicant;
- l. agrees that all documents in connection with the issue of the Bonds will be sent at the Applicant's own risk to the address indicated by the Applicant in its Application; and
- m. renounces to any rights the Applicant may have to set off any amounts the Applicant may at any time owe the Bank against any amount due under the terms of these Bonds.

7.4 Distribution to Retail Clients

The Bonds are complex investment products, including as a result of their subordination, callability and the potential resolution action which may be taken in respect thereof.

The Bonds are open for subscription to all categories of investors, provided that an Authorised Intermediary may only distribute the Bonds to Retail Clients when providing them with investment advisory or portfolio management services, and therefore subject to a Suitability Test to be performed in respect of such Applicants. An Authorised Intermediary shall not accept an application from a Retail Client unless it is satisfied, based on the results of such Suitability Test, that an investment in the Bonds is suitable for the Applicant.

A similar requirement exists in respect of acquisitions of Bonds on the secondary market whereby, investment services license holders must ensure that Bonds are only sold to Retail Clients if they are satisfied, based on the results of a Suitability Test, that an investment in the Bonds is suitable for the said Retail Client. The requirement to carry out a Suitability Test arises irrespective of the investment service being provided i.e. both for advisory and non-advisory investment services.

For the purpose of this Prospectus, the term "Suitability Test" means the process through which an Authorised Intermediary providing investment advice or portfolio management services in relation to the subscription for the Bonds obtains such information from the Applicant as is necessary to enable the Authorised Intermediary to recommend to or, in the case of portfolio management, to effect for the Applicant the investment service in the Bonds that are considered suitable for him/her, in accordance with the Conduct of Business Rulebook. The information obtained pursuant to this test must be such as to enable the Authorised Intermediary to understand the essential facts about the Applicant 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 (including risk tolerance) of the Applicant;
- b. it is such that the Applicant is able financially to bear any related investment risks consistent with investment objectives of such Applicant; and
- c. it is such that the Applicant has the necessary experience and knowledge in order to understand the risks involved in the transaction or in the management of his portfolio.

7.5 Plan of Distribution and Allotment

7.5.1 Pre-Allocation and Intermediaries' Offer

The Bonds will be distributed and are open for subscription as follows:

(1) The Bank, together with the Registrar, have entered into Pre-Allocation Agreements with a number of Authorised Intermediaries and other third party investors in advance of the Offer Period, pursuant to which the Bank bound itself to allocate a total amount of €5,615,000 (in Nominal Value) of Bonds to such Authorised Intermediaries and third party investors. Payment for these Bonds must be received by the Registrar in cleared funds by the Pre-Allocation Payment Date; and

(2) The remaining balance of €14,385,000 (in Nominal Value) of Bonds (including the additional €5,000,000 in Nominal Value that may be issued if the Over-Allotment Option is exercised in full) is open for subscription by all categories of investors including the general public and will be distributed by the Authorised Intermediaries participating in the Intermediaries' Offer, subject to the provisions of Section 7.4.

Authorised Intermediaries subscribing for Bonds may do so for their own account or for the account of their underlying clients, and shall in addition, be entitled to distribute any portion of the Bonds subscribed to their underlying clients upon commencement of trading or instruct the Registrar to issue a portion of the Bonds subscribed by them directly to their underlying clients. In any case, subscriptions and allocations shall be subject to a minimum Application and allocation of €10,000 in Nominal Value of Bonds to each underlying client of the Authorised Intermediaries.

For all intents and purposes, prospective investors should note that the Bank will not fund, whether directly or indirectly, any subscription for Bonds.

In the event of an over-subscription of the Bonds, the Bank may, at its sole discretion, elect to exercise the Over-Allotment Option in whole or in part and allocate, in accordance with the allocation policy described in Section 7.6 below, up to an additional €5,000,000 (in Nominal Value) of Bonds to all Applicants in respect of any excess amounts subscribed by (but not allocated to) them.

7.5.1.1 Pre-Allocation Agreements

Each Pre-Allocation Agreement became binding on each of the Bank, the Registrar and the relevant Authorised Intermediary and/or third party investor upon signing, and is subject to the terms and conditions of the Bond Issue and the Terms and Conditions of the Bonds as set out in the Prospectus. The Registrar must receive payment of all subscription proceeds in cleared funds by the Pre-Allocation Payment Date. In terms of each Pre-Allocation Agreement, the Bank is conditionally bound to issue, and each Authorised Intermediary and/or third party investor is conditionally bound to subscribe for, the number of Bonds specified in the relevant Pre-Allocation Agreement subject to, among other things, the approval by the MFSA of this Prospectus and the admissibility of the Bonds to listing on the Official List and the Bonds being admitted to listing and trading on the Official List.

7.5.1.2 Intermediaries' Offer – Subscription Agreements

During the Offer Period, the Bank and the Registrar shall enter into conditional subscription agreements with each Authorised Intermediary for the subscription of Bonds, whereby the Registrar will bind itself to allocate the Bonds to the Authorised Intermediaries in accordance with the terms of such subscription agreements and the allocation policy described in Section 7.6 below.

In terms of each subscription agreement to be entered into with an Authorised Intermediary, the Bank will be conditionally bound to issue, and each Authorised Intermediary will be conditionally bound to subscribe for, such number of Bonds specified in the relevant subscription agreement subject to approval by the MSE of the Bank's application for the Bonds to be admitted to listing and trading on the Official List. Each subscription agreement will become binding on each of the Bank and the relevant Authorised Intermediary upon signing, subject to receipt by the Registrar of all subscription proceeds in cleared funds on delivery of the signed subscription agreement.

7.6 Allocation Policy

The Bank shall allocate the entirety of the Bonds, up to an aggregate amount of €15,000,000 (or €20,000,000 if the Over-Allotment Option is exercised in full), on the basis of the following policy:

(1) an amount of €5,615,000 (in Nominal Value) of Bonds shall be allocated to Authorised Intermediaries and/or third party investors pursuant to Pre-Allocation Agreements entered into with the Bank;

(2) the balance of the Bonds not subscribed for by way of Pre-Allocation Agreements shall be allocated to Authorised Intermediaries participating in the Intermediaries' Offer as described above, without priority or preference and in accordance with the allocation policy determined by the Bank in its sole discretion; and

(3) in the event of an over-subscription of the Bonds, the Bank may elect to exercise the Over-Allotment Option and allocate, in accordance with an allocation policy to be determined by the Bank, up to an additional €5,000,000 (in Nominal Value) of Bonds to Applicants in respect of any excess amounts subscribed by but not allocated to them under (2) above.

Upon listing of the Bonds, the Bank shall announce the results of the Bond Issue together with the allocation policy to be adopted, through a company announcement. It is expected that any allotment advice will be made available to Applicants by the CSD shortly after listing of the Bonds.

In the event that Applications exceed the amount available for subscription (€15,000,000 if the Bank elects not to exercise the Over-Allotment Option or €20,000,000 in the event that the Bank exercises the Over-Allotment Option in full), the Bank (and in turn, the Authorised Intermediaries) may be required to scale down Applications, subject to a minimum allocation of €10,000 in Nominal Value of Bonds for each underlying client of the Authorised Intermediaries, in accordance with the above-mentioned allocation policy adopted by the Bank (vis-à-vis the Authorised Intermediaries).

In this regard, subscription monies of any unsatisfied Applications, or part thereof, shall be returned by direct credit transfer to the relevant Authorised Intermediary to the account number indicated in the relevant subscription agreement within 5 Business Days from the announcement of the allocation policy. In view of the fact that prospective investors are required to subscribe to a minimum of €10,000 in Nominal Value of Bonds, the Bank (and in turn, the Authorised Intermediaries) may, in allocating the Bonds, resort to a ballot. As a result, Applicants are not guaranteed that they will be allocated any Bonds. The registration advice and other documents and any monies returnable to Applicants may be retained pending clearance of the remittance and any verification of identity as required by the PMLA. Such monies will not bear interest while retained as aforesaid.

8. Terms and Conditions of the Bonds

8.1 General

The Bank will issue the Bonds (ISIN:MT0002581206) on the Terms and Conditions as set out below, and all Applicants (or purchasers from time to time on the secondary market) of the Bonds are deemed to have knowledge, accept and be bound by the said Terms and Conditions.

In the event of any inconsistency or conflict between the provisions of these Terms and Conditions and any laws or regulations applicable to the Bank from time to time, such laws and regulations shall govern and control and these Terms and Conditions shall be construed accordingly.

8.2 Currency and Denomination, Form and Title

8.2.1 Currency and Denomination

The Bonds will be issued in Euro. The Nominal Value of each Bond (denomination per unit) will be €100 and the Bonds shall be fully paid up. The aggregate principal amount of Bonds that the Bank may issue pursuant to this Prospectus is €15,000,000, divided into 150,000 Bonds of €100 each (or, in the event that the Bank exercises the Over-Allotment Option, up to €20,000,000 divided into 200,000 Bonds of €100 each).

8.2.2 Form and Title

The Bonds are to be issued in fully registered and dematerialised form without coupons and are represented in uncertificated form by the appropriate entry in the CSD Register. There will be entered in the CSD Register, the names, addresses, identity card numbers (or details of some other official document, in the case of natural persons), registration numbers and LEI numbers (in the case of companies), and account details of the Bondholders and the particulars of the Bonds held by them respectively. Bondholders will also have, at all reasonable times during business hours, access to the CSD Register only in so far and for the purposes limited to the inspection of information held on their respective accounts. Each Bondholder consents to the Bank having a right to obtain, from the CSD Register, any available information on the Bondholders including contact details and their holdings of Bonds.

Certificates will not be delivered to Bondholders and title to the Bonds shall be evidenced by an electronic entry in the CSD Register. The CSD will issue, upon a request by a Bondholder, a statement of holdings to a Bondholder evidencing that Bondholder's entitlement to Bonds held in the CSD Register. Except as ordered by a court of competent jurisdiction or as required by law, the Bank shall be entitled to treat the person in whose name a Bond shall be registered in the CSD Register as the absolute owner thereof for the purpose of making payment and for all other purposes, regardless of any notice of any nominee relationship or trust.

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.

8.3 Status

The Bonds (their repayment and the payment of interest thereon) shall constitute the general, direct, subordinated, unsecured and unconditional obligations of the Bank to the Bondholders, and shall at all times rank *pari passu*, without any priority or preference among themselves.

In the event of the dissolution and winding up of the Bank, the claims of Bondholders in respect of the payment of capital and interest on the Bonds will have the ranking set out in the Ranking Legislation and will be subordinated to the claims of all depositors and other unsubordinated secured and unsecured creditors of the Bank, and will not be repaid until all other unsubordinated debt outstanding at the time has been settled in full. In addition, as per the said Ranking Legislation, to the extent that the Bonds qualify as Tier 2 Capital instruments, they shall also rank below other subordinated debt that does not qualify as Additional Tier 1 Capital or Tier 2 Capital.

In the event of a resolution of the Bank or in any other instances under applicable law, the Bonds are subject to conversion and/or write down by the applicable resolution authority as provided by law.

8.4 Limited Recourse / No Set-Off

Each Bondholder agrees that the only remedy available to the Bondholders in the case the non-performance by the Bank of any of its obligations or any other breach by the Bank of these Terms and Conditions (including the non-payment of interest and principal) shall be the right available to the Bondholders under applicable law to file an application in court for the dissolution and winding-up of the Bank in those instances set out by law.

Subject to applicable law, claims in respect of any Bonds may not be set-off, or be the subject of a counterclaim, by the relevant Bondholder against or in respect of any of its obligations to the Bank and every Bondholder waives, and shall be treated for all purposes as if it had waived, any right that it might otherwise have to set-off, or to raise by way of counterclaim any of its claims in respect of any Bonds, against or in respect of any of its obligations to the Bank. If, notwithstanding the preceding sentence, any Bondholder receives or recovers any sum or the benefit of any sum in respect of any Bonds by virtue of any such set-off or counterclaim, it shall hold the same on trust for the Bank and shall pay the amount thereof to the Bank or, in the event of the winding up of the Bank, to the liquidator of the Bank.

8.5 Acceleration Event

In the event that an extraordinary resolution passed at a general meeting for the dissolution, winding-up or liquidation of the Bank or an order by the applicable judicial authorities is made for the dissolution, liquidation, winding-up or insolvency of the Bank, the Bonds shall immediately become due and payable at their Nominal Value, together with interest accrued up to the date of repayment, if any, in accordance with the ranking established by law. Such an acceleration event shall be subject to any overriding provisions of the Recovery & Resolution Regulations and any other applicable law.

8.6 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 these Terms and Conditions; (ii) receive payment of capital and interest in accordance with the ranking as provided in these Terms and Conditions; and (iii) enjoy such other rights attached to the Bonds emanating from this Prospectus.

8.7 Interest

8.7.1 Interest Rate and Interest Payment Dates

Each Bond shall bear interest on its outstanding principal amount at a rate of 4.5% per annum from (and including) the Interest Commencement Date up to (but excluding) the Maturity Date. Interest shall be payable in arrears in Euro on each Interest Payment Date and on the Maturity Date. The first payment of interest shall be made on the first Interest Payment Date. In the event that any Interest Payment Date falls due on a day other than a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day.

8.7.2 Accrual of Interest

When interest is required to be calculated for any period of less than a full year, it shall be calculated on the basis of a 365-day year, and in the case of an incomplete month, the number of days elapsed. Interest shall cease to accrue on each Bond on the day preceding the Maturity Date unless payment of principal is improperly withheld or refused or unless the Bank defaults in respect of payment, in which event, interest shall continue to accrue at a rate of 4.5% per annum until the date of payment thereof.

8.8 Yield

The gross yield, calculated on the basis of the interest rate of the Bonds, the Issue Price, and the redemption value (at Nominal Value) of the Bonds is 4.5%. The table below illustrates the gross yield at each Early Redemption Date and on the Maturity Date:

| Redemption | Redemption Dates | Issue Price | Redemption Price | Yield to Call |
|------------------------|------------------|-------------|------------------|---------------|
| Early Redemption Dates | 29 July 2027 | €100 | €100 | 4.5% |
| | 29 July 2028 | €100 | €100 | 4.5% |
| | 29 July 2029 | €100 | €100 | 4.5% |
| | 29 July 2030 | €100 | €100 | 4.5% |
| | 29 July 2031 | €100 | €100 | 4.5% |
| Maturity Date | 29 July 2032 | €100 | €100 | 4.5% |

8.9 Payments

8.9.1

The Bank will discharge all of its payment obligations under the Bonds by making payments to the bank accounts of the Bondholders indicated in the CSD Register. Payments will be made only by bank transfer into the bank accounts of Bondholders that are provided in the relevant Application or as otherwise provided to the CSD. If no bank account number is provided, payments will be withheld (without interest) until a bank account number is provided. The Bank has no responsibility or liability for the records relating to, or payments made in respect of, holdings of Bonds through the CSD. The Bank shall not be responsible for any loss or delay in transmission or any charges in connection therewith.

8.9.2

Repayment of the principal amount of the Bonds will be made in Euro on the Maturity Date or an Early Redemption Date as the case may be by the Bank to the person in whose name such Bonds are registered as at the close of business on the Maturity Date, together with interest accrued up to (but excluding) the Maturity Date. The Bank shall not be responsible for any loss or delay in transmission. Upon repayment of the principal the Bonds shall be redeemed and the appropriate entry made in the CSD Register.

8.9.3

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 Bank/ 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.

8.9.4

Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business 15 days prior to the relevant Interest Payment Date. Such payment shall be effected within 7 days of the relevant Interest Payment Date. The Bank shall not be responsible for any loss or delay in transmission.

8.9.5

All payments with respect to the Bonds are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable fiscal or other laws and regulations prevailing in Malta. In particular, but without limitation, all payments by the Bank in respect of the Bonds may be made gross of any amount to be deducted or withheld for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed, collected, withheld, assessed or levied by or on behalf of the Government of Malta or any other authority thereof or therein having power to tax.

8.9.6

No commissions or expenses shall be charged by the Bank to Bondholders in respect of such payments. The Bank shall not be liable for charges, expenses and commissions levied by parties other than the Bank.

8.9.7

Any claim against the Bank by Bondholders in connection with all payments due to them in respect of the Bonds shall be prescribed (time-barred) upon the lapse of 5 years from the day on which an action in relation to the same can be exercised.

8.10 Redemption

8.10.1

Unless redeemed on an Early Redemption Date in accordance with the terms of this Section (or purchased and cancelled in accordance with Section 8.11 below), the Bonds shall be redeemed at their Nominal Value on the Maturity Date.

8.10.2

The Bank reserves the right to redeem the Bonds on any Early Redemption Date (or repurchase the Bonds in terms of Section 8.11 below), subject to obtaining the prior approval of the MFSA and provided that the Bank meets the requirements set out in article 78 of the CRR.

8.10.3

In order to redeem the Bonds on any Early Redemption Date, the Bank must also give the Bondholders at least 30 days' notice in writing, which notice shall be given in the manner set out in Section 8.15 below and by way of a Company Announcement published by the Bank. The notice of redemption shall be effective upon the date of publication of the aforementioned company announcement, shall be irrevocable and shall oblige the Bank to make, and the Bondholder to accept, such redemption on the date specified in the notice.

8.10.4

Each Bond may be redeemed only in whole and not in part and any partial redemption of the Bonds held by a Bondholder shall be made only in multiples of €100. Any redemption of the Bonds prior to the Maturity Date shall take place by payment of all principal together with interest accrued and unpaid on the Bonds being redeemed until the relevant Early Redemption Date.

8.11 Purchase and Cancellation

The Bank may purchase Bonds in the open market or otherwise and at any price at any time subject to the prior approval of the MFSA and either:

- i. following the fifth anniversary of the Issue Date and provided that the requirements of article 78(1) of the CRR are met; or
- ii. where the conditions set out in article 78(4) of the CRR are met.

All Bonds purchased by or on behalf of the Bank will be cancelled and may not be re-issued or re-sold. Any Bonds so surrendered for cancellation may not be reissued or resold and the obligations of the Bank in respect of any such Bonds shall be discharged.

8.12 Transferability

8.12.1

The Bonds are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in accordance with all applicable laws and the rules and regulations of the MSE.

8.12.2

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 Bank 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 executing to that person a transfer of the Bond.

8.12.3

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

8.12.4

The cost and expenses of effecting any trading or transfer in the Bonds on the MSE shall be at the charge of the Bondholder or at the charge of such person as the rules and regulations of the MSE may from time to time determine.

8.12.5

As the Bonds will be held at the CSD, investors will have to rely on its procedures for transfers. The CSD will not register the transfer or transmission of Bonds for a period of 15 days preceding the due date for any payment of principal or interest on the Bonds.

8.13 Further Issues

The Bank may from time to time, without the consent of the Bondholders, incur further debt or issue further bonds or other debt securities, either having the same terms and conditions as (and/or fungible with) any outstanding debt securities or upon such other terms and conditions as the Bank may determine at the time of their issue, including (but not limited to) bonds or other debt securities which are secured and/or have a prior ranking than the Bonds. Although the amount of Bonds that may be issued under this Prospectus is limited to €15,000,000 (or €20,000,000 if the Over-Allotment Option is issued in full), there is no other restriction on the amount of debt that the Bank may incur (whether through the issuance of debt securities or otherwise). Accordingly, the Bank may incur additional indebtedness (other than the indebtedness incurred in relation to the issue of the Bonds), which indebtedness may be secured by the whole or any part of its present or future, undertaking, assets or revenues without, the consent of the Bondholders, and which could rank ahead of the Bonds in the event of a dissolution and winding up of the Bank.

8.14 Meetings of Bondholders

8.14.1

The Bank 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.

8.14.2

A meeting of Bondholders shall be called by the Board by giving all Bondholders listed on the register of Bondholders as at a date being not more than 30 days preceding the date scheduled for the meeting, not less than 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 these Terms and Conditions 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 Bank 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 Bank has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this Section 8.14.2 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Bank.

8.14.3

The amendment or waiver of any of the provisions of these Terms and Conditions may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.

8.14.4

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 2 Bondholders present, in person or by proxy, representing not less than 50% in Nominal Value of the Bonds then outstanding, shall constitute a quorum. If a quorum is not present within 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 Bank shall, within 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 7 days, and not later than 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.

8.14.5

Any person who in accordance with the Articles of Association of the Bank is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders.

8.14.6

Once a quorum is declared present by the Chairperson 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 Bank and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Bank 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.

8.14.7

The voting process shall be managed by the company secretary of the Bank under the supervision and scrutiny of the Bank's auditors.

8.14.8

The proposal placed before a meeting of Bondholders shall only be considered approved if at least 75% in Nominal Value of the Bonds held by 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.

8.14.9

Save for the above, the rules generally applicable to proceedings at general meetings of shareholders of the Bank shall apply mutatis mutandis to meetings of Bondholders.

8.15 Notices

Notices to Bondholders shall be mailed to them at their respective addresses contained in the CSD Register and shall be deemed to have been served at the expiration of 3 calendar days after the date of mailing. In proving such service, it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholder at the address contained in the CSD Register.

8.16 Ownership of Bonds

Without prejudice to the Bank's ability to purchase Bonds in the open market strictly in terms of Section 8.11, the Bank hereby (1) confirms that it shall not own any of the Bonds; and (2) procures that neither its subsidiaries, if any,

nor any undertaking in which it has a participation in the form of an ownership and/or controlling interest, whether direct or indirect, of 20% or more of the voting rights or capital of that undertaking, shall own any of the Bonds.

8.17 Governing Law and Jurisdiction

8.17.1 Governing Law

The Bonds, all the rights and obligations of the Bondholder and the Bank, and any non-contractual obligations arising out of or in connection with the Bonds, shall be governed by and construed in accordance with Maltese law.

8.17.2 Jurisdiction

The Courts of Malta shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, all the rights and obligations of the Bondholder and/or the Bank, and any non-contractual obligations arising out of or in connection with the Bonds. The Bank and the Bondholders hereby irrevocably submit to the exclusive jurisdiction of the Courts of Malta to hear and determine any proceedings and to settle any dispute which may arise out of, or in connection with the Bonds.

Each of the Bank and the Bondholder waives any objection to the Maltese Courts on grounds of inconvenient forum or otherwise as regards proceedings in connection herewith and agrees that a judgment or order of such a Court shall be conclusive and binding on it and may be enforced against it in the Courts of any other jurisdiction.

9. Taxation

9.1 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 transfer as well as on any income derived therefrom or on any gains derived on the transfer of such Bonds. The following is a summary of the anticipated tax treatment applicable to Bondholders in so far as Maltese tax law is concerned. This information does not constitute legal or tax advice, is of a general nature and does not purport to be exhaustive.

The information below is based on an interpretation of Maltese tax law and practice relative to the applicable legislation, as known to the Bank 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.

9.2 Malta Tax on Interest

Since interest is payable in respect of a Bond which is the subject of a public issue, unless the Bank is instructed by a Bondholder to receive the interest gross of any withholding tax, or if the Bondholder does not fall within the definition of "recipient" in terms of article 41(c) of the Income Tax Act, interest shall be paid to such person net of a final withholding tax, currently at the rate of 15% (10% in the case of certain types of collective investment schemes – in this case there is no option to receive the interest gross of the withholding tax) of the gross amount of the interest, pursuant to article 33 of the Income Tax Act. Bondholders who do not fall within the definition of a "recipient" do not qualify for the said rate 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 should 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 Bank will render an account to the Maltese Commissioner for Revenue of all amounts so deducted, including the identity of the recipient.

In the case of a valid election made by an eligible Maltese resident Bondholder at the time of subscription 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 Maltese income tax return and be subject to tax on such interest at the standard rates applicable to such Bondholder at that time. The Bank will render an account to the Maltese Commissioner for Revenue on an annual basis in respect of all interest paid gross of withholding tax 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 Bank. 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 Bank in terms of law.

9.3 Exchange of Information

In terms of applicable Maltese legislation, the Bank and/or its agent are required to collect and forward certain information (including, but not limited to, information regarding payments made to Bondholders) to the Maltese Commissioner for Revenue. The Maltese Commissioner for Revenue will or may, in turn, automatically or on request, forward the information to other relevant tax authorities subject to certain conditions.

9.4 Maltese Taxation on Capital Gains on a 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 income tax on capital gains should be chargeable in respect of a transfer of the Bonds.

9.5 Duty on Documents and Transfers

In terms of the Duty on Documents and Transfers Act, 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 (Chapter 345 of the laws of Malta) as the Bonds constitute financial instruments of a company quoted on a regulated market exchange, as is the MSE, redemptions and transfers of the Bonds 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 BANK. 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.

10. Third Party Information and Statements by Experts

This Prospectus does not contain any statement or report attributed to any person as an expert.

The Bank confirms any other information sourced from third parties and contained and referred to in this Prospectus has been accurately reproduced in this Prospectus and that there are no facts of which the Bank is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

11. Documents Available for Inspection

The following documents (or copies of the same) are available for physical inspection at the Bank's registered office and on the Bank's website (<https://www.bnf.bank/investorrelations?l=1>) for the duration of the validity of the Prospectus:

- The Memorandum and Articles of Association of the Bank;
- The consolidated audited financial information of the Bank for the financial years ended 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020, together with the auditor's reports thereon; and
- The financial information of the Bank for the six-month period ended 30 June 2021.

Annex A: List of Authorised Intermediaries

| Name | Address | Telephone |
|---|--|-----------|
| APS Bank plc | APS Centre, Tower Street, B'Kara, BKR 4012 | 21226644 |
| Bank of Valletta plc | Premium Banking Centre, 475, Triq il-Kbira San Guzepp Sta Venera, SVR 1011 | 22751732 |
| Calamatta Cuschieri Investment Services Ltd | Ewropa Business Centre, Triq Dun Karm, B'Kara, BKR 9034 | 25688688 |
| Curmi & Partners Ltd | Finance House, Princess Elizabeth Street, Ta' Xbiex, XBX 1102 | 21347331 |
| FINCO Treasury Management Ltd | The Bastions Office No. 2, Emvin Cremona Street, Floriana, FRN 1281 | 21220002 |
| Jesmond Mizzi Financial Advisors Ltd | 67, Level 3, South Street, Valletta, VLT 1105 | 21224410 |
| Lombard Bank Malta p.l.c. | 'Lombard House', 67, Republic Street, Valletta, VLT 1117 | 25581112 |
| Michael Grech Financial Investment Services Ltd | The Brokerage, Level 0, St Marta Street, Victoria (Gozo) | 22587000 |
| MZ Investment Services Ltd | 61, St Rita Street, Rabat, RBT 1523 | 21453739 |
| Rizzo, Farrugia & Co (Stockbrokers) Ltd | Airways House, Fourth Floor, High Street, Sliema, SLM 1551 | 22583000 |