

SUMMARY

DATED 22 JULY 2022

In respect of an issue of up to
€14,000,000 5% Unsecured Subordinated Bonds 2027 – 2032
of a nominal value of €100 per bond, issued and redeemable at par by



Izola Bank p.l.c.
A PUBLIC LIMITED LIABILITY COMPANY REGISTERED UNDER THE LAWS OF MALTA
WITH REGISTRATION NUMBER C 16343
ISIN MT0000531229

Sponsors


MZ INVESTMENT SERVICES

 **RIZZO FARRUGIA**
YOUR INVESTMENT CONSULTANTS

Manager & Registrar


MZ INVESTMENT SERVICES

Legal Counsel

CAMILLERI PREZIOSI
ADVOCATES

YOU ARE ABOUT TO PURCHASE SECURITIES THAT ARE NOT SIMPLE AND MAY BE DIFFICULT TO UNDERSTAND. THIS SUMMARY HAS BEEN APPROVED BY THE MALTA FINANCIAL SERVICES AUTHORITY, AS COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THE MALTA FINANCIAL SERVICES AUTHORITY ONLY APPROVED THIS SUMMARY AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY, AND CONSISTENCY IMPOSED BY THE PROSPECTUS REGULATION. SUCH APPROVAL SHOULD NOT BE CONSIDERED AS AN ENDORSEMENT OF THE ISSUER AND, OR THE SECURITIES THAT ARE THE SUBJECT OF THIS SUMMARY.

THIS SUMMARY IS VALID FOR A PERIOD OF 12 MONTHS FROM THE DATE THEREOF. FOLLOWING THE LAPSE OF THIS VALIDITY PERIOD, THE ISSUER IS NOT OBLIGED TO SUPPLEMENT THIS SUMMARY IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES, OR MATERIAL INACCURACIES.

APPROVED BY THE BOARD OF DIRECTORS



Andrew Mifsud

signing in his capacity as director of the Issuer and on behalf of
Simon Azzopardi, Magdalena De Roeck, Francis Gouder, Alain Malschaert,
Guido Mizzi, Patrick H. Van Leynseele, and Caroline Van Marcke.

1. INTRODUCTION AND WARNINGS

This Summary is prepared in accordance with the requirements of the Prospectus Regulation and the delegated acts issued thereunder. This Summary contains key information which investors require in order to understand the nature and the risks of the Issuer and the Bonds. Except where the context otherwise requires, the capitalised words and expressions used in this Summary shall bear the meanings assigned to them in the Registration Document and the Securities Note, as the case may be.

This Summary contains key information on the Issuer and the Bonds, summarised details of which are set out below:

Legal and commercial name:	Izola Bank p.l.c.
Registered address:	53 – 58, East Street, Valletta, Malta
Registration number:	C 16343
Telephone number:	+356 2792 2040
Issuer's website:	https://www.izolabank.com/mt-en/
LEI number:	2138003IGGAUDLPNC244
Competent authority approving the Prospectus:	The MFSA, being the competent authority to approve prospectuses of any offer of securities to the public in Malta in terms of the Financial Markets Act (Cap. 345 of the laws of Malta)
Address of the MFSA:	Malta Financial Services Authority, Triq I-Imdina, Zone 1, Central Business District, Birkirkara, Malta, CBD 1010
Telephone number of the MFSA:	+356 2144 1155
MFSA's website:	https://www.mfsa.mt/
Name of the Bonds:	5% Unsecured Subordinated Bonds due 2027-2032 issued by the Issuer
ISIN number of the Bonds:	MT0000531229
Prospectus approval date:	22 July 2022

Prospective investors are hereby warned that:

- i. this Summary should be read as an introduction to the Prospectus. It is being provided to convey the key characteristics and risks associated with the Issuer and the Bonds being offered pursuant to the Prospectus. It is not and does not purport to be exhaustive and investors are warned that they should not rely on the information contained in this Summary in making a decision as to whether to invest in the Bonds described in this document;
- ii. any decision of the investor to invest in the Bonds should be based on a consideration of the Prospectus as a whole by the investor;
- iii. an investor may lose all or part of the capital invested in subscribing for Bonds;
- iv. where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of Malta, have to bear the costs of translating the Prospectus before the legal proceedings are initiated;
- v. civil liability attaches only to those persons who have tabled the Summary, including any translation thereof, 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
- vi. the Bonds are complex instruments and may be difficult to understand.

2. KEY INFORMATION ON THE ISSUER

2.1 Who is the Issuer of the Bonds?

2.1.1 Domicile and legal form, its LEI and country of incorporation

The Issuer is Izola Bank p.l.c., a public limited liability company registered in Malta in terms of the Companies Act (Cap. 386 of the laws of Malta), having company registration number C 16343. The Issuer was incorporated and is domiciled in Malta, with LEI number 2138003IGGAUDLPNC244.

2.1.2 Principal Activities of the Issuer

The Issuer is licensed by the MFSA to carry on the activities of a credit institution in terms of the Banking Act (Cap. 371 of the laws of Malta), as well as the following additional activities: financial leasing; payment services as defined in the Financial Institutions Act (Cap. 376 of the laws of Malta); issuing and administering other means of payment insofar as this activity is not covered by the immediately preceding activity; participation in securities issues and the provision of services related to such issues; and trading for own account in: money market instruments, foreign exchange, exchange and interest rate instruments, and transferable securities. The Bank's core business segments are considered to be: (i) factoring; (ii) lending; (iii) deposit-taking; and (iv) liquidity management.

2.1.3 Major Shareholders of the Issuer

As at the date of this Summary, 99.99% of the entire issued share capital of the Issuer is held by IBL T Limited (C 16322), with the remaining 0.01% held by IBL I Limited (C 16321). In turn, the majority shareholder of the Issuer, IBL T Limited, is owned by VMT S.A. (registration number: 0437.251.254), a wholly owned subsidiary of Carlenco NV, a company registered in Belgium with company number 475.839.438). The ultimate beneficial owner of the Issuer is Caroline Van Marcke, whose interests in Carlenco NV are represented through Stichting Administratiekantoor VM Continuity (registration number 80494307). The Group is in the process of formalising an internal restructuring process, resulting in VMT S.A.'s holding in IBL T Limited being transferred to another entity within the Group, namely, VM FIN S.A. (registration number: 0755.532.802), a wholly owned subsidiary of Carlenco Finance NV, a company registered in Belgium with company number 0755.471.533, which, similarly to Carlenco NV is ultimately owned by Caroline Van Marcke. Accordingly, the said restructuring has no impact on both the direct ownership and ultimate beneficial ownership of the Issuer.

2.1.4 Directors of the Issuer

The Board of Directors of the Issuer is composed of the following persons: Caroline Van Marcke (Non-Executive Director and Chairperson), Andrew Mifsud (Executive Director and Chief Executive Officer), Magdalena De Roeck (Non-Executive Director), Simon Azzopardi (Independent Non-Executive Director), Francis Gouder (Independent Non-Executive Director), Alain Malschaert (Independent Non-Executive Director), Guido Mizzi (Independent Non-Executive Director), and Patrick H. Van Leynseele (Independent Non-Executive Director).

2.1.5 Statutory Auditors

The auditors of the Issuer as of the date of this Summary are PricewaterhouseCoopers Malta of 78, Mill Street, Zone 5, Central Business District, Qormi CBD 5090, Malta. The auditors of the Issuer for financial years ending 31st December 2019 and 31st December 2020 were KPMG of 92, Marina Street, Pietà PTA9044, Malta.

2.2 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)	FY 2021	FY 2020	FY 2019
Net interest income	6,191	5,564	6,185
Total operating income	6,752	5,942	6,458
Profit for the year	448	385	1,461
Pre-tax return on capital employed	2.82%	2.14%	8.63%
Statement of Financial Position (€'000)	FY 2021	FY 2020	FY 2019
Total assets	402,420	389,297	368,332
Amounts owed to institutions and banks	55,275	35,251	250
Deposits from customers	297,780	304,385	319,738
Debt securities in issue	11,940	11,923	11,906
Total equity	33,280	34,084	33,671
Capital adequacy ratio	16.5%	20.2%	20.0%

2.3 What are the key risks that are specific to the Issuer?

The most material risk factors specific to the Issuer, which may adversely impact the operations and financial position of the Issuer should the circumstances mentioned therein materialise, are as follows:

2.3.1 Credit risk

Credit risk arises principally through the Issuer's lending and factoring activities in Malta and Belgium and the placement of liquidity with banks domiciled in Malta and other European jurisdictions. Credit exposures through advances to Group undertakings and balances held with other Group undertakings located in European jurisdictions also give rise to credit risk, as do proprietary positions of the Issuer in financial or other instruments including investments in securitised instruments. Within the context of the Issuer's lending activities, credit risk may arise due to fluctuating quality of the customers' creditworthiness which can result in a growing rate of irregular receivables resulting from the customers' inability to fulfil their liabilities. The Issuer is also exposed to credit risk arising from interbank, commercial and retail loans and advances, syndicated facilities, factoring, balances with the Central Bank of Malta, and investments in debt securities and other financial instruments purchased as part of its liquidity management and investment activities. In addition, changes in the credit quality of the Issuer's customers and counterparties, arising from systemic risks and macroeconomic factors in the Maltese and global financial system, can negatively affect the Issuer. Any failure by the Issuer to manage the credit quality of its borrowers or counterparties within prudent risk parameters and, or to monitor and regulate the adequacy of its provisioning levels could have a material adverse effect on the Issuer's business, financial condition, prospects, and, or results of operations.

2.3.2 Liquidity risk

Liquidity risk may arise, amongst others, from: (i) differences in the amounts and, or maturities of incoming and outgoing cashflows which could impact the ability of the Issuer to meet liabilities as they fall due; (ii) unforeseen economic and market conditions which could curtail the Issuer's access to deposits and other forms of funding, limiting the Issuer's access to funds to meet liabilities; (iii) the unexpected withdrawal of a large number of deposits which could arise due to, amongst others, prevailing economic conditions and, or negative public perception of the Issuer's trustworthiness and reputation; (iv) difficulties in accessing a product or market at the required time, price and volume; and, or (v) a high incidence of defaults across the Issuer's lending and factoring portfolio. In the event that liquidity risks arise and, or the Issuer's liquidity management processes are insufficient to mitigate and, or eliminate unexpected liquidity situations, this could result in the Issuer failing to meet obligations, repay creditors, and, or fulfil commitments, which could negatively impact the Issuer's business, financial condition, prospects, and, or results of operations.

2.3.3 Operational risk

The Issuer's exposure to operational risk and consequent losses can result from, amongst others, internal or external fraud (including, amongst others, credit and, or identity fraud), errors by employees, inadequate employment practices and workplace safety measures, client claims, failure of the Issuer's systems or internal controls, failure to document transactions properly, failure to obtain proper internal authorisations, failure to comply with increasingly complex regulatory requirements and conduct of business rules, systems and equipment failures, failure to protect the Issuer's operations from increasingly sophisticated cyber-crime, loss or corruption of customer data or other sensitive information, damage to the Issuer's physical assets, natural disasters, or the failure of external systems. Any losses arising from the above failures may result in direct or indirect losses and could have a material adverse effect on the Issuer's business, financial condition, prospects, and, or results of operations.

2.3.4 Market risk

The Issuer's exposure to market risk is mainly in the form of interest rate risk and foreign exchange risk. Fluctuations in interest rates are influenced by factors outside the Issuer's control and can affect the interest rate margin realised between lending and deposit and other borrowing costs, thereby affecting the Issuer's economic value of equity and, or income. The financial position of the Issuer may be impacted by foreign exchange risk, which is the risk of adverse movements in the monetary value of assets and liabilities, and additionally of income and expenses, from the fluctuation of exchange rates in relation to the Euro. Any significant fluctuations in interest rates and foreign exchange rates could therefore have a material adverse effect on the Issuer's financial position.

2.3.5 Reputational risk

The Issuer could be exposed to reputational risk as result of, amongst others: (i) breach of, or allegations of having breached, legal and regulatory requirements such as money laundering, anti-terrorism financing, and capital adequacy requirements; (ii) acting, or facing allegations of having acted, unethically; (iii) failing to address potential conflicts of interest; (iv) technology inefficiencies, disruption, or failures; (v) poor performance or operational results; (vi) failing to maintain appropriate standards of customer privacy, customer service, and record keeping; (vii) risk of association in respect of issues being faced by competitors or the banking industry generally; (viii) unfavourable media coverage or measures taken by consumer protection bodies and, or consumer advocacy groups; and, or (ix) failure by customers, consumer protection organizations and the market at large, to understand the nature of the Issuer's business. If any one or more of the above risks were to arise (or the Issuer were to face reputational damage for any other reason), relevant stakeholders may become unwilling to do business with the Issuer, which could have a material adverse effect on the Issuer's business, financial condition, prospects, and, or results of operations.

2.3.6 Information technology and cyber-security risk

The proper functioning of the Issuer's core systems, risk management tools, credit analysis and reporting, accounting, customer service, and other information technology systems, as well as its communication networks to, from and within the main data processing centres, are critical to the Issuer's business and ability to compete effectively. The Issuer's business activities would be materially disrupted if there were to be a partial or complete failure of any of these information technology systems or communication networks. Such failures could be caused by a variety of factors, many of which are wholly or partially outside the Issuer's control. If any of the foregoing risks were to materialise, these could have a material adverse effect on the Issuer's business, financial condition, prospects, and, or results of operations.

2.3.7 Information security and data protection risk

The Issuer is exposed 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. Loss or leakage of confidential information could have a material adverse effect on the operations and performance of the Issuer. The Issuer is also subject to comprehensive regulation regarding the use of personal customer data emanating principally from the GDPR, which is expected to have an ongoing impact on the acceptance, processing, and storage of personal data. The possible damage, loss, unauthorised processing, or disclosure of personal data could have a negative impact on the activity of the Issuer, in reputational terms too, and could give rise to negative consequences, including, financial loss and, or reputational damage.

2.3.8 Regulatory risk

The Issuer is subject to a number of prudential and regulatory requirements and therefore faces risks associated with an uncertain and rapidly evolving prudential regulatory environment. In addition, although the Issuer is not currently classified as a significant institution under the single supervisory mechanism, it may, in the future, be deemed a significant institution and hence subject to a greater degree of regulation. Additional, stricter, and, or new regulatory requirements may be adopted in the future and the interpretation and application by regulators of laws and regulations to which the Issuer is or may be subject may also change from time to time. The substance and scope of any such laws and regulations as well as the manner in which laws and regulations are (or will be) adopted, enforced or interpreted 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.

2.3.9 Financial crime compliance risk

Financial crime compliance risk could arise should the Issuer fail to comply with anti-money laundering and prevention of financing of terrorism rules, laws, and regulatory procedures and, or otherwise fail to identify suspicious transactions, activities, or connections and, or protect customers from financial crime. The materialisation of such risks could have a detrimental impact on customers and expose the Issuer to financial sanctions and regulatory reprimands and censure which could have a material adverse impact on the financial performance and condition of the Issuer. The 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 and unwarranted financial or reputational risks.

3. KEY INFORMATION ON THE SECURITIES

3.1 What are the main features of the securities?

ISIN:	MT0000531229;
Description, amount:	up to €14,000,000 5% unsecured subordinated Bonds due 2027 – 2032, having a nominal value of €100 per Bond issued at par;
Bond Issue Price:	at par (€100 per Bond);
Interest:	5% per annum;
Redemption Date:	15 September 2032 or a designated Early Redemption Date;
Status of the Bonds:	the Bonds constitute the subordinated and unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves and with other subordinated debt of the Issuer, present and future, if any;
Minimum amount per subscription:	minimum of €10,000 multiples of €100 thereafter;
Denomination:	Euro (€);
Form:	the Bonds shall be issued in fully registered and dematerialised form and shall be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD;
Rights attaching to the Bonds:	a Bondholder shall have such rights as are attached to the Bonds, including the repayment of capital; the payment of interest; ranking with respect to other indebtedness of the Issuer; the right to attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bonds; and the enjoyment of all such other rights attached to the Bonds emanating from the Prospectus;
Transferability:	the Bonds are freely transferable and, once admitted to the Official List, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time.

3.2 Where will the securities be traded?

Application has been made to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List.

3.3 What are the key risks that are specific to the securities?

3.3.1 Subordinated status and ranking of the Bonds

The Bonds constitute subordinated and unsecured obligations of the Issuer. In the event of the dissolution and winding up of the Issuer, 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 Issuer. If, on a dissolution and winding-up of the Issuer, the assets of the Issuer are insufficient to enable the Issuer 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 Issuer 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 all or part (which may be a substantial portion of) of their investment in the Bonds.

3.3.2 Risks associated with Recovery and Resolution Regulations

Issuer is subject to the BRRD Package, designed to provide competent authorities with a set of tools to intervene early and quickly in the affairs of an unsound or failing bank. Once a bank is declared as failing or likely to fail, the BRRD Package vests resolution authorities with tools and powers to ensure the continuity of the bank's critical financial and economic functions, whilst minimising the impact of a bank's failure on the economy and financial system. Resolution authorities may intervene using one or more resolution tools, actions, and, or powers if the conditions set out in the R&R Regulations are met. The extent to which the Bonds may become subject to any resolution action will depend on a number of factors and it is difficult to predict when, if at all, any such action can be taken, particularly since, as at the date of this Prospectus, none of the conditions for the adoption of resolution action by the Resolution Committee subsist with respect to the Issuer.

3.3.3 Orderly and liquid market

The existence of an orderly and liquid market for the Bonds depends on a number of factors, including the presence of willing buyers and sellers of the Bonds at any given time. Securities admitted to trading on the Official List are often thinly traded. Accordingly, there can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Moreover, there can be no assurance that Bondholders will be able to sell the Bonds at or above the Bond Issue Price or at all. Furthermore, the requirement that the initial investment amount invested by a Retail Client (whose financial instrument portfolio, calculated in accordance with article 44A of the R&R Regulations, does not, at the time of the purchase, exceed €500,000) must be at least €10,000, could have an impact on the level of activity in the secondary market.

3.3.4 Subsequent changes in interest rate and potential impact of inflation

The Bonds are fixed rate debt securities and investment therein involves the risk that subsequent changes in market interest rates may adversely affect the market value of the Bonds. The price of fixed income securities tends to move in a way that is inversely proportional to changes in interest rates. Moreover, the coupon payable on the Bonds is a nominal interest rate. The real interest rate is computed by subtracting inflation from the nominal interest rate, the result of which indicates the real return on the Bond coupons. In a period of high inflation, an investor's real return on the Bonds will be lower than the Bonds' nominal interest rate and thus undermine an investor's expected return. Furthermore, an increase in inflation may result in a decrease in the traded price of the Bonds on the secondary market.

3.3.5 Early redemption

The Bonds are redeemable in whole or in part at the option of the Issuer prior to the Redemption Date on any designated Early Redemption Date upon giving 30 days' notice to the Bondholders, subject to obtaining the prior approval of MFSA. The feature allowing for optional redemption on a designated Early Redemption Date may condition the market value of the Bonds and there can be no guarantee that the Bondholders may be able to re-invest the proceeds of such redemption at equivalent or higher rates of return. Bondholders will have no right to request the redemption of the Bonds and should not invest in the Bonds in the expectation that the Issuer would exercise its option to redeem the Bonds. Bondholders should be aware that they may be required to bear the financial risks of an investment in the Bonds until maturity.

3.3.6 Complexity

The Bonds are complex financial instruments, including as a result of their subordination and the potential resolution action which can be taken in respect thereof. Although the Bonds may only be sold to Retail Clients which pass the Suitability Test, potential investors should be aware that, even if they pass the Suitability Test and invest in the Bonds, said investment in the Bonds carries a high degree of risk.

4. KEY INFORMATION ON THE OFFER OF SECURITIES TO THE PUBLIC AND THE ADMISSION TO TRADING ON A REGULATED MARKET

4.1 Under which conditions and timetable can I invest in this security?

4.1.1 Plan of Distribution, Allotment and Allocation Policy

The Bonds shall be made available for subscription as detailed hereunder and the Issuer shall allocate the Bonds on the basis of the following allocation policy:

- (a) up to an aggregate of €8,000,000 shall be allocated to Existing Bondholders applying for Bonds by way of Exchangeable Bond Transfer up to the extent of their holdings of Exchangeable Bonds and subject to the minimum application requirements; and
- (b) up to an aggregate of €6,000,000 shall be allocated to Authorised Financial Intermediaries applying for Bonds through the Intermediaries' Offer.

Provided that in the event that less than €8,000,000 in nominal value of Bonds are subscribed for by Existing Bondholders by way of Exchangeable Bond Transfer in terms of paragraph (a) above, the balance shall be made available for, and shall be allocated to: (i) Existing Bondholders in respect of any Excess applied for (provided such Existing Bondholders have transferred their entire holding in Exchangeable Bonds by Exchangeable Bond Transfer); and (ii) Authorised Financial Intermediaries through an Intermediaries' Offer.

Provided further that in the event that not all of the Bonds made available through the Intermediaries' Offer referred to in paragraph (b) above are subscribed for, the amount allocated to Existing Bondholders in terms of paragraph (a) above shall be increased accordingly.

In the event that the aggregate value of Bonds applied for by Existing Bondholders by way of Exchangeable Bond Transfer exceeds the aggregate amount of Bonds available for subscription by Existing Bondholders, then the Issuer, acting through the Registrar, shall first scale down each Application by Existing Bondholders to the minimum subscription amount of €10,000 per Application ("**Scaling Down**"). Where, notwithstanding Scaling Down, the aggregate value of Bonds applied for by Existing Bondholders by way of Exchangeable Bond Transfer remains in excess of the aggregate amount of Bonds available for subscription by Existing Bondholders, a ballot shall be held in accordance with the allocation policy of the Issuer, pursuant to which, only the drawn Applications shall be allocated a €10,000 complement in Bonds. As a result, there is the possibility that not all Existing Bondholders seeking to subscribe for Bonds by Exchangeable Bond Transfer will be allocated any Bonds.

All subscriptions shall be made through Authorised Financial Intermediaries, subject to a minimum subscription amount of €10,000 in nominal value of Bonds and in multiples of €100 thereafter.

Authorised Financial Intermediaries shall be required to conduct a Suitability Test in respect of all Applicants, including Existing Bondholders. Applications shall not be accepted by Authorised Financial Intermediaries unless, based on the results of the Suitability Test, the Authorised Financial Intermediary is satisfied that an investment in the Bonds may be considered suitable for the Applicant.

The Issuer shall announce the result of the Bond Issue through a company announcement by not later than 15 September 2022. Dealings in the Bonds shall not commence prior to the Bonds being admitted to the Official List.

4.1.2 Expected Timetable of the Bond Issue

1	Application Forms mailed to Existing Bondholders as at the Cut-Off Date	27 July, 2022
2	Offer Period for Existing Bondholders	1 August, 2022 to 7 September, 2022
3	Intermediaries' Offer	1 August, 2022 to 7 September, 2022
4	Commencement of interest on the Bonds	15 September, 2022
5	Announcement of basis of acceptance	15 September, 2022
6	Refunds of unallocated monies (if any)	23 September 2022
7	Expected dispatch of allotment advices	23 September, 2022
8	Expected date of admission of the Bonds to listing	23 September, 2022
9	Expected date of commencement of trading in the Bonds	26 September, 2022

The Issuer reserves the right to close the Offer Period and the Intermediaries' Offer before 7 September, 2022 in the event of over-subscription, in which case the events set out in 5 to 9 above will be brought forward to no earlier than the 15 September, 2022, but shall be kept in the same chronological order as set out above.

4.1.3 Total Estimated Expenses

Professional fees, and costs related to publicity, advertising, printing, listing, registration, sponsor, management, registrar fees, selling commission, and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €550,000 in the aggregate. There is no particular order of priority with respect to such expenses. The expenses pertaining to the Bond Issue shall be borne exclusively by the Issuer and shall be funded through the Issuer's own funds.

4.2 Why is this prospectus being produced?

4.2.1 The use and estimated net amount of the proceeds

The aggregate proceeds from the Bond Issue will consist of:

- (a) an amount of up to €8,000,000 in the form of Exchangeable Bonds surrendered by Existing Bondholders in favour of the Issuer (including any Cash Top-Ups) by virtue of an Exchangeable Bond Transfer resulting in the purchase of Exchangeable Bonds from said Existing Bondholders by the Issuer, for cancellation (as at the date of the Prospectus the total value of Exchangeable Bonds in issue stands at €12,000,000); and
- (b) an amount of up to €6,000,000 through the Intermediaries' Offer.

Provided that in the event that less than €8,000,000 in the form of Exchangeable Bonds are purchased by the Issuer by way of Exchangeable Bond Transfer in terms of paragraph (a) above, the amount indicated in paragraph (a) above may consist of: (i) Exchangeable Bonds surrendered as aforesaid; (ii) proceeds from subscription for Bonds by Existing Bondholders in respect of any Excess applied for (provided that such Existing Bondholders have transferred their entire holding in Exchangeable Bonds by Exchangeable Bond Transfer); and (iii) proceeds derived from the Intermediaries' Offer.

Provided further that in the event that not all of the Bonds made available through the Intermediaries' Offer referred to in paragraph (b) above are subscribed for, the amount indicated in paragraph (a) above shall be increased accordingly.

The aggregate proceeds from the Bond Issue will constitute an integral part of the Bank's capital plan, with a view to further strengthen its Tier 2 Capital requirements in terms of the CRR. Proceeds derived other than by Exchangeable Bond Transfer, as well as any amounts received through the exercise of the Cash Top-Up, will be used by the Bank to meet part of its general financing requirements.

The Bond Issue is subject to a minimum subscription amount of €5,000,000. Should the Bond Issue be undersubscribed, the subscription for the Bonds shall be deemed not to have been accepted by the Issuer and all proceeds from Applicants shall be refunded accordingly, and the Bond Issue shall be cancelled forthwith. If the Bond Issue is undersubscribed and the abovementioned minimum threshold of €5,000,000 is met, the Issuer shall proceed with the listing of the Bonds so subscribed for and shall apply the net proceeds from the Bond Issue received in the manner set out above.

4.2.2 Underwriting

The Bond Issue is not subject to an underwriting agreement on a firm commitment basis.

4.2.3 Conflicts of interest

Magdalena De Roeck and Caroline Van Marcke have an indirect beneficial interest in the shareholding of the Issuer through their indirect shareholding in Carlenco NV (and Carlenco Finance NV post-restructuring). Magdalena De Roeck, Caroline Van Marcke, and Patrick H. Van Leynseele are directors of the Issuer and other companies of the Group.

Save as stated 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 Issuer and, or the Group and their private interests and, or other duties.

REGISTRATION DOCUMENT

DATED 22 JULY 2022

This document is a Registration Document issued in accordance with the provisions of Chapter 4 of the Capital Markets Rules issued by the Malta Financial Services Authority and in accordance with the provisions of the Prospectus Regulation.

This Registration Document is being issued by:



izola Bank

Izola Bank p.l.c.

A PUBLIC LIMITED LIABILITY COMPANY REGISTERED UNDER THE LAWS OF MALTA
WITH REGISTRATION NUMBER C 16343

Sponsors



MZ INVESTMENT SERVICES



RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

Manager & Registrar



MZ INVESTMENT SERVICES

Legal Counsel

CAMILLERI PREZIOSI
ADVOCATES

THIS REGISTRATION DOCUMENT HAS BEEN APPROVED BY THE MALTA FINANCIAL SERVICES AUTHORITY, AS THE COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THIS MEANS THAT THE MALTA FINANCIAL SERVICES AUTHORITY HAS ONLY APPROVED THIS REGISTRATION DOCUMENT AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY, AND CONSISTENCY AS PRESCRIBED BY THE PROSPECTUS REGULATION. SUCH APPROVAL SHOULD NOT, HOWEVER, BE CONSIDERED AS AN ENDORSEMENT OF THE ISSUER THAT IS THE SUBJECT OF THIS REGISTRATION DOCUMENT. IN PROVIDING THIS AUTHORISATION, THE MALTA FINANCIAL SERVICES AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS OF INVESTING IN SECURITIES ISSUED BY THE BANK AND SUCH AUTHORISATION SHOULD NOT BE DEEMED, OR BE CONSTRUED, AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN ANY SUCH SECURITIES.

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

A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENT.

APPROVED BY THE BOARD OF DIRECTORS



Andrew Mifsud

signing in his capacity as director of the Issuer and on behalf of Simon Azzopardi, Magdalena De Roeck, Francis Gouder, Alain Malschaert, Guido Mizzi, Patrick H. Van Leynseele, and Caroline Van Marcke.

IMPORTANT INFORMATION

THIS REGISTRATION DOCUMENT FORMS PART OF THE PROSPECTUS AND CONTAINS INFORMATION ON IZOLA BANK P.L.C. (C 16343) (THE "ISSUER" OR THE "BANK"), AND THE BUSINESS OF THE GROUP OF WHICH IT FORMS PART, IN ACCORDANCE WITH THE REQUIREMENTS OF THE CAPITAL MARKETS RULES ISSUED BY THE MALTA FINANCIAL SERVICES AUTHORITY, THE ACT, THE FMA, AND THE PROSPECTUS REGULATION.

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

THE MALTA FINANCIAL SERVICES AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THIS REGISTRATION DOCUMENT, MAKES NO REPRESENTATIONS AS TO THEIR 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 REGISTRATION DOCUMENT.

IT IS THE RESPONSIBILITY OF ANY PERSON IN POSSESSION OF THIS REGISTRATION DOCUMENT AND ANY PERSON WISHING TO APPLY FOR THE BONDS TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE INVESTORS IN THE BONDS SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR ANY BONDS AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE, AND, OR DOMICILE. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN FINANCIAL AND OTHER PROFESSIONAL ADVISERS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS. THE BONDS ARE COMPLEX FINANCIAL INSTRUMENTS. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN THE BONDS. A SUITABILITY TEST WILL BE REQUIRED TO BE CONDUCTED BY AUTHORISED FINANCIAL INTERMEDIARIES PRIOR TO THE SALE OF THE BONDS AND INVESTORS WHO/WHICH FAIL THE SUITABILITY TEST WILL NOT BE ELIGIBLE TO INVEST IN THE BONDS.

THE ISSUER HAS CONSENTED TO THE AUTHORISED FINANCIAL INTERMEDIARIES MAKING USE OF THIS REGISTRATION DOCUMENT IN CONNECTION WITH THEIR DISTRIBUTION AND PLACEMENT ACTIVITIES FOR THE SALE OF THE BONDS.

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

SAVE FOR THE ISSUE IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN, OR WILL BE, TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFERING OF THE BONDS OR THE DISTRIBUTION OF THE PROSPECTUS (OR ANY PART THEREOF), OR ANY OFFERING MATERIAL, IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, NO BONDS MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THIS PROSPECTUS NOR ANY ADVERTISEMENT OR OTHER OFFERING MATERIAL MAY BE DISTRIBUTED OR PUBLISHED IN ANY JURISDICTION, EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS. PERSONS INTO WHOSE POSSESSION THIS PROSPECTUS, OR ANY OTHER OFFERING MATERIAL MAY COME, MUST INFORM THEMSELVES ABOUT, AND OBSERVE, IF ANY SUCH RESTRICTIONS ON THE DISTRIBUTION OF THIS PROSPECTUS AND THE OFFERING AND SALE OF THE BONDS.

THIS PROSPECTUS AND THE OFFERING, SALE, OR DELIVERY OF ANY BONDS MAY NOT BE TAKEN AS AN IMPLICATION: (I) THAT THE INFORMATION CONTAINED IN THE PROSPECTUS IS ACCURATE AND COMPLETE SUBSEQUENT TO ITS DATE OF ISSUE; OR (II) THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN THE FINANCIAL POSITION OR PERFORMANCE OF THE ISSUER OR THE GROUP SINCE SUCH DATE; OR (III) THAT ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE 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 REGISTRATION DOCUMENT IS VALID FOR A PERIOD OF 12 MONTHS FROM THE DATE HEREOF. FOLLOWING THE LAPSE OF THIS VALIDITY PERIOD, THE ISSUER IS NOT OBLIGED TO SUPPLEMENT THIS REGISTRATION DOCUMENT IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES, OR MATERIAL INACCURACIES.

ALL THE ADVISERS TO THE ISSUER NAMED IN SECTION 4.1 OF THIS REGISTRATION DOCUMENT HAVE ACTED, AND ARE ACTING, EXCLUSIVELY FOR THE ISSUER IN RELATION TO THE PROSPECTUS AND HAVE NO CONTRACTUAL, FIDUCIARY, OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON, AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

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

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

A COPY OF THIS REGISTRATION DOCUMENT HAS BEEN SUBMITTED TO THE MALTA FINANCIAL SERVICES AUTHORITY IN SATISFACTION OF THE CAPITAL MARKETS RULES, AND TO THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MSE BYE-LAWS, AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES AT THE MALTA BUSINESS REGISTRY IN ACCORDANCE WITH THE ACT.

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

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1. DEFINITIONS

In this Registration Document the following capitalised words and expressions shall bear the following meanings, except where the context otherwise requires:

Act	the Companies Act (Cap. 386 of the laws of Malta), as may be amended from time to time;
ALCO	the Issuer's asset and liability management committee;
Authorised Financial Intermediary/ies	the financial intermediaries whose details appear in Annex II of the Securities Note;
B2B	means business-to-business;
Bond/s	the unsecured subordinated bonds of an aggregate principal amount of up to €14,000,000 of a nominal value of €100 per bond, issued at par and redeemable at their nominal value on the Redemption Date or an Early Redemption Date, as applicable, bearing interest at the rate of 5% per annum, and having ISIN MT0000531229, as described in further detail in the Securities Note;
Bond Issue	the issue of the Bonds;
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 amended by BRRD II, and as may be further 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 loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC, as may be amended from time to time;
Capital Markets Rules	the capital markets rules issued by the MFSA, as may be amended from time to time;
CCD	Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC, as may be amended from time to time;
COBR	means the conduct of business rulebook issued by the MFSA, as may be amended from time to time;
CRD	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, as may be amended from time to time;
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 amended by CRR II, and as may be further 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, as may be amended from time to time;
Directors or Board	the directors of the Issuer whose names are set out in section 9.1 of this Registration Document;
Early Redemption Date	any date falling between, and including, the 15 September, 2027 and the Redemption Date, as the Issuer may determine, subject to MFSA approval and subject to the Bank giving the Bondholders at least 30 days' notice in writing;
EEA	European Economic Area;
EU	European Union;
Euro or €	the lawful currency of the Republic of Malta;
FMA	the Financial Markets Act (Cap. 345 of the laws of Malta), as may be amended from time to time;
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, as may be amended from time to time;
Group or Van Marcke Group	the Van Marcke group of companies of which the Issuer forms part, as illustrated in section 6 of this Registration Document;
Issuer or Bank	Izola Bank p.l.c., a public limited liability company registered under the laws of Malta with company registration number C 16343 and having its registered office at 53 – 58, East Street, Valletta, Malta;

Malta Financial Services Authority or MFSA	the Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta), being the competent authority to approve prospectuses of any offer of securities to the public in Malta in terms of the FMA;
Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the FMA with company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
Manager and Registrar	M.Z. Investment Services Limited, a private limited liability company registered in Malta, having company registration number C 23936 and registered office at 61, M.Z. House, St. Rita Street, Rabat RBT 1523, Malta, licensed by the MFSA and member of the MSE;
MCD	Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010, as may be amended from time to time;
Memorandum and Articles of Association	the memorandum and articles of association of the Issuer in force at the time of publication of the Prospectus in the form as registered with the Registrar of Companies at the Malta Business Registry. The terms " Memorandum ", " Articles ", and " Articles of Association " shall be construed accordingly;
MSE Bye-Laws	the bye-laws issued by the MSE
Official List	the list prepared and published by the MSE as its official list in accordance with the MSE Bye-Laws;
Prospectus	collectively, the Registration Document, the Securities Note and the Summary;
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, as amended from time to time, and as supplemented in accordance with the provisions of Commission Delegated Regulation No. 2019/979 and Commission Delegated Regulation No. 2019/980 issued thereunder, as may be amended from time to time;
PSD	Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC, as may be amended from time to time;
Redemption Date	means, with respect to the Bonds, the 15 September, 2032;
Registration Document	this document in its entirety issued by the Issuer in respect of the Bond Issue, dated 22 July, 2022, forming part of the Prospectus;
Securities Note	the securities note issued by the Issuer in respect of the Bond Issue, dated 22 July, 2022, forming part of the Prospectus;
Sponsors	M.Z. Investment Services Limited, a private limited liability company registered in Malta, having company registration number C 23936 and registered office at 61, M.Z. House, St. Rita Street, Rabat RBT 1523, Malta, licensed by the MFSA and member of the MSE and Rizzo, Farrugia & Co. (Stockbrokers) Ltd., a private limited liability company registered in Malta, having company registration number C 13102 and registered office at Airways House, Fourth Floor, High Street, Sliema SLM 1511, Malta, licensed by the MFSA and member of the MSE; and
Summary	the summary issued by the Issuer dated 22 July, 2022, forming part of the Prospectus.

Unless it appears otherwise from the context:

- (a) words importing the singular shall include the plural and *vice versa*;
- (b) words importing the masculine gender shall include the feminine gender and *vice versa*;
- (c) the word "*may*" shall be construed as permissive and the word "*shall*" shall be construed as imperative;
- (d) all references in this Registration Document to "*Malta*" shall be construed as defined in Article 124 (1) of the Constitution of Malta;
- (e) any phrase introduced by the terms "*including*", "*include*", "*in particular*" or any similar expression is illustrative only and does not limit the sense of the words preceding those terms; and
- (f) any reference to a law, legislative act, and, or other legislation shall mean that particular law, legislative act and, or legislation as in force at the date of this Registration Document.

2. RISK FACTORS

PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER WITH THEIR OWN FINANCIAL AND OTHER PROFESSIONAL ADVISERS, THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THIS PROSPECTUS, BEFORE MAKING ANY INVESTMENT DECISION WITH RESPECT TO THE ISSUER. SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES WHICH 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.

THE RISK FACTOR FIRST APPEARING BELOW CONSTITUTES THAT RISK FACTOR WHICH THE DIRECTORS HAVE ASSESSED TO BE THE MOST MATERIAL RISK FACTOR RELATING TO THE ISSUER AND ITS BUSINESS, AND THE GROUP, AS AT THE DATE OF THIS REGISTRATION DOCUMENT. SUBSEQUENT RISK FACTORS ARE NOT RANKED IN ORDER OF MATERIALITY OR PROBABILITY OF OCCURRENCE. IN MAKING THIS ASSESSMENT OF MATERIALITY, THE DIRECTORS HAVE 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 ISSUER, OR THE GROUP, IF THE RISK FACTOR WERE TO MATERIALISE.

IF ANY OF THE RISKS DESCRIBED BELOW WERE TO MATERIALISE, THEY COULD HAVE A SERIOUS ADVERSE EFFECT ON THE ISSUER'S FINANCIAL RESULTS, FINANCIAL CONDITION, OPERATIONAL PERFORMANCE, BUSINESS, AND, OR TRADING PROSPECTS, AS WELL AS THE ABILITY OF THE ISSUER TO FULFIL ITS OBLIGATIONS UNDER THE SECURITIES ISSUED BY IT FROM TIME TO TIME. THE RISKS AND UNCERTAINTIES DISCUSSED BELOW ARE THOSE IDENTIFIED AS SUCH BY THE DIRECTORS AS AT THE DATE OF THIS REGISTRATION DOCUMENT, BUT THESE RISKS AND UNCERTAINTIES MAY NOT BE THE ONLY ONES THAT THE ISSUER OR GROUP FACES OR COULD FACE. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE WHICH THE ISSUER'S DIRECTORS ARE NOT CURRENTLY AWARE OF, MAY WELL RESULT IN A MATERIAL ADVERSE IMPACT ON THE ISSUER'S FINANCIAL RESULTS, FINANCIAL CONDITION, OPERATIONAL PERFORMANCE, BUSINESS, AND, OR TRADING PROSPECTS.

THE PROSPECTUS, THE DOCUMENTATION INCORPORATED BY REFERENCE HEREIN AND, OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH BONDS ISSUED BY THE BANK:

- (I) IS NOT INTENDED TO PROVIDE THE BASIS FOR ANY CREDIT OR OTHER EVALUATION;
- (II) IS NOT AND SHOULD NOT BE CONSIDERED AS A RECOMMENDATION BY THE BANK, THE DIRECTORS, ANY OF THE ADVISERS LISTED IN SECTION 4.1 BELOW, OR ANY OF THE AUTHORISED FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THIS PROSPECTUS, THE DOCUMENTATION INCORPORATED BY REFERENCE HEREIN, OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION THEREWITH, SHOULD PURCHASE THE BONDS ISSUED BY THE ISSUER (AND THEREFORE PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS REGISTRATION DOCUMENT); AND
- (III) CONTAIN STATEMENTS THAT ARE, OR MAY BE DEEMED TO BE, "FORWARD-LOOKING STATEMENTS".

2.1 FORWARD-LOOKING STATEMENTS

Forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "forecasts", "projects", "anticipates", "expects", "envisages", "intends", "may", "will", or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places within the Prospectus and include statements regarding the intentions, beliefs, or current expectations of the Issuer and, or the Directors concerning, amongst other things, the Issuer's strategy and business plans, financial condition and performance, results of operations, liquidity, prospects, investments, and the markets in which it operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may, or may not occur, in the future. Forward-looking statements are not guarantees of future performance and should therefore not be construed as such. The Issuer's and, or the Group's actual operational results, financial condition and performance, and trading prospects may differ materially from the impression created by the forward-looking statements contained in the Prospectus. In addition, even if the operational results, financial condition and performance, and trading prospects of the Issuer and, or the Group are consistent with the forward-looking statements contained in the Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include, but are not limited to, those factors identified under this section 2 of this Registration Document and elsewhere in the Prospectus.

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

2.2 CREDIT RISK

Credit risk arises principally through the Issuer's lending and factoring activities in Malta and Belgium and the placement of liquidity with banks domiciled in Malta and other European jurisdictions. Credit exposures through advances to Group undertakings and balances held with other Group undertakings located in European jurisdictions also give rise to credit risk, as do proprietary positions of the Issuer in financial or other instruments including investments in securitised instruments.

Credit risk is the possibility that a borrower or counterparty fails to meet its obligations in accordance with agreed terms, causing a financial loss to the Issuer. Within the context of the Issuer's lending activities, credit risk may, in particular, arise due to fluctuating quality of the customers' creditworthiness which can result in a growing rate of irregular receivables resulting from the customers' inability to fulfil their liabilities. The Issuer is also exposed to credit risk arising from interbank, commercial and retail loans and advances, syndicated facilities, factoring, balances with the Central Bank of Malta, and investments in debt securities and other financial instruments purchased as part of its liquidity management and investment activities.

In addition, changes in the credit quality of the Issuer's customers and counterparties, arising from systemic risks and macroeconomic factors in the Maltese and global financial system, can negatively affect the Issuer. Any failure by the Issuer to manage the credit quality of its borrowers or counterparties within prudent risk parameters and, or to monitor and regulate the adequacy of its provisioning levels could have a material adverse effect on the Issuer's business, financial condition, prospects, and, or results of operations.

2.3 LIQUIDITY RISK

Liquidity risk is the risk that the Issuer will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

Liquidity risk may arise, amongst others, from: (i) differences in the amounts and, or maturities of incoming and outgoing cashflows which could impact the ability of the Issuer to meet liabilities as they fall due; (ii) unforeseen economic and market conditions which could curtail the Issuer's access to deposits and other forms of funding, which, in turn, could limit the Issuer's access to funds to meet liabilities; (iii) the unexpected withdrawal of a large number of deposits which could arise due to, amongst others, prevailing economic conditions and, or negative public perception of the Issuer's trustworthiness and reputation; (iv) difficulties in accessing a product or market at the required time, price and volume; and, or (v) a high incidence of defaults across the Issuer's lending and factoring portfolio. The management of liquidity risk is central to the Issuer's viability and growth. The Issuer attempts to manage liquidity risk by maintaining a strong capital base to meet its liabilities when due and through a liquidity management process which is managed by the Issuer's treasury function and ALCO. Said processes include, evaluating the potential impacts of developments in the regulatory framework to the Issuer's liquidity profile; monitoring interest rate changes; monitoring the Issuer's interest rate maturity mismatch position; and monitoring adherence to internal and regulatory capital and liquidity requirements.

In the event that liquidity risks (including those mentioned above) arise and, or the Issuer's liquidity management processes are insufficient to mitigate and, or eliminate unexpected liquidity situations, this could result in the Issuer failing to meet obligations, repay creditors, and, or fulfil commitments, which could negatively impact the Issuer's business, financial condition, prospects, and, or results of operations.

2.4 OPERATIONAL RISK

Operational risk relates to the risk of direct or indirect loss arising from a wide variety of causes associated with the Issuer's processes, personnel, technology, infrastructure and from other external factors such as those arising from legal and, or regulatory requirements and generally accepted standards of corporate behaviour.

The Issuer's exposure to such operational risk and consequent losses can result from, amongst others, internal or external fraud (including, amongst others, credit, and, or identity fraud), errors by employees, inadequate employment practices and workplace safety measures, client claims, failure of the Issuer's systems or internal controls, failure to document transactions properly, failure to obtain proper internal authorisations, failure to comply with increasingly complex regulatory requirements and conduct of business rules, systems and equipment failures, failure to protect the Issuer's operations from increasingly sophisticated cyber-crime, loss or corruption of customer data or other sensitive information, damage to the Issuer's physical assets, natural disasters, or the failure of external systems (for example, those of the Issuer's counterparties or vendors).

Any losses arising from the above failures may result in direct or indirect losses and could have a material adverse effect on the Issuer's business, financial condition, prospects, and, or results of operations.

2.5 MARKET RISK

Market risks in respect of the Issuer arise, amongst others, from positions in currency and interest rate products which are exposed to market movements and changes in the level of volatility of market rates or prices, such as interest rates and foreign exchange rates. The Issuer's exposure to market risk is mainly in the form of interest rate risk and foreign exchange risk.

Interest rate risk is the exposure of the Bank's financial condition to adverse movements in interest rates. Fluctuations in interest rates are influenced by factors outside the Issuer's control (such as the fiscal and monetary policies of governments and central banks and political and economic conditions in the countries in which it operates) and can affect the interest rate margin realised between lending and deposit and other borrowing costs, thereby affecting the Issuer's economic value of equity and, or income.

Foreign exchange risk arises on monetary assets and liabilities not denominated in the base currency of a company. Although the Bank's activities are predominantly in Euro, this being the Issuer's base currency, the financial position of the Issuer may be impacted by foreign exchange risk, which is the risk of adverse movements in the monetary value of assets and liabilities, and additionally of income and expenses, from the fluctuation of exchange rates in relation to the Euro.

Any significant fluctuations in interest rates and foreign exchange rates could therefore have a material adverse effect on the Issuer's financial position.

2.6 REPUTATIONAL RISK

Reputational risk is the risk of loss of goodwill, loss of customers and business, and, or a decline in profits as a result of a negative perception of the Issuer's image by relevant stakeholders. The Issuer could be exposed to reputational risk as result of, amongst others:

- i. breach of, or allegations of the Issuer having breached, legal and regulatory requirements such as money laundering, anti-terrorism financing, and capital adequacy requirements, which may result in fines and, or other regulatory action being imposed or taken against the Issuer by, amongst others, the MFSA and, or the Financial Intelligence Analysis Unit ("FIAU");
- ii. the Issuer acting, or facing allegations of having acted, unethically;
- iii. the Issuer failing to address potential conflicts of interest;
- iv. technology inefficiencies, disruption, or failures;
- v. poor performance or operational results;
- vi. the Issuer failing to maintain appropriate standards of customer privacy, customer service, and record keeping;
- vii. risk of association in respect of issues being faced by competitors or the banking industry generally, which may or may not be directly applicable to the Issuer;
- viii. unfavourable media coverage or measures taken by consumer protection bodies and, or consumer advocacy groups, including, in respect of the services and products offered by the Issuer; and, or
- ix. failure by customers, consumer protection organizations, and the market at large, to understand the nature of the Issuer's business.

If any one or more of the above risks were to arise (or the Issuer were to face reputational damage for any other reason), relevant stakeholders may become unwilling to do business with the Issuer, which could have a material adverse effect on the Issuer's business, financial condition, prospects, and, or results of operations.

2.7 INFORMATION TECHNOLOGY AND CYBER-SECURITY RISK

The Issuer is reliant on its information technology systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of the Issuer's business and operating data. The proper functioning of the Issuer's core systems, risk management tools, credit analysis and reporting, accounting, customer service, and other information technology systems, as well as its communication networks to, from and within the main data processing centres, are critical to the Issuer's business and ability to compete effectively.

The Issuer's business activities would be materially disrupted if there were to be a partial or complete failure of any of these information technology systems or communication networks. Such failures could be caused by a variety of factors, many of which are wholly or partially outside the Issuer's control, including: (i) natural disasters; (ii) extended power outages; (iii) cyber-attacks (including malware attacks, ransomware, phishing, hacking, data theft, unauthorised use of data, bugs, or other malicious interference); (iv) deliberate or accidental loss, alteration, falsification, or leakage of information; and, or (v) destruction, disruption, errors, or misuse of information systems.

While the Issuer implements automation in several of its processes, the proper functioning of the Issuer's information technology systems also depends on accurate and reliable data and other system inputs, which are subject to human errors. Furthermore, any failure or delay in recording or processing the Issuer's transaction data or loss or leakage of confidential information could subject the Issuer to claims for losses and regulatory fines and penalties.

If any foregoing risks were to materialise, these could have a material adverse effect on the Issuer's business, financial condition, prospects, and, or results of operations.

2.8 INFORMATION SECURITY AND DATA PROTECTION RISK

Information security and data protection 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. Loss or leakage of confidential information could have a material adverse effect on the operations and performance of the Issuer.

The Issuer is also subject to comprehensive regulation regarding the use of personal customer data emanating principally from the GDPR. Compliance with the GDPR creates significant regulatory obligations for the Issuer and it will continue to have an ongoing impact on the acceptance, processing, and storage of personal data. The possible damage, loss, unauthorised processing, or disclosure of personal data could have a negative impact on the activity of the Issuer, in reputational terms too, and could give rise to negative consequences, including, financial loss and, or reputational damage.

2.9 REGULATORY RISK

The Bank is subject to a number of prudential and regulatory requirements designed, amongst others, to maintain the safety and soundness of banks, ensure banks' compliance with economic and other objectives, limit their exposure to risk, and safeguard consumers. These prudential and regulatory requirements stem from the following legislation to which the Issuer is subject, which includes, but is not limited to, PSD, CRD, BRRD, MCD, CCD (each transposed into Maltese law) and the CRR.

The Bank therefore faces risks associated with an uncertain and rapidly evolving prudential regulatory environment pursuant to which it is required, amongst other things, to adhere to stringent consumer credit legislation, maintain adequate capital and liquidity resources, and to satisfy specified capital and liquidity ratios at all times. In addition, although the Issuer is not currently classified as a significant institution under the single supervisory mechanism, it may, in the future, be deemed a significant institution and hence subject to a greater degree of regulation.

Additional, stricter, and, or new regulatory requirements may be adopted in the future and the interpretation and application by regulators of laws and regulations to which the Issuer is or may be subject may also change from time to time.

The substance and scope of any such laws and regulations (including new and amended ones) as well as the manner in which laws and regulations are (or will be) adopted, enforced, or interpreted 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.

2.10 FINANCIAL CRIME COMPLIANCE RISK

Financial crime compliance risk could arise should the Issuer fail to comply with anti-money laundering and prevention of financing of terrorism rules, laws, and regulatory procedures and, or otherwise fail to identify suspicious transactions, activities, or connections and, or protect customers from financial crime. Such failure may arise from: (i) lack of adherence to the appropriate regulatory environment and, or market practice; (ii) lack of implementation of 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 Issuer to financial sanctions and regulatory reprimands and censure which could have a material adverse impact on the financial performance and condition of the Issuer. The effects of a sanctions breach or the failure to implement adequate anti-fraud, anti-bribery, and corruption measures could also give rise to additional and unwarranted financial or reputational risks.

2.11 RISKS RELATED TO COMPETITION IN THE BANKING INDUSTRY

The banking industry is particularly competitive, and pressures could increase due to several aspects including shifts in customer demand, competitors' strategies, regulatory changes, technological developments, and general economic trends.

The Bank is exposed to competition in the markets in which it operates, including from competitors that may have greater financial and other resources. In addition, the Bank may experience increased competition from new entrants in certain products. The banking sector is also experiencing significant technology related trends impacting the competitive landscape, which include competition from entities such as non-bank technology companies that provide digital-only products and services. As technology continues to disrupt the way traditional banking services are carried out, the Bank is subject to the risk of adapting to this form of potential competition. If the Bank does not respond appropriately to such competitive pressures, including by the introduction of innovative products and services, it may lose market share which in turn may have a negative impact on the Bank's financial performance and prospects.

2.12 RISKS CONNECTED WITH THE PERFORMANCE OF THE PROPERTY MARKET

The Bank is exposed to the risks of the property market, mainly because of: (a) loans granted to clients where the collateral securing the loan is immovable property; and (b) loans granted by the Bank to companies operating in the property sector. With respect to (a), poor market conditions and, or, more generally, a protracted economic or financial downturn could lead to a fall in value of the collateral properties as well as create significant difficulties in terms of monetisation of the said collateral under the scope of enforcement procedures, with possible negative effects in terms of realisation times and values. With respect to (b) above, any downturn in the real estate market could lead to a fall in market prices and a slowdown in the demand for real estate. As a result, the Bank's customers operating in the property sector may face a decrease in transaction volumes and margins as well as greater difficulties in refinancing, with negative consequences on the profitability of their activities, consequently impacting their ability to repay loans granted by the Bank. Although the Bank has a diversified lending portfolio, the Bank is exposed to the real estate market to some degree, and a potential correction in property prices could result in a decline, albeit limited, in the value of collateral, resulting in higher levels of non-performing loans and provisioning, which could in turn have a negative impact on the Bank's financial performance and condition.

2.13 RISKS RELATING TO KEY PERSONNEL

The Issuer is dependent, to a degree, on the skills, experience and efforts of its executives and upon their continued availability and commitment, whose contributions to immediate and future operations are of significant importance. The loss of any of the Issuer's executives could negatively affect the Issuer's business operations. From time to time, the Issuer also needs to identify and retain additional skilled management and specialised technical personnel to efficiently operate the business. Recruiting and retaining qualified personnel is critical to the success of the Issuer's business and there can be no assurance of the Issuer's ability to attract and retain such personnel.

If the Issuer is not successful in attracting and retaining qualified personnel, its ability to effectively conduct its business could be affected, which could have a material adverse impact on the financial performance and condition of the Issuer.

2.14 CONCENTRATION RISK

Concentration risk arises due to a high level of exposure by the Issuer to: (i) individual issuers or counterparties; (ii) a group of connected clients; (iii) industry sectors; (iv) a single currency; (v) credit exposures secured by a single security; (vi) product types; and, or (vii) geographical regions or countries (in particular, those countries on which the Issuer is dependent to generate high volumes of business). Although the Issuer is not currently exposed to concentration risk to a great degree, concentration risk is present in the Bank's factoring business as factored debtors are mainly active in Malta and Belgium.

Any major downturn in economic activity in markets where the Issuer is exposed to concentration risk could have a significant adverse impact on the financial performance and financial condition of the Issuer.

2.15 RISKS ASSOCIATED WITH CAPITAL ADEQUACY

The Issuer is required to adhere to capital adequacy regulations which require that it maintains appropriate capital resources in terms of both quantity and quality. Non-compliance with applicable capital requirements in the future may have a significant impact on the Issuer's operations and future sustainability. In particular, a perceived or actual shortage of capital held by the Issuer could result in actions by the regulatory authorities, including public censure and, or the imposition of sanctions. This may also affect the Issuer's capacity to access funding, continue its business operations, generate a sufficient return on capital, pay variable remuneration to staff, pay future dividends, or pursue strategic opportunities, and could have a material adverse impact on the financial performance and condition of the Issuer.

2.16 THE ISSUER RELIES ON EXTERNAL SERVICE PROVIDERS FOR IMPORTANT PRODUCTS AND SERVICES

The Issuer depends on a number of external service providers, being third-party service providers as well as related companies, for a variety of functions including for credit intermediation services, I.T. software and platforms, payment system services, back office, business process support, internet connections network access and deposit taking services.

If the Issuer's contractual arrangements with any of these providers are terminated for any reason or any third-party service provider becomes otherwise unavailable or unreliable in providing the service to the required standards or service level agreements, the Issuer will have to identify and implement alternative arrangements.

The Issuer may not find a suitable alternative third-party provider or supplier for the services, on a timely basis, on at least equivalent terms or on commercially viable terms without incurring a significant amount of additional costs, or at all. These factors could cause a material disruption in the Issuer's operations and could have a material adverse financial or reputational impact on the Issuer.

The Issuer is also subject to risk with respect to security breaches affecting the third-party providers and other parties that interact with these service providers. As the Issuer's interconnectivity with these third parties grows, it increasingly faces the risk of operational failure with respect to the Issuer's systems. In addition, any problems caused by these third parties, including as a result of them not providing the Issuer with their services for any reason, or performing their services poorly, could adversely affect the Issuer's ability to deliver products and services to customers and otherwise conduct its business, which could have a negative impact on the Issuer.

3. PERSONS RESPONSIBLE AND STATEMENT OF APPROVAL

3.1 PERSONS RESPONSIBLE

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

3.2 STATEMENT OF APPROVAL

This Registration Document has been approved by the MFSA as the competent authority in Malta for the purposes of the Prospectus Regulation. The MFSA has only approved this Registration Document 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 Issuer or the Group (as the subjects of this Registration Document).

4. ADVISERS AND STATUTORY AUDITORS

4.1 ADVISERS

LEGAL COUNSEL

Camilleri Preziosi

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

SPONSORS

M.Z. Investment Services Limited

61, M.Z. House,
St Rita Street,
Rabat RBT 1523, Malta

Rizzo, Farrugia & Co. (Stockbrokers) Ltd.

Airways House, Fourth Floor,
High Street,
Sliema SLM 1551, Malta

MANAGER AND REGISTRAR

M.Z. Investment Services Limited

61, M.Z. House,
St Rita Street,
Rabat RBT 1523, Malta

The services of the Issuer's advisers 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 Issuer or an investment in the Bonds upon which the Issuer's advisers have not been consulted. The Issuer's advisers do not undertake to monitor the compliance by the Issuer with its obligations as described in this Prospectus, nor do they monitor the Issuer's activities for compliance with applicable laws. Additionally the Issuer's advisers have relied and continue to rely upon information furnished to them by the Issuer 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 Issuer, the Issuer'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 Issuer's legal counsel and the other advisers 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.

4.2 STATUTORY AUDITORS

KPMG

92, Marina Street,
Pieta' PTA 9044, Malta

PricewaterhouseCoopers Malta

78, Mill Street,
Zone 5, Central Business District,
Qormi CBD 5090, Malta

The annual statutory financial statements of the Issuer for the financial year ended 31st December 2019 and 31st December 2020 have been audited by KPMG. KPMG is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act (Cap. 281 of the laws of Malta) and bearing Accountancy Board registration number AB/26/84/12. KPMG resigned with effect from 26th March 2021, in line with mandatory rotation requirements of the external auditor following the lapse of the allowable engagement period in accordance with applicable EU regulations concerning public interest entities.

The annual statutory financial statements of the Issuer for the financial year ended 31st December 2021 have been audited by PricewaterhouseCoopers Malta. PricewaterhouseCoopers Malta is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act (Cap. 281 of the laws of Malta) and bearing Accountancy Board registration number AB/26/84/38.

5. INFORMATION ABOUT THE ISSUER

5.1 GENERAL INFORMATION ABOUT THE ISSUER

LEGAL AND COMMERCIAL NAME	Izola Bank p.l.c.
REGISTERED ADDRESS	53 – 58, East Street, Valletta, Malta
PLACE OF REGISTRATION AND DOMICILE	Malta
REGISTRATION NUMBER	C 16343
LEGAL ENTITY IDENTIFIER ('LEI')	2138003IGGAUDLPNC244
DATE OF REGISTRATION	8 June, 1994
LEGAL FORM	The Issuer is lawfully existing and registered as a public limited liability company in terms of the Act.
TELEPHONE NUMBER	+356 2792 2040
EMAIL	info@izolabank.com
WEBSITE	https://www.izolabank.com/mt-en/

Unless it is specifically stated herein that particular information is incorporated by reference into this Prospectus, the contents of the Issuer's website or any other website directly or indirectly linked to the Issuer'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.

5.2 HISTORICAL BACKGROUND OF THE ISSUER

The Issuer forms part of the Van Marcke Group, the largest plumbing and heating wholesaler in Belgium and a manufacturer and retailer of sanitary ware, bathroom furniture and related products. The Van Marcke Group operate over 140 stores in Belgium, France, the USA, Switzerland, and Luxembourg.

The Issuer was incorporated on 8 June, 1994 as Izola Bank Limited under the Commercial Partnerships Ordinance, 1962 (Cap. 168 of the Laws of Malta). On 13 June, 1994 the Issuer was granted a licence to carry on the business of banking as a credit institution, servicing only non-residents. Following the enactment of the Banking Act (Cap. 371 of the Laws of Malta), the Central Bank of Malta became the competent authority responsible for the regulation and supervision of credit institutions. On 15 November, 1994, the Central Bank of Malta issued the Bank with a new licence in terms of the Banking Act.

As from September 2005, the Issuer was authorised to conduct general banking activities in all currencies, except the Maltese Lira, servicing both residents and non-residents. With the entry of Malta into the Eurozone in 2008 and the adoption of the Euro as its currency, the Maltese Lira ceased to be legal tender.

On 15 February, 2010, the shareholders of the Issuer resolved to change the status of the Issuer from a private limited liability company to that of a public limited liability company. On 10 June, 2010, the MFSA authorised the admissibility to listing of a debt issuance programme by the Bank, which, on 30 June, 2010, proceeded to issue €9,000,000 5.35% Secured Notes, redeemable in 2015. Upon maturity of the said notes, the Bank issued €12,000,000 4.5% Unsecured Bonds, redeemable in 2025, which were admitted to listing on the Official List of the MSE on 20 June, 2015.

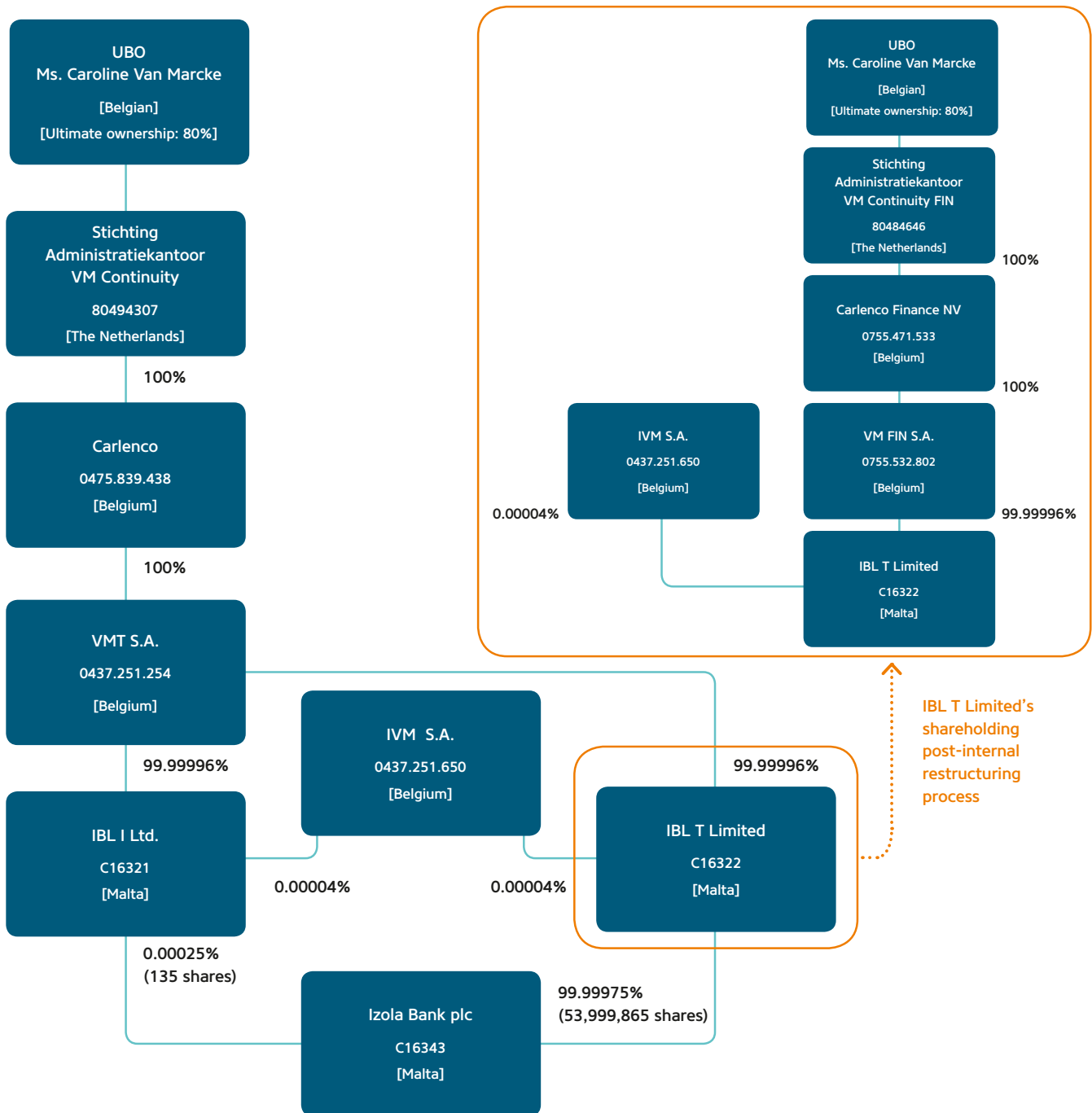
Since 1994 the Issuer has been heavily involved in Van Marcke Group's treasury operations, particularly in the areas of cash and liquidity management, as well as lending and factoring. Over the years the Issuer's business model has evolved and it now enjoys a much wider customer base, both corporate and retail, in Malta and Belgium.

The Issuer launched Euro term deposits to the Maltese market in 2010. In 2015 the Issuer unveiled a rebranded identity to mark its 21 years of banking operations in Malta and introduced its 'Izola Saver' online savings platform. It further extended its diversification strategy with the launch of 'Izola Factor' in 2016 and corporate lending and vehicle financing in 2017.

Following a steady period of sustained growth and increased diversification in third party business, the Issuer introduced retail mortgage lending in Q1 of 2022 and embarked on a holistic digital transformation programme to ensure delivery of its future growth objectives in line with its business model and strategy.

6. ORGANISATIONAL STRUCTURE OF THE GROUP

The organisational structure of the Group as at the date of this Registration Document is illustrated in the diagram below, indicating the position of the Issuer within the Group.



As illustrated in the diagram above, IBL T Limited (C 16322) holds 99.99% of the issued share capital of the Issuer, with the remaining 0.01% held by IBL I Limited (C 16321). In turn, the majority shareholder of the Issuer, IBL T Limited, is owned by VMT S.A. (registration number: 0437.251.254), a wholly owned subsidiary of Carlenco NV, a company registered in Belgium with company number 475.839.438). The ultimate beneficial owner of the Issuer is Caroline Van Marcke, whose interests in Carlenco NV are represented through Stichting Administratiekantoor VM Continuity (registration number 80494307). It is pertinent to note that the Group is in the process of formalising an internal restructuring process, resulting in VMT S.A.'s holding in IBL T Limited being transferred to another entity within the Group, namely, VM FIN S.A. (registration number: 0755.532.802), a wholly owned subsidiary of Carlenco Finance NV, a company registered in Belgium with company number 0755.471.533. This restructuring will have no effect on the ultimate beneficial ownership of the Issuer which remains vested in Caroline Van Marcke, whose interests in Carlenco Finance NV are represented through Stichting Administratiekantoor VM Continuity Fin (registration number 80484646).

The Group's activities are diverse; it is the largest plumbing and heating wholesaler in Belgium and a manufacturer and retailer of sanitary ware, bathroom furniture and related products. The Group is also involved in packaging and transportation.

7. PRINCIPAL ACTIVITIES AND MARKETS OF THE ISSUER

7.1 PRINCIPAL ACTIVITIES

The Issuer is licensed by the MFSA to carry on the activities of a credit institution in terms of the Banking Act, as well as the following additional activities: financial leasing; payment services as defined in the Financial Institutions Act; issuing and administering other means of payment insofar as this activity is not covered by the immediately preceding activity; participation in securities issues and the provision of services related to such issues; and trading for own account in: money market instruments, foreign exchange, exchange and interest rate instruments and transferable securities.

The Bank was initially launched to support its Group's treasury operations, particularly in the areas of cash and liquidity management, as well as lending and factoring. Over the past years, the Issuer's business model has evolved from an inward-looking model that largely serviced the banking requirements of the Group, to an outward-looking model that now generates most of its business revenues through the wider market.

Main products sold and services performed

The Bank's core business segments are considered to be: (i) factoring; (ii) lending; (iii) deposit-taking; and (iv) liquidity management.

(i) Factoring

'Factoring' is an alternative means of finance whereby a factor (a credit or financial institution) purchases a company's accounts receivables. The factor would proceed to collect the full amount from the debtor and pay the balance due to the company.

The Bank offers four types of factoring services:

- factoring to Group companies, with factored debtors operating principally in the property, building and construction sectors;
- the 'Izola Factor' offering, which is designed to help small to medium sized enterprises in the Maltese and Belgian markets;
- factoring of bills of exchange ('BOE') for retail purposes in Malta, currently centred on the motor vehicle importation sector. BOE factoring in the local market represents the largest portion of factored receivables on the Bank's balance sheet, surpassing factoring to Group companies. This product has grown over the years, representing 24% of the Bank's asset base, totalling €95 million in FY2021;
- financing of online B2B marketplaces through single invoice factoring.

The Bank will continue to focus on two key business products which have yielded strong results over the past three years: the 'Izola Factor' offering and the factoring of Bills of Exchange. As the Bank continues to grow these product lines, emphasis will be directed towards augmenting the local market. As at the end of FY2021, BOE exposures represented 17% of the Bank's assets, declining marginally from €69.1 million in 2020 to €66.5 million, whilst the 'Izola Factor' portfolio comprised 2% of the Bank's assets at €7.6 million, an increase from the €5.8 million in FY2021.

Looking ahead, the Bank aims to improve its factoring offering in the coming months to enrich the end-user experience and provide more flexible solutions tailored to customer requirements.

Additionally, in early FY2022, the Bank entered into an agreement with an international group of companies which operates a B2B marketplace intended to streamline, integrate, and automate certain business functions, including e-invoicing. This agreement will allow the marketplace to offer its client base single invoice financing which will be provided by the Bank. The Bank is optimistic that such a partnership will result in the establishment of a significant revenue stream.

(ii) Lending

The Bank provides a range of corporate lending services to medium-sized and large enterprises, including commercial mortgages, overdrafts, revolving facilities, accounts receivables financing, commercial working capital facilities, capital expenditure financing, and project financing designed around client requirements. Lending is considered a key strategic growth driver for the Bank, having grown steadily over the past four years from an asset base of €65.5 million at the end of FY2017 to €131.1 million at the end of FY2021, representing 33% of the Bank's asset base.

In May 2020, the Bank launched a new product named 'Izola Boost' in collaboration with the Malta Development Bank (MDB), which was designed to aid Maltese businesses that experienced revenue losses and cashflow disruptions as a result of the COVID-19 pandemic. The product enabled businesses to access critical liquidity, helping them ensure survival.

As the world economies aim to transition from fossil fuels toward renewable and cleaner energy production, the Bank has developed a structured product to assist local businesses in investing in solar farms thus reducing their carbon footprint.

The Bank's net interest income growth has been well supported by the growth registered in its factoring and commercial lending portfolio. In continuing its growth journey, the Bank is intent on evolving its product and service offerings by expanding its targeted factoring activities, as well as broadening its lending portfolio as explained hereunder:

- *Corporate lending*

The Bank has resolved to take a selective approach to corporate lending and has so far developed corporate relationships in a wide variety of economic sectors, including commercial real estate, the car importation sector, the retail industry, the property development sector, and large multi-sector groups. The Bank's goal is to offer tailored facilities aimed at assisting SMEs with the financing challenges they face in the market.

- *Retail mortgage lending*

Q1 2022 saw the launch of the Bank's new home loan product in collaboration with Finance House p.l.c., an authorised financial institution licensed in terms of the Financial Institutions Act. The introduction of home loans is part of the Bank's strategy to diversify its product range in the local market. Whether potential customers will be looking to buy a new property or refinance their existing mortgage, the Bank aims to remove the complexity from the whole process to ensure a more personalised, efficient, and streamlined service throughout the term of the mortgage.

- *Green lending*

Conscious of the growing importance of environmental, social, and governance considerations, the Bank aims to promote its green lending product, which is reflective of its wider ambition to integrate sustainability into its financing solutions. This product is expected to grow in the coming years and the Bank intends to build on its ability to assist enterprises investing in the green economy.

Similarly, the transition from conventional cars to electric vehicles is accelerating, directly impacting auto makers and dealers alike. The Bank will remain at the forefront of assisting businesses in the mobility sector, supporting its customers in developing new and innovative means of being mobile while decreasing carbon emissions through tailor-made advantageous financing for electric vehicles.

(iii) Deposit-taking

The Bank's activities are predominantly funded by deposits offered to retail and corporate clients, mainly originating from Malta, Belgium and Germany. These include current, savings, and term deposit accounts offered through various product lines, including the 'Izola Saver' and the 'Izola Saver+' for retail depositors, and other corporate savings and term deposits.

The Bank's deposits have grown steadily over the past six years, from €107 million in FY2015 to €297 million in FY2021. A main contributor to this growth is the Bank's successful online 'Izola Saver' product, which allows customers to open and monitor online savings and term deposit accounts using a simple, user-friendly interface, needing minimal intervention by the Bank's personnel.

In recent years the Bank supplemented retail and institutional deposits with liquidity raised through online platforms. This allows the Bank to take advantage of innovative technologies that were previously unavailable, therefore remaining relevant to the modern consumer as well as competitive in terms of attracting term deposits at a relatively lower cost.

(iv) Liquidity management

The Bank holds a sizeable portfolio of investments, consisting of local corporate bonds, government bonds and money market funds. Investment in these products ensures that a significant portion of its assets remain accessible within a very short period. Investments are spread across different portfolios to ensure diversification. At end FY2021, the Bank's investment portfolio comprised 29% of the Bank's asset base, totalling €117 million, with sovereign bonds comprising 64% of the total portfolio, with the remaining 36% being split between local corporate bonds and money market funds.

The investment portfolio is monitored on a regular basis by the Finance and Treasury teams and investment propositions are discussed during ALCO meetings.

7.2 PRINCIPAL MARKETS

The Issuer is lawfully authorised to passport certain services in several EEA Member States, namely: Belgium, France, Luxembourg, Netherlands, Germany, Austria, and Spain.

8. TREND INFORMATION

There has been no material adverse change in the prospects of the Bank since the date of publication of the latest audited financial statements.

The strategy defined by the Bank over recent years has resulted in a robust balance sheet growth yielding positive returns, year after year. The overall strategy, underlying principles, and supporting initiatives are revisited annually by the Board of Directors. Such a methodology ensures that the Bank operates a sustainable, forward-looking strategy and a financial plan for a minimum period of three years. In view of the ever-changing regulatory landscape, the Bank continues to invest in its systems and takes the necessary measures to ensure it remains compliant with the existing and anticipated regulatory industry standards.

The overall growth of the local economy in 2021 led to a positive effect on the Bank's performance, with a healthy increase in the commercial loans business. With net interest income generated from lending and factoring activities being the main contributor to the Bank's total income, it is anticipated that this will not be unduly affected by existing macro-economic pressures and geopolitical tensions. Furthermore, with European policymakers expected to recommend a gradual increase in interest rates to rein in inflation, the Directors do not consider the Bank to be unduly exposed to adverse interest rate margins in view of the nature and maturity profiles of both the credit and deposit portfolios.

Save for the effects of a more pronounced economic slowdown and changes within the regulatory sphere, the Bank is not aware of any other factors or events which are likely to have a material impact on the Bank's prospects in the current financial year.

9. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES

9.1 THE BOARD OF DIRECTORS OF THE ISSUER

As at the date of this Registration Document, the Board of Directors of the Issuer is composed of the following eight Directors:

NAME AND IDENTIFICATION DETAILS	DESIGNATION
Simon Azzopardi (Maltese ID 182384M)	Independent non-executive director
Magdalena De Roeck (Belgian passport number 293001372506)	Non-executive director
Francis Gouder (Maltese ID 866550M)	Independent non-executive director
Alain Malschaert (Belgian ID 591-9572201-52)	Independent non-executive director
Andrew Mifsud (Maltese ID 114065M)	Executive director and Chief Executive Officer
Guido Mizzi (Maltese ID 809353M)	Independent non-executive director
Patrick H. Van Leynseele (Belgian ID 590-9524507-06)	Independent non-executive director
Caroline Van Marcke (Belgian ID 591-1082441-23)	Non-executive director and Chairperson

Calvin Bartolo, holder of Maltese identity card numbered 199984M is the company secretary of the Issuer.

The business address of the Directors and the company secretary is that of the Bank.

9.2 CURRICULA VITAE OF DIRECTORS OF THE ISSUER

Simon Azzopardi	Appointed to the board in July 2019, Mr Azzopardi holds a B.Sc. in Commerce from the University of Malta and an M.Sc. in Computing from Oxford Brookes University. Mr Azzopardi has an extensive background in product development predominantly in the financial services and other regulated industries. Mr Azzopardi also holds several advisory, board, and investor roles in Europe and the U.S. dealing with technology businesses including Sherpa Score, Silicon Valletta and SXS.W.
Magdalena De Roeck	Ms De Roeck was appointed to the Board in February 2006 and served as Chairperson from 2010 till 2022. A UCL business engineering graduate from the Catholic University of Louvain, Belgium, Ms De Roeck is the non-executive Chairperson of the Van Marcke Group.
Francis Gouder	Appointed to the Board in May 2015, Mr Gouder has extensive banking experience having worked for 45 years in the banking sector, both at branch and head office level. Mr Gouder joined Barclays and also worked for Mid-Med Bank and HSBC Bank. His last post at HSBC Bank Malta p.l.c. was that of Area Director. He was an adviser to the executive committee at Banif Bank (now BNF Bank p.l.c.) and subsequently was appointed head of private banking at Banif Bank. He presently holds several other non-executive directorships.
Alain Malschaert	Mr Malschaert joined the board in March 2022, and is also the Chairman of Izola Bank's Credit Committee. He has extensive experience in financial services, with a career spanning over four decades. He held various senior positions within the retail and corporate banking divisions of Banque Bruxelles Lambert/ING Belgium. Mr Malschaert was the General Manager of Credit Risk Management Belux for 10 years. In 2017 he joined a leading Belgian based debt restructuring and collection company, Fiducure S.A., as the CEO. Since 2021, Mr Malschaert has sat on the board of a number of corporate firms, as well as service based and cultural organizations. He is presently a lay judge specialising in Corporate Affairs at the Commercial Court of Brussels. Mr Malschaert holds a Master of Economics degree from Vrije Universiteit Brussel.
Andrew Mifsud	Mr Mifsud is an Associate of the Chartered Institute of Bankers and holder of an MBA specialising in banking from the University of Exeter. Mr Mifsud joined the Bank in 1994 as a Banking Executive and was appointed General Manager in 1998 and Executive Director from 2019. Mr Mifsud has, since December 2011, served as Chief Executive Officer of the Bank. Mr Mifsud previously held positions with National Westminster Bank plc, London and Melita Bank Limited, Malta (subsidiary of Istituto Bancario San Paolo di Torino).
Guido Mizzi	A Fellow of the Association of Chartered Certified Accountants, Mr Mizzi was appointed to the Board in September 2010. Mr Mizzi's career in the audit and accounting profession spanned over a period of 30 years, the last seven years of which he served as managing partner of the local accountancy firm MSD & Co, then local representative firm of Andersen Worldwide. During this period he acted as engagement partner for some of the larger companies and national corporations in Malta including banks, utility corporations, and private companies involved in varied industrial and commercial undertakings.
Patrick H. Van Leynseele	Mr Van Leynseele was appointed to the Board in January 2010. A law graduate from the Free University of Brussels, Belgium, Mr Van Leynseele holds a Masters degree in Comparative Law from the University of Miami. Called to the Bar in Brussels in 1979 and in New York in 1997, Mr Van Leynseele is a partner in the law firm Daldewolf. He is a non-executive director on the boards of several companies of the Van Marcke group.
Caroline Van Marcke	Appointed to the Board in January 2000. Ms Van Marcke is a business engineering graduate from the Solvay Business School at the University of Brussels. In 2014 she became the CEO and executive director of the Van Marcke Group, as well as the majority shareholder. Under her tenure she steered the Group into a new age of business including the launch of e-commerce channels, green-inspired concept showrooms, the further expansion of the Group's operations internationally into the Netherlands, France, Luxembourg and US markets, and the launch of a fully carbon neutral distribution centre in Belgium. She was previously the President of FEST, the European Federation of the Sanitary & Heating Wholesale Industry.

9.3 POTENTIAL CONFLICTS OF INTEREST

As at the date of this Registration Document, the Issuer has identified and managed the following roles which may give rise to conflicts of interest:

- i. Magdalena De Roeck and Caroline Van Marcke have an indirect beneficial interest in the shareholding of the Issuer through their indirect shareholding in Carlenco NV (and Carlenco Finance NV post-restructuring, referred to in sections 6 above and 11 below); and
- ii. Magdalena De Roeck, Caroline Van Marcke and Patrick H. Van Leynseele are directors of the Issuer and other companies of the Group.

Save as stated 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 Issuer and, or the Group and their private interests and, or other duties.

9.4 SENIOR MANAGEMENT

Andrew Mifsud *Chief Executive Officer*

The *curriculum vitae* of Andrew Mifsud may be found in section 9.2 above.

Calvin Bartolo *Head of Finance and Treasury*

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

Adrian Formosa *Head of Operations*

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

Josef Frendo *Head of Credit*

Mr Frendo joined Izola Bank p.l.c. in September 2017 as the Head of Credit. He is responsible for the management of the Credit function and in building sustainable customer relationships. He holds qualifications in Banking obtained from the Institute of Financial Services, of which he is also an associate. He has over 20 years' experience in the financial services sector with HSBC Bank p.l.c., where he has worked in different sections, both locally and abroad, providing him with substantial expertise in banking services.

Simon Agius *Head of Risk and Compliance*

Mr Agius joined Izola Bank in May 2021 as Head of Risk and Compliance. He holds a Master's Degree in Banking and Corporate Finance and is responsible for ensuring that an effective internal compliance function is in place and that the Bank's chosen risk management framework is fully implemented in all areas. He has been in the banking industry for the last 23 years, the last 9 years specifically in the Risk, Compliance, and Anti Financial Crime sections of Bank of Valletta, where he has also held roles such as Risk Manager and Manager of Quality Assurance in the Anti Financial Crime Section.

Gordon Briffa *Head of ICT*

Mr Briffa joined the Bank in September 2015 as an ICT Manager. He is responsible for the management of the IT Operations, Projects, and Support. He has more than 15 years of IT experience mainly in the Financial Services and Oil & Gas sectors both locally and overseas. He is a graduate of Portsmouth University in Computer Science.

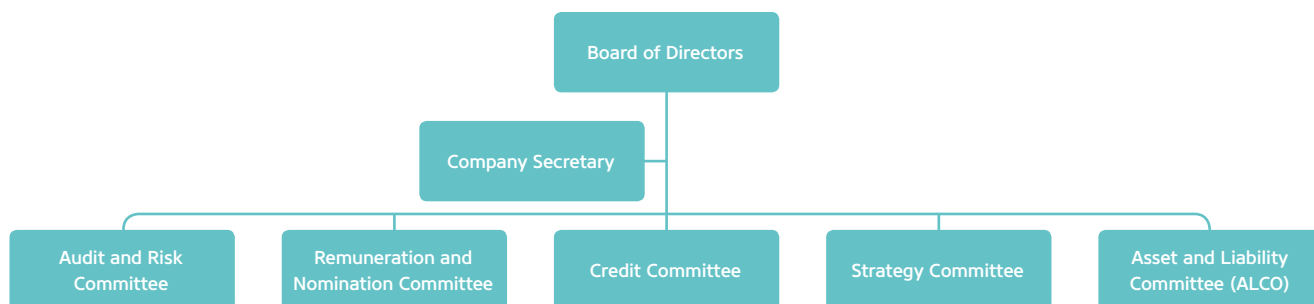
Petra Sant *Head of Human Resources*

Ms Sant joined the Bank in September 2021 and heads the Bank's Human Resource Department. She holds an M.Sc in Occupational Psychology from Birkbeck College, University of London. Prior to joining the Bank, she worked as an HR Consultant at KPMG, forming part of their People and Change Advisory team. She then moved to Elmo Insurance Limited as Head of HR. Ms Sant has experience in developing and implementing talent management strategies for organisations. She also has a background in academic research on topics such as talent management, employee engagement, interpersonal relationships, and workplace bullying in Malta. Ms Sant is committed to developing HR solutions that maximise potential through aligning core business objectives with corporate values and culture.

10. BOARD PRACTICES

10.1 BOARD COMMITTEES

The Directors have constituted the following specialised committees, the terms of reference of which shall be determined by the Board of Directors from time to time with the purpose of fulfilling the below-mentioned purposes. Each committee shall report on its functions and make recommendations to the Board of Directors upon request, addressing matters falling within its remit as outlined in its terms of reference. Such reports shall be made through the Chairperson of each committee.



10.1.1 Audit and Risk Committee

The Audit and Risk Committee's primary objective is to assist the Board of Directors in fulfilling its oversight responsibilities over the Bank's financial and regulatory reporting processes, accounting policies and practices, and the risk management and control framework.

The Audit and Risk Committee oversees the conduct of the internal and external audit and acts to facilitate communication between the Board of Directors, management, and the internal and external auditors. The Audit and Risk Committee approves the internal audit work plan, which will include assessment of controls relating to financial reporting and other risks, as appropriate. The Audit and Risk Committee also has the responsibility to appoint the external auditors, review and monitor the external auditor's independence, and assess the effectiveness of the statutory audit process.

The Audit and Risk Committee is entrusted with the review of the Bank's risk-related policies, internal control systems and policies, the risk register, and the Bank's risk appetite statement. Furthermore, the Audit and Risk Committee monitors the effectiveness of internal quality control and risk management systems within the Bank, including mechanisms to identify, measure, monitor and report risks.

In addition, the Audit and Risk Committee has the role and function of evaluating any proposed transaction to be entered into by the Issuer and a related party to ensure that the execution of any such transaction is at arm's length, on a commercial basis and ultimately in the best interests of the Issuer. Furthermore, the Audit and Risk Committee has the role of assessing any potential conflicts of interest between the duties of the Directors and their respective private interests or duties unrelated to the Issuer.

The Audit and Risk Committee is made up entirely of non-executive independent Directors. Audit and Risk Committee members are appointed for a period of three years, unless terminated earlier by the Board. The Audit and Risk Committee is composed of Guido Mizzi (independent non-executive Director), Simon Azzopardi (independent non-executive Director), and Patrick H. Van Leynseele (independent non-Executive Director). The Chairman of the Audit and Risk Committee, appointed by the Board, is entrusted with reporting to the Board on the workings and findings of the Audit and Risk Committee. Guido Mizzi occupies the post of Chairman of the Audit and Risk Committee. Guido Mizzi is considered by the Board to be competent in accounting and, or auditing in terms of the Capital Markets Rules.

10.1.2 Remuneration and Nomination Committee

In view of its size, the Issuer has taken the view that whilst it considers the role and function of each of the remuneration and the nomination committee as important, it would be more efficient for these committees to be merged into one committee (the "**RemNom Committee**") that would serve a dual role.

In its function as remuneration committee, the RemNom Committee is charged with the oversight of the remuneration policies implemented by the Issuer with respect to its management and employees. Its objectives are those of determining a remuneration policy aimed to attract, retain and motivate directors, whether executive or non-executive, as well as senior management with the right qualities and skills for the benefit of the Issuer. It is responsible for making proposals to the Board on the individual remuneration packages of directors and senior management and is entrusted with monitoring the level and structure of remuneration of the non-executive directors. In addition, the RemNom Committee is responsible for reviewing the performance-based remuneration incentives that may be adopted by the Issuer from time to time, and is authorised to determine whether a performance-based bonus or other incentive should be paid out or otherwise.

In its function as nomination committee, the RemNom Committee's task is to propose to the Board of Directors candidates for the position of director, including persons considered to be independent in terms of the Capital Markets Rules, whilst also taking into account any recommendation from shareholders. It is to periodically assess the structure, size, composition, and performance of the Board of Directors and make recommendations to the Board of Directors regarding any changes, as well as consider issues related to succession planning. It is also entrusted with reviewing the Board of Directors' policy for selection and appointment of senior management.

The RemNom Committee is composed of Francis Gouder (Chairperson) (independent non-executive Director), Caroline Van Marcke (non-executive Director), and Patrick Van Leynseele (independent non-executive Director).

10.1.3 Credit Committee

The Credit Committee has been delegated authority for the approval of credit applications within the thresholds defined and approved by the Board of Directors and outlined in its credit policy. It is tasked with reviewing and contributing to defining the Bank's credit objectives and credit risk management strategies. It is the Credit Committee's responsibility to propose actions to respond to trends affecting the Bank's credit exposures.

The Credit Committee comprises a minimum of three members, the majority of whom are independent non-executive directors. In order to secure management representation, the Chief Executive Officer shall be a member of the Credit Committee *ex officio*. The Credit Committee is composed of Alain Malschaert (Chairperson) (Independent non-executive Director), Francis Gouder (independent non-executive Director), and Andrew Mifsud (Chief Executive Officer and executive Director), and operates within a Board-approved credit sanctioning limit. Proposals falling outside the Credit Committee's limits are referred, together with the Credit Committee's recommendations, to the Board of Directors for the Board's consideration and determination.

The Committee meets at least four times a year, or more frequently as required.

10.1.4 Strategy Committee

The Strategy Committee was developed as a forum for analysing business and strategic options and is responsible for making recommendations to the Board of Directors on the Bank's business model and forward-looking strategy, taking into consideration the risks and opportunities related to various strategies. The Strategy Committee also advises the Board of Directors on proposals for, and the creation of, new products, and, or business lines. Such committee is also responsible for analysing the implementation of the business model and strategy or any changes thereof, including any potential IT consequences.

It is composed of three directors, namely Simon Azzopardi (Chairperson) (independent non-executive director), Caroline Van Marcke (non-executive Director), and Andrew Mifsud (Chief Executive Officer and executive Director), and meets at least once a year. On an annual basis, the Chairperson reports on the Committee's activities and submits recommendations on areas falling within its remit.

10.1.5 Asset and Liability Management Committee (ALCO)

The Asset and Liability Management Committee (ALCO) monitors the Bank's financial performance, and reviews and manages financial risk in accordance with the Bank's strategy, policies and procedures, and regulatory limits. The ALCO also manages the Bank's investment portfolio in line with its investment objectives and risk appetite, and recommends adjustments to be made to the Bank's funding strategy. Furthermore, the ALCO is entrusted with the monitoring of the Bank's interest rate maturity mismatch position, risks, movements and developments to the net interest margin. It also ensures compliance with internal and regulatory capital and liquidity requirements.

The ALCO is composed of three members, being the Chief Executive Officer who chairs the Committee (Andrew Mifsud), the Head of Finance and Treasury (Calvin Bartolo), and the Senior Finance and Treasury Manager (Kurt Grima). It meets at least four times a year, or more frequently as required. The Committee chair reports on the activities of the Committee and submits information on areas falling within its remit to the Board of Directors on a quarterly basis.

10.2 COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS

In accordance with the terms of the Capital Markets Rules, the Issuer should endeavour to adopt the principles of the Code of Principles of Good Corporate Governance contained in Appendix 5.1 to Chapter 5 of the Capital Markets Rules (the "Code"). The Issuer declares its full support of the Code and undertakes to fully comply with the Code to the extent that this is considered complementary to the size, nature, and operations of the Issuer. The Issuer supports the Code and is confident that the application thereof shall result in positive effects accruing to the Issuer.

On an annual basis in its annual report, the Issuer reports on the extent of its adoption of the principles of the Code for the financial period being reported upon, in line with the "comply or explain" philosophy of the Code, explaining the reasons for non-compliance, if any.

As at the date of this Prospectus, the Board of Directors considers the Issuer to be in compliance with the Code save for the following exceptions:

Principle 2 (Chairman and Chief Executive) – Code Provision 2.3

The Chairperson of the Bank cannot be considered independent in accordance with the principles relating to independence contained in the Code. However, the Board is of the view that this does not impinge on her ability to bring to bear independent judgement to the Board.

Principle 4 (The Responsibilities of the Board) – Code Provision 4.2.7

The Code Provision recommends that the Board should develop a succession policy for the future composition of the Board and particularly the executive component thereof, for which the Chairperson should hold key responsibility. The Board does not have a succession policy in place for the future composition of the Board of Directors. This approach may be revised in the future in line with changes to the Bank's size and, or organisational structure.

Principle 6 (Information and Professional Development) – Code Provision 6.4.4

Code Provision 6.4.4 recommends that the Chief Executive Officer establishes a succession plan for senior management. The Board does not have a succession policy in place for senior management. This approach may be revised in the future in line with changes to the Bank's size and, or organisational structure.

Principle 7 (Evaluation of the Board's performance) – Code Provision 7.3

Code Provision 7.3 recommends that the non-executive Directors are responsible for the evaluation of the Chairperson, taking into account the views of the executive directors. This evaluation has not been adopted to date but may be revised with future policy changes.

11. MAJOR SHAREHOLDERS

As at the date of this Registration Document, 99.99% of the entire issued share capital of the Issuer is held by IBL T Limited (C 16322), with the remaining 0.01% held by IBL I Limited (C 16321). In turn, the majority shareholder of the Issuer, IBL T Limited, is owned by VMT S.A. (registration number: 0437.251.254), a wholly owned subsidiary of Carlenco NV, a company registered in Belgium with company number 475.839.438). As indicated in section 6 of this Registration Document, the Group is in the process of formalising an internal restructuring process resulting in VMT S.A.'s holding in IBL T Limited being transferred to VM FIN S.A. (registration number: 0755.532.802), a wholly owned subsidiary of Carlenco Finance NV, a company registered in Belgium with company number 0755.471.533, which, similarly to Carlenco NV is ultimately owned by Caroline Van Marcke. Accordingly, the said restructuring has no impact on both direct ownership and ultimate beneficial ownership of the Issuer. Furthermore, there are no arrangements the operation of which may at some future date result in a change in control of the Issuer.

The presence of independent Non-Executive Directors on the Board of Directors and on the Audit and Risk Committee of the Issuer serves to ensure compliance with good corporate governance of the Issuer.

12. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION, AND PROFITS AND LOSSES

12.1 HISTORICAL FINANCIAL INFORMATION

The Bank's audited financial statements for financial years ended 31 December 2019 (FY2019), 31 December 2020 (FY2020) and 31 December 2021 (FY2021) (including the audit reports for such financial periods), shall be deemed to be incorporated by reference in, and form part of, this Prospectus. These financial statements have been drawn up in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and endorsed by the EU and are available for inspection at the Bank's registered office and on the Bank's website (<https://www.izolabank.com/mt-en/who-we-are/investor-information/annual-reports-financial-statements>) as set out in section 16 of this Registration Document. The Bank publishes half-yearly condensed interim financial statements which are prepared in accordance with IAS34 Interim Financial Reporting, as adopted by the EU.

12.1.1 Key References

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

Information incorporated by reference in the Prospectus	Page numbers in the annual financial statements		
	Financial year ended 31 December 2021*	Financial year ended 31 December 2020	Financial year ended 31 December 2019
Statement of Financial Position	2	2	2
Statement of Profit or Loss and Other Comprehensive Income	1	3	3
Statement of Changes in Equity	4	4	4
Statement of Cash Flows	5	6	6
Notes to Financial Statements	6-110	7-72	7-72
Independent Auditors' Report	Annex	73-83	73-82

*Page numbers based on the ESEF format of the annual report.

12.1.2 Key Financial Information

The following table sets out key financial information extracted from the audited annual financial statements of the Bank for the financial years ended 31 December 2021, 31 December 2020, and 31 December 2019.

For financial year ended 31 December	2021	2020	2019
Net interest income and other operating income to total asset	1.68%	1.53%	1.75%
Operating expenses to total assets	1.47%	1.37%	1.08%
Profit before tax to total assets	0.20%	0.16%	0.68%
Pre-tax return on capital employed	2.82%	2.14%	8.63%
Profit after tax to equity	1.36%	1.13%	4.34%
Cost to operating income ratio	82%	87%	61%
Capital adequacy ratio	16.5%	20.2%	20.0%
Average number of employees	54	48	42

12.1.3 Financial Performance

In the financial year ended 31 December 2021 the Bank posted €0.82 million in profit before tax, an increase of 36% over FY2020 and yielding a return on equity of 2.82%. It is important to note that FY2020 was heavily impacted by an unprecedented economic scenario as a result of the COVID-19 pandemic, mainly resulting in a significant decrease in profits compared to FY2019. FY2021 was undoubtedly another challenging year with the global economy still coming to terms with the ongoing economic uncertainty brought about by the pandemic. Against this backdrop, with the economic momentum gradually improving towards the second half of FY2021, the Bank's financial results continued to improve, reaffirming the resilience of its business model.

Net interest income remained the key pillar for the Bank's revenue with a total of €6.19 million generated in FY2021, rising by €0.63 million or 11% over FY2020, marginally improving over FY2019. This was largely driven by the interest receivable on loans and advances to customers which grew by 25% over FY2020 as a direct result of the development of the credit portfolio.

Interest expense increased by 11% in FY2020 over FY2019 but decreased by 12% in FY2021, whilst amounts due to customers contracted by 2% over the same period. This reaffirmed the Bank's efficient asset-liability and cost of funding management, aiming to protect net interest margins despite the persistent negative interest rate environment.

Other operating and net commission income for FY2021 was €0.56 million, an increase of €0.18 million and €0.29 million from FY2020 and FY2019 respectively. This was largely attributed to realized fair value movements on the treasury portfolio.

Impairment against expected credit losses (ECL) amounted to a charge of €0.39 million in FY2021, an increase of €0.17 million and €0.09 million compared to FY2020 and FY2019 respectively. This was largely due to the worsening of the future-looking macro-economic variables as a result of the pandemic rather than specific deterioration in the credit quality of the lending portfolio. The non-performing loans (NPL) ratio remained stable at around 0.50% between FY2021 and FY2019, evidently reflecting the Bank's conservative risk appetite and prudent lending policies.

Operating expenses for FY2021 amounted to €5.55 million, increasing by €0.38 million and €1.68 million when compared to the €5.17 million and €3.87 million respectively during FY2020 and FY2019. Rising staff costs contributed to the overall increase as the Bank continued investing in its human resources to sustain both its operational growth and regulatory requirements. During FY2020, operating expenses included an exceptional charge from the Depositor Compensation Scheme of €1.09 million (FY2019: €0.22 million), following a substantial increase in covered deposits during the last quarter of 2019. The Bank's Cost-to-Income ratio decreased to 82% (FY2020: 87%), primarily because of the increase in overall operating income. This ratio remained relatively elevated due to ongoing investment in technology, human resources and compliance.

12.1.4 Financial Position

As at 31 December, 2021, the total assets of the Bank stood at €402.42 million, increasing by 3.3% over the previous year, mainly driven by an expansion in the loan and treasury portfolios. Loans and advances to customers stood at €131.37 million, increasing by 8.07% over FY2020 mainly through the provision of credit facilities to commercial customers. Factored receivables, a key component of the Bank's business, declined marginally by 4%. This decline was mainly driven by accelerated payments over contractual terms which ultimately resulted in improved credit quality. The Bank's treasury portfolio continued to expand over the previous year through the acquisition of local corporate and sovereign debt instruments.

The growth in the asset base was primarily funded through an increase in amounts owed to customers and institutions. The Bank's total liabilities stood at €369.14 million as at 31 December, 2021, increasing by €13.93 million or 3.92% over the previous year. With additional liquidity available through support measures within the Euro area financial system, amounts owed to customers and institutions increased by €13.42 million during FY2021. As of 31 December, 2021, the Bank remained well capitalised and liquid, with the Capital Adequacy Ratio (CAR) standing at 16.5% and a Liquidity Cover Ratio (LCR) of 1,320%, significantly above European banking sector norms.

12.2 LEGAL AND ARBITRATION PROCEEDINGS

There have been no governmental, legal, or arbitration proceedings (including any such proceedings which are pending or threatened or of which the Issuer is aware) during the period covering 12 months prior to the date of the Prospectus which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

12.3 SIGNIFICANT CHANGE IN THE ISSUER'S FINANCIAL OR TRADING POSITION

There has been no material adverse change in the prospects of the Issuer since the date of publication of its latest audited financial statements nor has there been any significant change in the financial position of the Issuer since the end of the last financial period for which financial information has been published to the date of this Registration Document.

13. ADDITIONAL INFORMATION

13.1 SHARE CAPITAL

As at the date of this Registration Document, the authorised share capital of the Issuer is €60,000,000 divided into 120,000,000 ordinary shares of a nominal value of €0.50 each. The issued share capital of the Issuer is €27,000,000 divided into 54,000,000 ordinary shares of a nominal value of €0.50 each, subscribed for, allotted and taken up as follows:

IBL I Limited (C 16321)	135 ordinary shares of a nominal value of €0.50 each, fully paid-up, representing 0.01% of the issued share capital of the Issuer
IBL T Limited (C 16322)	53,999,865 ordinary shares of a nominal value of €0.50 each, fully paid-up, representing 99.99% of the issued share capital of the Issuer

13.2 MEMORANDUM AND ARTICLES OF ASSOCIATION

The Memorandum and Articles of Association of the Issuer are registered with the Malta Business Registry. A full list of the objects for which the Issuer is established is set out in clause 4 of the Memorandum of Association. These objects include, but are not limited to, the following:

- to carry on the business of banking from within the Republic of Malta and to undertake, carry on and execute all kinds of financial and banking operations;
- to engage in financial business including the acceptance and making of deposits in any currency and the lending of funds in any currency whether directly to the Bank's customers or through world financial centres;
- to buy, sell and deal in foreign exchange as well as to provide currency and interest hedging services;
- to receive and hold funds pending investment, maintain accounts for, provide safe custody services, handle transfers of securities and similar matters and to raise loans and to receive securities and valuables of all kinds;
- to provide bridging finance and equity financing, credit or financial accommodation, the issue of guarantees, performance bonds and bid bonds, to open and confirm letters of credit, to issue, accept and discount commercial bills of exchange and to carry out leasing type financial contracts; and
- to engage in the investment banking business and to subscribe for, take, or otherwise acquire and hold shares, stock, debentures or other securities of any other company.

14. MATERIAL CONTRACTS

Neither the Issuer nor any of the other companies forming part of the Group is party to any contract not being a contract entered into in the respective company's ordinary course of business, which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer as at the date of this Registration Document.

15. THIRD PARTY INFORMATION, STATEMENT BY EXPERTS, AND DECLARATIONS OF ANY INTEREST

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

16. DOCUMENTS ON DISPLAY

For the duration period of this Registration Document the following documents shall be available for inspection at the registered address of the Issuer:

- the Memorandum and Articles of Association of the Issuer; and
- audited financial statements for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021.

Such documents are also available for inspection in electronic form on the Bank's website at: <https://www.izolabank.com/mt-en/>

SECURITIES NOTE

DATED 22 JULY 2022

This document is a Securities Note issued in accordance with the provisions of Chapter 4 of the Capital Markets Rules issued by the Malta Financial Services Authority and in accordance with the provisions of the Prospectus Regulation.

This Securities Note is being issued by:



izola Bank

Izola Bank p.l.c.

A PUBLIC LIMITED LIABILITY COMPANY REGISTERED UNDER THE LAWS OF MALTA
WITH REGISTRATION NUMBER C 16343

In respect of an issue of up to

€14,000,000 5% Unsecured Subordinated Bonds 2027 – 2032

issued and redeemable at their nominal value (at €100 per Bond)

ISIN MT0000531229

Sponsors



MZ INVESTMENT SERVICES



RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

Manager & Registrar



MZ INVESTMENT SERVICES

Legal Counsel

CAMILLERI PREZIOSI
ADVOCATES

THIS SECURITIES NOTE HAS BEEN APPROVED BY THE MALTA FINANCIAL SERVICES AUTHORITY, AS THE COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THE MALTA FINANCIAL SERVICES AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THE BONDS AS LISTED FINANCIAL INSTRUMENTS. THIS MEANS THAT THE MALTA FINANCIAL SERVICES AUTHORITY HAS ONLY APPROVED THIS SECURITIES NOTE AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY AS PRESCRIBED BY THE PROSPECTUS REGULATION. SUCH APPROVAL SHOULD NOT, HOWEVER, BE CONSIDERED AS AN ENDORSEMENT OF THE BANK, WHOSE BONDS ARE THE SUBJECT OF THIS SECURITIES NOTE. IN PROVIDING THIS AUTHORISATION, THE MALTA FINANCIAL SERVICES AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN THE BONDS ISSUED BY THE ISSUER AND SUCH AUTHORISATION SHOULD NOT BE DEEMED, OR BE CONSTRUED, AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN THE BONDS. THE MALTA FINANCIAL SERVICES AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER, FOR ANY LOSS HOWSOEVER ARISING FROM, OR IN RELIANCE UPON, THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS INCLUDING ANY LOSSES INCURRED BY INVESTING IN THE BONDS.

A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN THE BONDS. THE BONDS ARE COMPLEX FINANCIAL INSTRUMENTS. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN THE BONDS. A SUITABILITY TEST WILL BE REQUIRED TO BE CONDUCTED BY AUTHORISED FINANCIAL INTERMEDIARIES PRIOR TO THE SALE OF THE BONDS AND INVESTORS WHO/WHICH FAIL THE SUITABILITY TEST WILL NOT BE ELIGIBLE TO INVEST IN THE BONDS.

APPROVED BY THE BOARD OF DIRECTORS



Andrew Mifsud

signing in his capacity as director of the Issuer and on behalf of Simon Azzopardi, Magdalena De Roeck, Francis Gouder, Alain Malschaert, Guido Mizzi, Patrick H. Van Leynseele, and Caroline Van Marcke.

IMPORTANT INFORMATION

THIS SECURITIES NOTE FORMS PART OF THE PROSPECTUS AND CONTAINS INFORMATION IN CONNECTION WITH AN ISSUE BY IZOLA BANK P.L.C. (C 16343) (THE “ISSUER” OR THE “BANK”) OF UP TO €14,000,000 UNSECURED SUBORDINATED BONDS DUE 2027 - 2032 HAVING A NOMINAL VALUE OF €100 PER BOND ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 5% PER ANNUM, PAYABLE ANNUALLY ON 15 SEPTEMBER OF EACH YEAR UNTIL THE REDEMPTION DATE OR AN EARLY REDEMPTION DATE, AS APPLICABLE (THE “BONDS” OR THE “BOND ISSUE”).

THIS SECURITIES NOTE: (I) CONTAINS INFORMATION ABOUT THE BONDS IN ACCORDANCE WITH THE REQUIREMENTS OF THE CAPITAL MARKETS RULES, THE ACT AND THE PROSPECTUS REGULATION, AND SHOULD BE READ IN CONJUNCTION WITH THE LATEST REGISTRATION DOCUMENT ISSUED BY THE ISSUER FORMING PART OF THE PROSPECTUS; AND (II) SETS OUT THE CONTRACTUAL TERMS UNDER WHICH THE BONDS ARE BEING ISSUED, BY THE ISSUER, WHICH TERMS SHALL REMAIN BINDING.

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

THE MALTA FINANCIAL SERVICES AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THIS SECURITIES NOTE, MAKES NO REPRESENTATIONS AS TO THEIR 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 SECURITIES NOTE.

IT IS THE RESPONSIBILITY OF ANY PERSON IN POSSESSION OF THIS SECURITIES NOTE AND ANY PERSON WISHING TO APPLY FOR THE BONDS TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE INVESTORS IN THE BONDS SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR ANY SUCH SECURITIES AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE AND, OR DOMICILE. THE ISSUER HAS CONSENTED TO THE AUTHORISED FINANCIAL INTERMEDIARIES MAKING USE OF THIS SECURITIES NOTE IN CONNECTION WITH THEIR DISTRIBUTION AND PLACEMENT ACTIVITIES FOR THE SALE OF THE BONDS.

THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR SECURITIES ISSUED BY THE ISSUER: (I) BY ANY PERSON IN ANY JURISDICTION IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED OR IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO; OR (II) TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THE 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.

SAVE FOR THE ISSUE IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN, OR WILL BE, TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFERING OF THE BONDS OR THE DISTRIBUTION OF THE PROSPECTUS (OR ANY PART THEREOF), OR ANY OFFERING MATERIAL, IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, NO BONDS MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THIS PROSPECTUS NOR ANY ADVERTISEMENT OR OTHER OFFERING MATERIAL MAY BE DISTRIBUTED OR PUBLISHED IN ANY JURISDICTION, EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS. PERSONS INTO WHOSE POSSESSION THIS PROSPECTUS, OR ANY OTHER OFFERING MATERIAL MAY COME, MUST INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTIONS ON THE DISTRIBUTION OF THE PROSPECTUS AND THE OFFERING AND SALE OF THE BONDS.

THE PROSPECTUS AND THE OFFERING, SALE, OR DELIVERY OF ANY SECURITIES MAY NOT BE TAKEN AS AN IMPLICATION: (I) THAT THE INFORMATION CONTAINED IN THE PROSPECTUS IS ACCURATE AND COMPLETE SUBSEQUENT TO ITS DATE OF ISSUE; OR (II) THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN THE FINANCIAL POSITION OF THE ISSUER SINCE SUCH DATE; OR (III) THAT ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE 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 SECURITIES NOTE IS VALID FOR A PERIOD OF 12 MONTHS FROM THE DATE HEREOF. FOLLOWING THE LAPSE OF THIS VALIDITY PERIOD, THE ISSUER IS NOT OBLIGED TO SUPPLEMENT THIS SECURITIES NOTE IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES OR MATERIAL INACCURACIES.

ALL THE ADVISERS TO THE ISSUER NAMED IN SECTION 4.1 OF THE REGISTRATION DOCUMENT HAVE ACTED, AND ARE ACTING, EXCLUSIVELY FOR THE ISSUER IN RELATION TO THE PROSPECTUS AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON, AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

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

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 FINANCIAL AND OTHER PROFESSIONAL ADVISERS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS. THE BONDS ARE COMPLEX FINANCIAL INSTRUMENTS. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN THE BONDS. A SUITABILITY TEST WILL BE REQUIRED TO BE CONDUCTED BY AUTHORISED FINANCIAL INTERMEDIARIES PRIOR TO THE SALE OF THE BONDS AND INVESTORS WHO/WHICH FAIL THE SUITABILITY TEST WILL NOT BE ELIGIBLE TO INVEST IN THE BONDS.

A COPY OF THIS SECURITIES NOTE HAS BEEN SUBMITTED TO THE MALTA FINANCIAL SERVICES AUTHORITY IN SATISFACTION OF THE CAPITAL MARKETS RULES, THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS, AND THE REGISTRAR OF COMPANIES AT THE MALTA BUSINESS REGISTRY IN ACCORDANCE WITH THE ACT.

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

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1. DEFINITIONS

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

Applicant(s)	a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
Application(s)	the application to subscribe for the Bonds made by an Applicant(s) through any of the Authorised Financial Intermediaries;
Application Form	the form of application for the subscription for the Bonds by Existing Bondholders, a specimen of which is contained in Annex I of this Securities Note;
Bond Issue Price	€100 per Bond;
Bondholder(s)	any holder(s) of Bonds from time to time, as evidenced by an electronic entry in the register of Bonds held by the CSD;
Business Day	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
Cash Top-Up	shall mean, the difference between the Existing Bondholder's holding in Exchangeable Bonds and the minimum application amount applicable, where the Existing Bondholder elects to subscribe for Bonds by way of Exchangeable Bond Transfer;
CSD	the Central Securities Depository of the MSE, having its address at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
Cut-Off Date	close of business on 15 July, 2022 (trading session of 13 July, 2022);
Eligible Counterparties	shall bear the meaning assigned thereto in the COBR;
Excess	shall mean, such number of Bonds exceeding in value the aggregate nominal value of Exchangeable Bonds held by them as at the Cut-Off Date, which an Existing Bondholder wishes to apply for;
Exchangeable Bond Transfer	the subscription for Bonds by an Existing Bondholder settled, after submitting the appropriate Application Form, by the transfer to the Issuer of all or part of the Exchangeable Bonds held by such Existing Bondholder as at the Cut-Off Date, subject to a minimum application of €10,000, including Cash Top-Up as may be necessary, and subject to section 6.3 of this Securities Note;
Exchangeable Bonds	the 4.5% unsecured bonds (ISIN MT0000531211) redeemable on 30 June 2025, amounting as at the date of the Prospectus to €12,000,000, issued by the Issuer pursuant to a prospectus dated 18 May 2015;
Existing Bondholders	the holders of the Exchangeable Bonds as at the Cut-Off Date;
Intermediaries' Offer	shall bear the meaning assigned thereto in section 6.4 of this Securities Note;
Offer Period	the period commencing at 08:30 hours on 1 August, 2022 and lapsing at 12:00 hours on 7 September, 2022, (or such earlier date as may be determined by the Issuer) during which the Bonds will be available for subscription to Existing Bondholders;
Professional Client(s)	shall bear the meaning assigned thereto in the COBR;
Redemption Value	means the nominal amount to be paid on the Redemption Date or an Early Redemption date (as the case may be);
Resolution Committee	the Resolution Committee appointed by the Resolution Authority under Article 7B(2) of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);
Retail Client(s)	shall bear the meaning assigned thereto in the COBR;

R&R Regulations	Recovery and Resolution Regulations (Subsidiary Legislation 330.09 of the laws of Malta), as may be amended from time to time;
Suitability Test	the suitability testing to be carried out in terms of Part E of Section 1 of Chapter 4 of the COBR; and
Terms and Conditions	the terms and conditions applicable to the Bonds as contained in section 6 of this Securities Note.

Unless it appears otherwise from the context:

- (a) words importing the singular shall include the plural and *vice versa*;
- (b) words importing the masculine gender shall include the feminine gender and *vice versa*;
- (c) the word “*may*” shall be construed as permissive and the word “*shall*” shall be construed as imperative;
- (d) all references in this Securities Note to “*Malta*” shall be construed as defined in Article 124 (1) of the Constitution of Malta;
- (e) any phrase introduced by the terms “*including*”, “*include*”, “*in particular*” or any similar expression is illustrative only and does not limit the sense of the words preceding those terms; and
- (f) any reference to a law, legislative act, and, or other legislation shall mean that particular law, legislative act and, or legislation as in force at the date of this Securities Note.

2. RISK FACTORS

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

AN INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS INCLUDING THOSE DESCRIBED BELOW. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER WITH THEIR OWN FINANCIAL AND OTHER PROFESSIONAL ADVISERS, THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THIS PROSPECTUS, BEFORE MAKING ANY INVESTMENT DECISION WITH RESPECT TO THE BONDS. SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES WHICH MAY OR MAY NOT OCCUR AND THE ISSUER IS NOT IN A POSITION TO EXPRESS A VIEW ON THE LIKELIHOOD OF ANY SUCH CONTINGENCIES OCCURRING.

THE RISK FACTOR FIRST APPEARING BELOW CONSTITUTES THAT RISK FACTOR WHICH THE DIRECTORS HAVE ASSESSED TO BE THE MOST MATERIAL RISK FACTOR, AS AT THE DATE OF THIS SECURITIES NOTE. IN MAKING THIS ASSESSMENT OF MATERIALITY, THE DIRECTORS HAVE 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 ISSUER, IF THE RISK FACTOR WERE TO MATERIALISE.

THE PROSPECTUS, THE DOCUMENTATION INCORPORATED BY REFERENCE HEREIN, AND, OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH BONDS ISSUED BY THE ISSUER:

VII. IS NOT INTENDED TO PROVIDE THE BASIS FOR ANY CREDIT OR OTHER EVALUATION;

VIII. IS NOT AND SHOULD NOT BE CONSIDERED AS A RECOMMENDATION BY THE ISSUER, THE DIRECTORS, ANY OF THE ADVISERS LISTED IN SECTION 4.1 OF THE REGISTRATION DOCUMENT, OR ANY OF THE AUTHORISED FINANCIAL INTERMEDIARIES, THE DOCUMENTATION INCORPORATED BY REFERENCE HEREIN, OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION THEREWITH, THAT ANY RECIPIENT OF THIS PROSPECTUS SHOULD PURCHASE THE BONDS ISSUED BY THE ISSUER (AND THEREFORE PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS SECURITIES NOTE); AND

IX. CONTAIN STATEMENTS THAT ARE, OR MAY BE DEEMED TO BE, “*FORWARD-LOOKING STATEMENTS*”.

2.1 FORWARD-LOOKING STATEMENTS

This Securities Note contains statements that are, or may be deemed to be, “forward-looking statements”. Forward-looking statements can be identified by the use of forward-looking terminology, including the terms “*believes*”, “*estimates*”, “*forecasts*”, “*projects*”, “*anticipates*”, “*expects*”, “*envisages*”, “*intends*”, “*may*”, “*will*”, or “*should*” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places within the Prospectus and include statements regarding the intentions, beliefs or current expectations of the Issuer and, or the Directors concerning, amongst other things, the Issuer’s strategy and business plans, financial condition and performance, results of operations, liquidity, prospects, investments, and the markets in which it operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may, or may not occur, in the future. Forward-looking statements are not guarantees of future performance and should therefore not be construed as such. The Issuer’s and, or the Group’s actual operational results, financial condition and performance, and trading prospects may differ materially from the impression created by the forward-looking statements contained in the Prospectus. In addition, even if the operational results, financial condition and performance, and trading prospects of the Issuer and, or the Group are consistent with the forward-looking statements contained in the Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include, but are not limited to, those factors identified under this section 2 of this Securities Note and elsewhere in the Prospectus.

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

2.2 SUBORDINATED STATUS AND RANKING OF THE BONDS

The Bonds constitute subordinated and unsecured obligations of the Issuer. In the event of the dissolution and winding up of the Issuer, 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 Issuer.

If, on a dissolution and winding-up of the Issuer, the assets of the Issuer are insufficient to enable the Issuer 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 Issuer 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 all or part (which may be a substantial portion of) of their investment in the Bonds.

The same principles could apply to the Issuer where the relevant resolution authority applies the appropriate powers of write-down or conversion of the Bonds (whether in the event of a resolution of the Issuer 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.

2.3 RISKS ASSOCIATED WITH RECOVERY AND RESOLUTION REGULATIONS

The Issuer is subject to the BRRD, which has been transposed into Maltese law mainly (but not only) through the R&R Regulations (the BRRD and the R&R Regulations are hereinafter collectively referred to as the "**BRRD Package**"). The BRRD Package is designed to provide competent authorities with a set of tools to intervene early and quickly in the affairs of an unsound or failing bank. Moreover, once a bank is declared as failing or likely to fail, the BRRD Package vests resolution authorities with tools and powers so as to ensure the continuity of the bank's critical financial and economic functions, whilst minimising the impact of a bank's failure on the economy and financial system. Resolution authorities may intervene using one or more resolution tools, actions and, or powers in the event that the conditions set out in the R&R Regulations are met, namely that: (a) a bank is failing or likely to fail; (b) there is no reasonable prospect that alternative private sector measures would prevent the failure of a bank; and (c) a resolution action is in the public interest.

The resolution authority established under Maltese law is the board of governors of the MFSA which has, in turn, appointed a resolution committee (the "**Resolution Committee**") which is responsible, *inter alia*, to apply resolution measures and such other powers as set out in the first schedule to the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta). Under the R&R Regulations, the Resolution Committee has a very broad range of resolution tools, actions and, or powers in respect of the Issuer and the Bonds, including, amongst others, the power to write-down or convert the Bonds and to further employ a broad suite of other tools, including: (i) the sale of business tool, which enables the Resolution Committee to effect a sale of the whole or part of the business; (ii) the bridge institution tool, pursuant to which the Resolution Committee shall have the power to transfer to a bridge institution shares, other instruments of ownership, assets, rights and liabilities of the Issuer; (iii) the asset separation tool, which enables the transfer of assets, rights and liabilities to one or more asset management vehicles; and (iv) the bail-in tool, pursuant to which the Resolution Committee has a broad range of powers, including, the bailing in of unsecured creditors who will in turn bear the losses and other powers set out in the R&R Regulations.

The extent to which the Bonds may become subject to any resolution action (including those set out above) will depend on a number of factors and it is difficult to predict when, if at all, any such action can be taken, particularly since, as at the date of this Prospectus, none of the conditions for the adoption of resolution action by the Resolution Committee subsist with respect to the Issuer. Prospective investors should, nonetheless, consider the risk that, in the event that the Issuer becomes subject to a resolution action, the principal amount of the Bonds including any accrued but unpaid interest, may be written down or converted into equity and a broad range of other resolution actions (including those set out above) may be taken in respect of the Issuer.

2.4 ORDERLY AND LIQUID MARKET

The existence of an orderly and liquid market for the Bonds depends on a number of factors, including the presence of willing buyers and sellers of the Bonds at any given time. Such presence is dependent upon the individual decisions of investors over which the Issuer has no control. Securities admitted to trading on the Official List are often thinly traded. Accordingly, there can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Moreover, there can be no assurance that Bondholders will be able to sell the Bonds at or above the Bond Issue Price or at all. Furthermore, the requirement that the initial investment amount invested by a Retail Client (whose financial instrument portfolio, calculated in accordance with article 44A of the R&R Regulations, does not, at the time of the purchase, exceed €500,000) must be at least €10,000, could have an impact on the level of activity in the secondary market.

2.5 SUBSEQUENT CHANGES IN INTEREST RATE AND POTENTIAL IMPACT OF INFLATION

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 (such as the Bonds) 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 can generally be expected 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.

The coupon payable on the Bonds is a nominal interest rate. The real interest rate is computed by subtracting inflation from the nominal interest rate, the result of which indicates the real return on the Bond coupons. In a period of high inflation, an investor's real return on the Bonds will be lower than the Bonds' nominal interest rate and thus undermine an investor's expected return. Furthermore, an increase in inflation may result in a decrease in the traded price of the Bonds on the secondary market.

2.6 LIMITED RECOURSE

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 insofar as this is possible in terms of the applicable provisions of the Act. 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 other creditors.

2.7 ADDITIONAL INDEBTEDNESS

The Bonds do not restrict the Bank's ability to incur additional indebtedness (including through the issuance of additional bonds or other debt securities) or to secure that indebtedness in the future, which actions may negatively affect the Bank's financial position and its ability to make payments in respect of 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.

2.8 EARLY REDEMPTION

The Bonds are redeemable in whole or in part at the option of the Issuer prior to the Redemption Date on any designated Early Redemption Date upon giving thirty (30) days' notice to the Bondholders, subject to obtaining the prior approval of MFSA. The feature allowing for optional redemption on a designated Early Redemption Date may condition the market value of the Bonds and there can be no guarantee that the Bondholders may be able to re-invest the proceeds of such redemption at equivalent or higher rates of return. Bondholders will have no right to request the redemption of the Bonds and should not invest in the Bonds in the expectation that the Issuer would exercise its option to redeem the Bonds. Any decision by the Issuer as to whether it will exercise its option to redeem the Bonds will be taken at the absolute discretion of the Issuer after taking into consideration factors such as, but not limited to, the economic impact of exercising such option to redeem the Bonds, any tax consequences, the regulatory requirements and the prevailing market conditions. Bondholders should be aware that they may be required to bear the financial risks of an investment in the Bonds until maturity.

2.9 COMPLEXITY

The Bonds are complex financial instruments, including as a result of their subordination and the potential resolution action which can be taken in respect thereof. Although the Bonds may only be sold to Retail Clients which pass the Suitability Test, potential investors should be aware that, even if they pass the Suitability Test and invest in the Bonds, said investment in the Bonds carries a high degree of risk.

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 ISSUER'S PERFORMANCE MAY BE AFFECTED BY CHANGES IN MARKET OR ECONOMIC CONDITIONS AS WELL AS LEGAL, REGULATORY AND TAX REQUIREMENTS APPLICABLE TO THE ISSUER AND, OR THE BONDS.

3. PERSONS RESPONSIBLE, CONSENT FOR USE OF PROSPECTUS, AND STATEMENT OF APPROVAL

3.1 PERSONS RESPONSIBLE

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

3.2 CONSENT FOR USE OF PROSPECTUS

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

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

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

None of the Issuer, the Sponsors, the Manager and Registrar, or any of their respective advisers, take any responsibility for any of the actions of any Authorised Financial Intermediary, including their compliance with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to a resale or placement of the Bonds.

Other than as set out above, neither the Issuer nor its advisers 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 Issuer or the advisers and neither the Issuer nor the advisers have any responsibility or liability for the actions of any person making such offers.

Investors should enquire whether an intermediary is considered to be an Authorised Financial Intermediary in terms of the Prospectus. If the investor is in doubt as to whether it can rely on the Prospectus and, or who is responsible for its contents, it should obtain legal advice. No person has been authorised to give any information or to make any representation not contained in or inconsistent with this Prospectus. If given or made, it must not be relied upon as having been authorised by the Issuer or its advisers. The Issuer does not accept responsibility for any information not contained in this Prospectus.

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

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

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

Any new information with respect to financial intermediaries unknown at the time of approval of this Securities Note will be made available by the Issuer through a company announcement which will be made available on the Issuer's website: <https://www.izolabank.com/mt-en/>.

3.3 STATEMENT OF APPROVAL

This Securities Note has been approved by the MFSA as the competent authority in Malta for the purposes of the Prospectus Regulation. The MFSA has only approved this Securities Note 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 Securities Note). Investors should make their own assessment as to the suitability of investing in the Bonds.

4. ESSENTIAL INFORMATION ON THE BOND ISSUE

4.1 REASONS FOR THE ISSUE AND USE OF PROCEEDS

The aggregate proceeds from the Bond Issue will consist of:

- (a) an amount of up to €8,000,000 in the form of Exchangeable Bonds surrendered by Existing Bondholders in favour of the Issuer (including any Cash Top-Ups) by virtue of an Exchangeable Bond Transfer resulting in the purchase of Exchangeable Bonds from said Existing Bondholders by the Issuer, for cancellation (as at the date of the Prospectus the total value of Exchangeable Bonds in issue stands at €12,000,000); and
- (b) an amount of up to €6,000,000 through the Intermediaries' Offer.

Provided that in the event that less than €8,000,000 in the form of Exchangeable Bonds are purchased by the Issuer by way of Exchangeable Bond Transfer in terms of paragraph (a) above, the amount indicated in paragraph (a) above may consist of: (i) Exchangeable Bonds surrendered as aforesaid; (ii) proceeds from subscription for Bonds by Existing Bondholders in respect of any Excess applied for (provided that such Existing Bondholders have transferred their entire holding in Exchangeable Bonds by Exchangeable Bond Transfer); and (iii) proceeds derived from the Intermediaries' Offer.

Provided further that in the event that not all of the Bonds made available through the Intermediaries' Offer referred to in paragraph (b) above are subscribed for, the amount indicated in paragraph (a) above shall be increased accordingly.

The aggregate proceeds from the Bond Issue will constitute an integral part of the Bank's capital plan, with a view to further strengthening its Tier 2 Capital requirements in terms of the CRR. Proceeds derived other than by Exchangeable Bond Transfer, as well as any amounts received through the exercise of the Cash Top-Up, will be used by the Bank to meet part of its general financing requirements.

The Bond Issue is subject to a minimum subscription amount of €5,000,000:

- i. should the Bond Issue be undersubscribed, such that the total subscriptions for Bonds do not equate to at least €5,000,000, the subscription for the Bonds shall be deemed not to have been accepted by the Issuer and all proceeds from Applicants shall be refunded accordingly, and the Bond Issue shall be cancelled forthwith; and
- ii. if, on the other hand, the Bond Issue is undersubscribed and the abovementioned minimum threshold of €5,000,000 is met, such that the total subscriptions for Bonds equate to at least €5,000,000 but are lower than €14,000,000, the Issuer shall proceed with the listing of the Bonds so subscribed for and shall apply the net proceeds from the Bond Issue received in the manner set out above.

4.2 EXPENSES

Professional fees, and costs related to publicity, advertising, printing, listing, registration, sponsor, management, registrar fees, selling commission, and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €550,000 in the aggregate. There is no particular order of priority with respect to such expenses. The expenses pertaining to the Bond Issue shall be borne exclusively by the Issuer and shall be funded through the Issuer's own funds.

4.3 INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for the subscription for Bonds by Authorised Financial Intermediaries, and any fees payable in connection with the Bond Issue to M. Z. Investment Services Ltd and Rizzo, Farrugia & Co. (Stockbrokers) Ltd. as Sponsors, in so far as the Issuer is aware, no person involved in the Bond Issue has an interest, conflicting or otherwise, material to the Bond Issue.

5. INFORMATION CONCERNING THE BONDS TO BE ISSUED AND ADMITTED TO TRADING

Each Bond shall be issued on the terms and conditions set out in this Securities Note and, by subscribing to or otherwise acquiring the Bonds, the Bondholders are deemed to have knowledge of all the terms and conditions of the Bonds hereafter described and to accept and be bound by the said terms and conditions.

5.1 ISSUE STATISTICS

AMOUNT:	aggregate amount of up to €14,000,000;
DENOMINATION:	Euro (€);
BOND ISSUE PRICE:	at par (€100 per Bond);
ISIN:	MT0000531229;
MINIMUM AMOUNT PER SUBSCRIPTION:	minimum of €10,000 multiples of €100 thereafter;
INTEREST:	5% per annum;
INTEREST PAYMENT DATE(S):	15 September of each year between and including each of the years 2023 and 2032, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
REDEMPTION DATE:	15 September 2032 or a designated Early Redemption Date;
ADMISSION TO LISTING AND TRADING:	the MFSA has approved the Bonds for admissibility to listing on the Official List of the MSE. Application has been made to the MSE for the Bonds to be listed and traded on its Official List;
STATUS OF THE BONDS:	the Bonds constitute the subordinated and unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves and with other subordinated debt of the Issuer, present and future, if any;
GOVERNING LAW:	the Bonds are governed by and shall be construed in accordance with Maltese law; and
JURISDICTION:	the Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds.

5.2 SUITABILITY TESTS

In the case of sale of Bonds by Authorised Financial Intermediaries to Retail Clients, Authorised Financial Intermediaries are required to conduct a Suitability Test prior to selling the Bonds. This requirement also applies when transfers of Bonds are carried out on the secondary market.

Sales of Bonds to Professional Clients and, or Eligible Counterparties, including on the secondary market, shall be governed by the requirements set out in the COBR and the requirements set out in the above paragraph shall not apply in respect of such sales.

5.3 REGISTRATION, FORM AND TITLE

The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD.

There will be entered in such electronic register, the names, addresses, identification numbers (in the case of natural persons), registration numbers (in the case of legal persons), and MSE account numbers of the Bondholders together with particulars of the Bonds held by them. A copy of the Bondholder's entry in the CSD's electronic register will, at all reasonable times during business hours, be available for inspection by the Bondholders at the registered office of the Issuer. Title to the Bonds shall be evidenced by an entry in the electronic register of Bonds maintained by the CSD. The CSD will issue, upon a request by a Bondholder, a statement of holdings evidencing his or her entitlement to the Bonds held in the electronic register at the CSD.

Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Bond. Title to the Bonds may be transferred as provided below under the heading "*Transferability of the Bonds*" in section 5.7 of this Securities Note.

5.4 RIGHTS ATTACHING TO THE BONDS

A Bondholder shall have such rights as are, pursuant to this Securities Note, attached to the Bonds, including:

- (a) the repayment of capital;
- (b) the payment of interest;
- (c) ranking with respect to other indebtedness of the Issuer in accordance with the provisions of section 5.6 below;
- (d) the right to attend, participate in, and vote at, meetings of Bondholders in accordance with the Terms and Conditions of the Bonds; and
- (e) the enjoyment of all such other rights attached to the Bonds emanating from the Prospectus.

5.5 MEETINGS OF BONDHOLDERS

The Issuer may, from time to time, call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of obtaining the consent thereof on matters which in terms of the Prospectus require the approval of a Bondholders' meeting.

A meeting of Bondholders shall be called by the Directors by giving all Bondholders listed on the register of Bondholders as at a date being not more than 30 days preceding the date scheduled for the meeting, not less than 14 days' notice in writing. Said notice may be given by electronic mail, by post or by courier, at the discretion of the Issuer.

Such notice shall set out the place, date and time set for the meeting, and the matters to be discussed or decided thereat. Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Issuer shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this section at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.

Each Bond shall entitle the holder thereof to one vote. A meeting of Bondholders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose at least two Bondholders present, in person or by proxy, representing not less than 50% in nominal value of the Bonds then in issue, 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 Issuer shall, within two days from the date of the original meeting, publish by way of a company announcement the place, date and time where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven 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.

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

Once a quorum is declared present by the chairman of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions being required at the meeting the directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of the Bondholders present at the time at which the vote is being taken, and any Bondholders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote shall not be taken into account for the purpose of such vote. The voting process shall be managed by the Company Secretary of the Issuer.

The proposal placed before a meeting of Bondholders shall only be considered approved if at least 75% in nominal value of the Bondholders present at the meeting at the time when the vote is being taken, in person or by proxy, shall have voted in favour of the proposal. A matter decided at a duly convened Bondholders' meeting is binding on all Bondholders irrespective of whether they are present or not.

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

The amendment or waiver of any of the Terms and Conditions of the Bond Issue contained in this Securities Note may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.

5.6 RANKING OF THE BONDS

The Bonds, as and when issued and allotted, shall constitute the subordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves, and with other subordinated debt of the Issuer, present and future, if any.

5.7 TRANSFERABILITY OF THE BONDS

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

Any person becoming entitled to a Bond in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may from time to time properly be required by the Issuer or the CSD, elect either to be registered himself as holder of the Bond or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the CSD a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by transferring the Bond, or procuring the transfer of the Bond, in favour of that person.

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

The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge, or insurance charges, that may be imposed in relation thereto, will be borne by the transferee.

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

5.8 INTEREST

The Bonds shall bear interest from and including 15 September, 2022 at the rate of 5% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 15 September, 2023 (covering the period 15 September, 2022 to 14 September, 2023). Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day.

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 360 day year consisting of 12 months of 30 days each, and in the case of an incomplete month, the number of days elapsed.

In terms of article 2156 of the Civil Code (Cap. 16 of the laws of Malta), the right of Bondholders to bring claims for payment of interest and repayment of the principal on the Bonds, is barred by the lapse of five years.

5.9 YIELD

The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at the Redemption Date or a designated Early Redemption Date, shall be 5%.

5.10 PAYMENTS

Payment of the principal amount of Bonds will be made in Euro by the Issuer to the person in whose name such Bonds are registered as at the close of business on the Redemption Date or an Early Redemption Date, as the case may be, with interest accrued up to (but excluding) the Redemption Date or an Early Redemption Date, by means of direct credit transfer into such bank account as the Bondholder may designate from time to time, provided such bank account is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven days of the Redemption Date or an Early Redemption Date. The Issuer shall not be responsible for any loss or delay in transmission. Upon payment of the Redemption Value the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Bonds at the CSD.

In the case of Bonds held subject to usufruct, payment will be made against the joint instructions of all bare owners and usufructuaries. Before effecting payment, the Issuer and, or the CSD shall be entitled to request any legal documents deemed necessary concerning the entitlement of the bare owner(s) and the usufructuary(ies) to payment of the Bonds.

Payment of interest on the Bonds will be made to the person in whose name such Bonds is registered at the close of business fifteen (15) days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven days of the Interest Payment Date. The Issuer shall not be responsible for any loss or delay in transmission.

All payments with respect to the Bonds are subject in all cases to any applicable fiscal or other laws and regulations prevailing in Malta. In particular, but without limitation, all payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made net of any amount which the Issuer is or may become compelled by law to deduct or withhold for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Malta or any authority thereof or therein having power to tax.

Except for any charges which may be imposed by the Issuer or any remitting bank or payment institution in connection with the transmission of payments or transfer of funds, no commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments.

If, due to any obstacle attributable to the CSD, any remitting bank and, or payment institution, the Issuer cannot make a payment or repayment, such payment or repayment may be postponed until the obstacle has been removed.

5.11 REDEMPTION AND PURCHASE

Unless previously purchased and cancelled, the Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on the Redemption Date, or, earlier, on a designated Early Redemption Date.

In addition to the possibility of early redemption on any Early Redemption Date, the Issuer may at any time purchase Bonds in the open market or otherwise at any price subject always to compliance with the applicable requirements of the CRR, including the relevant provisions set out in article 77 and 78 of the CRR.

All Bonds repurchased by the Issuer shall be cancelled forthwith and may not be reissued or re-sold.

5.12 ACCELERATION

In the event that a winding-up order is made or resolution passed by the general meeting for the dissolution, liquidation, or winding-up of the Issuer in the instances, and to the extent permitted by the Act (an “**Acceleration Event**”), the Bonds shall immediately fall due and payable at the Redemption Value, together with interest accrued up to the date of repayment, if any. Upon the occurrence of such an Acceleration Event, all rights available to the Bondholders shall rank after all other unsubordinated and unsecured obligations of the Issuer.

In the event that the Issuer becomes subject to a bail-in (as further described in the risk factor found in section 2 of this Securities Note entitled ‘*Risks associated with Recovery and Resolution Regulations*’), this shall not constitute an Acceleration Event.

5.13 AUTHORISATIONS AND APPROVALS

The Board of Directors of the Issuer authorised the Bond Issue pursuant to a board of directors’ resolution passed on 6 July, 2022.

5.14 NOTICES

Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of twenty-four (24) hours after the letter containing the notice is posted, and in providing such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholder at his or her registered address and posted.

5.15 FURTHER ISSUES

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

6. TERMS AND CONDITIONS OF THE BOND ISSUE

6.1 EXPECTED TIMETABLE OF THE BOND ISSUE

1	Application Forms mailed to Existing Bondholders as at the Cut-Off Date	27 July, 2022
2	Offer Period for Existing Bondholders	1 August, 2022 to 7 September, 2022
3	Intermediaries’ Offer	1 August, 2022 to 7 September, 2022
4	Commencement of interest on the Bonds	15 September, 2022
5	Announcement of basis of acceptance	15 September, 2022
6	Refunds of unallocated monies (if any)	23 September, 2022
7	Expected dispatch of allotment advices	23 September, 2022
8	Expected date of admission of the Bonds to listing	23 September, 2022
9	Expected date of commencement of trading in the Bonds	26 September, 2022

The Issuer reserves the right to close the Offer Period and the Intermediaries’ Offer before 7 September, 2022 in the event of over-subscription, in which case the events set out in 5 to 9 above will be brought forward to no earlier than the 15 September, 2022, but shall be kept in the same chronological order as set out above.

6.2 CONDITIONS TO WHICH THE BOND ISSUE IS SUBJECT

The following terms and conditions shall be read in conjunction with all the other terms and conditions relative to and regulating the contractual relationship created between the Issuer and the Applicant on the other.

6.2.1 The issue and allotment of the Bonds is conditional upon: (i) a minimum subscription amount of €5,000,000; and (ii) the Bonds being admitted to the Official List of the MSE. In the event that condition (i) and, or (ii) is not satisfied, any Application monies (including Cash Top-Ups or Excess) received by the Issuer will be returned without interest by direct credit into the Applicant’s bank account indicated by the Applicant on the relative Application.

6.2.2 Existing Bondholders applying for Bonds may elect to settle all or part of the amount due on the Bonds applied for (whether in whole or in part consideration for the Bonds being applied for) by completing a pre-printed Application Form, indicating that the consideration for the Bonds applied for shall be settled by way of transfer to the Issuer of all or part of the Exchangeable Bonds held as at the Cut-Off Date in an amount equivalent to the par value of the Bonds applied for (this being, the Exchangeable Bond Transfer), subject to a minimum application of €10,000. Any Existing Bondholders whose holding in Exchangeable Bonds is less than €10,000 shall be required to pay the Cash Top-Up together with the submission of their pre-printed Application Form.

6.2.3 By submitting a signed pre-printed Application Form indicating that the option of the Exchangeable Bond Transfer is being selected (whether in whole or in part consideration for the Bonds being applied for), the Applicant is thereby confirming:

- i. that all or part (as the case may be) of the Exchangeable Bonds held by the Applicant as at the Cut-Off Date are being transferred to the Issuer, together with the payment due in respect of any Cash Top-Up, if applicable;
- ii. that the pre-printed Application Form constitutes the Applicant's irrevocable mandate to the Issuer to: (a) cause the transfer of the said Exchangeable Bonds in the Issuer's name in consideration of the issue of Bonds; and (b) engage, at the Issuer's cost, the services of such brokers or intermediaries as may be necessary to fully and effectively vest title in the said Exchangeable Bonds in the Issuer and fully and effectively vest title in the appropriate number of Bonds in the Applicant;
- iii. that the obligations of the Issuer with respect to the Exchangeable Bonds being transferred to the Issuer are extinguished, replaced by obligations on the part of the Issuer under the Bonds to be issued upon acceptance by the Issuer of the Application in question; and
- iv. the matter specified in 6.2.6 below.

6.2.4 Authorised Financial Intermediaries participating in the Intermediaries' Offer are required to submit to the Registrar completed subscription agreements as described in more detail in section 6.4 below by latest 12:00 hours CET on 7 September, 2022. Authorised Financial Intermediaries may subscribe for Bonds either in their own name or in the name of underlying clients.

6.2.5 In the event that an Existing Bondholder has been allocated a number of Bonds which is less than the number applied for, Exchangeable Bonds equal in face value to the number of Bonds allocated to such Existing Bondholder shall be transferred to the Issuer as set out in 6.2.2. above, whereas the remaining Exchangeable Bonds held by the Existing Bondholder and representing the aggregate face value of Bonds applied for but not allocated shall be retained by the Existing Bondholder.

In the event that an Existing Bondholder applying for a number of Bonds exceeding in value the aggregate nominal value of Exchangeable Bonds held by them as at the Cut-Off Date has been allocated a number of Bonds which is less than the Excess applied for, then such Existing Bondholder shall receive a refund of the price of the Bonds applied for but not allocated. Such refund shall be without interest and shall be made by credit transfer to such account indicated in the Application Form, at the Existing Bondholder's sole risk on 23 September 2022.

In the event that Authorised Financial Intermediaries subscribing for Bonds through the Intermediaries' Offer have been allocated a number of Bonds which is less than the number applied for, then such Authorised Financial Intermediaries shall receive a refund of the price of the Bonds applied for but not allocated. Such refund shall be without interest and shall be made by credit transfer to such account indicated in the subscription agreement, at the Authorised Financial Intermediary's sole risk on 23 September 2022.

6.2.6 An Applicant applying for the Bonds is thereby confirming to the Issuer, the Registrar and the Authorised Financial Intermediary through whom the Application is made, as applicable, that the Applicant's remittance will be honoured on first presentation and agrees that, if such remittance is not so honoured on its first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application. Furthermore the Applicant will not be entitled to receive a registration advice or to be registered in the register of Bondholders, unless the Applicant makes payment in cleared funds and such consideration is accepted by the respective Authorised Financial Intermediary, Registrar and, or Issuer, as applicable, which acceptance shall be made in the Authorised Financial Intermediary, Registrar and, or Issuer's absolute discretion and may be on the basis that the Applicant indemnifies the Authorised Financial Intermediary, Registrar and, or Issuer against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of the Applicant's remittance to be honoured on first presentation.

6.2.7 The contract created by the Issuer's acceptance of an Application filed by a prospective bondholder shall be subject to all the terms and conditions set out in this Securities Note and the Memorandum and Articles of Association of the Issuer. It is the responsibility of investors wishing to apply for the Bonds to inform themselves as to the legal requirements of so applying including any requirements relating to external transaction requirements in Malta and any exchange control in the countries of their nationality, residence or domicile.

6.2.8 If an Application is submitted on behalf of another person, whether legal or natural, the person submitting the Application will be deemed to have duly bound such other person on whose behalf the Application has been submitted. The person submitting such Application shall be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions on their behalf. Such representative may be requested to submit the relative power of attorney, or resolution or a copy thereof duly certified by a lawyer or notary public if so required by the Issuer and the Registrar, but it shall not be the duty or responsibility of the Registrar or Issuer to ascertain that such representative is duly authorised to sign on the Application. Furthermore, in cases where the decision to invest is taken by a third party authorised to transact on behalf of the Applicant (a "decision maker") such as an individual that holds a power of attorney to trade on the Applicant's account or applications under a discretionary account, details of the decision maker need to be included in the relative panel of the Application.

6.2.9 In the case of joint Applications, reference to the Applicant in these terms and conditions is a reference to each of the joint Applicants, and liability therefor is joint and several. The person whose name shall be inserted in the field entitled "Applicant" on the Application, or first-named in the register of Bondholders shall, for all intents and purposes, be deemed to be such nominated person by all those joint holders whose names appear in the field entitled "Additional Applicants" in the Application Form or joint holders in the register, as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond(s) so held.

6.2.10 In the case of corporate Applicants or Applicants having separate legal personality, the Application must be signed by a person(s) authorised to sign and bind such Applicant. It shall not be incumbent on the Bank or Registrar to verify whether the person or persons purporting to bind such an Applicant is or are in fact authorised. Applications by corporate Applicants have to include a valid legal entity identifier ("LEI") which must be unexpired. Applications without such information or without a valid LEI will not be accepted.

- 6.2.11** In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed vis-à-vis the Issuer to be the holder of the Bond(s) so held and shall have the right to receive interest on the Bond(s) and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond(s), have the right to dispose of the Bond(s) so held without the consent of the bare owner, and shall not be entitled to the repayment of principal on the Bond (which shall be due to the bare owner). Furthermore, the signatures of both the bare owner and the usufructuary will be required in the respective Application.
- 6.2.12** Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian(s) and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents or legal guardian(s) signing the Application until such time as the minor attains the age of 18 years, following which all interest and redemption monies shall be paid directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of 18 years.
- 6.2.13** Applications for the Bonds by Existing Bondholders must be submitted on the appropriate Application by not later than 12:00 hours on 7 September 2022 (or such earlier date as may be determined by the Issuer). Applications for subscriptions to the Bonds through the Intermediaries' Offer may be made by not later than 12:00 hours on 7 September 2022 (or such earlier date as may be determined by the Issuer). All Applications are to be lodged with any of the Authorised Financial Intermediaries listed in Annex II of this Securities Note together with payment of the full price of the Bonds applied for, in Euro (€) with the exception of Applications submitted by Exchangeable Bondholders, where payment needs to correspond to the amount applied for less the aggregate value of the bonds forming the subject of the Exchangeable Bond Transfer, where applicable. Payments may be made by cheque payable to the respective Authorised Financial Intermediary or by any other method of payment as accepted by the respective Authorised Financial Intermediary. In the event that a cheque accompanying an Application is not honoured on its first presentation, the Authorised Financial Intermediary and, or the Issuer acting through the Registrar reserve the right to invalidate the relative Application.
- 6.2.14** By completing and delivering an Application, the Applicant:
- (a) accepts to be irrevocably contractually committed to acquire the number of Bonds allocated to such Applicant at the Bond Issue Price and, to the fullest extent permitted by law, accepts to be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment, such irrevocable offer to purchase, and pay the consideration for, the number of Bonds specified in the Application submitted by the Applicant (or any smaller number of Bonds for which the Application is accepted) at the Bond Issue Price (as applicable) being made subject to the provisions of the Prospectus, the Terms and Conditions, the Application Form, and the Memorandum and Articles of Association of the Bank;
 - (b) agrees and acknowledges to have had the opportunity to read the Prospectus and to be deemed to have had notice of all information and representations concerning the Issuer and the issue of the Bonds contained therein;
 - (c) warrants that the information submitted by the Applicant in the Application Form is true and correct in all respects. All Applications need to include a valid MSE account number in the name of the Applicant(s). Failure to include an MSE account number will result in the Application being cancelled by the Issuer (acting through the Registrar) and subscription monies will be returned to the Applicant in accordance with section 6.2.15 below. In the event of a discrepancy between the personal details (including name and surname and the Applicant's address) appearing on the Application and those held by the MSE in relation to the MSE account number indicated on the Application, the details held by the MSE shall be deemed to be the correct details of the Applicant;
 - (d) acknowledges the processing of any personal data for the purposes specified in the privacy notice published by the Issuer, which is available on the Issuer's website at www.izolabank.com/mt-en/. 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 (Cap. 586 of the Laws of Malta) ("**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 notice;
 - (e) authorises the Issuer (or its service providers, including the CSD and, or the Sponsors, Manager and Registrar) and, or the relevant Authorised Financial Intermediary, as applicable, to process the personal data that the Applicant provides in the Application Form, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the GDPR and the Data Protection Act. 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 sent to the Issuer and sent to the CSD at the MSE. The requests must be signed by the Applicant to whom the personal data relates;
 - (f) confirms that in making such Application no reliance was placed on any information or representation in relation to the Issuer or the issue of the Bonds other than what is contained in the Prospectus and accordingly agree(s) that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information or representation;
 - (g) agrees that any refund of unallocated Application monies will be paid by direct credit, without interest, at the Applicant's own risk, to the bank account as indicated in the Application. The Issuer shall not be responsible for any loss or delay in transmission or any charges in connection therewith;
 - (h) warrants that the remittance will be honoured on first presentation and agrees that, if such remittance is not so honoured:
 - (i) the Applicant will not be entitled to receive a registration advice or to be registered in respect of such Bonds, unless and until a payment is made in cleared funds within the offer period for such Bonds and such payment is accepted by the respective Authorised Financial Intermediary or by the Issuer acting through the Registrar (which acceptance shall be made in its absolute discretion and may be on the basis that the Authorised Financial Intermediary or the Issuer acting through the Registrar is

indemnified for all costs, damages, losses, expenses and liabilities arising out of, or in connection with, the failure of the Applicant's remittance to be honoured on first presentation at any time prior to unconditional acceptance by the Issuer acting through the Registrar of such late payment in respect of the Bonds); or (ii) the Issuer may, without prejudice to other rights, treat the agreement to allocate such Bonds as void and may allocate such Bonds to another person, in which case the Applicant will not be entitled to a refund or payment in respect of such Bonds (other than return of such late payment);

- (j) agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her remittance and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the Laws of Malta) and regulations made thereunder, and that such monies will not bear interest;
- (k) agrees to provide the Registrar and, or the Issuer, as the case may be, with any information which it or they may request in connection with the Application;
- (l) agrees that all Applications, acceptances of Applications and contracts resulting therefrom will be governed, and construed, in accordance with Maltese law, and to submit to the jurisdiction of the Maltese courts, and agrees that nothing shall limit the right of the Bank to bring any action, suit or proceedings arising out of or in connection with any such Applications, acceptance of Applications and contracts resulting therefrom in any manner permitted by law in any court of competent jurisdiction;
- (m) warrants that, where an Applicant signs and submits an Application on behalf of another person, the Applicant is duly authorized to do so and such other person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in the Terms and Conditions and accordingly will be deemed also to have given the confirmations, warranties and undertakings contained in the Terms and Conditions and undertake to submit his power of attorney or a copy thereto duly certified by a lawyer or notary public if so required by the Issuer or the Registrar;
- (n) warrants that where the Applicant is under the age of 18 years, or where an Application is being lodged in the name and for the benefit of a minor, the Applicant is the parent(s) or legal guardian(s) of the minor;
- (o) 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 Application in any territory, and that the Applicant has not taken any action which will or may result in the Issuer or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Bond and, or his Application;
- (p) warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
- (q) represents that the Applicant is not a U.S. person (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended) as well as not to be accepting the invitation set out in the Prospectus from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the "**United States**") or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
- (r) agrees that the advisers to the Bond Issue (listed in section 4.1 of the Registration Document) will owe the Applicant no duties or responsibilities concerning the Bonds or the suitability of the Applicant;
- (s) agrees that all documents in connection with the issue of the Bonds will be sent at the Applicant's own risk and may be sent by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as set out in the Application; and
- (t) renounces to any rights the Applicant may have to set off any amounts the Applicant may at any time owe the Issuer against any amount due under the terms of these Bonds.

6.2.15 In the event that an Applicant has not been allocated any Bonds or has been allocated a number of Bonds (which in no case shall be less than the minimum subscription amount of €10,000 in nominal value of Bonds) which is less than the number applied for, the Applicant shall receive from the respective Authorised Financial Intermediary a full refund or, as the case may be, the balance of the price of the Bonds applied for but not allocated, without interest, by credit transfer to such account indicated in the Application, at the Applicant's sole risk. The Issuer shall not be responsible for any charges, loss or delay arising in connection with such direct credit transfer.

6.2.16 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, the Authorised Financial Intermediaries are under a duty to communicate, upon request, all information about clients as is mentioned in Articles 1.2(d) and 2.4 of the "*Members' Code of Conduct*" appended as Appendix 3.6 to Chapter 3 of the MSE Bye-Laws, irrespective of whether the said appointed Authorised Financial Intermediaries are MSE Members or not. Such information shall be held and controlled by the MSE in terms of the Data Protection Act (and the GDPR), as may be amended from time to time, for the purposes and within the terms of the MSE Data Protection Policy as published from time to time.

6.2.17 It shall be incumbent on the respective Authorised Financial Intermediary to ascertain that all other applicable regulatory requirements relating to subscription of Bonds by an Applicant are complied with, including without limitation the obligation to comply with all applicable requirements set out in 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 Rules for investment services providers.

6.2.18 By not later than 15 September 2022, the Issuer shall announce the result of the Bond Issue through a company announcement.

6.2.19 No person receiving a copy of the Prospectus or an Application in any territory other than Malta may treat the same as constituting an invitation or offer to such person, nor should such person in any event use such Application, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or such Application could lawfully be used without contravention of any registration or other legal requirements. In light of the aforesaid, including but not limited to the onerous requirements involved in the registration of the Prospectus in any territory other than Malta and, or compliance with the relevant legal or regulatory requirements, the Issuer has elected not to send Applications to Exchangeable Bondholders having their address as included in the respective register of bondholders outside Malta, except where, *inter alia*, in the absolute discretion of the Issuer, it is satisfied that such action would not result in a contravention of any applicable legal or regulatory requirement in the relevant jurisdiction.

6.2.20 Subscription for Bonds by persons resident in, or who are citizens of, or who are domiciled in, or who have a registered address in, a jurisdiction other than Malta, may be affected by the law of the relevant jurisdiction. Those persons should consult their professional advisers (including tax and legal advisers) as to whether they require any governmental or other consents, or need to observe any other formalities, to enable them to subscribe for the Bonds. It is the responsibility of any person (including, without limitation, nominees, custodians, depositaries and trustees) outside Malta wishing to participate in the Bond Issue, to satisfy himself/herself/itself as to full observance of the applicable laws of any relevant jurisdiction, including, but not limited to, obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any transfer or other taxes (of any nature whatsoever) due in such territories. The Issuer shall not accept any responsibility for the non-compliance by any person of any applicable laws or regulations of foreign jurisdictions.

6.2.21 The Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.

6.3 PLAN OF DISTRIBUTION AND ALLOTMENT

The Bonds shall be made available for subscription as follows:

- (a) an amount of up to €8,000,000 in nominal value of Bonds, shall be made available for subscription by Existing Bondholders during the Offer Period, subject to any Cash Top-Up as and if applicable; and
- (b) an amount of up to €6,000,000 in nominal value of Bonds shall be made available for subscription by Authorised Financial Intermediaries during the Intermediaries' Offer.

Provided in the event that less than €8,000,000 in nominal value of Bonds are subscribed for by Existing Bondholders by way of Exchangeable Bond Transfer in terms of paragraph (a) above, the balance shall be made available for: (i) subscription for Bonds by Existing Bondholders in respect of any Excess applied for (provided that such Existing Bondholders have transferred their entire holding in Exchangeable Bonds by Exchangeable Bond Transfer); and (ii) Authorised Financial Intermediaries through an Intermediaries' Offer.

Provided further that in the event that not all of the Bonds made available through the Intermediaries' Offer referred to in paragraph (b) above are subscribed for, the balance shall be made available for subscription by Existing Bondholders in terms of paragraph (a) above.

All subscriptions, shall be made through Authorised Financial Intermediaries, subject to a minimum subscription amount of €10,000 in nominal value of Bonds and in multiples of €100 thereafter.

Authorised Financial Intermediaries shall be required to conduct a Suitability Test in respect of all Applicants, including Existing Bondholders. Applications shall not be accepted by Authorised Financial Intermediaries unless, based on the results of the Suitability Test, the Authorised Financial Intermediary is satisfied that an investment in the Bonds may be considered suitable for the Applicant. The allocation of the Bonds is subject to the allocation policy of the Issuer set out in section 6.6 of this Securities Note.

The Bonds are open for subscription during the Offer Period by Existing Bondholders applying for Bonds by Exchangeable Bond Transfer, as well as by Authorised Financial Intermediaries applying for Bonds through the Intermediaries' Offer. Existing Bondholders applying for Bonds are to submit an Application to an Authorised Financial Intermediary and are to settle all or part of the amount due on the Bonds applied for by the transfer to the Issuer of Exchangeable Bonds held by them as at the Cut-Off Date, subject to a minimum holding of €10,000. Any Existing Bondholder whose holding in Exchangeable Bonds is less than €10,000, shall be required to pay the Cash Top-Up.

The consideration for the purchase of the Exchangeable Bonds by the Issuer shall be €102.50 per Exchangeable Bond. Such consideration will be settled as follows:

- i. Existing Bondholders electing to subscribe for Bonds through the transfer to the Issuer of all or part of the Exchangeable Bonds held by them as at the Cut-Off Date shall be allocated: (i) such number of Bonds representing the nominal value of Exchangeable Bonds transferred to the Issuer, where the nominal value of such Exchangeable Bonds being transferred to the Issuer satisfies the minimum application requirement; or (ii) such number of Bonds representing the aggregate of: (a) the nominal value of Exchangeable Bonds being transferred to the Issuer, and (b) the value of the Cash Top-Up, where the nominal value of such Exchangeable Bonds being transferred to the Issuer falls below the aforementioned minimum application requirement, as applicable; and
- ii. the difference of €2.50 shall be settled by the Issuer by the settlement in cash of €2.50 per Existing Bond so purchased by the Issuer by virtue of the Exchangeable Bond Transfer (the "**Cash Settlement**"). The said amount shall be settled within 30 days of the allocation by the bank transfer of the Cash Settlement to the bank account designated by the Existing Bondholder in its Application.

Interest on the Exchangeable Bonds subject to the Exchangeable Bond Transfer which has accrued up until the Exchangeable Bond Transfer Date shall be settled by the Issuer within 30 days of the allocation of Bonds. The settlement of accrued interest shall be made by the Issuer by bank transfer to the bank account designated by the Existing Bondholder in its Application. The transfer of Exchangeable Bonds to the Issuer in consideration for the subscription Bonds shall cause the obligations of the Issuer with respect to such Exchangeable Bonds to be extinguished, and shall give rise to obligations on the part of the Issuer under the Bonds.

Subscriptions may be made through any of the Authorised Financial Intermediaries. It is expected that an allotment advice will be dispatched to Applicants within five Business Days of the announcement of the allocation policy. 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 Prevention of Money Laundering Act (Chapter 373 of the laws of Malta), and regulations made thereunder. Such monies shall not bear interest while retained as aforesaid.

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

6.4 INTERMEDIARIES' OFFER

An amount of €6,000,000 in nominal value of Bonds and any balance of Bonds reserved for, and not subscribed for by, the Existing Bondholders by way of Exchangeable Bond Transfer (including Cash Top-Ups) shall be made available for subscription by Authorised Financial Intermediaries (as well as Existing Bondholders in respect of any Excess (provided such Existing Bondholders have transferred their entire holding in Exchangeable Bonds by Exchangeable Bond Transfer)). For the purposes of the Intermediaries' Offer, the Issuer shall enter into conditional subscription agreements with Authorised Financial Intermediaries, whereby it shall bind itself to allocate an amount of Bonds to the Authorised Financial Intermediaries subject to the terms of such agreements.

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

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

6.5 PRICING

The Bonds are being issued at par, that is, at €100 per Bond with the full amount payable upon subscription.

6.6 ALLOCATION POLICY

The Issuer shall allocate the Bonds on the basis of the following allocation policy:

- (a) up to an aggregate of €8,000,000 shall be allocated to Existing Bondholders applying for Bonds by way of Exchangeable Bond Transfer up to the extent of their holdings of Exchangeable Bonds and subject to the minimum application requirements specified in section 5.1 of this Securities Note; and
- (b) up to an aggregate of €6,000,000 shall be allocated to Authorised Financial Intermediaries applying for Bonds through the Intermediaries' Offer.

Provided in the event that less than €8,000,000 in nominal value of Bonds are subscribed for by Existing Bondholders by way of Exchangeable Bond Transfer in terms of paragraph (a) above, the balance shall be allocated to: (i) Existing Bondholders in respect of any Excess applied for (provided that such Existing Bondholders have transferred their entire holding in Exchangeable Bonds by Exchangeable Bond Transfer); and (ii) Authorised Financial Intermediaries subscribing for Bonds through an Intermediaries' Offer.

Provided further that in the event that not all of the Bonds made available through the Intermediaries' Offer referred to in paragraph (b) above are subscribed for, the amount allocated to Existing Bondholders in terms of paragraph (a) above shall be increased accordingly.

In the event that the aggregate value of Bonds applied for by Existing Bondholders by way of Exchangeable Bond Transfer exceeds the aggregate amount of Bonds available for subscription by Existing Bondholders as aforesaid, then the Issuer, acting through the Registrar, shall first scale down each Application by Existing Bondholders to the minimum subscription amount of €10,000 per Application ("**Scaling Down**"). Where, notwithstanding Scaling Down, the aggregate value of Bonds applied for by Existing Bondholders by way of Exchangeable Bond Transfer remains in excess of the aggregate amount of Bonds available for subscription by Existing Bondholders as aforesaid, a ballot shall be held in accordance with the allocation policy to be issued in terms of this section 6.6 of this Securities Note. Pursuant to such ballot, only the drawn Applications shall be allocated a €10,000 complement in Bonds. As a result, there is the possibility that not all Existing Bondholders seeking to subscribe for Bonds by Exchangeable Bond Transfer will be allocated any Bonds.

6.7 ADMISSION TO TRADING

The MFSA has authorised the Bonds as admissible to listing pursuant to the Capital Markets Rules by virtue of a letter dated 22 July, 2022.

Application has been made to the MSE for the Bonds being issued pursuant to the Prospectus to be listed and traded on the Official List of the MSE.

The Bonds are expected to be admitted to the MSE with effect from 23 September, 2022 and trading is expected to commence on 26 September, 2022.

7. TAXATION

7.1 GENERAL

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

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

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

7.2 TAXATION ON INTEREST PAYABLE TO BONDHOLDERS

Interest payable in respect of the Bond to a recipient, as defined in terms of article 41(c) of the Income Tax Act (Cap. 123 of the laws of Malta) (the "**Income Tax Act**") is subject to a 15% final withholding tax (10% in the case of certain types of collective investment schemes), unless the recipient elects to be paid the investment income without deduction of the final withholding tax. 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 shall be charged to further tax in respect of such income. Furthermore, such tax should not be available as a credit against the recipient's tax liability or for a refund, as the case may be, for the relevant year of assessment in Malta. The Issuer will render an account to the Maltese Commissioner for Revenue of all amounts so deducted, including the identity of the recipient.

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

In terms of article 12(1)(c) of the Income Tax Act, Bondholders who are not resident in Malta satisfying the applicable conditions set out in the Income Tax Act, including but not limited to the condition that the Bondholder is not owned and controlled by, whether directly or indirectly, nor acts on behalf of an individual(s) who are ordinarily resident and domiciled in Malta, are not taxable in Malta on the interest received and will receive interest gross, subject to the requisite declaration/evidence being provided to the Issuer in terms of law.

7.3 TAXATION ON CAPITAL GAINS ON TRANSFER OF THE BONDS

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

7.4 DUTY ON DOCUMENTS AND TRANSFERS

In terms of the Duty on Documents and Transfers Act (Cap. 364 of the laws of Malta) (the "**DDTA**"), 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 or transmission thereof should not be chargeable to duty.

Furthermore, even if the Bonds are considered to be treated as marketable securities for the purposes of the DDTA, in terms of article 50 of the FMA, as the Bonds constitute financial instruments of a company quoted on a regulated market, as is the MSE, redemptions and transfers of the Bonds should, in any case, be exempt from duty.

7.5 EXCHANGE OF INFORMATION

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

- (a) the agreement between the Government of the United States of America and the Government of the Republic of Malta to Improve International Tax Compliance and to Implement FATCA – incorporated into Maltese law through Legal Notice 78 of 2014; and
- (b) the implementation of Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU) which provides for the implementation of the regime known as the Common Reporting Standard – incorporated into Maltese law through Legal Notice 384 of 2015 entitled the Cooperation with Other Jurisdiction on Tax Matters (Amendment) Regulations, 2015.

Failure on the part of a Bondholder to provide the Issuer with the necessary information required for its compliance with applicable legislation, may have consequences on the Bondholder's holding and, or may result in the Issuer having to report the Bondholder to the relevant tax authorities.

INVESTORS AND PROSPECTIVE INVESTORS ARE URGED TO SEEK PROFESSIONAL ADVICE AS REGARDS BOTH MALTESE AND ANY FOREIGN TAX LEGISLATION APPLICABLE TO: (I) THE ACQUISITION, HOLDING AND DISPOSAL OF THE BONDS; (II) THE INTEREST PAYMENTS MADE BY THE ISSUER; AND (III) THE REPORTING BY THE ISSUER TO THE COMMISSIONER FOR REVENUE OF INFORMATION ON THE BONDHOLDERS AND ON PAYMENTS MADE TO THE BONDHOLDERS AND THE EXCHANGE OF SUCH INFORMATION BETWEEN MALTA AND RELEVANT FOREIGN TAX AUTHORITIES. THE TAX LEGISLATION OF THE INVESTOR'S COUNTRY OF DOMICILE AND OF THE ISSUER'S COUNTRY OF INCORPORATION (MALTA) MAY HAVE AN IMPACT ON THE INCOME RECEIVED FROM THE BONDS. THE ABOVE IS A SUMMARY OF THE ANTICIPATED TAX TREATMENT APPLICABLE TO THE BONDS AND TO BONDHOLDERS. THIS INFORMATION DOES NOT CONSTITUTE LEGAL OR TAX ADVICE AND REFERS ONLY TO BONDHOLDERS WHO DO NOT DEAL IN SECURITIES IN THE COURSE OF THEIR NORMAL TRADING ACTIVITY.

8. ADDITIONAL INFORMATION

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

ANNEX I – SPECIMEN APPLICATION FORM



izola Bank

IZOLA BANK P.L.C.
€14,000,000 5% UNSECURED SUBORDINATED BONDS 2027 – 2032
APPLICATION FORM – EXISTING BONDHOLDERS

This Application Form is not transferable and entitles you to subscribe for Izola Bank p.l.c. 5% Unsecured Subordinated Bonds 2027 – 2032 as an Existing Bondholder as defined in the prospectus dated 22 July 2022. **Please read the notes overleaf before completing this Application Form. Mark 'X' where applicable.**

A APPLICANT <small>(see notes 2 to 8)</small>			
	I.D. CARD / PASSPORT NO.	MSE A/C NO.	
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH	NATIONALITY
LEI (Legal Entity Identifier) <i>(if applicant is NOT an individual)</i>	PLEASE REGISTER ME FOR E-PORTFOLIO <input type="checkbox"/>	MOBILE NO. (mandatory for e-portfolio)	
B ADDITIONAL (JOINT) APPLICANTS <small>(see note 3)</small>			
TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME		I.D. CARD / PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH	NATIONALITY
C DECISION MAKER/MINOR'S PARENTS / LEGAL GUARDIAN(S) / USUFRUCTUARY/IES <small>(see notes 4, 7 & 8) (to be completed ONLY if applicable)</small>			
TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME		I.D. CARD / PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH	NATIONALITY
TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME		I.D. CARD / PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH	NATIONALITY
D I/WE APPLY TO PURCHASE AND ACQUIRE <small>(see note 9):</small>			
BOX 1 - Nominal Value of Existing Bonds	AMOUNT OF EXISTING BONDS		BOX 1
BOX 2 - Amount of Bonds applied for in addition to the nominal holding in the Existing Bonds payable in full upon application under the Terms and Conditions of the Bonds set out in the Prospectus.	€		
BOX 3 - I/We wish to purchase and acquire the amount set out in BOX 3 in Bonds at the Bond Issue Price (at par) pursuant to the Prospectus dated 22 July 2022 (the "Prospectus") (minimum €10,000 and in multiples of €100 thereafter).	ADDITIONAL AMOUNT		BOX 2
AMOUNT IN WORDS	€		
	TOTAL AMOUNT		BOX 3
	€		
E RESIDENT – FINAL WITHHOLDING TAX ("FWT") DECLARATION <small>(see note 10) (to be completed ONLY if the Applicant is a resident of Malta)</small>			
<input type="checkbox"/> I/We elect to receive interest NET of FWT		<input type="checkbox"/> I/We elect to receive interest GROSS (i.e. without FWT)	
F NON-RESIDENT – DECLARATION FOR TAX PURPOSES <small>(see notes 2 & 11) (to be completed ONLY if the Applicant is a non-resident)</small>			
TAX COUNTRY		CITY OF BIRTH	
T.I.N. (Tax Identification Number)		COUNTRY OF BIRTH	
<input type="checkbox"/> NOT resident in Malta but resident in the European Union		<input type="checkbox"/> NOT resident in Malta and NOT resident in the European Union	
G INTEREST, REFUND AND REDEMPTION MANDATE <small>(see notes 12 & 13) (completion of this panel is MANDATORY)</small>			
BANK	IBAN		
<p>I/We have fully understood the instructions for completing this Application Form, and am/are making this Application solely on the basis of the Prospectus, and subject to its Terms and Conditions of the Bonds as contained therein which I/we fully accept.</p> <p>I/We hereby authorise the Issuer to forward the details to the Malta Stock Exchange for the purposes of registering the Bonds in my/our MSE account, to register for the e-portfolio (where applicable) and to enable the reporting of all necessary transaction and personal information provided in this Application Form in compliance with Article 26 of MiFIR (Markets in Financial Instruments Regulation) to the Malta Financial Services Authority as competent authority ("Transaction Reporting"). Furthermore, I/we understand and acknowledge that the Issuer may require additional information for Transaction Reporting purposes and agree that such information will be provided.</p>			
Signature/s of Applicant/s <i>(Parent/s or legal guardian/s are/is to sign if Applicant is a minor)</i> <i>(All parties are to sign in the case of a joint Application)</i> <i>(Bare owner/s and usufructuary/ies to sign in the case of holdings of Bonds that are subject to usufruct)</i>		Date	
AUTHORISED FINANCIAL INTERMEDIARY'S STAMP	AUTHORISED FINANCIAL INTERMEDIARY'S CODE	APPLICATION NUMBER	

Notes on how to complete this Application Form and other information

The following notes are to be read in conjunction with the Prospectus dated 22 July 2022 regulating the Bond Issue

This Application Form is not transferable and entitles you to a preferential treatment as holder of the 4.5% Izola Bank p.l.c. Unsecured Bonds 2025 (the "Existing Bonds") and is to be submitted as a method of payment where the Applicant selects to apply for the 5% Izola Bank p.l.c. Unsecured Subordinated Bonds 2027-2032 (the "Bond/s") so as to transfer to the Issuer all or part of the holding in the Existing Bonds held by the Applicant as at the Cut-Off Date, the nominal value of which is set out in Box 1 of Panel D. By submitting this signed Application Form, Existing Bondholders shall be deemed to:

- i. cause the transfer of the said Existing Bonds in the Issuer's name in consideration of the issue of Bonds; and
- ii. engage, at the Issuer's cost, the services of such brokers or intermediaries as may be necessary to fully and effectively vest title in the said Existing Bonds in the Issuer and fully and effectively vest title in the appropriate number of Bonds in the Applicant.

1. This Application is governed by the Terms and Conditions of the Bond Issue contained in Section 6 of the Securities Note dated 22 July 2022 forming part of the Prospectus. Capitalised terms not defined herein shall, unless the context otherwise requires, have the meaning ascribed to them in the Prospectus.
2. The Application Form is to be completed in BLOCK LETTERS. For applicants who are non-residents in Malta for tax purposes, the relative box in Panel F must be completed.
3. The MSE account number pertaining to the Existing Bondholders has been preprinted in Panel A and reflects the MSE account number on the bond register of the Existing Bonds held at the CSD as at 15 July 2022 (trading session of 13 July 2022). If an MSE account pertains to more than one person (including husband and wife), the full details of all individuals must be given in Panels A and B but the first named bondholder shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (vide note 6 below).

Upon submission of an Application Form, Bondholders who opt to have an online e-portfolio facility (by marking the relative box in Panel A), will receive by mail at their registered address a handle code to activate the new e-portfolio login. Registration for the e-Portfolio facility requires a mobile number to be provided on the Application Form. The Bondholder's statement of holdings evidencing entitlement to Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Further detail on the e-portfolio may be found on <https://eportfolio.borzamalta.com.mt/Help>.

4. Applications in the name and for the benefit of minors shall be allowed provided that the applicant already holds an account with the MSE. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption proceeds payable to the parents or legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption proceeds shall be payable directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years. Panel C must be inserted with full details of the parents/legal guardians.
5. In the case of a body corporate, a valid Legal Entity Identifier ("LEI") needs to be inserted in Panel A. **Failure to include a valid LEI code, will result in the Application being cancelled by the Registrar.** Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
6. **EXISTING BONDHOLDERS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED BY THE MALTA STOCK EXCHANGE IN THE MSE ACCOUNT QUOTED ON THIS APPLICATION FORM EVEN IF THE DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE CSD OF THE MALTA STOCK EXCHANGE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF. A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE, WILL HAVE TO BE EFFECTED.**
7. Where a decision to invest is taken by a third party authorised to transact on behalf of the Applicant (a "decision maker") such as an individual that holds a power of attorney to trade on the Applicant's account or applications under a discretionary account, details of the decision maker need to be included in Panel C.
8. Where an MSE account number is held subject to usufruct, Panel C needs to be completed and both the bare owner/s and the usufructuary/ies are to sign this Application Form.
9. The amount set out in Box 3 of Panel D overleaf must be for a minimum of €10,000 and in multiples of €100. Where the Applicant wishes to acquire a number of Bonds having an aggregate value which exceeds the nominal value of the number of Existing Bonds set out in Box 1 of Panel D, the Applicant may do so by including such higher amount in Box 3 in Panel D. In such case, the Applicant must ensure that the relative Application Form is accompanied by payment of the difference between the full price of the amount of Bonds applied for and the nominal value of Existing Bonds being transferred as set out in Box 2.
10. Only Applicants who hold a valid official Maltese Identity Card or companies registered in Malta will be treated as resident in Malta. In such a case the Applicant may elect to have final withholding tax, currently 15%, deducted from interest payments in which case such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross (i.e. without deduction of final withholding tax), but will be obliged to declare interest so received in the tax return. The Issuer will render an account to the Maltese Commissioner for Revenue of all interest paid, all amounts of tax deducted by the payor in respect of the interest paid and of the identity of all such recipients. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. Authorised entities applying in the name of a prescribed fund will have final withholding tax (currently 10%), deducted from interest payments.

In terms of Section 7.2 of the Securities Note, unless the Issuer is otherwise instructed by a Bondholder, or if the Bondholder does not fall within the definition of "recipient" in terms of article 41(c) of the Income Tax Act (Cap. 123 of the laws of Malta), interest shall be paid to such person net of final withholding tax, (currently 15%) of the gross amount of interest, pursuant to article 33 of the Income Tax Act (Cap. 123 of the laws of Malta).

11. Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the Director General Inland Revenue, Malta, who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the Council Directive 2014/107/EU, of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation.

The contents of Notes 10 and 11 above do not constitute tax advice by the Issuer and Applicants are to consult their own independent tax advisors in case of doubt.

12. Interest, refund and redemption proceeds will be credited to the account indicated in Panel G or as otherwise amended by the Bondholder/s during the term of the Bond.
13. The Issue Period will open at 08:30 hours on 1 August 2022 and will close at 12:00 hours on 7 September 2022, or earlier if over-subscribed. Application for Bonds may be lodged with any Authorised Financial Intermediary listed in Annex II of the Securities Note during normal office hours. Remittances by post are made at the risk of the Applicant and the Issuer disclaims all responsibility for any such remittances not being received by the date of closing of the subscription lists. If any Application is not accepted after the closure of the subscription lists or is accepted for fewer Bonds than those applied for, the monies equivalent to the number of Bonds not being accepted will be returned by direct credit into the IBAN specified in panel G.
14. By completing and delivering an Application Form you (as the Applicant(s)) acknowledge that:
 - a. the Issuer or its duly appointed agents including the CSD and the Registrar, may process the personal data that you provide in the Application Form in accordance with the Data Protection Act (Cap. 586 of the laws of Malta) and the General Data Protection Regulation (GDPR) (EU) 2016/679 as amended from time to time;
 - b. the Issuer may process such personal data for all purposes necessary for and related to the Bonds applied for; and
 - c. you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer.

Any such requests must be made in writing and addressed to the Issuer. The request must be signed by yourself as the Applicant to whom the personal data relates.

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

ANNEX II – AUTHORISED FINANCIAL INTERMEDIARIES

NAME	ADDRESS	TELEPHONE
APS Bank p.l.c.	APS Centre, Tower Street, Birkirkara BKR 4012	2560 3196
Bank of Valletta p.l.c.	Premium Banking Centre, 475, Triq il-Kbira San Guzepp, St Venera SVR 1011	2275 1732
Calamatta Cuschieri Investment Services Ltd	Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034	2568 8688
Curmi & Partners Ltd	Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102	2134 7331
FINCO Treasury Management Ltd	The Bastions, Office No 2, Emvin Cremona Street, Floriana FRN 1281	2122 0002
Jesmond Mizzi Financial Advisors Ltd	67 Level 3, South Street, Valletta VLT 1105	2122 4410
Lombard Bank Malta p.l.c.	67, Republic Street, Valletta VLT 1117	2558 1806
Medirect Bank (Malta) plc	The Centre, Tigne` Point, Sliema TPO 0001	2557 4400
Michael Grech Financial Investment Services Ltd	The Brokerage, Level 0 A, St Marta Street, Victoria, Gozo VCT 2551	2258 7000
MZ Investment Services Ltd	61, St Rita Street, Rabat RBT 1523	2145 3739
Rizzo, Farrugia & Co (Stockbrokers) Ltd	Airways House, Fourth Floor, High Street, Sliema SLM 1551	2258 3000