



Issue of Euro equivalent of
€35,000,000 in 4% Subordinated Unsecured Bonds due 2024-2029
issued in Euro (EUR Bonds) and Pounds Sterling (GBP Bonds)

by
MeDirect Bank (Malta) plc

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

Summary Note dated 7 October 2019

This Summary Note is issued in accordance with the provisions of Commission Regulation (EU) No. 2017/1129 of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the **"Prospectus Regulation"**) and the delegated acts issued thereunder.

Legal Counsel

CAMILLERI PREZIOSI
ADVOCATES

Sponsor



Manager & Registrar



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THIS SUMMARY NOTE 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 NOTE IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES OR MATERIAL INACCURACIES.

Philippe Delva
Director

APPROVED BY

On behalf of the Board of Directors

John Zarb
Director

This Summary Note is prepared in accordance with the requirements of the Prospectus Regulation and the delegated acts issued thereunder. This Summary Note contains key information which will enable investors 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 Note shall bear the meanings assigned to them in the Registration Document and the Securities Note, as the case may be.

1. INTRODUCTION AND WARNINGS

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

Issuer	MeDirect Bank (Malta) plc, a public limited liability company registered in Malta with registration number C 34125 and having legal entity identifier (LEI) number 529900SYUCFQHI3JZQ05.
Address	The Centre, Tigné Point, Sliema, TPO 0001, Malta.
Telephone number	+356 2557 4400
Website	https://www.medirect.com.mt/
Nature of the securities	EUR Bonds and GBP Bonds in aggregate principal Euro equivalent amount of €35,000,000, bearing interest at the rate of 4% per annum payable annually on 5 November of each year until the Redemption Date or a Designated Early Redemption Date.
ISIN number of the Bonds	ISIN: EUR bonds – MT0000551300 and GBP bonds – MT0000551318.
Details of the competent authority approving the prospectus	The Board of Governors of the MFSA, appointed as Listing Authority for the purposes of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta).
Address, telephone number and official website of the competent authority approving the prospectus	The Listing Authority, Malta Financial Services Authority, Triq l-Imdina, Zone 1, Central Business District, Birkirkara, Malta, CBD 1010. The telephone number of the competent authority is +356 2144 1155. The official website of the competent authority is https://www.mfsa.mt/
Prospectus approval date	7 October 2019.

Prospective investors are hereby warned that:

- 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 securities described in this document;
- Any decision of the investor to invest in the securities should be based on consideration of the Prospectus as a whole by the investor;
- An investor may lose all or part of the capital invested in subscribing for Bonds;
- Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of Malta, have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and
- Civil liability attaches only to those persons who have tabled the summary including any translation thereof but only if the summary, when read together with the other parts of the Prospectus, is misleading, inaccurate or inconsistent or does not provide key information in order to aid investors when considering whether to invest in such securities.

2. KEY INFORMATION ON THE ISSUER

2.1 Who is the issuer of the securities?

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

The Issuer is MeDirect Bank (Malta) plc, a public limited liability company registered in terms of the Companies Act (Cap.386 of the laws of Malta), having company registration number C 34125 and its registered office at The Centre, Tigné Point, Sliema, TPO 0001, Malta. The Issuer is incorporated and is domiciled in Malta. Its LEI number is 529900SYUCFQHI3JZQ05.

2.1.2 Principal activities of the Issuer

The Issuer is licensed as a credit institution under the Banking Act (Cap. 371 of the laws of Malta). The Issuer is licensed to, inter alia, carry out the business of banking, to undertake money transmission services, to issue and

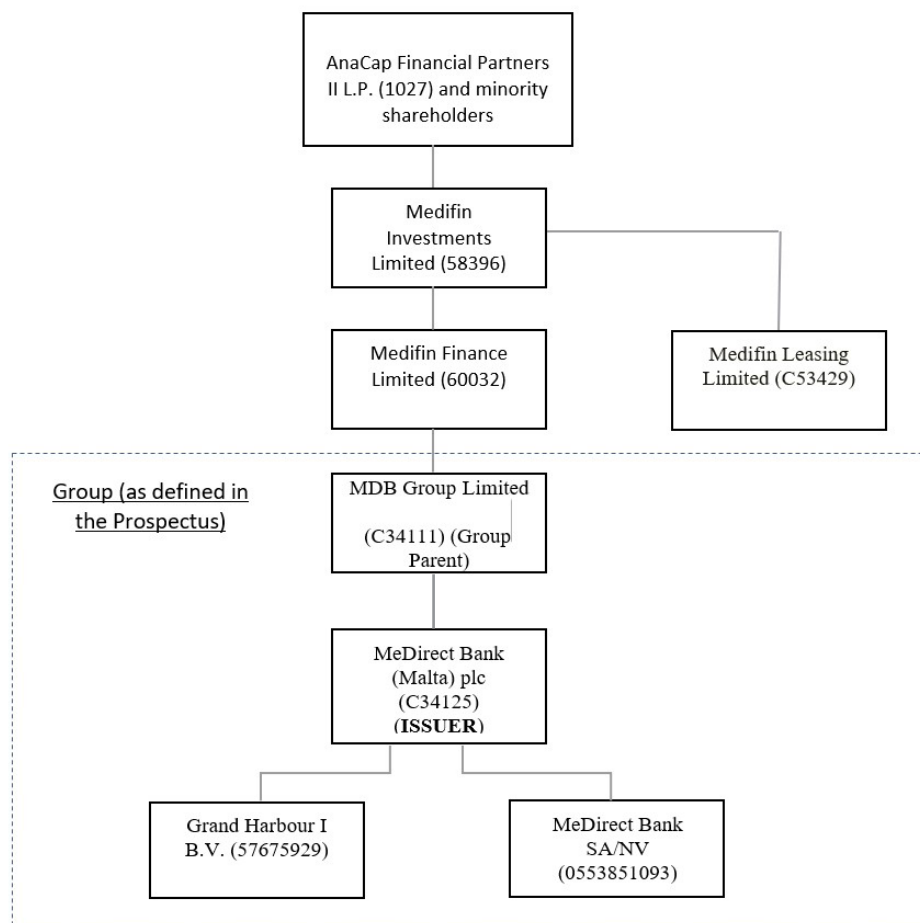
administer means of payment, to issue guarantees and commitments, to trade on own account and/or for the account of customers in a number of instruments, to provide portfolio management and advice and to provide safe keeping services. The Issuer focuses on wealth management, savings and investments. The Issuer also holds a Category 2 and Category 4A license issued by the MFSA which authorises the Issuer to provide investment services, to hold or control clients' money and to act as trustee or custodian of collective investment schemes.

2.1.3 Organisational Group Structure

The Issuer forms part of a group of companies, indirectly owned and controlled by AnaCap Financial Partners II L.P. (1027) and minority shareholders.

2.1.4 Key managing directors

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



- i. Michael Adrian Bussey (*Group Chairman and Non-Executive Director*)
- ii. Benjamin Hollowood (*Group Non-Executive Director*)
- iii. Dominic Wallace (*Group Non-Executive Director*)
- iv. John Zarb (*Group Non-Executive Director*)
- v. Philippe Delva (*Interim - Group CEO and Executive Director*)
- vi. Radoslaw Ksiezopolski (*Group Chief Financial Officer and Executive Director*)

Subject to regulatory approval by the JST, the above are due to be joined by the following:

- i. Arnaud Denis (*Group Chief Executive Officer and Executive Director*)
- ii. Alex Konewko (*Group Chief Risk Officer and Executive Director*).

2.1.5 Statutory auditors

Pricewaterhouse Coopers, certified public accountants, of 78, Zone 5, Centra Business District, Mill Street, Qormi, CBD 5090 have audited the annual statutory consolidated financial statements of the Issuer for the financial years ended 31 March 2017, 31 March 2018 and the 31 March 2019. PricewaterhouseCoopers is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act (Cap.281 of the laws of Malta).

2.2 What is the key financial information regarding the Issuer?

The key financial information regarding the Issuer on a consolidated basis is set out below:

INCOME STATEMENT	31 March 2019	31 March 2018	31 March 2017	Interim (As at 30/09/2018)	Comparative interim from same period in prior year (As at 30/09/2017)
	€000	€000	€000	€000	€000
Net interest income (or equivalent)	67,602	62,933	57,564	33,699	31,135
Net fee and commission income	5,558	4,225	2,741	2,438	1,750
Net impairment loss on financial assets	(5,795)	(8,302)	(5,607)	(4,600)	(1,021)
Net trading income	3,128	3,929	2,178	1,582	1,981
Measure of financial performance used by the issuer in the financial statements such as operating profit	27,265	22,397	24,131	12,659	9,871
Net profit or loss (for consolidated financial statements net profit or loss attributable to equity holders of the parent)	22,868	19,545	15,151	11,837	7,100
Earnings per share	19c	17c	13c	10c	6c

BALANCE SHEET	31 March 2019 €000	31 March 2018 €000	31 March 2017 €000	Interim (As at 30/09/2018) €000
Total assets	2,882,791	2,547,522	2,571,291	2,650,236
Senior debt	-	-	-	-
Subordinated debt	67,138	66,949	47,043	66,876
Loans and receivables from customers (net)	1,842,555	1,701,716	1,449,970	1,857,428
Deposits from customers	2,202,091	1,979,159	1,901,512	1,967,360
Total equity	334,187	320,697	314,049	322,094
Non - performing loans (based on net carrying amount)/ Loans and receivables)	4.7%	3.93%	3.55%	3.05%
Common Equity Tier 1 capital (CET1) ratio or other relevant prudential capital adequacy ratio depending on the issuance	13.2%	14.2%	11.7%	12.63%
Total Capital Ratio	15.2%	16.6%	13.7%	14.76%
Leverage Ratio calculated under applicable regulatory framework	10%	10.3%	7.29%	9.45%

The audit reports on the audited financial statements for the years ended 31 March 2017, 31 March 2018 and the 31 March 2019 do not include any material qualifications.

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

The most material risk factors specific to the Issuer are set out below which may negatively impact the operations and financial position of the Issuer should the circumstances mentioned therein materialise:

2.3.1 Credit Risk

Credit risk involves the possibility that the Issuer's contractual counterparties may not fulfil their payment obligations as a result of various factors, including the borrower's loss of capacity to service and repay debt and/or the emergence of circumstances related to the general economic environment in which the debtor operates.

2.3.2 Liquidity Risk

Extreme market disruptions may result in a prolonged restriction on the Issuer's access to liquidity which in turn could affect the Issuer's ability to meet its minimum regulatory liquidity requirements or to fulfil its financial and lending commitments.

2.3.3 Market Risk

Market risk refers to the adverse impact of movements in market prices or rates such as interest rates, credit spreads and foreign exchange rates. In the event that market risks were to occur, the Issuer may experience significant losses in the value of its investment portfolio, declines in the level of interest income, and negative movements in the fair values of its assets and liabilities which would consequently have a significant adverse impact on the operations and financial performance of the Issuer.

2.3.4 Risks associated with capital adequacy

Given that the Issuer has been categorised by regulatory authorities as an O-SII, it must fulfil supplementary requirements concerning the amount of CET1 capital it must hold as a buffer. Non-compliance with applicable capital requirements may have a significant impact on the Issuer's operations and future sustainability.

2.3.5 Risks relating to Information Technology

The Issuer depends on its information technology systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of the Issuer's business and operating data. The Issuer's business activities would be materially disrupted if there were a partial or complete failure of any of information technology systems or communications networks.

2.3.6 Cyber-security Risk

The Group is susceptible to a variety of risks relating to the continuous and proper functioning of its operating systems, including, but not limited to, the risks of cyber-attacks (such as malware attacks, ransomware, phishing, hacking, or any other form or type of cyber-attack), data theft or other unauthorised use of data, errors, bugs, malfunctions, inadequate maintenance service levels, or other malicious interference with or disruptions to their information technology and other systems. Disruption to those technologies or systems and/or lack of resilience in operational availability could adversely affect the efficiency of the Group's operating results, financial condition and prospects.

2.3.7 Failure to attract and/or retain key employees

Should the Issuer not succeed in recruiting and/or retaining key employees, the business, financial condition, results of operations and prospects may be adversely affected.

2.3.8 Reputational Risk

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

2.3.9 Risks relating to the Dutch Residential Mortgage Loan Business

MeDirect Bank SA/NV has recently begun to invest in loan receivables relating to Dutch government guaranteed mortgage loans. The principal risk to the Group associated with such investments is the interest rate and liquidity-related market risk position. Failure to develop a critical mass of mortgage lending activities as part of a new core business line for the Group and any corrective actions which may be required to remediate any failings, may increase operational costs and adversely affect the performance and profitability of the Group.

2.3.10 New Initiatives

The Issuer may from time to time consider opportunities to expand its operations, to make acquisitions, to invest in new asset classes or to offer new services to its customers. Such initiatives may prove not to be successful, whether for commercial or other reasons, and this may result in a material adverse effect on the operations and performance of the Issuer.

3. KEY INFORMATION ON THE SECURITIES

3.1 What are the main features of the securities?

The key features of the Bonds are set out below:

The Bonds are being issued in an aggregate Euro equivalent of €35,000,000, consisting of two series: one denominated in Euro (Euro Bonds) and having a nominal value of €100 per Bond and one denominated in GBP (GBP Bonds) and having a nominal of £100 per Bond. 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 are no special rights attached to the Bonds other than the right of the Bondholders to (i) attend, participate in and vote at meetings of Bondholders in accordance with the terms and conditions of the Bonds; (ii) payment of capital and interest in accordance with the ranking of the Bonds; and (iii) such other rights attached to the Bonds emanating from the Securities Note. The ISIN of the Bonds is: EUR bonds – MT0000551268 and GBP bonds – MT0000551276.

The Bonds are redeemable on 5 November 2029 or earlier on a Designated Early Redemption Date or a Regulatory Redemption Date, as applicable. The Bonds shall bear interest from and including 5 November 2019 at the rate of 4% per annum on the nominal value thereof, payable annually in arrears on each **"Interest Payment Date"**, the first Interest Payment Date being 5 November 2020 (covering the period 5 November 2019 to 4 November 2020).

The Bonds are unsecured and subordinated and shall rank subsequent to any other outstanding, unsubordinated and unsecured obligations of the Issuer, present and future. In terms of the R&R Regulations, one of the resolution tools is the bail-in tool whereby Resolution Authorities are, amongst others, empowered to write down or convert into common equity certain liabilities of a failing bank (including Tier 2 Capital instruments, such as the Bonds). In the event that the Issuer becomes subject to a bail-in, the principal amount of the Bonds including any accrued but unpaid interest, may be: (i) partially or fully lost in the case of a write down to absorb the Issuer's losses; or (ii) if a conversion takes place, their investment in the Bonds may be partially or fully converted into Tier 1 capital to recapitalise the Issuer.

The Bonds are freely transferable. Trading in the EUR Bonds and the GBP Bonds shall take place on the MSE in multiples of €1,000 and £1,000 respectively subject to the retention of a minimum holding of €25,000 (or £20,000, as applicable) by each individual Bondholder.

3.2 Where will the securities be traded?

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

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

The most material risk factors specific to the securities are set out below:

3.3.1 Suitability of Investment in the Bonds

The Bonds are complex financial instruments for the purposes of MIFID II and may not be suitable for all recipients of the Prospectus.

3.3.2 The Bonds may be redeemed prior to maturity

The Bonds are redeemable in whole or in part at the option of the Issuer prior to the Redemption Date on any of the Designated Early Redemption Dates upon giving 30 days' notice to the Bondholders, subject to obtaining the prior approval of the JST.

3.3.3 Subordinated status and ranking of the Bonds

The Bonds are unsecured and subordinated. Subordination means that the rights and claims of Bondholders in respect of the payment of capital and interest on the Bonds will, in the event of dissolution and winding up of the Issuer, rank after the claims of all senior indebtedness and unsubordinated claims and will not be repaid until all other senior indebtedness and unsubordinated claims which are outstanding at the time has been settled.

3.3.4 Limited Recourse

The only remedy available to the Bondholder in the event of a default by the Issuer shall be the petitioning for the winding up of the Issuer, which shall constitute an Event of Default.

3.3.5 Fixed Interest

The Bonds carry fixed interest rates. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

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?

Application for the Bonds

The Bonds are open for subscription during the Offer Period by: (i) holders of Existing Bonds designated in the EUR currency applying for EUR Bonds and, or holders of Existing Bonds designated in the GBP currency applying for GBP Bonds, by Exchangeable Bond Transfer up to the number of EUR Bonds and, or GBP Bonds (as applicable) representing the nominal value of Existing Bonds held by them as at the Cut-Off Date; (ii) holders of Existing Bonds applying for Excess and by remitting the Excess Cash Top-Up to the Issuer and (iii) Authorised Financial Intermediaries either for their own account or on behalf of clients. Applications for Bonds must be made by completing the Application Form during the Offer Period. The Existing Bondholder Cash Payment is payable to the holders of Existing Bonds who surrender their Existing Bonds in exchange for Bonds pursuant to an Exchangeable Bond Transfer. Applicants will receive refunds of the price of the EUR Bonds and, or GBP Bonds (as applicable) so applied for but not allocated.

The issue and allotment of the Bonds is conditional upon the Bonds being admitted to the Official List of the MSE and the prior approval of the JST for the early redemption of the Existing Bonds. In the event that the Bonds are not admitted to the Official List, the Bond Issue shall not take effect. The Issuer has established a minimum aggregate subscription amount of €25,000,000 on which the Bond Issue is conditional. In the event that the Bond Issue is not fully taken up but the said minimum is exceeded, the Issuer will issue Bonds up to the amount subscribed for.

Allocation Policy

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

- i. An aggregate amount of €25,000,000 in Bonds shall be available for subscription by Existing Bondholders applying for Bonds by way of Exchangeable Bond Transfer and Excess, without priority or preference amongst themselves. In the event that subscriptions by Existing Bondholders are less than €25 million, any amount not subscribed for will be available for subscription pursuant to point (ii) below;
- ii. An aggregate amount of €10,000,000 in Bonds (together with any Bonds not subscribed for in terms of (i) hereof) shall be available for subscription through the Intermediaries' Offer. In the event that subscriptions by Applicants as aforesaid are less than €10,000,000, any amount not subscribed for will be available for subscription pursuant to point (i) above limitedly insofar as application for Excess by Existing Bondholders is concerned.

In the event that Applications exceed the amount available for subscription in terms of points (i) and (ii) above, the Issuer acting together with the Registrar shall scale down Applications (subject to a minimum allocation of €25,000 per Application in the case of EUR Bonds and £20,000 in the case of GBP Bonds) in accordance with its allocation policy, and the subscription monies of any unsatisfied Applications or part thereof shall be returned by direct credit transfer to the account number indicated on the respective Application Form within five (5) Business Days from the announcement of basis of acceptance.

The manner of allocations in the event that the Bond Issue is not subscribed for in full are explained in section 4.2 below.

Expected timetable

Application Forms mailed to Existing Bondholders	14 October 2019
Offer Period	12:00 pm on 14 October 2019 and 12:00 pm on 23 October 2019, both days included
Intermediaries' Offer	12:00 pm on 14 October 2019 and 12:00 pm on 23 October 2019, both days included
Announcement of basis of acceptance	25 October 2019
Commencement of interest on the Bonds	5 November 2019
Refunds for unallocated Bonds	5 November 2019
Expected date of notification of registration	5 November 2019
Expected date of admission to trading	5 November 2019
Expected date of commencement of trading	5 November 2019

4.2 Why is this prospectus being produced?

In accordance with the Exchangeable Bond Transfer, Bonds will be issued to holders of Existing Bonds against the surrender and conversion of Existing Bonds in favour of the Issuer. An allocation of Bonds pursuant to an Exchangeable Bond Transfer will not result in the raising of any new funds to be utilised by the Issuer. However, Bonds allocated by virtue of the subscription for Excess and, or by virtue of the Intermediaries' Offer, will raise new funds. The use of any funds so received by the Issuer by virtue of the Excess and, or the Intermediaries' Offer, which funds may amount to a maximum amount of approximately €34,500,000 (net of expenses) in the event of the Bonds being subscribed for in full, will be utilised by the Issuer in the following order of priority:

- i. in the event that not all of the Existing Bondholders elect to exchange their Existing Bonds for Bonds by virtue of the Exchangeable Bond Transfer, and the proceeds received from any Excess and, or the Intermediaries' Offer would, in aggregate with the value of the Exchangeable Bond Transfers, amount to at least €25,000,000, the Issuer shall first utilise the proceeds received from any Excess and, or the Intermediaries' Offer to redeem the amount outstanding under the Existing Bonds; and
- ii. any surplus funds which are received by the Issuer from the Bond Issue but which are not utilised by the Issuer in terms of (i) above, shall be utilised in part for the purpose of part-financing the redemption of the Maturing Bonds (with any additional funding required for such redemption of the Maturing Bonds to be sourced from the Issuer's own funds) and in part for general corporate funding purposes of the Group.

In the event that the Bond Issue is subscribed for in an amount lower than €35,000,000 but equal to or greater than €25,000,000 then all Exchangeable Bond Transfers shall be processed in accordance with the terms of the Securities Note, and any funds received by way of Excess and, or the Intermediaries' Offer shall be used for the purpose specified in (ii) above.

In the event that the Bond Issue is subscribed for in an amount lower than €25,000,000, then no Exchangeable Bond Transfers shall be processed in accordance with the terms of the Securities Note, and any funds received by way of Excess and, or the Intermediaries' Offer shall be returned to the respective Applicants.

If fully subscribed, the Bond Issue is expected to enable the Issuer to reduce its outstanding debt under the Existing Bonds to a maximum of €35,000,000 whilst still respecting its Tier 2 capital requirements in terms of applicable law.

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



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Legal Counsel

Sponsor

Manager & Registrar

CAMILLERI PREZIOSI
ADVOCATES

Jesmond Mizzi
FINANCIAL ADVISORS



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APPROVED BY



Philippe Delva
Director



John Zarb
Director

On behalf of the Board of Directors

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1. IMPORTANT INFORMATION

THIS REGISTRATION DOCUMENT FORMS PART OF THE PROSPECTUS AND CONTAINS INFORMATION ON MEDIRECT BANK (MALTA) PLC (THE "ISSUER") IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES OF THE LISTING AUTHORITY, THE COMPANIES ACT (CAP. 386 OF THE LAWS OF MALTA), THE PROSPECTUS REGULATION AND THE DELEGATED ACTS ISSUED THEREUNDER.

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IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (OTHER THAN MALTA) WHICH HAS IMPLEMENTED THE PROSPECTUS REGULATION, THE SECURITIES CAN ONLY BE OFFERED TO "QUALIFIED INVESTORS" (AS DEFINED IN SAID DIRECTIVE) AS WELL AS IN ANY OTHER CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION BY THE ISSUER OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF SAID DIRECTIVE.

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

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 THIS PROSPECTUS. ACCORDINGLY NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN THE BONDS.

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

2. DEFINITIONS

ACT	the Companies Act (Cap. 386 of the laws of Malta);
ANACAP	AnaCap Financial Partners II L.P., a limited liability partnership incorporated under the laws of Guernsey with company number 1027;
AUTHORISED FINANCIAL INTERMEDIARIES	the licensed stockbrokers and financial intermediaries listed in Annex II of the Securities Note;
BOND(S)	together, the EUR Bonds and the GBP Bonds;
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;
CET 1	Common equity tier 1, being the primary component of capital under Basel III rules, consisting principally of paid-up ordinary share capital, related premium reserves, profit for the period, reserves, shareholders' equity attributable to minority interests (which can be included within limits set by the rules) and such other components as may be detailed in the CRR from time to time, as the same may be amended and/or updated;
CRD IV	Directive 2013/36/EU of the European Parliament and Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as may be amended from time to time;
CRR	Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012;
CSD	the Central Securities Depository of the Malta Stock Exchange situated at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
CUT-OFF DATE	11 October 2019;
DESIGNATED EARLY REDEMPTION DATE	any Interest Payment Date falling in the years 2024 to 2028 as the Issuer may determine by giving 30 days' prior notice to the Bondholders further to obtaining the prior approval of the JST;
DIRECTORS OR BOARD	the directors of the Issuer whose names and addresses are set out under the heading " Board of Directors " in section 12.1 of this Registration Document;
ECB	the European Central Bank;
EU	the European Union;
EURO OR €	the lawful currency of the Republic of Malta;
EUR BONDS	the 4% Subordinated Unsecured Bonds due 2024 – 2029 having a nominal value of €100 per bond redeemable at their nominal value on the Redemption Date or any of the Designated Early Redemption Dates or a Regulatory Redemption Date bearing interest at the rate of 4% per annum, which in aggregate with the GBP Bonds, would not exceed the Euro equivalent of €35,000,000 in value of Bonds issued pursuant to this Prospectus;
EXISTING BONDS	the €25,000,000 subordinated bonds in Euro (EUR Bonds) and Pounds Sterling (GBP Bonds) of a face value of €100 per EUR Bond and £100 per GBP Bond, bearing interest at the rate of 6% per annum and redeemable at their nominal value on 28 November 2024 or earlier on 28 November in each year between 2019 and 2023 pursuant to a prospectus dated 3 November 2014 and carrying ISIN: EUR bonds – MT0000551268 and GBP bonds – MT0000551276);
EXISTING BONDHOLDERS	the holders of the Existing Bonds registered as such on the register of bondholders maintained by the CSD as at the Cut-Off Date;

GBP BONDS	the 4% Subordinated Unsecured Bonds due 2024-2029 having a nominal value of €100 per bond redeemable at their nominal value on the Redemption Date or any of the Designated Early Redemption Dates or on a Regulatory Redemption Date bearing interest at the rate of 4% per annum, which in aggregate with the EUR Bonds would not exceed the Euro equivalent of €35,000,000 in value of Bonds issued pursuant to this Prospectus;
GDPR	Regulation (EU) No. 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;
GROUP	The Issuer and its direct or indirect Subsidiaries;
IFRS OR IAS	all the International Financial Reporting Standards, all the International Accounting Standards (IAS), all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC), adopted by the European Union;
INTEREST PAYMENT DATES	annually, on 5 November of each year commencing on 5 November and ending with and including the Redemption Date, and, or the Designated Early Redemption Date and, or the Regulatory Redemption Date, as applicable, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
ISSUER	MeDirect Bank (Malta) plc, a public limited liability company registered in Malta with company number C 34125 having its registered office at The Centre, Tigné Point, Sliema TPO 0001, Malta;
JST	Joint Supervisory Team, composed of members of the ECB and the MFSA;
LISTING AUTHORITY	the Board of Governors of the MFSA, appointed as Listing Authority for the purposes of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);
LISTING RULES	the listing rules, issued by the Listing Authority;
MALTA STOCK EXCHANGE OR MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the laws of Malta), having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta, and bearing company registration number C 42525;
MEDIFIN FINANCE LIMITED	a non-cellular company limited by shares incorporated under the laws of Guernsey with company number 60032;
MEDIFIN INVESTMENTS LIMITED	a non-cellular company limited by shares incorporated under the laws of Guernsey with company number 58396;
MDB GROUP OR PARENT	MDB Group Limited (formerly MeDirect Group Limited and before that Medifin Holding Limited), a private limited liability company registered in Malta with company registration number C 34111 and having its registered office at The Centre, Tigné Point, Sliema TPO 0001, Malta;
MFSA	the Malta Financial Services Authority, incorporated in terms of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);
M&A	the memorandum and articles of association of the Issuer in force at the time of publication of the Prospectus;
OFFICIAL LIST	the list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;
O-SII	other systemically important institution, being an institution that, due to its systemic importance, is more likely to create risks to financial stability;
PROSPECTUS	collectively this Registration Document, the Securities Note and the Summary Note, as such documents may be amended, updated, replaced and supplemented from time to time;
PROSPECTUS REGULATION	Commission Regulation (EU) No. 2017/1129 of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC;
REDEMPTION DATE	5 November 2029;

REGISTRATION DOCUMENT	this document in its entirety;
R&R REGULATIONS	the Recovery and Resolution Regulations (Subsidiary Legislation 330.09 of the laws of Malta);
SECURITIES NOTE	the securities note issued by the Issuer dated 7 October 2019 forming part of the Prospectus;
SPONSOR	Jesmond Mizzi Financial Advisors Limited, a limited liability company having company registration number C30176 and having its registered office at 67, Level 3, South Street, Valletta, Malta;
SREP	the supervisory review and evaluation process governed by the CRD IV to which banks are subject, with an annual frequency, conducted by the Regulatory Authorities;
SRM REGULATION	Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism (SRM) and a Single Resolution Fund and amending Regulation (EU) No.1093/2010;
SUMMARY NOTE	the summary note issued by the Issuer dated 7 October 2019, forming part of the Prospectus;
SUBSIDIARY	means an entity over which the Parent has control. In terms of the International Financial Reporting Standards adopted by the European Union, a group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The term "Subsidiary" shall be construed accordingly. The term "Subsidiaries" shall collectively refer to the said entities.

3. RISK FACTORS

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

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

The risk factors are set out in a number of categories. The risk factor appearing first under each category constitutes that risk factor that the directors have assessed to be the most material risk factor under such category as at the date of this Registration Document. In making their 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 Issuer and the Bonds.

The risks and uncertainties discussed below are those identified as such by the Directors of the Issuer, but these risks and uncertainties may not be the only ones that the Issuer faces. Consequently, additional risks and uncertainties, including those which the Issuer's Directors are not currently aware of, may result in a material impact on the financial condition and operational performance of the Issuer. In addition, prospective investors ought to be aware that risk may be amplified due to a combination of risk factors. Accordingly, prospective investors should make their own independent evaluation of all risk factors, and should consider all other sections in this document.

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

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

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

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

3.1 Risks to the Business of the Issuer

As a credit institution, the Issuer is subject to risks which are related to the banking industry, including, credit risk, market risk, interest rate risk and concentration risk. The following are the risks related to the business of banking, to which the Issuer is exposed:

3.1.1 Exposure to Credit Risk

Risks arising from adverse changes in the credit quality and recoverability of loans, securities and amounts due from counterparties are inherent in the Issuer's business. Credit risk involves the possibility that the Issuer's contractual counterparties may not fulfil their payment obligations as a result of various factors, including the borrower's loss of capacity to service and repay debt (due to, for instance, a lack of liquidity or insolvency) and/or the emergence of circumstances not specifically related to the economic/financial conditions of the debtor but to the general economic environment in which the debtor operates, all of which could negatively impact the Bank.

The financial assets of the Group primarily comprise four types of assets: (i) extensions of credit, primarily on a senior secured basis, to sub-investment grade international corporate borrowers, (ii) Dutch retail mortgages, (iii) investment grade treasury instruments and (iv) covered bonds, with exposure to government agencies, supranationals and EU financial institutions which issue this asset-type.

The majority of the Issuer's international corporate lending portfolio consists of internationally syndicated senior leveraged loans. As at 31 March 2019, approximately 56% of the Group's consolidated assets were related to the Issuer's international corporate lending portfolio. Unrated and non-investment grade corporate lending activities may be at higher risk of default than investment grade lending because of the relatively higher levels of debt that the issuing counterparty has relative to the amount of equity. This could affect the probability of default of each counterparty and increase the level of write-offs or provisions to which the Issuer is potentially exposed. The Issuer's non-performing loans have increased from 4.4% in March 2018 to 5.2% as at March 2019.

3.1.2 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. Given that the Issuer has been categorised by regulatory authorities as an O-SII,

it must fulfill supplementary requirements concerning the amount of CET1 capital it must hold as a buffer, as described in Section 7.2. In addition, as a result of the SREP to which the Issuer is subject to once a year, further requirements as to capital may be imposed.

Non-compliance with applicable capital requirements 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 JST, 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, any or all of which could affect future growth potential of the Issuer.

3.1.3 Liquidity Risk

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

The Issuer funds its portfolios principally through deposits and partly through the international wholesale financial markets. The availability of retail and commercial deposits, the Issuer's primary source of liquidity, may be impacted by increased competition from other deposit-takers or factors that constrain the volume of liquidity in the market. Extreme market disruptions may result in a prolonged restriction on the Issuer's access to liquidity which in turn could affect the Issuer's ability to meet its minimum regulatory liquidity requirements or to fulfil its financial and lending commitments.

Whilst the Issuer does not intend to rely primarily on wholesale funding, if access to deposit funding were to be constrained, the Issuer may need to make increased use of international wholesale funding markets. In the event that funding from such markets were to become less available or more expensive, or in the event that it becomes difficult to sell financial assets close to their fair value, the Issuer may be adversely affected and its ability to grow may be hampered. Such a deterioration of the Issuer's ability to raise funding at attractive levels may adversely affect the Issuer's margins and profit, potentially materially affecting its business, financial condition, results of operations and prospects.

3.1.4 Market Risk

The Issuer may face a number of market risks in the normal course of its business. Market risk refers to the adverse impact of movements in market prices or rates such as interest rates, credit spreads and foreign exchange rates. Market risk stems from all the positions included in the Issuer's investment portfolios, commodity and foreign exchange positions, interest income and the market value of assets and liabilities.

In the event that market risks were to occur, the Issuer may experience significant losses in the value of its investment portfolio, declines in the level of interest income, and negative movements in the fair values of its assets and liabilities which would consequently have a significant adverse impact on the operations and financial performance of the Issuer. The following are the principal identifiable market risks:

i. Interest Rate Risk

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

ii. Foreign Exchange Risk

Foreign exchange risk arises on monetary assets and liabilities not denominated in the base currency of a company. 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, as the Issuer's base currency.

3.1.5 Concentration Risk

Concentration risk in the context of banking generally denotes the risk arising from (i) an uneven distribution of exposures (or loans) to borrowers; or (ii) an uneven distribution to particular sectors, industries products or regions. For the Issuer, the major concentration risk lies in its international corporate lending portfolio which comprises a significant percentage of the Issuer's asset base and total risk profile.

The investments made by the Issuer are primarily denominated in Euro. The obligors of most of such investments are issued by EU entities. In addition, the deposit base of the Issuer primarily consists of customers located in Malta and other European Union countries. The Group also holds a Treasury portfolio consisting of liquid assets including covered bonds, bonds issued by supranational organisations and sovereign bonds. The majority of the Issuer's securities portfolio consists of covered bonds which are secured on residential mortgages, primarily located in European Union countries and securities issued by supranational organisations. Accordingly, negative developments in European property markets may also have an adverse effect on the Issuer.

As a result of the composition of the Issuer's investment portfolio and deposit base which is exposed to the strength of the Euro currency and the strength of its EU-based counterparts, any broadly negative economic trends affecting the European Union may have an adverse effect on the Issuer.

3.1.6 Systemic Risk

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

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

3.1.7 Risks related to the competitive nature of the banking industry

The financial services industry, both in Malta and globally, is a competitive one. Competitive pressures could increase due to general developments in the market, regulatory changes, shifts in customer demand, shifts in competitors' strategies, technological enhancements, and other factors that are beyond the Issuer's control. Non-traditional financial service companies, particularly fintech companies and payment service providers (PSPs), have penetrated the financial services industry at an unprecedented rate, further increasing competition on the market.

If the Issuer is not able to respond adequately to any increases or changes in competitive pressures, for example by introducing innovative products and services, it may not succeed in developing its business or may lose market share. In turn, this could have a negative impact on the Issuer's financial performance and condition.

3.2 Operational Risk

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

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

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

3.2.1 Risks relating to Information Technology

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

Such failures can be caused by a variety of factors, many of which are wholly or partially outside the Issuer's control including natural disasters, extended power outages and cyber security issues, ranging from computer viruses to third-party hacking (refer to section 3.2.2. "*Cyber-security risk*" hereunder). The proper functioning of the Issuer's information technology systems also depends on accurate and reliable data and other system input, which are subject to human errors. In addition, given the Issuer's moderate volume of transactions, errors may be repeated or compounded before they are discovered and rectified. Any failure or delay in recording or processing the Issuer's transaction data could subject it to claims for losses and regulatory fines and penalties.

The Issuer has implemented online banking and wealth management functionality, including the provision of online financial advice in Belgium. As at the date of this Registration Document, the Issuer is in the final stages of launching a mobile banking application. Amongst other functionalities, the mobile banking application will enable the Issuer's clients to make payments and view balances. The Issuer is also in the process of re-vamping its client on-boarding process by means of facial verification. These functionalities might not operate as intended and might suffer unexpected downtime. In addition, the Issuer intends to continue to build out its systems and improve its online functionalities. The implementation of such new systems and functionalities might result in operational losses.

3.2.2 Cyber-security risk

The activities of the Group are reliant on the continuous and proper functioning of its operating systems, including its information technology systems and other technological arrangements. The Group is susceptible to a variety of risks relating to the continuous and proper functioning of these systems, including, but not limited to, the risks of cyber-attacks (such as malware attacks, ransomware, phishing, hacking, or any other form or type of cyber-attack), data theft or other unauthorised use of data, errors, bugs, malfunctions, inadequate maintenance service levels, or other malicious interference with or disruptions to their information technology and other systems.

The Group may therefore be vulnerable to downtime in its operational systems, which downtime could have an adverse knock-on effect on its ability to service its customers in a timely, proper and effective manner, to the requisite service levels. There can be no assurance that the maintenance and service level agreements and disaster recovery plans intended to ensure continuity and stability of these systems will prove effective in ensuring that the service or systems will not be disrupted.

Disruption to those technologies or systems and/or lack of resilience in operational availability could adversely affect the efficiency of the Group's operating results, financial condition and prospects.

3.2.3 Internet failure

Operations of the Group utilise and are intrinsically dependent on the internet. In particular, the Group offers to its customers, online banking, investment and wealth management services, with the result that this business segment is increasingly reliant on the proper functioning of its information technology systems. The Group's activities may become subject to an internet failure, disruption or other interruption. Such an event may arise as a result of various factors that may be out of the control of the Group as a result of and without limitation to, natural disasters, electricity outages and/or technical malfunctions (which could be malicious, due to negligence or *force majeure*).

If such failure, disruption or other interruption, even temporary, were to occur, the activities of the Group, could be interrupted for the period of time for which such event subsists, which lack of access could adversely affect the Group's relations with customers, the results of its operations and its financial performance and financial condition.

3.2.4 Information security risk

Information security risk refers 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.

3.2.5 Exposure to breaches of privacy or data protection failures and fraudulent activity

Whenever personal data is collected, processed and stored by the Group, the activity conducted is subject to the rules governing the processing of personal data in terms of the Data Protection Act (Cap. 586 of the laws of Malta) and subsidiary legislation issued thereunder (the "DPA") and the GDPR.

The Group is subject to a number of obligations concerning the processing of personal data, including but not limited to ensuring that: (i) personal data is processed fairly, lawfully and in a transparent manner; (ii) personal data is always processed in accordance with good practice; (iii) personal data is only collected for specific, explicitly stated and legitimate purposes and not further processed in a manner that is incompatible with those purposes; (iv) all reasonable measures are taken to complete, correct, restrict, block or erase personal data to the extent that such data is incomplete or incorrect, having regard to the purposes for which they are processed; (v) personal data collected is adequate, limited and relevant to what is necessary in relation to the purposes for which they are processed; (vi) personal data is not kept for a period longer than is necessary; and (vii) personal data is processed in a manner that ensures appropriate security of the personal data. Additionally, prior to processing personal data, the Group must ensure that the personal data undergoing processing is justified under at least one of the lawful bases stipulated within the GDPR. Where consent is deemed to be the appropriate legal basis, the Group must ensure that the person to whom the personal data relates has unambiguously, freely, specifically and informatively given his consent for such processing.

The Group has adapted its internal procedures to comply with the DPA and the GDPR. However, the Issuer remains exposed to the risk that personal data collected could be damaged or lost, disclosed or otherwise unlawfully processed for purposes other than as permitted in the DPA and the GDPR. The possible damage, loss, unauthorised processing or disclosure of personal data could have a negative impact on the activity of the Group, in reputational terms too, and could lead to the imposition of fines.

In addition, any changes to the applicable laws and/or regulations, even at an EU level, could have a negative impact on the Group's activities, including the need to incur costs for adapting to the new regulations.

3.2.6 Know your customer requirements

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

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

3.2.7 Failure to attract and/or retain key employees

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

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

The Issuer, through its operations in Malta and Belgium, is subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure their compliance with economic and other objectives and limit their exposure to risk including (i) the legislative package implementing the proposals of the Basel Committee (known as Basel III) in the European Union and amending and supplementing the existing CRD IV; and (ii) SRM establishing uniform rules and procedures for the resolution of credit institutions and certain investment firms, providing for the establishment of a European Union-wide framework for the Bank Recovery and Resolution Directive (the "BRRD") in the Euro area. The Issuer faces risks associated with an uncertain and rapidly evolving prudential regulatory environment, pursuant to which it is required, amongst other things, to maintain adequate capital resources and to satisfy specified capital ratios at all times. The Issuer's liquidity and long-term viability depends on many factors including its ability to successfully raise capital and secure appropriate financing. Should the Issuer not be able to implement the approach to capital requirements it considers optimal in order to meet the capital requirements imposed by the CRD IV, it may be required to maintain levels of capital which could potentially impact its funding conditions and limit the Issuer's Bank's growth opportunities.

The Issuer's capital requirements could be affected by further prudential regulatory developments. Further information on the prudential and regulatory controls to which the Issuer is subject is set out in Section 7.2.

3.2.9 Reputational Risk

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

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

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

3.2.10 Risks associated with the implementation of risk management policies

The Issuer has in place a number of processes and structures that have the objective of developing and implementing risk management policies, procedures and controls, in order to monitor the risks inherent in the nature of its activities. Unanticipated, unforeseeable, or unidentified risks, by their nature, may not be considered within the Issuer's risk management policies and processes. Additionally, some of the methods used to monitor and manage risks may involve certain assumptions, observations of past conditions and/or statistical models. Should such unanticipated, unforeseeable, or unidentified risks materialise, or should the said assumptions prove inadequate for the management of certain risks, its business may be negatively impacted.

3.2.11 Risks connected with legal proceedings in progress and supervisory authority measures

The Group is required to deal appropriately with various legal and regulatory requirements in relation to certain aspects of its activity, such as conflicts of interest, ethical issues, anti-money laundering laws, client assets, competition law, privacy and information security rules, amongst others. Actual or alleged failure to do so may lead to additional litigation and investigations and subject the Group to claims for damages, regulatory fines, other penalties and/or reputational damages, any or all of which may have a negative impact on the Group.

3.2.12 Risks associated with the evaluation methods of the Issuer's assets and liabilities

In conformity with the framework dictated by IFRS, the Issuer should formulate evaluations, estimates and policies regarding the amounts of assets, liabilities, costs and revenues reported in the financial statements (as well as information relating to contingent assets and liabilities). The evaluations, estimates and related policies are based on past experience and other factors considered reasonable in the specific circumstances and are adopted to assess the assets and liabilities whose book value cannot easily be deduced from other sources.

The application of IFRSs by the Issuer reflects its interpretation and decisions made with regard to said standards, which may be applied or interpreted differently by other relevant stakeholders.

3.3 Strategic Risk

Strategic risk is the risk of suffering potential losses due to, amongst others, radical changes in the business environment or a lack of responsiveness to changes in the business environment, and, or improper implementation of strategic decisions. This may have a negative impact on the Issuer's risk profile, and, consequently, on its capital positioning, profitability, earnings, as well as its overall strategic direction in the long-run. Strategic risk specific to the Issuer is described below.

3.3.1 Risks relating to the Dutch Residential Mortgage Loan Business

MeDirect Bank SA/NV has recently begun to invest in loan receivables relating to Dutch government guaranteed mortgage loans ("NHG Mortgages") through HollandWoont, a Dutch mortgage lending platform established by the Blauwtrust Groep ("BTG"), a prominent Dutch servicer, portfolio manager and originator of Dutch mortgages.

In view of the Dutch government guarantee on such mortgages, the principal risk to the Group associated with such investments is the interest rate and liquidity-related market risk position. Interest rate risk derives from the fact that NHG Mortgage interest rates typically re-set on a 10, 20 or 30 year cycle, whereas the Group's liabilities (principally deposits) reset more frequently. Liquidity risk is associated with the need both to fund mortgage origination and to provide collateral to Holland Woont to support its mortgage lending pipeline. Credit losses are expected to be very low, both as a result of historically low level of credit losses for Dutch residential mortgages (even during the housing crisis of 2008-2013) and the Dutch government guarantee. The government guarantee reduces the unguaranteed credit exposure on the mortgages to 10% of loss in case of defaults on the underlying mortgages. It is expected that securitisation of the NHG mortgage portfolio will be an important element in ensuring the long-term attractiveness of the returns on the NHG mortgage business line. The inability to securitise such mortgages successfully will adversely affect the returns expected to be achieved from the product.

The project execution risk of failing to develop a critical mass of mortgage lending activities as part of a new core business line for the Group and the corrective actions that may be required to remediate any risks arising from such failings (including, without limitation, concentration risk) may increase operational costs and adversely affect the performance and profitability of the Group.

3.3.2 Risks relating to Collateralised Loan Obligation ("CLO") Business

The Group has recently issued its first CLO and began to invest in AAA-rated senior debt instruments issued by third party CLO vehicles.

Legal, tax and regulatory changes could occur and may adversely affect the CLO business. The regulatory environment for CLO transactions is evolving, and changes in regulation may adversely affect the value of investments held within CLO vehicles and their ability to obtain leverage. In addition, the securities and derivatives markets are subject to comprehensive statutory, regulatory and margin requirements. Certain regulators and self-regulatory organisations and exchanges are authorised to take extraordinary actions in the event of market emergencies. The regulation of transactions of a type similar to this transaction and derivative transactions and vehicles that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on CLO transactions could be substantial and adverse.

Significant risks for CLOs and investors exist as a result of current economic conditions. These risks include, amongst others, the likelihood that CLOs will find it more difficult to sell any of its assets or to purchase new assets in the secondary market. Difficult macro-economic conditions may adversely affect the rating, performance and the realisation value of the collateral. Default rates on loans and other investments may continue to fluctuate and

accordingly the performance of many collateralised loan obligation transactions and other types of investment vehicles may suffer as a result. It is also possible that the collateral will experience higher default rates than anticipated and that performance will suffer.

3.3.3 New Initiatives

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

4. PERSONS RESPONSIBLE

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

The directors of the issuer are the persons responsible for the information contained in this registration document. To the best of the knowledge and belief of the directors of the issuer the information contained in this registration document is in accordance with the facts and does not omit anything likely to affect the import of such information. The directors accept responsibility accordingly.

5. STATUTORY AUDITORS

The annual statutory consolidated financial statements of the Issuer for the financial years ended 31 March 2017, 31 March 2018 and 31 March 2019 have been audited by PricewaterhouseCoopers, Certified Public Accountants, of 78, Zone 5, Central Business District, Mill Street, Qormi, CBD 5090. PricewaterhouseCoopers is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act (Cap. 281 of the laws of Malta).

6. HISTORY AND DEVELOPMENT OF THE ISSUER

LEGAL & COMMERCIAL NAME	MeDirect Bank (Malta) plc
PLACE OF REGISTRATION	Malta
REGISTRATION NUMBER	C 34125
LEGAL ENTITY IDENTIFIER	529900SYUCFQHI3JZQ05
DATE OF REGISTRATION	11 June 2004
DOMICILE	Malta
LEGAL FORM	Public limited liability company
LEGISLATION UNDER WHICH ISSUER OPERATES	Companies Act (Cap. 386 of the laws of Malta), the Investment Services Act (Cap. 370 of the laws of Malta) and the Banking Act (Cap. 371 of the laws of Malta)
COUNTRY OF INCORPORATION	Malta
ADDRESS & TELEPHONE NUMBER	The Centre, Tigné Point, Sliema, TPO 0001, Malta +356 2557 4400
WEBSITE	https://www.medirect.com.mt/

The Issuer was registered under the laws of Malta on 11 June 2004 and was issued a licence in terms of the Banking Act (Cap. 371 of the laws of Malta) from the MFSA on 21 June 2007 and has been in operation as a credit institution since that date.

The Issuer commenced operations as Mediterranean Bank in June 2004, becoming a fully licensed Maltese credit institution in 2007. Since such time, the Issuer expanded its operations to Belgium through the operation of a branch and later as a subsidiary, MeDirect Bank SA/NV. In 2010, the Issuer acquired a majority stake in Charts Investment Management Services Limited (C 7944), a Maltese stockbroking, wealth management and corporate advisory firm, completing its takeover in 2015, and then fully incorporating the "Charts" investment services license in 2018 by virtue of a merger. This enabled the Issuer to offer superior investment advisory services, as well as corporate broking services to local and international companies. A more detailed description of the subsidiaries of the Issuer is contained in this Section under the sub-heading "Subsidiaries of the Issuer".

The Issuer has continued to steadily build a strong reputation in Malta as a leading savings and wealth management bank, with branches in Sliema, Paola, Mosta and Gozo and acquiring Volksbank Malta Limited in 2014 to enhance and broaden its corporate lending portfolio to Maltese clients.

The Issuer is currently Malta's third largest bank¹, directly supervised by the ECB and by the MFSA.

Material changes in the Issuer's borrowing and funding structure:

The Issuer funds its activities primarily through retail deposits and bonds. There have been no material changes in the borrowings and funding structure of the Issuer since the last financial year ended 31 March 2019.

Local debt market issues:

The following debt issues by the Issuer were/are listed on the Official List of the Malta Stock Exchange:

- i. pursuant to a prospectus dated 13 September 2010, the Issuer issued €15,000,000 in bonds of a face value of €100 per bond, redeemable at their nominal value on the 30 October 2015 and bearing interest at the rate of 6.25% per annum (ISIN: MT0000551201); subsequently, in terms of a securities note, supplement and summary note dated 30 May 2011, the Issuer issued a further €5,000,000 in bonds, also redeemable at their nominal value on the 30 October 2015 and bearing interest at the rate of 6.25% per annum (ISIN: MT0000551219), fully fungible with, and subject to the same terms and conditions as, the bonds issued by the Issuer pursuant to the 2010 prospectus. As from 31 October 2011, the two bonds have been deemed to constitute one bond; on 30 October 2015, unsecured debt securities bearing interest at 6.25% per annum matured and were redeemed by the Issuer at their nominal value of €9,200,000;
- ii. pursuant to a prospectus dated 21 November 2012, the Issuer issued the euro equivalent of €12,500,000 bonds in Euro (EUR Bonds) and Pounds Sterling (GBP Bonds) of a face value of €100 per EUR Bond and £100 per GBP Bond, redeemable at their nominal value on 14 December 2019 and bearing interest at 7.5% per annum (ISIN MT 0000551227 (EUR Bonds) and MT 0000551235 (GBP Bonds));
- iii. pursuant to a prospectus issued on 12 June 2013, the Issuer issued the euro equivalent of €10,000,000 bonds in Euro (EUR Bonds) and Pounds Sterling (GBP Bonds) of a face value of €100 per EUR Bond and £100 per GBP Bond, redeemable at their nominal value on 14 December 2019 and bearing interest at 7.5% per annum (ISIN MT 0000551243 (EUR Bonds) and MT 0000551250 (GBP Bonds), fully fungible with, and subject to the same terms and conditions as, the bonds issued by the Issuer pursuant to the 2012 prospectus. As from 15 December 2013, the two bonds have been deemed to constitute one bond. On 10 December 2013 the Issuer announced that the subordinated bonds issued in terms of the prospectus dated 12 June 2013 were to be merged with the 7.5% subordinated bonds 2019 issued in November 2012 (ISIN: EUR bonds - MT0000551227 and GBP bonds - MT0000551235) following the first interest payment on 14 December 2013, and that the two subordinated bonds were thereafter to be deemed to be one subordinated bond. Accordingly, trading in the 7.5% Subordinated Bonds 2019 Fungible Issue June 2013 was suspended forthwith;

¹ European Central Bank – List of Supervised Entities – 1 August 2019.

- iv. pursuant to a prospectus issued on 3 November 2014 the Issuer issued the euro equivalent of €25,000,000 in Euro and Pounds Sterling denominated subordinated bonds (ISIN: EUR bonds - MT0000551268 and GBP bonds - MT0000551276), redeemable at their nominal value on 28 November 2024 or redeemable early at the option of the Issuer (with the prior approval of the MFSA) on 28 November in each year between 2019 and 2023 and bearing interest at 6.0% per annum;
- v. pursuant to a prospectus dated 25 September 2017, the Issuer issued the euro equivalent of €20,000,000 subordinated unsecured bonds in Euro (EUR Bonds) and Pounds Sterling (GBP Bonds) of a face value of €100 per EUR Bond and £100 per GBP Bond, redeemable at their nominal value on 13 October 2027 or redeemable early at the option of the Issuer (with the prior approval of the MFSA) on the 13 October in each year between 2022 to 2027 and bearing interest at the rate of 5% per annum.

2019 Bond Issue:

By virtue of this Prospectus, the Issuer shall be offering the Bonds to (i) Existing Bondholders for the purpose of enabling them to exchange their respective Existing Bonds for the Bonds in proportion to the amount of Existing Bonds so surrendered; (ii) Existing Bondholders for Bonds in excess of the nominal value of their Existing Bonds by payment in cash, in the event that the said Existing Bondholders accept to surrender the entirety of their holdings of Existing Bonds; and (iii) to the public by virtue of an intermediaries' offer.

The Existing Bonds so exchanged for the Bonds will be repurchased and cancelled by the Issuer. The amount outstanding under the Existing Bonds following the completion of the Bond Issue will depend on the result of subscriptions by Existing Bondholders to the Bonds. Provided that the Bond Issue is subscribed for in an aggregate amount of at least €25,000,000, any Existing Bonds remaining in issue following the lapse of the Bond Issue shall be redeemed by the Issuer by way of early redemption on the 28 November 2019.

As at the date of this Registration Document, the amount outstanding under the Existing Bonds is approximately that of:

MT0000551268	€	23,286,000	6% MeDirect Bank plc Subordinated Unsecured € 2019-2024
MT0000551276	£	1,373,000	6% MeDirect Bank plc Subordinated Unsecured £ 2019-2024

Capital requirements:

As noted in section 7.2 below entitled "**Regulatory Matters**", the Group is categorised as an O-SII by the MFSA and as a core domestic bank by the Central Bank of Malta. The Group falls under the Single Supervisory Mechanism ("**SSM**"). The SSM refers to the system of banking supervision in Europe. It comprises the ECB and the national supervisory authorities of the participating countries. Its main aims are to ensure the safety and soundness of the European banking system, increase financial integration and stability and ensure consistent supervision. The SSM has led to further strengthening of the controls and corporate governance of the Group. It is also a good opportunity to continue strengthening the reputation of the Group both in Malta and internationally. The Regulatory Group is confident that it will continue meeting the high expectations of the ECB.

Subsidiaries of the Issuer

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

On 11 April 2014 the Issuer announced that it entered into an agreement with VB-Holding Aktiengesellschaft and Mithra Holding Gesellschaft m.b.H. to acquire 100% of the share capital of Volksbank Malta Limited ("**Volksbank Malta**") for a cash consideration of €35,300,000. The Issuer

also agreed to refinance existing debt of Volksbank Malta payable to Österreichischen Volksbanken AG (“**Volksbank Austria**”) as of the closing date of the transaction. The acquisition was concluded subject to approval by the MFSA, which was obtained on 25 September 2014. Volksbank Malta was subsequently renamed Mediterranean Corporate Bank Limited. On 21 November 2016, the Issuer announced that the Boards of Directors of the Issuer and its subsidiary, Mediterranean Corporate Bank Limited, each voted to merge Mediterranean Corporate Bank Limited into the Issuer, subject to receipt of all applicable regulatory approvals and to completion of all applicable legal requirements. On 10 March 2017, the directors of the Issuer delivered the draft terms of acquisition for registration and publication in terms of Article 358(3)(a) of the Companies Act to the Registrar of Companies at the Malta Business Registry, and registration of the same was effected on 17 March 2017. On 22 June 2017, the merger became effective.

On 1 February 2018, the Issuer announced that the Boards of Directors of the Issuer and the Board of Directors of Charts Investment Management Service Limited (C 7944) (“**Charts**”), formally a fully owned subsidiary of the Issuer, each voted to merge Charts into the Issuer. On 1 April 2018 the shares held by MDB Group in Charts Investment Management Service Limited were transferred to the Issuer. For accounting purposes, the merger became effective on the 1 April 2018. Accordingly, all the transactions of Charts have been treated as being those of the Issuer with effect from 1 April 2018. On 3 October 2018, Charts Investments Management Service Limited fully merged into the Issuer.

7. BUSINESS OVERVIEW

7.1. Principal Activities & Markets

The principal activities of the Issuer comprise lending to international and Maltese corporates and the provision of banking services primarily to the mass affluent sector in Malta, focusing principally on term deposit, savings and notice bank accounts and wealth management, as well as local corporate banking in Malta.

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

The Issuer and the Group as a whole are primarily deposit funded and invest primarily in European corporate loans. The Issuer cross-sells wealth solutions to its deposit customer base through its online management platform. Scalable infrastructure supports the business through a modern, purpose built, IT system and an operational centre in Malta.

The Issuer has an investment portfolio comprising a treasury book consisting of high quality, liquid securities, including primarily bank covered bonds, bonds issued by supra-national organisations and public sector bonds and a corporate lending portfolio consisting primarily of senior secured loans, revolving credit facilities and secured bonds. Its corporate lending portfolio consists primarily of Western European credits.

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

- i. the provision of senior secured loans to foreign companies and the acquisition of senior secured bonds from foreign companies;
- ii. the provision of loans and overdraft facilities to local companies;
- iii. the receipt and acceptance of customers’ monies for deposit in current accounts, savings accounts and fixed term deposit accounts which may be denominated in euro and other major currencies;

- iv. the provision of wealth management products and advisory service;
- v. representation and marketing of funds;
- vi. trading for account of customers in foreign exchange;
- vii. the provision of money transmission services;
- viii. the provision of safe custody services with a wide range of custom-tailored solutions as well as administration and safekeeping of securities;
- ix. the provision of model portfolios comprising mutual funds selected in cooperation with the investment research and investment management firm, Morningstar Inc.;
- x. the provision of e-brokerage services for the purchase and sale of mutual funds, equities, bonds and exchange traded funds;
- xi. the provision of online tools and information to support and guide clients in their investment decisions; and
- xii. the provision of corporate broking to medium-sized and larger domestic enterprises.

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

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

In line with its diversification strategy, the Issuer has entered into two strategic businesses in order to diversify its business model. First, the Issuer issued its first CLO, Grand Harbour 2019-1 DAC ("**GH 2019-1**"), which closed on 22 August 2019. The Issuer sold assets with a value of €300 million to the GH 2019-1 vehicle, thereby freeing up capital in order to support its other lending activities, including mortgage lending in the Netherlands. In parallel to the establishment of GH 2019-1, the Issuer began to invest in AAA-rated senior debt instruments issued by CLOs managed by third parties.

In addition, the Issuer has begun to invest in mortgage receivables related to Dutch NHG Mortgages through MeDirect Bank SA/NV. This will be a key milestone in the business diversification objective of the Group. The entry into this new business line was approved on 3 June 2019 by the Governing Council of the ECB under Article 77 of the Belgian Banking Act of 25 April 2014. Such investments will be made through the silent assignment of mortgages by Holland Woont, a multi-investor platform established and managed by companies associated with BTG.

7.1.1 Grand Harbour I B.V.

Grand Harbour I B.V. ("**GH I**"), is a Dutch special purpose vehicle which is a subsidiary of the Issuer and is utilised as part of the Group's funding strategy. On 23 December 2016, the Issuer acquired all of the issued share capital of GH I. The Issuer has retained substantially all risks and rewards pertaining to the activities of GH I and hence to assets, liabilities and related income and expenditure attributable to GH I.

The Issuer restructured GH I as a subsidiary with the purpose of allocating risk more efficiently between the Issuer and its subsidiary, MeDirect Bank SA/NV., in line with the respective risk appetites of those entities. Following the restructuring, euro-denominated corporate credit assets were transferred both from the Issuer and MeDirect Bank SA/NV to GH I, which funded such purchases through a senior loan facility provided by MeDirect Bank SA/NV. and a junior loan facility provided by the Issuer. GH I is fully consolidated on the financial statements of the Issuer. GH I is funded through two intragroup loan facilities subscribed to by the Issuer and MeDirect Bank SA/NV. MeDirect Bank SA/NV and the Issuer invested in GH I on a 74% – 26% basis (2018: 78% – 22% basis)

respectively, with the tranche bought by MeDirect Bank SA/NV (the “**Senior Loan**”) amounting to €1,029 million (2018: €893 million) having a senior ranking vis-à-vis the tranche acquired by the Issuer (the “**Junior Loan**”) amounting to €361 million (2018: €252 million).

7.1.2 MeDirect Bank SA/NV.

In 2013 the Issuer established a branch in Belgium. Through the Belgian branch, the Issuer has broadened the range of markets in which it operates and competes. International expansion of the Issuer’s operations enables the Issuer to offer its products and services to a larger number of customers and to take advantage of back office and systems infrastructure in Malta. Following approval by the NBB of the Issuer’s application to convert its Belgian branch to a subsidiary, the Issuer transferred the business of its Belgian branch to MeDirect Bank SA/NV (with registered number 0553851093) effective 1 June 2015.

Using the infrastructure created by the Issuer in Malta and supported by the Issuer’s Maltese processing capability, the Issuer operates in Belgium an investment services and wealth management offering directed toward the mass affluent audience. As at the time of this Registration Document, MeDirect Bank SA/NV has over 39,000 clients, more than €1.5 billion in deposits and €400 million in investment and wealth management.

MeDirect Bank SA/NV has its physical office in Brussels. It operates with a local team and is supported by a contact centre, client service group and other operational functions located in Malta. Through intra-group contractual arrangements, MeDirect Bank SA/NV has access to the infrastructure and processing capability of the Issuer’s operating platform in Malta.

The principal customer-related activities of MeDirect Bank SA/NV include the following, all of which are offered online at medirect.be.

- the receipt and acceptance of customers’ monies for deposit in savings (including regulated savings) and fixed term deposit accounts which may be denominated in euro and other major currencies;
- trading for account of customers in foreign exchange;
- the provision of money transmission services;
- provision of safe custody services for securities;
- the provision of online discretionary wealth management;
- the provision of model portfolios comprising mutual funds selected in cooperation with the investment research and investment management firm, Morningstar Inc.;
- the provision of e-brokerage services for the purchase and sale of mutual funds, equities, bonds and exchange traded funds; and
- the provision of online tools and information to support and guide clients in their investment decisions.

7.2 Regulatory Matters

In its business operations, the Issuer is subject to prudential regulation and capital adequacy rules. The following is a summary of the principal prudential regulation to which the Issuer is subject:

7.2.1 CRD IV and CRR (the “CRD IV Package”)

The Issuer is subject to the CRR, which reflects the Basel III rules on capital measures and capital solutions. The requirements emanating from the CRD IV Package adopted in Malta or Belgium may change, whether as a result of further changes to the CRD IV Package agreed by EU legislators, delegated acts, binding regulatory and implementing technical standards to be developed by the European Banking Authority, changes to the way in which the prudential regulator interprets and applies these requirements to banks. Such changes, either individually and/or in aggregate, may lead to further unexpected enhanced requirements in relation to the Issuer’s capital, leverage, liquidity and funding ratios or alter the way such ratios are calculated.

A perceived or actual shortage of capital held by the Issuer or any of its Subsidiaries could result in actions by regulatory authorities, including public censure and the imposition of sanctions. This may also affect the Issuer’s capacity to continue its business operations, generate a sufficient return on

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

7.2.2 BRRD

On 6 May 2014, the Council of the European Union adopted the BRRD. The BRRD was published in the Official Journal of the European Union on 12 June 2014 and the SRM became fully operational on 1 January 2016. The SRM implements the EU-wide BRRD in the euro area.

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

BRRD – Malta

The R&R Regulations transposed into Maltese law the provisions of the BRRD. The Board of Governors of the MFSA acts as the Resolution Authority for the purposes of Article 3 of the BRRD. The Resolution Authority has appointed a Resolution Committee which shall have all the powers assigned to the Resolution Authority under the BRRD. The R&R Regulations provide for various powers and tools of the Resolution Committee in the event that the Resolution Committee considers that all of the conditions for resolution action under the R&R Regulations are met.

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

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

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

The Resolution Committee has very wide powers to apply the aforementioned resolution tools, including but not limited to:

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

The exercise by the Resolution Committee of any of these powers may have a material effect on the business and prospects of the Issuer. In addition, any bail-in of capital instruments will mean that shareholders might have some or all of their shareholdings diluted or cancelled without any compensation therefor.

BRRD – Belgium

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

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

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

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

8. SELECTED FINANCIAL INFORMATION

During the financial year ended 31 March 2019, the Group continued to implement its business plan with the aim of sustaining the Group’s long-term profitability by building its international lending portfolio and its deposit and wealth management customer base in the mass affluent market both in Malta and Belgium and with select corporates in Malta.

The Group’s profitability has been mainly driven through the increase in capital in the prior financial year together with a consistent level of savings and term deposit customers, primarily in the Maltese and Belgian markets and deploying liquidity in the Group’s international lending activities.

The following are extracts from the Issuer’s consolidated audited financial information for the financial years ended 31 March 2017, 2018 and 2019.

STATEMENTS OF
COMPREHENSIVE
INCOME

MEDIRECT BANK (MALTA) PLC (GROUP)

	Year ended 31 March 2019 €'000	Period from 1 April to 30 September 2018 €'000	Year ended 31 March 2018 €'000	Period from 1 April to 30 September 2017 €'000	Year ended 31 March 2017 €'000
Interest income	95,935	47,920	90,835	45,535	89,863
Interest expense	(28,333)	(14,221)	(27,902)	(14,400)	(32,299)
Net interest income	67,602	33,699	62,933	31,135	57,564
Fee and commission income	7,066	3,222	5,782	2,565	4,393
Fee and commission expense	(1,508)	(784)	(1,557)	(815)	(1,652)
Net fee and commission income	5,558	2,438	4,225	1,750	2,741
Net trading income	3,128	1,582	3,929	1,981	(2,178)
Net income from financial instruments at fair value through profit or loss	3,448	-	128	-	-
Gain on the initial accounting on acquisition of a subsidiary		-	-	-	
Other operating income	539	11	(974)	(1,131)	4,408
Total operating income	80,275	37,760	70,241	33,735	66,891
Personnel expenses	(21,411)	(9,836)	(17,593)	(9,636)	(17,046)
Depreciation and amortisation	(779)	(292)	(259)	(85)	(551)
Administrative and other expenses	(30,820)	(14,973)	(29,992)	(14,143)	(25,163)
Operating expenses	(53,010)	(25,101)	(47,844)	(23,864)	(42,760)
Net operating income before impairment	27,265	12,659	22,397	9,871	24,131
Net impairment	(5,795)	(4,600)	(8,302)	(1,021)	(5,607)
Profit before income tax	21,470	8,059	14,095	8,850	18,524
Income tax expense	1,398	3,778	5,450	(1,750)	(3,373)

STATEMENTS
OF FINANCIAL
POSITION

MEDIRECT BANK (MALTA) PLC (GROUP)

	As at 31 March 2019 €000	As at 31 March 2018 €000	As at 31 March 2017 €000
Assets			
	146,988		
Balances with Central Banks, treasury bills and cash		105,300	245,194
Derivative assets held for risk management	716	470	1,627
Derivative assets held for trading	-	-	-
Loans and advances to financial institutions	118,439	113,935	106,895
Loans and advances to customers	1,842,555	1,701,716	1,449,970
Investments	690,581	560,245	698,474
Investment in subsidiaries	-	-	-
Property and equipment	2,071	1,223	402
Intangible assets	5,815	2,495	4
Non-current assets classified as held for sale	1,785	1,785	1,785
Deferred tax asset	21,338	16,148	14,178
Current tax asset	10,797	9,527	8,391
Prepayments and accrued income	18,383	18,168	19,138
Other assets	23,323	16,510	25,233
Total assets	2,882,791	2,547,522	2,571,291
Equity			
Share capital	117,450	117,450	117,450
Share premium	13,464	13,464	13,464
Shareholders' contribution	143,196	147,353	60,803
Reserve for general banking risks	3,081	1,694	1,694
Fair value reserve	870	(1732)	(2,511)
Retained earnings	56,126	42,468	32,923
Total equity	334,187	320,697	223,823
Liabilities			

Derivative liabilities held for risk management	11,327	3,581	2,323
Amounts owed to financial institutions	198,887	126,428	359,183
Amounts owed to customers	2,202,091	1,979,159	1,901,512
Debt securities in issue	-	-	-
Subordinated liabilities	67,138	66,949	47,043
Current tax liabilities	158	156	71
Deferred tax liabilities	491	44	-
Provisions for liabilities and other charges	1,633	-	-
Accruals and deferred income	39,450	34,266	30,428
Other liabilities	27,429	16,242	6,908
Total liabilities	2,548,604	2,226,825	2,347,468
Total equity and liabilities	2,882,791	2,547,522	2,571,291

The Group recorded a profit after tax for the financial year ended 31 March 2019 of €21.4 million (2018: €19.5 million). This increase in profitability is mainly due to the increase in the net interest income that increased by 7.3% compared to the prior financial year that was attributable to both an increase in the lending portfolio and changes to interest rates on customer deposits throughout the year. The significant tax credit in the comparative financial year is mainly due to the notional interest deduction rules that were introduced by the Maltese Government in October 2017. These new regulations had resulted in an over provision of current tax in the financial year ended 31 March 2017 and the recognition of deferred tax assets on any unutilised notional interest deduction allowances.

Total operating income for the year ended 31 March 2019 was €80.3 million (2018: €70.2 million).

The Group continues to fund its portfolios through deposits and through the international wholesale financial markets. The growth of the Group's deposit base in Belgium, especially with the introduction of the regulated savings product, has strengthened and made more robust the Group's funding platform. Access to the Eurex repo platform continues to provide efficient funding for the Group. The Group's core deposit offering is a range of fixed-term and other savings products. As at 31 March 2019, the Group's deposit base reached €2.2 billion (2018: €2.0 billion). Growth of the Group's deposit base has also provided cross selling opportunities for investment and wealth management products.

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

In this respect, the Group's Lending Portfolio (international and domestic) stood at €1.8 billion (2018: €1.7 billion) as of 31 March 2019, net of expected credit losses of €23.9 million (2018: collective impairment loss allowances of €5.6 million and specific impairment loss allowances of €17 million). In addition the Group had commitments of €448.1 million under revolving credit facilities as at 31 March 2019 (2018: €361.8 million) and other undrawn credit facilities of €61.3 million (2018: €74.7 million).

The Group also holds a portfolio of liquid assets. As of 31 March 2019, the Group's treasury portfolio stood at €690.6 million (2018: €560.2 million) consisting of a portfolio of hold to collect ("**HTC**") securities and a portfolio of hold to collect and sell ("**HTC&S**") securities. The fair value of the debt securities portfolio is risk managed through interest rate derivatives such as interest rate swaps where the hedge accounting methodology under IAS 39 was adopted.

The Issuer also utilises the GH I structure that is funded through two intragroup loan facilities subscribed to by the Issuer and MeDirect Bank SA/NV. Both the Issuer and MeDirect Bank SA/NV invested in GH I on a 74% - 26% basis (2018: 78% - 22% basis) with the tranche bought by MeDirect Bank SA/NV (the “**Senior Loan**”) having a senior ranking vis-à-vis the facility taken up by the Issuer (the “**Junior Loan**”) as a result of which the Issuer has retained substantially all risks and rewards pertaining to the activities of GH I.

Capital, specifically instruments that qualify as CET1 in terms of the CRR is key to the Issuer’s growth. The Issuer remains committed to operating with strong regulatory ratios and a robust liquidity position. The Parent together with its subsidiaries the “**Regulatory Group**” is covered by the regulatory supervision. At 31 March 2019, the Regulatory Group’s Capital Adequacy Ratio stood at 15.2% (2018: 16.6%), whilst the Regulatory Group’s Liquidity Coverage Ratio stood at 465.1% (2018: 636.0%).

The Regulatory Group continues to ensure that appropriate capital levels are maintained reflecting the economic environment and the challenges that the Regulatory Group is faced with.

8.1. Capital Adequacy and Liquidity Ratios

The following provides the capital adequacy ratio with respect to the Issuer and MDB Group as at 31 March 2017, 2018 and 2019 (audited):

MEDIRECT BANK (MALTA) PLC AS AT 31 MARCH			
	2019	2018	2017
Capital Adequacy Ratio ¹	15.33%	16.52%	14.16%

MDB GROUP AS AT 31 MARCH			
	2019	2018	2017
Capital Adequacy Ratio ¹	15.21%	16.64%	13.65%

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

The following provides information calculated as of 31 March 2019:

MEDIRECT BANK (MALTA) PLC	AS AT 31 MARCH 2019
Common Equity Tier One Ratio ²	13.24%
Capital Adequacy Ratio	15.33%
Liquidity Coverage Ratio ³	228.43%
Net Stable Funding Ratio ⁴	118.20%
Leverage Ratio ⁵	10.87%

MDB GROUP	AS AT 31 MARCH 2019
Common Equity Tier One Ratio ²	13.17%
Capital Adequacy Ratio	15.21%
Liquidity Coverage Ratio ³	460.14%
Net Stable Funding Ratio ⁴	136.10%
Leverage Ratio ⁵	9.97%

² The calculation of capital ratios is based upon transitional rules as determined by the CRR/CRDIV capital framework and any circulars issued by the MFSA in respect of such transitional provisions.

³ The Liquidity Coverage Ratio ("LCR") aims to ensure that institutions are able to withstand a 30-day period of stress by virtue of having sufficient unencumbered High Quality Liquidity Assets ("HQLA"). Assets are considered to be HQLA if they can be easily and immediately converted into cash at little or no loss of value in the markets. The LCR metric is designed to promote the short-term resilience of the Group's liquidity profile, and became a minimum regulatory standard from 1 October 2015, under European Commission ("EC") Delegated Regulation 2015/61. The regulatory minimum LCR ratio of 100% has been applicable since 1 January 2018.

⁴ The Net Stable Funding Ratio ("NSFR") promotes resilience over a longer time horizon by creating additional incentives for banks to fund their activities with more stable sources of funding on an ongoing basis. The NSFR ensures that long term obligations are adequately met with a diversity of stable funding instruments under both normal and stressed conditions. Although the minimum standards for this ratio were not set out in the CRR, these are subsequently set at 100% in CRR II, becoming applicable as from 28 June 2021.

CRR II refers to Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards 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.

Therefore, even though as at 31 March 2019 the minimum requirement as per CRR II has not yet entered into force, the Regulatory Group calculated the NSFR in line with its provisions.

⁵ CRR also requires financial institutions to calculate a non-risk based leverage ratio, to supplement risk-based capital requirements. The leverage ratio measures the relationship between the capital resources of the organisation and its total assets. The leverage ratio is a regulatory supervisory tool for the Regulator, to constrain the build-up of excessive leverage – one of the drivers of the banking crisis – previously not captured within Basel II.

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

In order not to unnecessarily constrain lending by banks to corporates and private households, and to prevent unwarranted adverse impacts on market liquidity, the European Supervisory Authority concluded that a leverage ratio of at 3 % would constitute a credible backstop function, and this was also agreed upon at international level by the BCBS.

CRR II therefore imposes a leverage ratio requirement of 3%, which will become applicable as from 28 June 2021.

9. TREND INFORMATION

There has been no material adverse change in the prospects of the Issuer since the financial year ended 31 March 2019, being the date of its last published audited financial statements or any significant change in the financial performance of the Group since the end of the last financial year ended 31 March 2019 up to the date of this Registration Document.

At the date of publication of this Registration Document, with the exception of the macroeconomic conditions and market conditions generally, as well as the impact of legislation and regulations applicable to the Issuer and other financial institutions within the Eurozone, the Issuer does not

anticipate any trends uncertainties, demands, commitments or events outside the ordinary course of business that could be deemed likely to have material effect on the upcoming prospects of the Issuer's business for at least up to the end of the current financial year.

9.1 Global Economic Overview

Global economic growth is expected to remain softer for the remaining part of 2019, a continuation of the slower growth trend observed since the second half of 2018. The global economic momentum is hampered by a number of geopolitical challenges in the face of the deepened trade disputes between the world's two largest economies US and China, the uncertainty over Brexit, and pockets of regional tensions threatening the energy markets supply. The trade disputes, which are largely focused on the machinery and manufacturing sectors, are resulting in subdued outlook for investments and business expectations. The IMF projects world's GDP to slow down to 3.2% in 2019, from 3.6% in 2018, and then rebound to 3.5% in 2020. The slight recovery in 2020 is expected to be on the back of better performance by the Emerging and Developing economies (from 4.1% in 2019 to 4.7% in 2020), while the advanced economies will continue to face headwinds (from 1.9% in 2019 to 1.7% in 2020).² On a positive note, the labour market has been tightening across major economies, although this has so far not resulted in significant inflationary pressure on wages.

The summer saw a change in the rhetoric on monetary policy from a number of central banks, driven by the growing evidence of disinflationary pressures and the mounting risks to economic growth.³ Although the US economy had been holding up well with 2.1% expansion in the second quarter of 2019, the slowdown in manufacturing and growing burden from the global trade war had prompted the US Federal Reserve to implement its first interest rate cut since 2008.⁴

At the same time, the ECB announced it will continue with its accommodative monetary policy, extending its forward guidance indicating that interest rates will remain unchanged at least until the first half of 2020. The ECB has also unveiled a third round of the Targeted Longer-term Refinancing Operations which effectively extends the availability of favourable financing for banks, aiming to support lending conditions in Europe. The ECB's trajectory has been influenced by the deteriorating economic sentiment indicators in the euro area, particularly related to export sectors and the expectations for manufacturing, which echo the increasing global uncertainties. This has been most notably seen in the continent's largest economy, Germany, where the manufacturing Purchasing Manager's Index reached its lowest point in seven years in July 2019. The ECB expects the Euro area GDP growth to slow down to 1.2% in 2019, from 1.8% in 2018, followed by some improvement to 1.4% in 2020.⁵

Brexit negotiations continue to present a significant uncertainty for the future trade relationship between the United Kingdom and the EU. Despite this, the UK economy is projected to grow at 1.3% in 2019 and by 1.4% in 2020 (IMF). It is worth noting that any disruptive exit could ultimately have damaging effect on the economic environment and growth, especially in the UK and Europe.⁶

Against the backdrop of the economic environment, the Euro area banks have continued to build a solid capital position and strengthen their balance sheets. The efforts that banks have made since the crisis have put them in a better position to withstand shocks. Euro area banks have come a long way in cleaning up their balance sheets, which can most notably be seen in the improvement in the non-performing loans ratio which reached 3.7% as of 31 March 2019. At the same time the average CET1 and Total Capital ratios stood at healthy 14.3% and 18.0%, respectively, and Leverage ratio of 5.2% as of 31 March 2019. However, the historically low interest rate environment that has been prevailing for some time has put a strain on profitability, resulting in average return on equity ("ROE") of 5.8% in March 2019. The Issuer compares favourably with a ROE of 7.1%, CET1 of 13.2%, Total Capital ratio of 15.2% and Leverage ratio of 10.0% as of 31 March 2019.

Economic activity in Malta continued to expand at a brisk pace in 2018, with real growth in gross domestic product ("GDP") reaching 6.6%, which pace of growth was more than three times that registered in the Euro Area. This growth was supported by strong exports and labour market

² World Economic Outlook, July 2019 – International Monetary Fund

³ Deutsche Welle, "US Federal Reserve lowers interest rate for first time in over a decade", 31 July 2019

⁴ Bloomberg, "U.S., Second-Quarter Growth Revised Down to 2% pace from 2.1%", 29 August 2019

⁵ European Central Bank, "Monetary policy decisions", 7 March 2019; ECB Economic Bulletin, Issue 2/2019

⁶ World Economic Outlook, July 2019 – International Monetary Fund

condition largely driven by domestic demand, particularly private consumption, which continued to benefit from strong growth in disposable income in the context of very favourable labour market conditions. The Maltese banking system continues to operate with strong levels of capital adequacy.⁷ With respect to Belgium, the Belgian GDP grew 0.2% in the first quarter of 2019 compared to the previous quarter. According to the NBB the Belgian economy is expected to grow at a rate comparable to that in the euro area in 2019 which growth will be supported by domestic demand.⁸

10. BUSINESS STRATEGY

10.1 Outlook and future business developments

The strategy that has been defined by the Board of Directors of the Issuer over the last few years has resulted in significant growth whilst producing attractive returns and an ability to invest in the capabilities of the Group.

The relative overall stability of the European markets had an overall positive effect on the Group's funding cost and securities portfolios. Stability in the international capital markets results in a positive effect on the Group's wealth management and investment services businesses since greater investor confidence leads to increased customer interest in the investment products offered by the Group.

The Eurozone macroeconomic environment remains challenging, especially with the uncertainty surrounding the UK Brexit, and that any reversal of positive trends described above would have a negative effect on the Group's asset portfolios and business. Despite these ongoing challenges, the Group remains confident that its underlying strategy will continue to result in profitable growth. Furthermore, the Group is currently exploring new opportunities in order to diversify the Group's asset classes and the related revenue streams. In particular the Group is currently in the process of embarking on a new journey of growth and transformation by entering into the Dutch residential mortgage market and also launching new business opportunities such as the setting up and management of securitisation structures. The Issuer will consolidate and expedite its Maltese business strategy through its portfolio of Maltese clients which is complementary to the Group's existing customer base and is aligned with the Group's future growth strategies.

The Group has recently been operating with a relatively stable leverage ratio of 10.0% (2018: 10.3%) and intends to continue to operate with a capital adequacy ratio in excess of the minimum capital requirements provided by the CRD IV and also in conformity with any other guidance issued by the Group's regulator, the ECB's JST.

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

10.2 Ongoing Business Strategy

The Issuer's ongoing business strategy is based on:

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

⁷ Central Bank of Malta, "Fifty-first Annual Report and statement of Accounts, 2018"

⁸ countryeconomy.com, "Belgium GDP – Gross Domestic Product"

The Issuer has a wide range of banking operations, which includes:

i. International Corporate Lending

The Group invests its liquidity primarily in internationally syndicated senior secured loans and revolving credit facilities (“RCFs”). RCFs provide working capital facilities to existing borrowers and which have been one of the key growth focus areas of the Issuer to benefit from higher overall margins. The Issuer’s strategy is to provide senior secured corporate lending primarily due to the following benefits (i) relatively low investment in infrastructure required; (ii) the Group’s ability to scale lending operations; (iii) access to attractive risk-adjusted returns; (iv) high market volumes / depth; and (v) relatively low historic Loss Given Default (LGD) rate. The Group aims at ensuring that it holds a diversified portfolio, both in geography and industry

ii. Home Market Deposit Taking and Wealth Management services in Malta

The Issuer has established a diversified Maltese retail and corporate deposit base, as well as offering wealth management services to the Maltese public, through a branch network and an online wealth management platform. The Issuer has an established Maltese retail and corporate deposit base and is now the third largest deposit taker in Malta. As at 31 March 2019 the Group’s deposit portfolio in Malta on a standalone basis was equivalent to €0.8 billion compared to €1.4 billion in Belgium.

By investing in a retail and corporate customer base, the Issuer was able to generate ancillary income through the cross-selling of wealth management services and banking services, such as foreign exchange and payment solutions to supplement the interest income business.

iii. Home Market Corporate Lending in Malta

Through its local investment services division, the Issuer holds a strong local presence and is principally engaged in providing stockbroking and corporate finance services to Maltese clients, and other authorised investment services under the Issuer’s investment services licence.

iv. Home Market High Net Worth Client Wealth Advisory Service in Malta

Through its local investment services division, the Issuer holds a strong local presence and is principally engaged in providing stockbroking and corporate finance services to Maltese clients, and other authorised investment services under the Issuer’s investment services licence.

v. Home Market Deposit Taking and Wealth Management services in Belgium

Through MeDirect Bank SA/NV, the Issuer accessed a broader and deeper market for savings and investment clients.

10.3 Strategic initiatives of the Issuer

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

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

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

The vast majority of the Group's growth has been at the level of its Belgian subsidiary. MeDirect Bank SA/NV has a well-diversified corporate lending portfolio and is currently an online provider of savings and investment products. Through its online platform for savings, e-brokerage and e-wealth management, it provides its Belgian client base with the following services, amongst others: online discretionary wealth management; model portfolios consisting of selected mutual funds, low cost trade execution for mutual funds, stocks, bonds and exchange traded funds; access to online investment analysis and tools and regulated savings accounts with competitive savings rates.

In Malta, the Issuer continues to develop its customer base. Currently the Issuer operates through four branch offices in Malta and Gozo.

The Issuer also continues to diversify its range of funding alternatives in the international wholesale funding markets through bilateral repo lines, access to the Eurex repo platform and a secured three-year term funding facility with an international counterparty. In the medium-term, the Group will explore the possible securitisation of Dutch mortgage portfolios to achieve more efficient funding.

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

10.3.1 New Technological Initiatives

At the date of this Registration Document the Issuer is in the final stages of launching a mobile banking application. Amongst other functionalities, the mobile banking application will enable the Issuer's clients to make payments and view balances.

The Issuer is also in the process of re-vamping its client on-boarding process by introducing facial verification capability. This facility is aimed to improve the customer on-boarding experience and at the same time enabling the Issuer to meet regulatory and compliance requirements in a more efficient and secure manner.

10.3.2 New Business Lines

The Issuer evaluates strategic initiatives to diversify its investments and related risks.

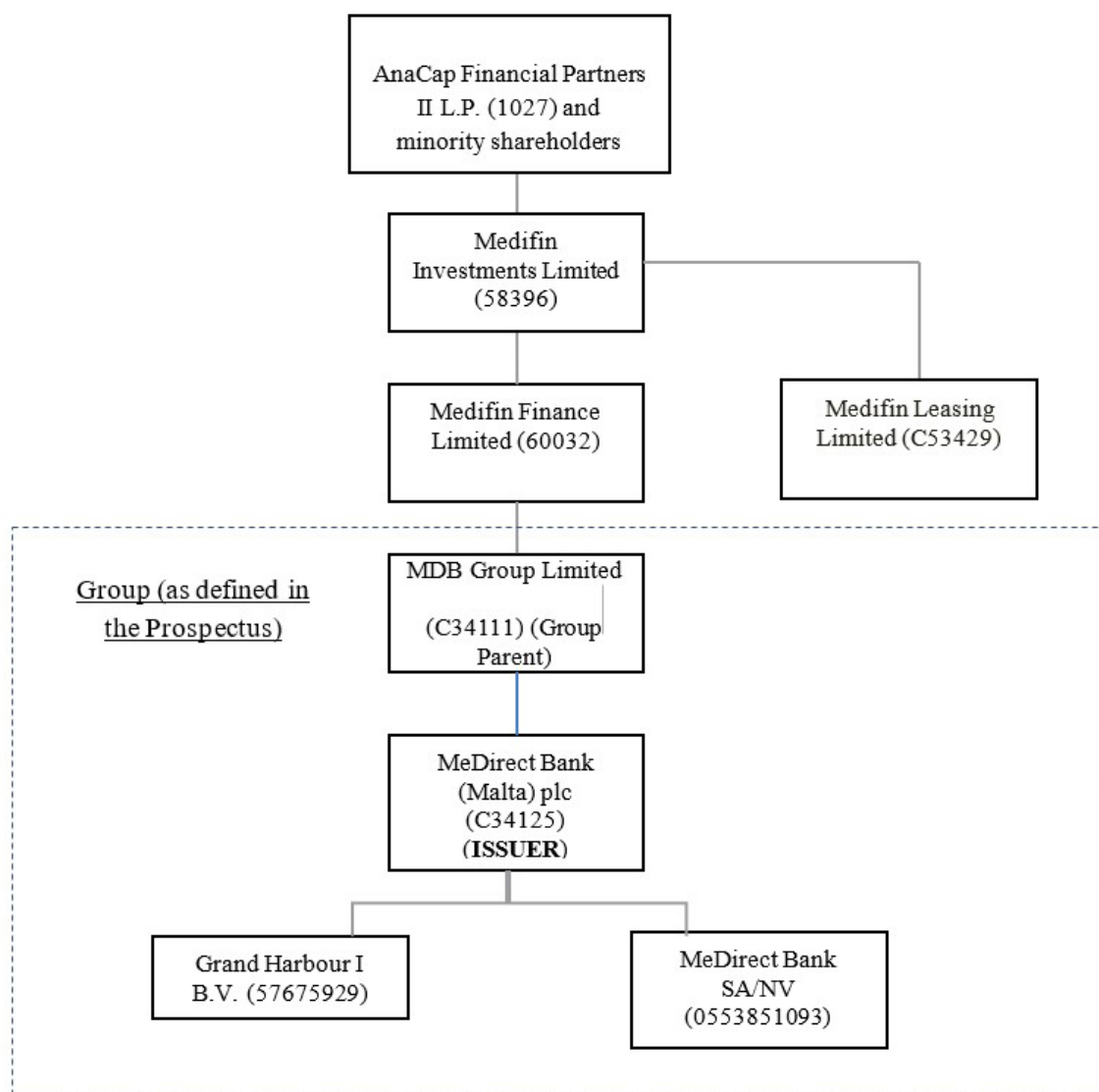
As a means of reducing risk associated with its international corporate lending portfolio and in order to free up capital to support lending activities, the Issuer has entered into the CLO business with the setting up of GRAND HARBOUR CLO 2019-1 for an issue of approximately €400 million. In parallel to the establishment of GRAND HARBOUR CLO 2019-1, the Issuer has invested in AAA-tranche notes from third party CLOs.

Another new key strategic initiative is the establishment of a Dutch retail mortgage lending business which activity will make available to the Issuer significant leverage headroom and incremental profitability which will not be highly correlated with its international corporate lending portfolio's performance.

11. ORGANISATIONAL STRUCTURE

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

- AnaCap Financial Partners II L.P. is a specialist private equity firm focused on making investments in the financial services sector across Europe. AnaCap Financial Partners II L.P. is a limited liability partnership incorporated under the laws of Guernsey with company



number 1027 and is managed by AnaCap Financial Partners LLP, a limited liability partnership incorporated under the laws of the United Kingdom with company registration number OC 314005. Medifin Investments Limited is a holding company organised under the laws of Guernsey with company number 58396. The majority of the issued share capital of Medifin Investments Limited (approximately 97.1% in terms of voting rights) is owned by AnaCap Financial Partners II L.P.

- Medifin Leasing Limited is a company incorporated under the laws of Malta with company number C 53429. Medifin Leasing Limited was set up with the object of acquiring immovable or movable property and any rights or licenses relating to its business, including in particular software solutions and hardware. All of the share capital of Medifin Leasing Limited except for one non-voting share is owned by Medifin Investments Limited.
- Medifin Finance Limited is a holding company organised under the laws of Guernsey with company number 60032.. Medifin Investments Limited owns the Class 'A' ordinary voting shares of Medifin Finance Limited. Medifin Finance Limited has also issued Class 'B' Class ordinary non-voting shares of Medifin Finance Limited to a diverse range of institutional and high net worth investors. MDB Group Limited is a holding company registered under the laws of Malta as a private limited liability company with company registration number C 34111. All of the share capital of MDB Group Limited except for one non-voting share is owned by Medifin Finance Limited.

- Grand Harbour I B.V. is a limited liability company registered under the laws of the Netherlands with trade register number 57675929. It is a wholly-owned subsidiary of the Issuer.
- MeDirect Bank SA/NV. is a company licensed and organised under Belgian law bearing Belgian company registration number 0553851093. The majority of the issued share capital of MeDirect Bank SA/NV (99.9%) is held by the Issuer, with the remaining one share being held by MDB Group Limited.

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

12. BOARD OF DIRECTORS AND BOARD COMMITTEES

12.1 Board of Directors

The Board of Directors of the Issuer is to consist of a minimum of two (2) and a maximum of eleven (11) members. Presently there are eight (8) directors. The Board meets regularly to establish and review the policies and strategies of the Issuer and to monitor the implementation thereof and the overall performance of the Issuer.

Change in Management

On 24 June 2019 the Issuer announced that Mark A. Watson (Chief Executive Officer) and Joaquin Vicent (Director of Treasury and Investments) no longer serve in an executive capacity with the Issuer and the Group. For the intervening period Philippe Delva, the Chief Executive Officer of MeDirect SA/NV was appointed as Interim Chief Executive Officer of the Issuer and of the Group. Philippe Delva will hold the CEO position until new management is in place. On 25 June 2019, the Issuer announced Arnaud Denis as the new Chief Executive Officer and Radoslaw Ksiezopolski as the new Chief Financial Officer of the Issuer and the Group, in each case subject to regulatory approval. Alex Kenowko was appointed as Executive Director, subject to regulatory approval. Regulatory approval of the appointment of Mr. Ksiezopolski was received by the Issuer on 26 September 2019.

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

Michael Adrian Bussey

Group Chairman and Non-Executive Director

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

Benjamin Hollowood***Group Non-Executive Director***

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

Dominic Wallace***Group Non-Executive Director***

Dominic Wallace has more than 25 years' experience in the financial sector, gained at a number of major international institutions including Andersen Consulting (now Accenture), JP Morgan and Citigroup, where he spent 13 years and was a Managing Director from 2003 onwards. There he held a number of senior Risk Management positions: most recently he was global head of interest rate, liquidity, currency and equity risk for Citigroup's institutional business, and his previous roles had included responsibility for pricing risk and for new product approval. He has a MA from Cambridge University and a DPhil from Oxford University, both in theoretical physics.

John Zarb***Group Non-Executive Director***

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

Radoslaw Ksiezopolski***Group Chief Financial Officer and Executive Director***

Radoslaw Ksiezopolski, has served in senior financial, strategic and operational roles with the Polish banking affiliates of several major European financial institutions, including Société Générale, Crédit Agricole and Unicredit Group. For the past eight years he served as Chief Financial Officer of Eurobank SA, an affiliate of Société Générale and Bank Polska, an affiliate of Credit Agricole. Since 2012, he has been a member of the Board of Directors of Eurobank SA/NV. and Bank Polska. Radoslaw has also provided consultancy at McKinsey and Company, focusing on banking-related projects. He holds a Ph.D in bank management science from The University of Economics, Wroclaw, Poland and an MA in management and marketing from the same institution.

Philippe Delva***Interim – Group CEO and Executive Director***

Philippe Delva joined Generale Bank in Brussels in 1983 as a university trainee, and spent the consecutive years in various responsibilities. After his trainee-ship, he became a regional manager, and after some years was head of Corporate in Bruges. He was then an expatriate for over 4 years in Hong Kong as the regional Corporate and Investment Bank manager, overseeing China, Taiwan,

Korea, Macau and Hong Kong. Back in Belgium he continued as the Relationship Banking manager, and subsequently was named the head of the Regional Offices, the last one being the province of West Flanders.

He then joined the subsidiary Fortis Lease Group as the CEO, which grew during those eight years to an operational local activity in 23 countries. He was called back to the bank to head the Global Commercial Banking as the CEO. When BNP Paribas bought the bank, he left, to buy his own company, a market leader in smoked fish that has been around since 1859 (today managed by his two sons). When MDB Group Limited received a Belgian banking licence, Philippe Delva was invited to join as a Non-Executive Director, and chairman of the Audit & Risk Committee. In the summer of 2018, Philippe Delva was invited to hold office as the CEO and Executive Director of the Belgian MeDirect Bank SA/NV.

In addition to the aforesaid, the following persons have been nominated to sit on the board of directors of the Issuer. As at the date of this Registration Document, regulatory approval for such appointments remains pending and the appropriate announcements to the market will be made in the due course.

Arnaud Denis

Group CEO and Executive Director (appointments subject to regulatory approval)

Arnaud Denis, has held various senior roles within Société Générale Group in the areas of internal audit, risk, capital markets and retail banking. Mostly recently, he has served as First Deputy CEO of Rosbank Group in Russia, considered by the Central Bank of Russia as a systemic bank. In that role, Arnaud managed the Russian retail business line of Rosbank in the areas of universal banking, consumer finance and mortgages. Prior to working at Rosbank, Arnaud was CEO of Eurobank in Poland, also part of Société Générale Group. While he served as CEO, Eurobank was nominated as the second best bank in Poland in the category "Small to Medium". Arnaud has also held a number of non-executive Supervisory Board mandates within Société Générale Group, including membership or chair of Audit and Risk Committees. Arnaud holds a Masters in Strategic Management from HEC and an MBA from EM Lyon Business School.

Alex Konewko

Group Chief Risk Officer and Executive Director (latter appointment subject to regulatory approval)

Alex Konewko has been working in the financial services industry since 2002, joining HSBC Bank in the UK as an Executive Management Trainee, gaining management experience across consumer, corporate and wholesale banking. Since 2009, Alex held a number of senior risk management positions with HSBC Bank across both Retail and Wholesale Risk at a regional level covering Europe, the Middle East and Africa, specialising in credit risk management, risk governance, operational risk, regulatory reporting and compliance. Alex is an Associate of the Institute of Financial Services, he holds a BSc in Financial Services from the University of Manchester, and successfully completed the HSBC Aspiring Chief Risk Officer programme at Cambridge University Judge Business School in 2015.

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

12.2 Company Secretary

The Company Secretary of the Issuer is Dr. Paula Galea Farrugia, holder of identity card number 415979M and having the same business address as that of the Issuer.

Paula Galea Farrugia began her career in 2004 by joining the Company Compliance Unit of the Malta Financial Services Authority. In 2006 Paula joined Portman International where she headed the Legal & Corporate Department and acted as Company Secretary for a number of companies. Whilst working at Portman International, Paula also managed the London and Dublin offices of the firm. Paula joined MeDirect in 2009 as General Counsel, Head of Compliance and MLRO of the Bank. She was appointed Group Company Secretary in August 2017. She holds a Doctorate in Laws and a Masters in Financial Services from the University of Malta. She is also a member of the Chamber of Advocates and a member of the Institute of Financial Services Practitioners.

The business address of the Directors and the Company Secretary is as follows: The Centre, Tigné Point, Sliema TPO 0001, Malta.

12.3 Conflicts of Interest

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

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

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

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

12.4 Board and Management Committees

The Board of Directors has established the following Committees:

12.4.1. Audit Committee

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

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

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

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

John Zarb was appointed by the Board as an independent director who is competent in accounting and/or auditing in terms of listing rules 5.117 and 5.118. John Zarb is deemed (i) independent because he is free from any business, family or other relationship with the Issuer or

its management that may create a conflict of interest such as to impair his judgment and (ii) is competent in accounting and/or auditing in view of his experience in those areas. During the year ended 31 March 2019, thirteen meetings of the Issuer's Audit Committee were held.

12.4.2 Nominations and Remuneration Committee

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

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

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

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

In respect of remuneration matters, the NRC reviews the setting of remuneration levels (fixed and variable), as well as the structure and levels of variable remuneration, for senior executives (including Executive Directors) and risk-takers within the Group as defined in the Group's Remuneration Policy. In this regard it receives recommendations from the executive management of the Group for its consideration and approval. In addition, the Committee is responsible for ensuring that the Group's Remuneration Policy itself, as well as the structure and levels of remuneration, are in accordance with prevailing laws and regulatory guidance, as well as with best practice, and are consistent with the long-term sound and prudent management of the Group.

The members of the NRC are:

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

During the financial year ended 31 March 2019, six meetings of the Issuer's Nomination and Remuneration Committee was held.

12.4.3 Risk Committee

The Risk Committee is responsible for reviewing the Issuer's risks in sufficient detail that it can assess whether they are consistent with the Issuer's risk appetite, and for reviewing management's proposed courses of action. It approves those plans or requires that they be altered, as appropriate. The Risk Committee represents the principal forum for overseeing all the risks of the Issuer, assessing the Group's high-level controls, limits and risk aggregation and reporting framework to ensure that these are sufficient to maintain its level of risk within its appetite. In addition, it is responsible for recommending the Issuer's risk appetite to the Board, and deciding risk-related policies and recommendations.

The members of the Risk Committee are:

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

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

During the financial year ended 31 March 2019, five meetings of the Risk Committee were held.

12.5 Principal Management Committees

12.5.1 Executive Management Committees

Executive Management Committees (“EXCOs”) take day-to-day responsibility for the efficient operation of the Issuer. In addition, the EXCOs are responsible for the formulation and implementation of Board-approved strategies and plans and for ensuring that the Issuer’s business is operated in accordance with such strategies and plans. The members of the EXCOs are senior management officials of the Issuer and the Group of which it forms part.

Strategy EXCO

Strategy EXCO meets as required and focuses on strategic matters. Strategy EXCO focuses on the Issuer’s broader growth strategies and new initiatives and monitors the Issuer’s ability to respond to new regulatory developments. It is thus responsible for the formulation and implementation of Board-approved strategies and plans and for ensuring that the Issuer’s business is operated in accordance with such strategies and plans. The Strategy ExCo is chaired by the Chief Executive Officer and includes the the Chief Risk Officer, the Chief Investment Officer, the Group Head of Change and Technology, the Group Chief Financial Officer, the Director of Commercial Strategy and Head of Legal and the Chief Executive Officer of MeDirect Bank SA/NV.

Management EXCO

Management EXCO meets weekly and focuses on group matters. Management EXCO is responsible for the ongoing priorities that underpin the Group’s business model and the regulatory environment in which the Group operates. The Management ExCo is chaired by the Chief Executive Officer and includes the Executive Chief Risk Officer, the Chief Investment Officer, the Group Chief Financial Officer, the Group Head of Treasury, the Group Head of Human Resources and Administration, the Group Head of Compliance, the Director of Commercial Strategy and Head of Legal, the Group Head of Operations, the Group Head of Change and Technology, the Group Head of Wealth Products and the MeDirect Bank SA/NV Chief Executive Officer. The Chief Internal Audit Officer and the Group Company Secretary are standing invitees to the Management ExCo.

12.5.2 Management Credit Committee

The Management Credit Committee (“MCCs”) is responsible for approving credit and investment recommendations and making other credit and investment decisions within their authority as delegated by the Board through its approval of the Groups applicable policies, including approving or rejecting investment and credit recommendations presented by the Treasury and Investments department; taking decisions on individual credits; reviewing and recommending credit and large exposures to the Board; considering credit hedging strategies, and recommending concentration limits for Board approval. The MCC is responsible for all the decisions related to all the lending portfolios and treasury portfolio of the Group.

Members of the MCC include Group Chief Risk Officer (Chair), Chief Investment Officer, Senior Manager – Corporate Portfolio and Senior Manager – Corporate Credit Risk

Members of the MCC include Group Chief Risk Officer (Chair), Group Deputy Chief Risk Officer (Deputy Chair), Chief Investment Officer, Group Head – Change and Technology and Chief Risk Officer (MeDirect SA/NV).

12.5.3 Management Risk Committee

The Management Risk Committee (“MRC”) is a sub-committee of the Group EXCO. Its purpose is to provide executive risk management oversight and steering within the Group and its subsidiaries. The MRC oversees, monitors, assesses and drives risk management activities across the Group under the oversight of Board of Directors, with a functional reporting line to the Board Risk Committee, which monitors risk appetite, approves the risk management strategy, internal controls framework and associated policies. The MRC seeks to ensure that the Group and its subsidiaries remain adequately capitalised and funded while ensuring a strong risk culture is embedded across the organisation.

Members of the MRC include Group Chief Risk Officer (Chair), Group Deputy Chief Risk Officer (Deputy Chair), Group Chief Financial Officer, Chief Investment Officer, Group Head Treasury, Group Head – Change and Technology and Chief Risk Officer (MeDirect SA/NV).

12.5.4 Asset and Liability Committee

The purpose of the Issuer's ALCO is to ensure the Issuer has in place, and operates effectively, appropriate and robust strategies and policies to manage and optimise the Issuer's asset-liability mix and oversee the Issuer's capital, liquidity and market risk position. The members of ALCO include the Bank's Group Head of Treasury (Committee Chairman), Chief Executive Officer, Group Chief Risk Officer, Group Chief Financial Officer, Chief Financial Officer (MeDirect SA/NV) and Group Chief Investment Officer.

ALCO convenes meetings monthly but also holds additional ad hoc meetings.

During the financial year ended 31 March 2019, 13 meetings of the ALCO were held

12.5.5 Operations Committee

The purpose of the Issuer's Operations Committee ("OpsCo") is to ensure that the Issuer has in place, and operates effectively, appropriate and robust change management, project management, outsourcing and vendor management processes and procedures as well as an oversight of the ICT strategy implementation, monitoring if the complex ICT changes, budget spending related to change management, status of the operational and cyber security risks, arrangements related to Business Continuity and Disaster Recovery. The Issuer's Operations Committee is a sub-committee of the Issuer's Executive Management Committee and is the decision making body for issues relating to change management, project management, outsourcing and vendor management, under the delegated authority from the Group's Executive Management Committee.

The Operations Committee's terms of reference are to oversee and take any necessary decisions in the following areas:

- i. Feasibility of the business and regulatory change requests;
- ii. Operational feasibility of the new products and services;
- iii. Governance of the key third party vendors on-boarding and monitoring;
- iv. Governance of the arrangements related to budget spending on change initiatives, business continuity and disaster recovery and data retention and archiving; and
- v. Awareness and oversight of the arrangements related to ICT strategy and its implementation, operational risk and cyber security and organisational design of the Group from the point of view of efficiency and change sustainability.

Members of the Operations Committee includes Group Head – Change and Technology (Chair), Group Head – Operations, Group Chief Risk Officer, Chief Risk Officer (MeDirect SA/NV), Group Financial Officer, Chief Financial Officer (MeDirect SA/NV), Director Commercial Strategy and Head of Legal and Senior Manager – Supply and Procurements.

12.5.6 Compliance and Client Acceptance Committee

The purpose of the Compliance and Client Acceptance Committee ("CCAC") is the approval or rejection of proposed new clients by business lines and the periodic review of existing clients. The CCAC's remit is to consider all clients under green light approach in the following areas:

- i. Corporate Banking,
- ii. Charts Division (corporate clients only),
- iii. Malta Corporate Lending,
- iv. Malta Retail Customers which are:
 - Politically Exposed Persons
 - High Net Worth Individuals
 - Other High Risk customers

The members of the CCAC include the Head of Legal (Chair), Group Head Compliance (Deputy Chair), Group Head Operations and Head of Operational Risk.

12.5.7 Commercial Committee

The purpose of the Commercial Committee ("ComCo") is to drive synergies across the Group's client offering, between the Issuer and MeDirect Bank SA/NV. The objective is to ensure consistent quality of offering from a client experience, operational and regulatory perspective.

The members of ComCo include Group Chief Executive Officer (Chair), Group Head – Wealth Products, Head of Marketing (Belgium), Head of Consumer Banking, Head of Corporate Banking and Senior Manager – Wealth Products.

12.6 Compliance with Corporate Governance Requirements

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

The statement of compliance with the Code of Principles of Good Corporate Governance (the "Code"), which indicates the extent to which the Issuer has complied with the Code, is set out in its entirety in the Issuer's annual report for the financial year ended 31 March 2019 under the heading "Statement of Compliance with the Principles of Good Corporate Governance". The Issuer considers that it is fully compliant with the provisions of the Code of Principles of Good Corporate Governance.

13. MAJOR SHAREHOLDERS

13.1 Shareholding of the Issuer

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

13.2 Shareholding of MDB Group Limited

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

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

13.3 Shareholding of Medifin Finance Limited

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

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

13.4 Shareholding of Medifin Investments Limited

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

- i. AnaCap Financial Partners II L.P. (a limited partnership registered under the laws of Guernsey with registration number 1027) holds 40,188,556 ordinary 'A' shares and 15,000,000 ordinary 'D' shares;
- ii. Mark Watson Holdings Limited (a limited liability company registered under the laws of the British Virgin Islands with registration number 1570918) holds 627,855 ordinary 'B' shares and 1,200,000 ordinary 'C' shares;⁹
- iii. HCS Holdings Limited (a limited liability company registered under the laws of the British Virgin Islands with registration number 1568277) holds 224,233 ordinary 'B' shares and 450,000 ordinary 'C' shares¹;
- iv. JVP Holdings Limited (a limited liability company registered under the laws of the British Virgin Islands with registration number 1570979) holds 870,000 ordinary 'C' shares¹;
- v. XDP Holdings Limited (a limited liability company registered under the laws of the British Virgin Islands with registration number 1673054) holds 180,000 ordinary 'C' shares¹;
- vi. Overseas Pensions and Benefits Limited holds 300,000 ordinary 'C' shares¹;
- vii. Joaquin Vicent Peris holds 362,903 ordinary 'B' shares.

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

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

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

⁹ As a result of corporate actions of Medifin Investments Limited and its shareholders, holders of the Class C shares (Mark Watson Holdings Limited, JVP Holdings Limited, HCS Holdings Limited, XDP Holdings Limited and Carey Pensions and Benefits Ltd, as trustee for MeDirect Bank (Malta) Employee Benefit Plan) are entitled only to return of their par value purchase price. The par value of the entire class equals €3,000.

14. FINANCIAL INFORMATION

14.1 Historical Financial Information

Full historical financial information in respect of the Issuer is set out in the consolidated audited financial statements of the Issuer (and audit reports thereon) for the financial years ended 31 March 2017, 2018 and 2019, audited by Pricewaterhouse Coopers.

The latest audited financial information available in respect of the Issuer may be found in the consolidated audited financial statements of the Issuer (and audit reports thereon) for the financial year ended 31 March 2019, audited by Pricewaterhouse Coopers

The said financial statements and audit reports thereon are incorporated by reference in this Registration Document.

14.2 Legal and Arbitration Proceedings

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

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

There have been no significant changes in the financial or trading position of the Issuer or the Group which has occurred since 31 March 2019.

15. MATERIAL CONTRACTS

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

16. ADDITIONAL INFORMATION

16.1 Share Capital

As at the date of this Registration Document, the authorised share capital of the Issuer is €300,000,000 (three hundred million Euro) divided into 299,999,999 Ordinary A Shares having a nominal value of €1 (one Euro) per share, and 1 Ordinary B Share having a nominal value of €1 (one Euro).

The issued share capital of the Issuer is €117,450,107 (one hundred and seventeen million four hundred fifty thousand one hundred and seven Euro) divided into 117,450,107 (one hundred and seventeen million four hundred fifty thousand and one hundred and seven) Ordinary A shares of €1 (one Euro) per share, fully paid up and subscribed by MDB Group Limited and 1 Ordinary B Share having a nominal value of €1 (one Euro), fully paid up and subscribed by FJV Management Limited (C 42279).

The holder of the Ordinary B Shares shall not be entitled to vote in respect of its shares nor to receive any dividends distributed. On the return of assets on a liquidation or otherwise, the holder of the Ordinary B Shares shall only be entitled to a repayment of the nominal amount paid up on such Ordinary B Shares to the extent that there are sufficient assets of the Issuer available for distribution

and remaining after payment of the Issuer's debts and liabilities and after payment of the nominal value paid up on Ordinary A Shares of the Issuer. The holder of the Ordinary B Shares is not entitled to any bonus upon the capitalisation of any share premium or other reserve by the Issuer.

In terms of the Issuer's Memorandum and Articles of Association, any issue of shares in the Issuer requires by a resolution of the Issuer approved by unanimous consent of all the shareholders, subject to the approval of the MFSA, as may be required. The new shares shall first be offered to the existing shareholders in proportion to their respective holdings.

The shares of the Issuer are not listed on the Malta Stock Exchange and no application for such listing has been made to date. It is not expected that the Issuer will issue, during the next financial year, any shares, whether fully or partly paid up, in consideration for cash or otherwise

There is no share capital of the Issuer, which is currently under option, nor is there any agreement by virtue of which any part of the capital of the Issuer is to be put under option.

16.2 Memorandum and Articles of Association

The objects of the Issuer are set out in clause 4 of the Issuer's Memorandum of Association, with the principal object being: (a) to carry on the business of banking from within Malta, and to undertake, carry on and execute all kinds of banking operations with persons, companies, or entities, as may be allowed by the competent Maltese authorities; (b) to engage in international financial business, including the acceptance and making of deposits in foreign currencies; and (c) to provide investment services in terms of the Investment Services Act, 1944.

Clause 4 of the Memorandum of Association contains the full list of objects of the Issuer. A copy of the Memorandum and Articles of Association of the Issuer may be inspected during the lifetime of this Registration Document at the registered office of the Issuer and at the Registry of Companies of the MFSA.

17. DOCUMENTS AVAILABLE FOR INSPECTION AND INCORPORATED BY REFERENCE

For the life of the Registration Document, the consolidated audited financial statements of the Issuer for the financial years ended 31 March 2017, 2018 and 2019, including the respective auditor's reports are incorporated by reference in this Registration Document and are available on the following hyperlink: <https://www.medirect.com.mt/about-us/investor-relations>.

The M&As are available for inspection at the registered office of the Company, free of charge.



Issue of Euro equivalent of
€35,000,000 in Subordinated Unsecured 4% Bonds due 2024 - 2029
issued in Euro (EUR Bonds) and Pounds Sterling (GBP Bonds)

by
MeDirect Bank (Malta) plc

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

Securities Note dated 7 October 2019

This Securities Note is issued in accordance with the provisions of Commission Regulation (EU) No. 2017/1129 of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the “**Prospectus Regulation**”) and the delegated acts issued thereunder.

Legal Counsel

Sponsor

Manager & Registrar

CAMILLERI PREZIOSI
ADVOCATES

Jesmond Mizzi
FINANCIAL ADVISORS



THIS SECURITIES NOTE HAS BEEN APPROVED BY THE LISTING AUTHORITY, AS COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THE LISTING AUTHORITY ONLY APPROVED THIS SECURITIES NOTE 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 THE SECURITIES THAT ARE THE SUBJECT OF THIS SECURITIES NOTE. INVESTORS SHOULD MAKE THEIR OWN ASSESSMENT AS TO THE SUITABILITY OF INVESTING IN THE SECURITIES, THE SUBJECT OF THIS SECURITIES NOTE.

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

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

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

THIS SECURITIES NOTE 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 SECURITIES NOTE IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES OR MATERIAL INACCURACIES.

APPROVED BY



Philippe Delva
Director



John Zarb
Director

On behalf of the Board of Directors

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1. IMPORTANT INFORMATION

THIS SECURITIES NOTE, FORMING PART OF THE PROSPECTUS, CONTAINS INFORMATION ON AN ISSUE BY MEDIRECT BANK (MALTA) PLC (THE “**ISSUER**”) OF THE EURO EQUIVALENT OF €35,000,000 SUBORDINATED UNSECURED BONDS DUE 2024 – 2029 CONSISTING OF TWO SERIES, ONE DENOMINATED IN EURO (“**EUR BONDS**”) AND HAVING A NOMINAL VALUE OF €100 PER BOND, AND THE OTHER DENOMINATED IN POUNDS STERLING (“**GBP BONDS**”) AND HAVING A NOMINAL VALUE OF £100 PER BOND.

THE BONDS SHALL BE ISSUED AT PAR AND SHALL BEAR INTEREST AT THE RATE OF 4% PER ANNUM PAYABLE ANNUALLY ON 5 NOVEMBER OF EACH YEAR, UNTIL THE REDEMPTION DATE OR A DESIGNATED EARLY REDEMPTION DATE OR A REGULATORY REDEMPTION DATE, AS APPLICABLE. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL AT MATURITY ON THE REDEMPTION DATE SUBJECT TO THE RIGHT OF THE ISSUER, WITH THE PRIOR APPROVAL OF THE MALTA FINANCIAL SERVICES AUTHORITY, TO REDEEM ALL OR PART OF THE BONDS ON ANY DESIGNATED EARLY REDEMPTION DATE OR A REGULATORY REDEMPTION DATE (AS APPLICABLE) BY GIVING NOT LESS THAN 30 DAYS’ NOTICE TO THE BONDHOLDERS.

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

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

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF 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.

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

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

SAVE FOR THE ISSUE IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFERING OF THE BONDS OR THE DISTRIBUTION OF THE PROSPECTUS (OR ANY PART THEREOF) OR ANY OFFERING MATERIAL IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (OTHER THAN MALTA) WHICH HAS IMPLEMENTED THE PROSPECTUS REGULATION. THE BONDS CAN ONLY BE OFFERED TO “QUALIFIED INVESTORS” (AS DEFINED IN SAID PROSPECTUS REGULATION) AS WELL AS IN ANY OTHER CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION BY THE ISSUER OF A PROSPECTUS PURSUANT TO THE PROSPECTUS REGULATION.

THE PROSPECTUS DOES NOT CONSTITUTE, OR FORM PART OF, ANY OFFER OR INVITATION TO SELL OR ISSUE, OR ANY SOLICITATION OF ANY OFFER TO PURCHASE OR SUBSCRIBE FOR, ANY SECURITIES BY ANY PERSON IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL AND, IN PARTICULAR, IS NOT FOR DISTRIBUTION IN AUSTRALIA, CANADA, JAPAN, NEW ZEALAND, THE REPUBLIC OF SOUTH AFRICA OR THE UNITED STATES. BONDS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR JURISDICTION OF THE UNITED STATES OR UNDER APPLICABLE SECURITIES LAWS IN AUSTRALIA, CANADA, NEW ZEALAND, JAPAN OR THE REPUBLIC OF SOUTH AFRICA. SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES ABSENT REGISTRATION UNDER THE SECURITIES ACT OR AN EXEMPTION FROM SUCH REGISTRATION AND THE BONDS OFFERED BY THE PROSPECTUS MAY NOT BE OFFERED, SOLD, TRANSFERRED, DELIVERED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, IN ANY FORM, WITHIN OR INTO THE UNITED STATES OR FOR THE ACCOUNT OR BENEFIT OF ANY PERSON WITH A REGISTERED ADDRESS IN, OR WHO IS RESIDENT OR ORDINARILY RESIDENT IN, THE UNITED STATES EXCEPT FOR PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAW, OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT.

THE BONDS OFFERED BY THE PROSPECTUS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER UNITED STATES REGULATORY AUTHORITY, NOR HAVE ANY SUCH AUTHORITIES PASSED UPON, OR ENDORSED THE MERITS OF, THE OFFER OR THE ACCURACY OR ADEQUACY OF THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

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

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

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

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

2. DEFINITIONS

The following words and expressions as used in this Securities Note shall bear the following meanings whenever such words and expressions are used in their capitalised form, except where the context otherwise requires:

ACT	the Companies Act (Cap. 386 of the laws of Malta);
APPLICANT/S	a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
APPLICATION/S	the application to subscribe for Bonds made by an Applicant/s by completing an Application Form/s and delivering same to the Issuer or to any of the other Authorised Financial Intermediaries;
APPLICATION FORM/S	the form/s of application for the subscription for EUR Bonds or GBP Bonds, specimens of which are contained in Annex I of this Prospectus;
APPROPRIATENESS TEST	shall have the meaning set out in the second paragraph of section 8.1.23. of this Securities Note;
AUTHORISED FINANCIAL INTERMEDIARIES	the licensed stockbrokers and financial intermediaries listed in Annex II of this Securities Note;
DIRECTORS OR BOARD	the directors of the Issuer whose names and addresses are set out under the heading "Board of Directors" in section 12.1 of the Registration Document;
BOND(S)	together, the EUR Bonds and the GBP Bonds;
BONDHOLDER	a holder of Bonds;
BOND ISSUE	the issue of the Bonds;
BOND ISSUE PRICE	the price of €100 per Bond in the case of the EUR Bonds, and the price of £100 per Bond in the case of the GBP Bonds;
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;
BUSINESS DAY	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
CRR	Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012;
CSD	the Central Securities Depository of the Malta Stock Exchange situated at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
CUT-OFF DATE	11 October 2019;
DESIGNATED EARLY REDEMPTION DATE	any Interest Payment Date falling in the years 2024 to 2028 as the Issuer may determine by giving 30 days' prior notice to the Bondholders further to obtaining the prior approval of the JST;
EUR BONDS	the 4% Subordinated Unsecured Bonds due 2024- 2029 having a nominal value of €100 per bond redeemable at their nominal value on the Redemption Date or any of the Designated Early Redemption Dates or a Regulatory Redemption Date (as applicable) bearing interest at the rate of 4% per annum, which in aggregate with the GBP Bonds would not exceed the Euro equivalent of €35,000,000 in value of Bonds issued pursuant to this Prospectus;
ESMA	the European Securities and Markets Authority;

EXCHANGEABLE BOND TRANSFER	<p>as applicable:</p> <ul style="list-style-type: none"> i. the subscription for EUR Bonds by an Existing Bondholder holding Existing Bonds as at the Cut-Off Date so designated in the EUR currency, settled, after submitting the appropriate pre-printed Application Form (received by mail directly from the Issuer), by the transfer to the Issuer of all or part of the Existing Bonds held by such Existing Bondholder as at the Cut-Off Date, subject to a minimum application of €25,000 per Bondholder in face value of EUR Bonds being issued by way of consideration payable to Existing Bondholders exercising an Exchangeable Bond Transfer; and, or ii. the subscription for GBP Bonds by an Existing Bondholder holding Existing Bonds as at the Cut-Off Date so designated in the GBP currency, settled, after submitting the appropriate pre-printed Application Form (received by mail directly from the Issuer), by the transfer to the Issuer of all or part of the Existing Bonds held by such Existing Bondholder as at the Cut-Off Date, subject to a minimum application of £20,000 per Bondholder being issued by way of consideration payable to Existing Bondholders exercising an Exchangeable Bond Transfer; <p>The subscription to EUR Bonds and GBP Bonds by way of Exchangeable Bond Transfer is subject to a maximum aggregate Euro equivalent of €25,000,000.</p>
EXCESS	a number of Bonds exceeding in value the aggregate nominal value of Existing Bonds held by an Existing Bondholder as at the Cut-Off Date;
EXCESS CASH TOP-UP	an amount of funds representing the payment to be made in consideration for the Excess;
EXISTING BONDHOLDERS	the holders of the Existing Bonds registered as such on the registers of holders of Existing Bonds maintained by the CSD as at the Cut-Off Date;
EXISTING BONDS	the €25,000,000 subordinated bonds in Euro (EUR Bonds) and Pounds Sterling (GBP Bonds) of a face value of €100 per EUR Bond and £100 per GBP Bond, bearing interest at 6% per annum and redeemable at their nominal value on 28 November 2024 or earlier on 28 November in each year between 2019 and 2023 pursuant to a prospectus dated 3 November 2014 and carrying ISIN: EUR bonds - MT0000551268 and GBP bonds - MT0000551276;
EXISTING BONDHOLDER CASH PAYMENT	<p>a cash payment payable to the Existing Bondholders, amounting in aggregate to €5.75 per Existing Bond transferred to the Issuer for the purposes of an Exchangeable Bond Transfer, such amount per Existing Bond being payable in one lump sum and calculated as follows:</p> <ul style="list-style-type: none"> i. €5.62 per Existing Bond representing 6% interest on each Existing Bond transferred as aforesaid for the period commencing on the 28 November 2018 and ending on the 5th November 2019; and ii. €0.13 per Existing Bond representing 2% interest on each Existing Bond transferred as aforesaid for the period commencing on the 6th November 2019 and ending on the date on which the Issuer shall exercise its right of early redemption of the Existing Bonds, that is, the 28 November 2019; <p>The amount payable in terms of (ii) above represents the difference between the interest rate payable on the Existing Bond and the interest rate payable on the Bonds, which difference the holders of Existing Bonds would have received had they not elected to effect an Exchangeable Bond Transfer.</p>
EVENT OF DEFAULT	has the meaning assigned to it in Section 8.17 of this Securities Note;
GBP BONDS	the 4% Subordinated Unsecured Bonds due 2024- 2029 having a nominal value of €100 per bond redeemable at their nominal value on the Redemption Date or any of the Designated Early Redemption Dates bearing interest at the rate of 4% per annum, which in aggregate with the EUR Bonds would not exceed the Euro equivalent of €35,000,000 in value of Bonds issued pursuant to this Prospectus;
GDPR	Regulation (EU) No. 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;
INCOME TAX ACT	the Income Tax Act, Cap. 123 of the laws of Malta;

INTEREST PAYMENT DATES	annually, on 5 November of each year commencing on 5 November 2019 and ending with and including the Redemption Date and, or the Designated Early Redemption Date, and, or the Regulatory Redemption Date, as applicable, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
INTERMEDIARIES' OFFER	shall consist of the process set out in section 9 of this Securities Note;
ISA	the Investment Services Act (Cap.370, laws of Malta);
ISSUER	MeDirect Bank (Malta) plc, a public limited liability company registered in Malta with company number C 34125 having its registered office at The Centre, Tigné Point, Sliema TPO 0001, Malta;
ISR	the Investment Services Rules for Investment Services Providers, the Standard Licence Conditions applicable to Investment Services License Holders (excluding UCITS Management Companies), issued by the MFSA, as amended from time to time;
ISSUE DATE	5 November 2019;
JST	Joint Supervisory Team, composed of members of the MFSA and the ECB;
LISTING AUTHORITY	the Board of Governors of the MFSA, appointed as Listing Authority for the purposes of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);
LISTING RULES	the listing rules, issued by the Listing Authority;
M&A	the memorandum and articles of association of the Issuer in force at the time of publication of the Prospectus;
MALTA STOCK EXCHANGE OR MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the laws of Malta), having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta, and bearing company registration number C 42525;
MATURING BONDS	collectively: <ul style="list-style-type: none"> i. €12,500,000 subordinated bonds in Euro (EUR Bonds) and Pounds Sterling (GBP Bonds) of a face value of €100 per EUR Bond and £100 per GBP Bond, bearing interest at 7.5% per annum and redeemable at their nominal value on 14 December 2019 pursuant to a prospectus dated 21 November 2012 and carrying ISIN MT 0000551227 (EUR Bonds) and MT 0000551235 (GBP Bonds); ii. €10,000,000 subordinated bonds in Euro (EUR Bonds) and Pounds Sterling (GBP Bonds) of a face value of €100 per EUR Bond and £100 per GBP Bond, bearing interest at 7.5% per annum and redeemable on 14 December 2019 pursuant to a prospectus dated 12 June 2013 and carrying ISIN MT 0000551243 (EUR Bonds) and MT 0000551250 (GBP Bonds); <p>The bonds referred to in (i) and (ii) were fungible as of 15 December 2013, and carry ISIN EUR bonds – MT0000551227 and GBP bonds – MT0000551235;</p>
MFSA	the Malta Financial Services Authority as established under the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);
MIFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast);
OFFER PERIOD	The period between and including 12:00 pm on 14 October 2019 and 12:00 pm on 23 October 2019, both days included, during which: <ul style="list-style-type: none"> i. Existing Bondholders may apply to transfer their Existing Bonds in exchange for Bonds pursuant to the Exchangeable Bond Transfer; ii. Existing Bondholders who transfer all their Existing Bonds by way of Exchangeable bond Transfer may apply for Excess; and iii. Authorised Financial Intermediaries may subscribe for Bonds, for themselves or for their underlying clients, through the Intermediaries' Offer.

OFFICIAL LIST	the list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;
PROSPECTUS	collectively the Registration Document, the Summary Note and this Securities Note, as such documents may be amended, updated, replaced and supplemented from time to time;
PROSPECTUS REGULATION	Commission Regulation (EU) No. 2017/1129 of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC;
REDEMPTION DATE	5 November 2029;
REDEMPTION VALUE	the nominal value of each Bond;
REGISTRATION DOCUMENT	the registration document issued by the Issuer dated 7 October 2019, forming part of the Prospectus;
REGULATORY CHANGE EVENT	shall have the meaning set out in section 8.9.4 of this Securities Note;
REGULATORY REDEMPTION DATE	shall have the meaning set out in section 8.9.2 of this Securities Note;
SPONSOR	Jesmond Mizzi Financial Advisors Limited, a limited liability company having company registration number C30176 and having its registered office at 67, Level 3, South Street, Valletta, Malta;
SUBORDINATION	means that the rights and claims of Bondholders in respect of the payment of capital and interest on the Bonds will, in the event of dissolution and winding up of the Issuer, rank after the claims of all unsubordinated debt and will not be repaid until all other unsubordinated debt outstanding at the time has been settled. And any reference to the term “ Subordinated ” shall be construed accordingly;
SUITABILITY TEST	shall have the meaning set out in the third paragraph of section 8.1.23 of this Securities Note;
SUMMARY NOTE	the summary note issued by the Issuer dated 7 October 2019 forming part of the Prospectus;
TERMS AND CONDITIONS	the terms and conditions of the Bonds contained in Section 8 of this Securities Note.

3. RISK FACTORS

An investment in the Bonds involves certain risks including those described below. Prospective investors should carefully consider, with their own independent financial and other professional advisers, the following risk factors and other investment considerations as well as all the other information contained in this Prospectus before deciding to make an investment in the Bonds. The risk factors are set out in a number of categories. The risk factor appearing first under each category constitutes that risk factor that the directors have assessed to be the most material risk factor under such category as at the date of this Securities Note. In making their 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 issuer and the securities.

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

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

This Securities Note contains “forward looking statements” which include, among others, statements concerning matters that are not historical facts and which may involve projections of future circumstances. These forward looking statements are subject to a number of risks,

uncertainties and assumptions and important factors that could cause actual risks to differ materially from the expectations of the Issuer's Directors. No assurance is given that the future results or expectations will be achieved.

3.1. Suitability of Investment in the Bonds

ESMA considers that bonds which may be redeemed by an issuer prior to their maturity date may be considered as bonds having an embedded call option, with the price of the bonds taking these components into account. The Issuer has the right to redeem the Bonds on a Designated Early Redemption Date or upon a Regulatory Redemption Date, as the case may be. Accordingly, the Bonds are complex financial instruments for the purposes of MIFID II and may not be suitable for all recipients of the Prospectus.

Prospective investors are urged to consult an independent investment adviser licensed under the ISA as to the suitability or otherwise of an investment in the Bonds before making an investment decision. In particular, such advice should be sought with a view to ascertaining that each prospective investor:

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

An informed investment decision can only be made by investors after they have read and fully understood the risk factors associated with an investment in the Bonds and the inherent risks associated with the Issuer's business. In the event that an investor does not seek professional advice and/or does not read and fully understand the provisions of this Prospectus, there is a risk that such investor may acquire an investment which is not suitable for his or her risk profile.

3.2 Risks Relating to the Bonds

3.2.1 The Bonds may be redeemed prior to maturity

The Bonds are redeemable in whole or in part at the option of the Issuer prior to the Redemption Date on any of the Designated Early Redemption Date or upon a Regulatory Redemption Date upon giving 30 days' notice to the Bondholders, subject to obtaining the prior approval of the JST. Furthermore, the Bonds are redeemable in whole at any time during the term of the Bond in the case of a Regulatory Redemption Date taking place. The occurrence of a Regulatory Change Event and the implementation of New Capital Regulations (as defined in section 8.9.4 below) leading to such event, are not within the control of the Issuer. If a Regulatory Change Event were to occur, the Issuer would have the right to redeem the Bonds prior to their scheduled maturity at par plus accrued interest.

The feature allowing for optional redemption on a Designated Early Redemption Date or a Regulatory 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 with regard to 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.

3.2.2 Subordinated status and ranking of the Bonds

The Bonds are unsecured and subordinated. Subordination means that the rights and claims of Bondholders in respect of the payment of capital and interest on the Bonds will, in the event of dissolution and winding up of the Issuer, rank after the claims of all senior indebtedness and unsubordinated claims and will not be repaid until all other senior indebtedness and unsubordinated claims which are outstanding at the time has been settled.

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

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

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

3.2.3 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 Issuer's Bonds at any given time and the general economic conditions in the market in which the Bonds are traded. Such presence is dependent upon the individual decisions of investors over which the Issuer has no control. Accordingly, there can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Furthermore, there can be no assurance that the Bond Issue Price will correspond to the price at which the Bonds will trade in the market subsequent to the Bond Issue. Should there not be a liquid market in the Bonds, investors may not be able to sell the Bonds at or above the Bond Issue Price or at all.

3.2.4 Fixed interest rates

The Bonds carry fixed interest rates. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. Investors should also be aware that the price of fixed rate bonds should theoretically move adversely to changes in interest rates. When prevailing market interest rates are rising, their prices decline and conversely, if market interest rates are declining, the prices of fixed rate bonds rises. This is called market risk since it arises only if a Bondholder decides to sell the Bonds before maturity on the secondary market.

3.2.5 Limited recourse

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

3.2.6 Exchange rate risk

A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€ in the case of the EUR Bonds and £ in the case of the GBP Bonds) and the Bondholder's currency of reference, if different. Such adverse fluctuations may impair the return of investment of the Bondholder in real terms after taking into account the relevant exchange rate.

3.2.7 Future public offers

No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time.

3.2.8 Amendment to the Terms and Conditions of the Bonds

In the event that the Issuer wishes to amend the Terms and Conditions of the Bonds, it shall call a meeting of Bondholders. Defined majorities of Bondholders will bind all Bondholders including those that did not attend and vote at the relevant meeting and Bondholders who attended and voted in a manner contrary to the majority.

3.2.9 Risks associated to recovery and resolutions regulations

The Issuer is subject to the BRRD . ACT No. XXI of 2015, amending (inter alia), the Malta Financial Services Authority Act (Cap. 345, laws of Malta), the ISA and the Banking Act, establishes the Resolution Authority and the Resolution Committee (the "Resolution Authorities") in accordance with the requirements of the BRRD as well as provides for matters ancillary or incidental to the establishment thereof.

The BRRD is designed to provide the Resolution Authorities with a set of tools to intervene early and quickly in the affairs of an unsound or failing bank so as to ensure the continuity of the bank's critical financial and economic functions, whilst minimising the impact of a bank's failure on the economy and financial system. Pursuant to the BRRD, the Resolution Authorities may intervene using one or more resolution tools in the event that all of the following conditions are met: (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.

One of the resolution tools is the bail-in tool whereby Resolution Authorities are, amongst others, empowered to write down or convert into common equity certain liabilities of a failing bank (including Tier 2 Capital instruments, such as the Bonds). The bail-in tool ensures that not only shareholders but also creditors of the failing institution suffer appropriate losses and bear an appropriate part of the costs arising from the failure of the institution. The Resolution Authorities will have to exercise their bail-in powers in a way that results in: (i) Common Equity Tier 1 capital instruments (such as ordinary shares of the Issuer) being written down first in proportion to the relevant losses; (ii) thereafter, the principal amount of other capital instruments (additional Tier 1 capital instruments and Tier 2 Capital instruments such as the Bonds) being written down on a permanent basis or converted into Common Equity Tier 1 capital instruments in accordance with their order of priority; and (iii) thereafter, other eligible liabilities being written down on a permanent basis or converted into Common Equity Tier 1 capital instruments in accordance with a set order of priority. The extent to which the Bonds may become subject to a bail-in will depend on a number of factors, and it will be difficult to predict when, if at all, a bail-in will occur particularly since, as at the date of this Prospectus, none of the conditions prescribed in (a)-(c) above subsist within the Issuer. Prospective investors should, nonetheless, consider the risk that in the event that the Issuer becomes subject to a bail-in, the principal amount of the Bonds including any accrued but unpaid interest, may be: (i) partially or fully lost in the case of a write down to absorb the Issuer's losses; or (ii) if a conversion takes place, their investment in the Bonds may be partially or fully converted into Tier 1 capital to recapitalise the Issuer.

The Resolution Authorities may also seek to amend the maturity date of the Bonds, which could negatively affect the value of the Bonds for the purpose of re-selling.

Each of the aforementioned measures may occur in isolation or, they may occur as a combination.

4. PERSONS RESPONSIBLE

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

Michael A. Bussey	<i>Non-Executive Director - Chairman</i>
Philippe Delva	<i>Interim - Group Chief Executive Officer and Executive Director</i>
Radoslaw Ksiezopolski	<i>Group Chief Financial Officer and Executive Director</i>
John Zarb	<i>Group Non-Executive Director</i>
Benjamin Hollowood	<i>Group Non-Executive Director</i>
Dominic Wallace	<i>Group Non-Executive Director</i>

To the best of the knowledge and belief of the Directors of the Issuer, the information contained in this Securities Note is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

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

5. CONSENT FOR USE OF PROSPECTUS

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

For the purposes of any subscription for Bonds through any of the Authorised Financial Intermediaries in terms of this Securities Note and any subsequent resale, placement or other offering of Bonds by such Authorised Financial Intermediaries in circumstances where there is no exemption from the requirement to publish a prospectus under the Prospectus 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 Bonds subscribed for through Authorised Financial Intermediaries;
- ii. to any resale or placement of Bonds subscribed for as aforesaid taking place in Malta;
- iii. to any resale or placement of Bonds subscribed for as aforesaid taking place within the period of 60 days from the date of the Prospectus

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

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

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

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

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

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

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

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

6. ADVISERS TO THE ISSUER

LEGAL COUNSEL	Camilleri Preziosi Level 3, Valletta Buildings, South Street, Valletta, VLT 1103, Malta
SPONSOR	Jesmond Mizzi Financial Advisors Limited 67, Level 3, South Street, Valletta, VLT 1105, Malta

7. KEY INFORMATION

7.1 Interest of Natural & Legal Persons in the Bond Issue

MeDirect Bank (Malta) plc and the Sponsor, are included in the list of Authorised Financial Intermediaries authorised to sell Bonds to prospective investors.

MeDirect Bank (Malta) plc and the Sponsor, acting in the capacity of Authorised Financial Intermediary as aforesaid, may, on an "execution-only" basis, effect transactions in respect of the Bonds for the account of their respective customers. Prior to executing any such transactions, MeDirect Bank (Malta) plc and the Sponsor, as relevant, shall carry out an Appropriateness Test in respect of each prospective investor in the Bonds and shall not accept the prospective investor's Application unless, based on the results of such test, it is satisfied that an investment in the Bonds may be considered appropriate for such prospective investor.

7.2 Reasons for the Issue and Use of Proceeds

The Bonds are being offered to: (i) Existing Bondholders for the purpose of enabling them to surrender their Existing Bonds in exchange for Bonds by virtue of an Exchangeable Bond Transfer; (ii) Existing Bondholders who surrender all of their Existing Bonds in exchange for Bonds by virtue of an Exchangeable Bond Transfer and apply for Excess; and (iii) to the public (which, in addition to retail customers, may include Existing Bondholders) by virtue of an Intermediaries' Offer.

In accordance with the Exchangeable Bond Transfer, Bonds will be issued to holders of Existing Bonds against the surrender and conversion of Existing Bonds in favour of the Issuer. An allocation of Bonds pursuant to an Exchangeable Bond Transfer will not result in the raising of any new funds to be utilised by the Issuer. However, Bonds allocated by virtue of the subscription for Excess and, or by virtue of the Intermediaries' Offer, will raise new funds.

The use of any funds so received by the Issuer by virtue of the Excess and, or the Intermediaries' Offer, which funds may amount to a maximum amount of approximately €34,500,000 (net of expenses) in the event of the Bonds being subscribed for in full, will be utilised by the Issuer in the following order of priority:

- i. in the event that not all of the Existing Bondholders elect to exchange their Existing Bonds for Bonds by virtue of the Exchangeable Bond Transfer, and the proceeds received from any Excess and, or the Intermediaries' Offer would, in aggregate with the value of the Exchangeable Bond Transfers, amount to at least €25,000,000, the Issuer shall first utilise the proceeds received from any Excess and, or the Intermediaries' Offer to redeem the amount outstanding under the Existing Bonds; and
- ii. any surplus funds which are received by the Issuer from the Bond Issue but which are not utilised by the Issuer in terms of (i) above, shall be utilised in part for the purpose of part-financing the redemption of the Maturing Bonds (with any additional funding required for such redemption of the Maturing Bonds to be sourced from the Issuer's own funds) and in part for general corporate funding purposes of the Group.

In the event that the Bond Issue is subscribed for in an amount lower than €35,000,000 but greater than or equal to €25,000,000 (in either case taking into account the aggregate of Exchangeable Bond Transfers and any funds raised by way of Excess and, or the Intermediaries' Offer), then all Exchangeable Bond Transfers shall be processed in accordance with the terms of this Securities Note, and any funds received by way of Excess and, or the Intermediaries' Offer shall be used for the purpose specified in (ii) above.

In the event that the Bond Issue is subscribed for in an amount lower than €25,000,000 (taking into account the aggregate of Exchangeable Bond Transfers and any funds raised by way of Excess and, or the Intermediaries' Offer), then no Exchangeable Bond Transfers shall be processed in accordance with the terms of this Securities Note, and any funds received by way of Excess and, or the Intermediaries' Offer shall be returned to the respective Applicants.

If fully subscribed, the Bond Issue is expected to enable the Issuer to reduce its outstanding debt under the Existing Bonds to a maximum of €35,000,000 whilst still respecting its Tier 2 capital requirements in terms of applicable law.

7.3 Expenses

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

7.4 Issue Statistics

ISSUER:	MeDirect Bank (Malta) plc, a company registered in Malta with registration number C 34125;
AMOUNT:	The aggregate principal amount of the EUR Bonds and the GBP Bonds will equal the Euro equivalent of €35,000,000;
FORM:	The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD;
DENOMINATION:	EUR Bonds: Euro (€); GBP Bonds: GBP (£);
ISIN:	EUR Bonds – ISIN MT0000551300; GBP Bonds – ISIN MT0000551318;
MINIMUM AMOUNT PER SUBSCRIPTION:	EUR Bonds: minimum of €25,000 and multiples of €1,000 thereafter; GBP Bonds: minimum of £20,000 and multiples of £1,000 thereafter;
TRANSFERABILITY:	Trading in the EUR Bonds and the GBP Bonds shall take place on the MSE in multiples of €1,000 and £1,000 respectively subject to the retention of a minimum holding of €25,000 (or £20,000, as applicable) by each individual holder of EUR Bonds or GBP Bonds, which shall be maintained at all times throughout the holder's investment in the respective type of Bond. If EUR Bonds and GBP Bonds are held by financial intermediaries on behalf of clients under one or more nominee accounts, the minimum holding of €25,000 (or £20,000 as applicable) shall apply to each underlying beneficial owner;
REDEMPTION DATE:	5 November 2029 or a Designated Early Redemption Date or earlier in the case of a Regulatory Redemption Date (refer to section 8.9.4 of this Securities Note).
EXCHANGEABLE BOND TRANSFER	<p>Existing Bondholders applying for Bonds may elect to settle all or part of the amount due on the Bonds applied for by the transfer to the Issuer of Existing Bonds held by them as at the Cut-Off Date, subject to a minimum holding of €25,000 in EUR Bonds and £20,000 in GBP Bonds, as applicable.</p> <p>The transfer of Existing Bonds to the Issuer in consideration for the subscription for Bonds shall cause the obligations of the Issuer with respect to such Existing Bonds to be extinguished, and shall give rise to obligations on the part of the Issuer towards the Bondholders under the Bonds.</p> <p>The Existing Bondholder Cash Payment is payable to the Existing Bondholders who surrender their Existing Bonds in exchange for Bonds pursuant to an Exchangeable Bond Transfer;</p>
PLAN OF DISTRIBUTION – EUR BONDS	<p>The EUR Bonds are open for subscription during the Offer Period by: (i) holders of Existing Bonds designated in the EUR currency applying for EUR Bonds by Exchangeable Bond Transfer, by submitting the appropriate Application Form to an Authorised Financial Intermediary, up to the number of EUR Bonds representing the nominal value of Existing Bonds held by them as at the Cut-Off Date; (ii) holders of Existing Bonds applying for Excess, by completing the relevant section of the Application Form submitted to an Authorised Financial Intermediary and by remitting the Excess Cash Top-Up to the Issuer; and (iii) Authorised Financial Intermediaries either for their own account or on behalf of clients. The foregoing is subject to the minimum holding requirement applicable to each individual subscriber (or underlying client, as applicable), that is a minimum holding of €25,000 in EUR bonds per Bondholder.</p> <p>The allocation of Bonds is subject to the allocation policy set out in Section 10 of this Securities Note;</p>

PLAN OF DISTRIBUTION – GBP BONDS	<p>The GBP Bonds are open for subscription during the Offer Period by: (i) holders of Existing Bonds designated in the GBP currency applying for GBP Bonds by Exchangeable Bond Transfer, by submitting the appropriate Application Form to an Authorised Financial Intermediary, up to the number of GBP Bonds representing the nominal value of Existing Bonds held by them as at the Cut-Off Date ; (ii) holders of Existing Bonds applying for Excess, by completing the relevant section of the Application Form submitted to an Authorised Financial Intermediary and by remitting the Excess Cash Top-Up to the Issuer; and (iii) Authorised Financial Intermediaries either for their own account or on behalf of clients. The above is subject to the minimum holding requirement applicable to each individual subscriber (or underlying client, as applicable), that is a minimum holding of £20,000 in GBP bonds per Bondholder.</p> <p>The allocation of Bonds is subject to the allocation policy set out in Section 10 of this Securities Note;</p>
EXCESS APPLIED FOR BY EXISTING BONDHOLDERS	Existing Bondholders wishing to apply for Excess may do so by completing the relevant section of the Application Form. In such cases the Existing Bondholder would be required to transfer such holder's entire holding in Existing Bonds by way of Existing Bond Transfer, and settle the balance in the manner set out in section 8.1.2. of this Securities Note;
INTERMEDIARIES' OFFER	The period between and including 12:00 pm on 14 October 2019 and 12:00 pm on 23 October 2019, both days included;
EVENT OF DEFAULT:	Refer to section 8.17 below;
BOND ISSUE PRICE:	At par (€100 per EUR Bond or £100 per GBP Bond, as applicable);
LISTING:	Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List;
APPLICATION FORMS MAILED TO EXISTING BONDHOLDERS AND AUTHORISED INTERMEDIARIES	14 October 2019;
CLOSING DATE FOR APPLICATIONS TO BE RECEIVED FROM EXISTING BONDHOLDERS AND APPLICANTS	23 October 2019;
OFFER PERIOD	The period between and including 12:00 pm on 14 October 2019 and 12:00 pm on 23 October 2019, both days included;
UNDERWRITING:	The Bond Issue is not underwritten;
MINIMUM AGGREGATE SUBSCRIPTION AND CONDITION:	The Issuer has established a minimum aggregate subscription amount of €25,000,000 on which the Bond Issue is conditional. In the event that the Bond Issue is not fully taken up but the said minimum is satisfied or exceeded, the Issuer will issue Bonds up to the amount subscribed for;
CONDITIONAL ALLOTMENT AND ISSUE OF THE BONDS	The issue and allotment of the Bonds is conditional upon (i) the Bonds being admitted to the Official List of the MSE; and (ii) the Issuer receiving approval from the JST that it may exercise its right to redeem the Existing Bonds prior to their redemption date. In the event that the Bonds are not admitted to the Official List and, or the Issuer does not receive the aforementioned approval from the JST, the Bond issue shall not take effect;

INTEREST:	The Bonds shall bear interest at the rate of 4% per annum on the nominal value thereof;
INTEREST PAYMENT DATES:	5 November of each year, from 5 November 2019 until the Redemption Date or a Designated Early Redemption Date or a Regulatory Redemption Date, as applicable;
FIRST INTEREST PAYMENT DATE:	5 November 2020;
REDEMPTION VALUE:	At par (€100 per EUR Bond or £100 per GBP Bond, as applicable);
TIME LIMIT ON THE VALIDITY OF CLAIMS	Five (5) years;
MANAGER & REGISTRAR:	MSE;
SPONSOR:	Jesmond Mizzi Financial Advisors Limited;
GOVERNING LAW OF BONDS:	The Bonds are governed by and shall be construed in accordance with Maltese law;
JURISDICTION:	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds

8. TERMS AND CONDITIONS OF THE BONDS

8.1 General terms and conditions

8.1.1 The consideration payable by an Existing Bondholder for EUR Bonds and, or GBP Bonds (as applicable) may be settled, after submitting the appropriate pre-printed Application Form (received by mail directly from the Issuer) during the Offer Period, by the transfer to the Issuer of all or part of the Existing Bonds held by such Existing Bondholder as at the Cut-Off Date (the **"Exchangeable Bond Transfer"**), subject to a minimum application of €25,000 in the case of EUR Bonds and £20,000, in the case of GBP Bonds. The transfer of Existing Bonds to the Issuer in consideration for the subscription for Bonds shall cause the obligations of the Issuer with respect to such Existing Bonds to be extinguished, and shall give rise to obligations on the part of the Issuer under the Bonds.

In the event that the holders of Existing Bonds are successfully allocated Bonds pursuant to an Exchangeable Bond Transfer, the Issuer will remit the Existing Bondholder Cash Payment to the holder of the Existing Bonds to the account designated by the relevant Bondholder in the applicable section of the Application Form.

8.1.2 Payment by Existing Bondholders of the Excess Cash Top-Up referred to in the paragraph entitled "Excess applied for by Existing Bondholders" in section 7.4, shall be made in Euro and in cleared funds at the Bond Issue Price, in either cash or by cheque payable to "The Registrar – Medirect Bank (Malta) plc 4% Subordinated Bonds due 2024-2029".

- 8.1.3** By submitting a signed pre-printed Application Form indicating that the Exchangeable Bond Transfer is being selected (whether in whole or, in the case of Excess Top-Up, in part consideration for the EUR Bonds and, or GBP Bonds being applied for), the Existing Bondholder is thereby confirming:
- i. that all or part (as the case may be) of the Existing Bonds held by the Existing Bondholder on the Cut-Off Date are being transferred to the Issuer, together with the payment due in respect of any Excess Cash Top-Up, if applicable; and
 - ii. that the pre-printed Application Form constitutes the Existing Bondholder's irrevocable mandate to the Issuer to:
 - a. cause the transfer of the said Existing Bonds in the Issuer's name in consideration of the issue of EUR Bonds and, or the GBP Bonds (as applicable); 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 Existing Bonds in the Issuer and fully and effectively vest title in the appropriate number of EUR Bonds and, or GBP Bonds (as applicable) in the Existing Bondholder;
 - iii. that in respect of the exercise of the option set out in section 8.1.2 above, the Existing Bondholder's remittance representing the Excess Cash Top-Up, if any, will be honoured on first presentation and agrees that, if such remittance is not so honoured on their first presentation, the Issuer and the Registrar reserve the right to invalidate the relative application pertaining to Excess, and furthermore the Existing Bondholder will not be entitled to receive a registration advice or to be registered in the register of Bondholders pertaining to the Excess, unless the Existing Bondholder makes payment in cleared funds and such consideration is accepted by the Issuer, acting through the Registrar (which acceptance shall be made in the Issuer's absolute discretion and may be on the basis that the Existing Bondholder indemnifies the Issuer against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of the Existing Bondholder's remittance to be honoured on first presentation).
- 8.1.4** The issue and allotment of the Bonds is conditional upon (i) the Bonds being admitted to the Official List of the MSE; and (ii) the Issuer receiving approval from the JST that it may exercise its right to redeem the Existing Bonds prior to their redemption date. In the event that the Bonds are not admitted to the Official List and, or the Issuer does not receive the aforementioned approval from the JST, the Bond issue shall not take effect. The Issuer has also established a minimum aggregate subscription amount of €25,000,000 on which the Bond Issue is conditional. In the event that the Bond Issue is not fully taken up but the said minimum is satisfied or exceeded, the Issuer will issue Bonds up to the amount subscribed for.
- 8.1.5** The contract created by the acceptance of an Application shall be subject to the terms and conditions set out in this Securities Note of the Issuer. It is the responsibility of investors wishing to apply for the Bonds to inform themselves as to the legal requirements of so applying including any requirements relating to external transaction requirements in Malta and any exchange control in the countries of their nationality, residence or domicile.
- 8.1.6** If the Application Form is signed on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the person signing will be deemed to have bound his principal, or the relative corporation, corporate entity, or association of persons and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions on their behalf. Such intermediary may be requested to submit the relative power of attorney/resolution or a copy thereof duly certified by a lawyer or notary public if so required by the Registrar.
- 8.1.7** Holders of Existing Bonds wishing to apply for the Excess, that is a number of Bonds exceeding in value the aggregate nominal value of Existing Bonds held by them as at the Cut-Off Date, shall be entitled to do so by completing the relevant section of the Application Form.

- 8.1.8** Where the Existing Bondholder is the holder of Existing Bonds which as at the Cut-Off Date are held subject to usufruct, both the signatures of the bare owner as well as that of the usufructuary will be required in the Application Form.
- 8.1.9** All Applications for the subscription of EUR Bonds and, or the GBP Bonds (as applicable) being effected by Exchangeable Bond Transfer, as well as applications for Excess, must be submitted on the appropriate pre-printed Application Form during the Offer Period. The completed pre-printed Application Form is to be lodged with any of the Authorised Financial Intermediaries.
- 8.1.10** Applications made by Applicants (which include retail investors and Existing Bondholders) for the subscription of EUR Bonds and, or the GBP Bonds (as applicable) being applied during the Intermediaries' Offer, must be submitted during the Offer Period. The completed pre-printed Application Form is to be lodged with any of the Authorised Financial Intermediaries.
- 8.1.11** In the event that an Existing Bondholder applying for Excess has been allocated a number of EUR Bonds or GBP Bonds (as applicable) which is less than the Excess applied for, or has not been allocated any Excess, then such Existing Bondholder shall receive a refund of the price of the EUR Bonds and, or GBP Bonds (as applicable) so applied for (by way of Excess Cash Top-up) but not allocated. In the event that an Applicant applying for Bonds by virtue of the Intermediaries' Offer has been allocated a number of EUR Bonds or GBP Bonds (as applicable) which is less than the value of Bonds applied for through such Intermediaries' Offer, or has not been allocated any Bonds, then such Applicant shall receive a refund of the price of the EUR Bonds and, or GBP Bonds (as applicable) so 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 Applicant's (whether such Applicant is an Existing Bondholder or an applicant applying for Bonds pursuant to an Exchangeable Bond Transfer) sole risk on 5 November 2019.
- 8.1.12** In the case of joint Applications, reference to the Applicant in these terms and conditions is a reference to each Applicant, and liability therefor is joint and several. In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed, vis-à-vis the Issuer, to be the holder of the Bond/s so held and shall have the right to receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner.
- 8.1.13** The Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.
- 8.1.14** No person receiving a copy of the Prospectus or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to such person nor should such person in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or such Application Form could lawfully be used without contravention of any registration or other legal requirements.
- 8.1.15** It is the responsibility of any person outside Malta wishing to make any Application to satisfy himself/herself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- 8.1.16** Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of twenty-four (24) hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholders at his registered address and posted. Save where the context requires otherwise, terms defined in the Prospectus bear the same meaning when used in the Application Form and in any other document issued pursuant to the Prospectus.

- 8.1.17** The Bonds will be issued as EUR Bonds and GBP Bonds. The aggregate principal amount of the Bond Issue is the Euro equivalent value of €35,000,000.
- 8.1.18** Any person, whether natural or legal, shall be eligible to submit an Application, and any one person, whether directly or indirectly, should not submit more than one Application Form, save in the case of subscription made in part for EUR Bonds and in part for GBP Bonds, in which case two (2) separate Application Forms per Applicant are required. In the case of corporate Applicants or Applicants having separate legal personality, the Application Form must be signed by a person authorised to sign and bind such Applicant. It shall not be incumbent on the Issuer or Registrar to verify whether the person or persons purporting to bind such an Applicant is or are in fact authorised.
- 8.1.19** Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholders, with interest and redemption monies payable to the parents / legal guardian/s signing the Application Form until such time as the minor attains the age of 18 years, following which all interest and redemption monies shall be paid directly to the registered holder. Provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of 18 years. In the case of joint Applications, the joint holders shall nominate one of their number as their representative and such person's name will be entered in the register with such designation. The person whose name shall be inserted in the field entitled "Applicant" on the Application Form, or first named in the register of Bondholders shall, for all intents and purposes, be deemed to be such nominated person by all those joint holders whose names appear in the field entitled "Additional Applicants" in the Application Form or joint holders in the register as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.
- 8.1.20** Subject to all other terms and conditions set out in the Prospectus, the Issuer reserves the right to reject, in whole or in part, or to scale down any Application, including multiple or suspected multiple Applications and to present any cheques and/or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Issuer is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted.
- 8.1.21** If any Application is not accepted, or if any Application is accepted for fewer Bonds than those applied for, the Application monies or the balance of the amount paid on Application will be returned by the Issuer without interest by direct credit into the Bondholder's bank account as indicated by the Bondholder on the Application Form. The Issuer shall not be responsible for any loss or delay in transmission.
- 8.1.22** The EUR Bonds will be issued in multiples of €1,000. The minimum subscription amount of EUR Bonds that can be subscribed for by Applicants is €25,000. The GBP Bonds will be issued in multiples of £1,000. The minimum subscription amount of GBP Bonds that can be subscribed for by Applicants is £20,000.

8.1.23 The completed Application Forms are to be lodged with any of the Authorised Financial Intermediaries. Authorised Financial Intermediaries shall, prior to accepting an Application, conduct an Appropriateness Test in respect of the Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered appropriate for the Applicant. To the extent that an Authorised Financial Intermediary is providing advice in respect of a purchase of the Bonds by an Applicant, such Authorised Financial Intermediary shall also be required to conduct a Suitability Test in respect of the Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered suitable for the Applicant.

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

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

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

8.1.24 Where applicable, Application Forms must be accompanied by the full price of the Bonds applied for in EUR or GBP, as applicable.

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

8.1.26 For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations 2018 as amended from time to time, all appointed Authorised Financial Intermediaries are under a duty to communicate, upon request, all information about clients as is mentioned in Articles 1.2(d) and 2.4 of the "Code of Conduct for Members of the Malta Stock Exchange" appended as Appendix IV to Chapter 3 of the MSE Bye-Laws, irrespective of whether the said appointed Authorised Financial Intermediaries are MSE Members or not. Such information shall be held and controlled by the MSE in terms of the Data Protection Act (Cap. 586 of the laws of Malta) and/or the GDPR, as amended from time to time (as applicable) for the purposes and within the terms of the MSE Data Protection Policy as published from time to time.

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

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

- j. agrees that Jesmond Mizzi Financial Advisors Limited will not, in its capacity of Sponsor, treat the Applicant as its customer by virtue of such Applicant making an Application for the Bonds, and that Jesmond Mizzi Financial Advisors Limited will owe the Applicant no duties or responsibilities concerning the price of the Bonds or their appropriateness and suitability for the Applicant;
- k. agrees that all documents in connection with the issue of the Bonds will be sent at the Applicant's own risk and may be sent by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as set out in the Application Form; and
- l. renounces to any rights the Applicant may have to set off any amounts the Applicant may at any time owe the Issuer against any amount due under the terms of these Bonds.

8.2 Legislation under which the Bonds are created

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

8.3 Registration, Form, Denomination & Title

- 8.3.1** Certificates will not be delivered to Bondholders in respect of the Bonds given the fact that the entitlement to Bonds will be represented in an uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD. There will be entered in such electronic register the names, addresses, identity card numbers (in the case of natural persons), registration numbers (in the case of companies) and MSE account numbers of the Bondholders and particulars of the Bonds held by them respectively and a copy of such register will, at all reasonable times during business hours, be open to the inspection of the Bondholders at the registered office of the Issuer.
- 8.3.2** Upon request by the Bondholder, the CSD will issue a statement of holdings to Bondholders evidencing their entitlement to Bonds held in the register kept by the CSD.
- 8.3.3** The Bonds will be issued in fully registered form, without interest coupons, in minimum subscriptions of €25,000 (in case of EUR Bonds) and £20,000 (in case of GBP Bonds) and thereafter in integral multiples of €1,000 (in case of EUR Bonds) and £1,000 (in case of GBP Bonds).
- 8.3.4** Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments) as the absolute owner of such Bond. Title to the Bonds may be transferred as provided below under the heading **"Transferability of the Bonds"**.

8.4 Currency of the Bonds

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

8.5 Status of the Bonds (Ranking and Subordination)

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

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

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

8.6 Privileges and Hypothecs

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

8.7 Rights Attached to the Bonds

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

8.8 Interest

- 8.8.1** The Bonds shall bear interest from and including 5 November 2019 at the rate of 4% per annum on the nominal value thereof, payable annually in arrears on each "**Interest Payment Date**", the first Interest Payment Date being 5 November 2020 (covering the period 5 November 2019 to 4 November 2020), provided that any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day.
- 8.8.2** When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated on the basis of the actual number of days in such period divided by the actual number of days (365 or 366, as applicable) in the respective year.

8.9 Redemption, Payments of Redemption Value, Payment of Interest

- 8.9.1** The Bonds shall become due for final redemption on 5 November 2029, provided that the Issuer reserves the right to redeem any one or more of the Bonds or any part thereof on any of the Designated Early Redemption Dates, as the Issuer may determine with the prior approval of the JST, on giving not less than thirty (30) days' notice to Bondholders. In making an early redemption as aforesaid, the Issuer reserves the right to redeem any one or both of the EUR Bonds or GBP Bonds, in whole or in part, at the discretion of the Issuer, in the currency in which they are issued. Redemption of the Bonds shall be made at the nominal value of the Bonds. In addition, following the lapse of five years from the date of the Bond Issue and subject to the prior approval of the JST, the Issuer reserves the right to purchase from the market at any time after issue, Bonds for cancellation.
- 8.9.2** Without prejudice to the preceding paragraph, in the event that a Regulatory Change Event were to occur, the Issuer shall, at its sole discretion but subject to the prior approval of the JST, have the option to redeem the Bonds in full prior to the scheduled Redemption Date or any possible Designated Early Redemption Date. In the event that the JST grants its approval to such early redemption, the Issuer may, subject to giving not less than thirty (30) nor more than sixty (60) days' notice to Bondholders, redeem the Bonds in whole but not in part on the date specified in such notice (the "**Regulatory Redemption Date**") at a redemption price equal to par plus accrued interest to but excluding the Regulatory Redemption Date.

8.9.3 At any time during the term of the Bonds, the Issuer may renounce to its rights under sub-section 8.9.2, in which case the Issuer will have permanently waived its right to request the JST to permit the early redemption of the Bonds.

8.9.4 For the purposes of sub-sections 8.9.2 and 8.9.3 above, the following definitions shall apply:

REGULATORY CHANGE EVENT	<p><i>A Regulatory Change Event shall be deemed to have occurred if, in terms of Article 78(4)(a) of the CRR, aspects of the CRR relating to the regulatory classification of the Bonds are replaced or materially amended in respect of credit institutions by New Capital Regulations, the result of which is or would be likely to result in the Bonds, in whole or in part, being excluded from own funds or otherwise reclassified as a lower quality form of own funds of the Issuer:</i></p> <p><i>Provided that:</i></p> <ul style="list-style-type: none"> <i>i. the JST considers such a change in the regulatory classification of the Bonds to be sufficiently certain; and</i> <i>ii. the Issuer demonstrates to the satisfaction of the JST that the regulatory reclassification of those Bonds was not reasonably foreseeable at the Issue Date.</i>
NEW CAPITAL REGULATIONS	<i>Any regulations, requirements, guidelines and policies adopted by the MFSA or the European Parliament, European Council or European Commission that substantially replace or materially amend the CRR in respect of the regulatory classification of the Bonds;</i>
TIER 2 CAPITAL	<i>Tier 2 Capital shall refer to the Tier 2 Capital as defined under Article 71 of the CRR.</i>

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

8.9.6. Upon payment of the Redemption Value the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Bonds at the CSD, provided that where the Bondholder's bank account number is not known, the principal amount shall be retained by the Issuer for collection by the Bondholder or remittance when the bank account number of the said Bondholder is made known to the Issuer. In the case of Bonds held subject to usufruct, payment will be made against the joint instructions of all bare owners and usufructuaries. Before effecting payment the Issuer and/or the CSD shall be entitled to request any legal documents deemed necessary concerning the entitlement of the bare owner/s and the usufructuary/ies to payment of the Bonds.

8.9.7. Payment of any instalment of interest on a Bond will be made in Euro, or Pounds Sterling, as the case may be, to the person in whose name such Bond is registered at the close of business 15 days prior to the Interest Payment Date by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in Euro or Pounds Sterling, as the case may be, and held with any licensed bank in Malta. The Issuer shall not be responsible for any loss or delay in transmission, provided that where the Bondholder's bank account number is not known, the interest is retained by the Issuer for collection by the Bondholder entitled to such interest or remittance when the bank account number of the said Bondholder is made known to the Issuer.

- 8.9.8.** All payments with respect to the Bonds are subject in all cases to any applicable fiscal or other laws and regulations prevailing in Malta. In particular, but without limitation, all payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made net of any amount which the Issuer is compelled by law to deduct or withhold for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Malta or any authority thereof or therein having power to tax.
- 8.9.9** No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments. Any applicable third party bank expenses or charges relating to the payment of interest on the Bonds shall be borne by the Issuer.
- 8.9.10.** Unless previously purchased and cancelled as provided below, the Issuer will redeem the Bonds (together with payment of interest accrued thereon) at their nominal value on Redemption Date, which shall be either on the 5 November 2029 or the date of exercise by the Issuer of the option to redeem the Bond early on a Designated Early Redemption Date (with the JST's prior approval) or in the event of a Regulatory Redemption Date, as explained above.
- 8.9.11** Following the lapse of five years from the date of the Bond Issue and subject to the prior approval of the JST, the Issuer reserves the right to purchase from the market at any time after issue, Bonds for cancellation.
- 8.9.12** All Bonds purchased by the Issuer on its own account in accordance with this Prospectus will be cancelled forthwith and may not be re-issued or resold.

8.10 Yield

The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at Redemption Date is four per cent (4%).

8.11 Meetings of Bondholders

- 8.11.1** The Issuer may from time to time call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of obtaining the consent of Bondholders on matters which in terms of the Prospectus require the approval of a Bondholders' meeting.
- 8.11.2** A meeting of Bondholders shall be called by the Directors by giving all Bondholders listed on the register of Bondholders as at a date being not more than thirty (30) days preceding the date scheduled for the meeting, not less than fourteen (14) days' notice in writing. Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment of the Prospectus that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Issuer shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this section 8.11.2 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.
- 8.11.3** The amendment or waiver of any of the provisions of the Terms and Conditions contained in this Securities Note, or in any other part of the Prospectus, may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.

- 8.11.4** A meeting of Bondholders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose, at least two (2) Bondholders present, in person or by proxy, representing not less than fifty per cent (50%) in nominal value of the Bonds then outstanding, shall constitute a quorum. If a quorum is not present within thirty (30) minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to the Bondholders present at that meeting. The Issuer shall within two (2) days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven (7) days, and not later than fifteen (15) days, following the original meeting. At an adjourned meeting; the number of Bondholders present, in person or by proxy, shall constitute a quorum; and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.
- 8.11.5** Any person who in accordance with the M&A of the Issuer is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders.
- 8.11.6** Once a quorum is declared present by the chairman of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions being required at the meeting the directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of the Bondholders present at the time at which the vote is being taken, and any Bondholders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote shall not be taken into account for the purpose of such vote.
- 8.11.7** The voting process shall be managed by the company secretary of the Issuer under the supervision and scrutiny of the auditors of the Issuer.
- 8.11.8** The proposal placed before a meeting of Bondholders shall only be considered approved if at least seventy-five per cent (75%) in nominal value of the Bondholders present at the meeting at the time when the vote is being taken, in person or by proxy, shall have voted in favour of the proposal.
- 8.11.9** Save for the above, the rules generally applicable to proceedings at general meetings of shareholders of the Issuer shall *mutatis mutandis* apply to meetings of Bondholders.

8.12 Authorisations & Approvals

- 8.12.1** The board of directors of the Issuer authorised the Bond Issue pursuant to a board of directors' resolution passed on 25 September 2019.
- 8.12.2** The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 7 October 2019.
- 8.12.3** Application has been made to the MSE for the Bonds being issued pursuant to this Prospectus to be listed and traded on the Official List.
- 8.12.4** The Bonds are expected to be admitted to the MSE with effect from 5 November 2019, and trading is expected to commence on 8 November 2019.

8.13 Issue Date

The Issue Date of the Bonds is expected to be 5 November 2019.

8.14 Transferability of the Bonds

- 8.14.1** The Bonds are freely transferable and once admitted to the Official List of the MSE shall be transferable in whole in accordance with the rules and regulations of the MSE applicable from time to time and in accordance with the following requirements: trading in the EUR Bonds and GBP Bonds shall take place on the MSE in multiples of €1,000 and £1,000 respectively subject to the retention of a minimum holding of €25,000 (or £20,000, as applicable) by each individual holder of the EUR Bonds or GBP Bonds, which shall be maintained at all times throughout such holder's investment in the respective type of Bond; and if EUR Bonds and GBP Bonds are held by financial intermediaries on behalf of clients under one or more nominee accounts, the minimum holding of €25,000 (or £20,000, as applicable) shall apply to each underlying beneficial owner.
- 8.14.2** Any person becoming entitled to a Bond in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may from time to time properly be required by the Issuer or the CSD, elect either to be registered himself as holder of the Bond or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the CSD, a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by transferring the Bond, or procuring the transfer of the Bond, in favour of that person.
- 8.14.3** All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.
- 8.14.4** The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the Issuer.
- 8.14.5** The Issuer will not register the transfer or transmission of Bonds for a period of 15 days preceding the due date for any payment of interest on the Bonds.
- 8.14.6** Any licensed financial intermediary effecting a transfer of Bonds in the secondary market shall be required to carry out an Appropriateness Test and, if providing advice, a Suitability Test, in respect of the transferee, and be satisfied, based on the results of such test (or tests, as applicable), that an investment in the Bonds may be considered appropriate and/or suitable (as applicable) for such transferee.

8.15 Taxation

8.15.1 General

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

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

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

8.15.2 Malta tax on interest

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

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

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

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

8.15.3 Exchange of Information

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

8.15.4 Malta capital gains on transfer of the Bonds

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

8.15.5 Duty on documents and transfers

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

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

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

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

8.16 Further Issues

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

8.17 Event of Default

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

8.18 Limited Recourse

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

8.19 Plan of Distribution

The EUR Bonds are open for subscription during the Offer Period by: (i) holders of Existing Bonds designated in the EUR currency applying for EUR Bonds by Exchangeable Bond Transfer, by submitting the appropriate Application Form to an Authorised Financial Intermediary, up to the number of EUR Bonds representing the nominal value of Existing Bonds held by them as at the Cut-Off Date; (ii) holders of Existing Bonds applying for Excess, by completing the relevant section of the Application Form submitted to an Authorised Financial Intermediary and by remitting the Excess Cash Top-Up to the Issuer and (iii) Authorised Financial Intermediaries either for their own account or on behalf of clients. The foregoing is subject to the minimum holding requirement applicable to each individual subscriber (or underlying client, as applicable), that is a minimum holding of €25,000 in EUR bonds per Bondholder.

The GBP Bonds are open for subscription by: (i) holders of Existing Bonds designated in the GBP currency applying for GBP Bonds by Exchangeable Bond Transfer, by submitting the appropriate Application Form to an Authorised Financial Intermediary, up to the number of GBP Bonds representing the nominal value of Existing Bonds held by them as at the Cut-Off Date; (ii) holders of Existing Bonds applying for Excess, by completing the relevant section of the Application Form submitted to an Authorised Financial Intermediary and by remitting the Excess Cash Top-Up to the Issuer; and (iii) Authorised Financial Intermediaries either for their own account or on behalf of clients. The above is subject to the minimum holding requirement applicable to each individual subscriber (or underlying client, as applicable), that is a minimum holding of £20,000 in GBP bonds per Bondholder.

In the event that the holders of Existing Bonds are successfully allocated Bonds pursuant to an Exchangeable Bond Transfer, the Issuer will remit the Existing Bondholder Cash Payment to the holder of the Existing Bonds to the account designated by the relevant Bondholder in the applicable section of the Application Form.

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

The allocation of the Bonds is subject to the allocation policy of the Issuer set out in Section 10 of this Securities Note.

8.20 Allotment Results

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

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

9. INTERMEDIARIES' OFFER

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

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 trading on the Official List. The subscription agreements will become binding on each of the Issuer and the Authorised Financial Intermediaries upon delivery, provided that these intermediaries would have paid to the Issuer all subscription proceeds in cleared funds on delivery of the subscription agreement.

The obligation of the Issuer to allocate Bonds in terms of the subscription agreement is further subject to the allocation policy described in section 10 of this Securities Note.

Authorised Financial Intermediaries subscribing for Bonds may do so for their own account or for the account of underlying customers, which in addition to retail customers may include Existing Bondholders applying for Bonds during the Offer Period as part of the Intermediaries' Offer, and shall in addition be entitled to distribute any portion of the Bonds subscribed for upon commencement of trading.

10. ALLOCATION POLICY

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

- i. An aggregate amount of €25,000,000 in Bonds shall be available for subscription by Existing Bondholders applying for Bonds by way of Exchangeable Bond Transfer and Excess, without priority or preference amongst themselves. In the event that subscriptions by Existing Bondholders as aforesaid are less than €25,000,000, any amount of Bonds not subscribed for will be available for subscription pursuant to point (ii) below;
- ii. An aggregate amount of €10,000,000 in Bonds shall be available for subscription by Applicants by virtue of the Intermediaries' Offer. In the event that subscriptions by Applicants as aforesaid are less than €10,000,000, any amount of Bonds not subscribed for will be available for subscription pursuant to point (i) above limitedly insofar as application for Excess by Existing Bondholders is concerned

In the event that Applications exceed the amount available for subscription in terms of points (i) and (ii) above, the Issuer acting together with the Registrar shall scale down Applications (subject to a minimum allocation of €25,000 per Application in the case of EUR Bonds and £20,000 in the case of GBP Bonds) in accordance with its allocation policy, and the subscription monies of any unsatisfied Applications or part thereof shall be returned by direct credit transfer to the account number indicated on the respective Application Form within five (5) Business Days from the announcement of basis of acceptance.

In the event that the Bond Issue is subscribed for in an amount lower than €35,000,000 but equal to or greater than €25,000,000 (in either case taking into account the aggregate of Exchangeable Bond Transfers and any funds raised by way of Excess and, or the Intermediaries' Offer), then all Applications shall be satisfied in full.

In the event that the Bond Issue is subscribed for in an amount lower than €25,000,000 (taking into account the aggregate of Exchangeable Bond Transfers and any funds raised by way of Excess and, or the Intermediaries' Offer), then no Bonds shall be allocated.


11. ADMISSION TO TRADING

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

12. EXPECTED TIMETABLE

APPLICATION FORMS MAILED TO EXISTING BONDHOLDERS AND AUTHORISED FINANCIAL INTERMEDIARIES	14 October 2019
OFFER PERIOD	12:00 pm on 14 October 2019 and 12:00 pm on 23 October 2019, both days included.
INTERMEDIARIES' OFFER	12:00 pm on 14 October 2019 and 12:00 pm on 23 October 2019, both days included.
ANNOUNCEMENT OF BASIS OF ACCEPTANCE	25 October 2019.
COMMENCEMENT OF INTEREST ON THE BONDS	5 November 2019.
REFUNDS FOR UNALLOCATED BONDS	5 November 2019.
EXPECTED DATE OF NOTIFICATION OF REGISTRATION	5 November 2019.
EXPECTED DATE OF ADMISSION TO TRADING	5 November 2019.
EXPECTED DATE OF COMMENCEMENT OF TRADING	8 November 2019.

ANNEX I – SPECIMEN APPLICATION FORMS

 Think ahead. Bank ahead.	MEDIRECT BANK (MALTA) P.L.C. €35,000,000 4% UNSECURED SUBORDINATED BONDS 2024 – 2029		APPLICATION FORM	
			APPLICATION NUMBER	
Please read the notes overleaf before completing this Application Form. Mark 'X' where applicable.				
A. APPLICANT <small>(see notes 2 to 7)</small>				
		I.D. CARD / PASSPORT	MSE A/C NO.	
DOCUMENT TYPE		COUNTRY OF ISSUE	DATE OF BIRTH	NATIONALITY
LEI <small>(for non-individual applicants)</small>		TEL. NO.		MOBILE NO.
<input type="checkbox"/> PLEASE REGISTER ME FOR E-PORTFOLIO <small>(mobile number is mandatory for e-portfolio registration)</small>				
B. ADDITIONAL (JOINT) APPLICANTS <small>(see note 3)</small> <small>(please use Addendum to Application Form if space is not sufficient)</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) <small>(see note 4) (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	
DI. I/WE APPLY TO PURCHASE AND ACQUIRE – EXCHANGEABLE BOND TRANSFER <small>(see note 8)</small>				
<p>This Application Form is not transferable and entitles you to a preferential treatment as holder of MeDirect Bank (Malta) p.l.c 6% Subordinated 2019 - 2024 (EUR and GBP) (the "Existing Bonds") and is to be submitted as a method of payment where the Applicant elects to apply for MeDirect Bank (Malta) p.l.c . 4% Unsecured Subordinated Bonds 2024-2029 so as to transfer to the Issuer all of the holding in the Existing Bonds, held by the Applicant as at 11th October 2019 (the "Cut-Off Date"), the nominal value of which is set out in Box 1 of Panel D hereunder. By submitting this signed Application Form, Eligible Applicants shall be deemed to:</p> <ul style="list-style-type: none"> (i) cause the transfer of the said EUR Existing Bonds in the Issuer's name in consideration of the issue of EUR Bonds; (ii) cause the transfer of the said GBP Existing Bonds in the Issuer's name in consideration of the issue of GBP Bonds and (iii) 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 EUR Bonds or GBP Bonds in the Applicant as applicable. 				
BOX 1 – Nominal Value of Existing Bonds		BOX 1 AMOUNT IN FIGURES <small>(circle applicable currency)</small>		
AMOUNT IN WORDS		€ / £		
BOX 2 - I/We wish to purchase and acquire the amount set out in Box 2 in 4% Unsecured Subordinated Bonds 2024-2029 at the Bond Issue Price (at par) (minimum €25,000/£20,000 and in multiples of € / £ 1000 thereafter) pursuant to the Prospectus dated 7 October 2019 ("Prospectus"). AMOUNT INCLUDED IN BOX 2 CANNOT BE LESS THAN THE MINIMUM REQUIRED (€25,000/£20,000). ANY AMOUNT PURCHASED AND ACQUIRED SHALL BE IN THE CURRENCY OF THE EXISTING BOND.		BOX 2 AMOUNT IN FIGURES <small>(circle applicable currency)</small>		
AMOUNT IN WORDS		€ / £		
BOX 3 - Payment of Cash Top-Up. Amount of Bonds applied for less the nominal holding in Existing Bonds payable in full upon Application under the Terms and Conditions of the Bond set out in the Prospectus. ie to the respective Authorised Financial Intermediary. <i>(Difference payable on Application Box 2 minus Box 1)</i>		BOX 3 AMOUNT IN FIGURES <small>(circle applicable currency)</small>		
AMOUNT IN WORDS		€ / £		

Notes on how to complete this Application Form and other information

The following notes are to be read in conjunction with the Prospectus dated 7 October 2019 regulating the Bond Issue

1. This Application is governed by the general Terms and Conditions of Application contained in Section 8 of the Securities Note dated 7 October 2019 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. For the **Exchangeable Bond Transfer** the MSE account number pertaining to the Applicant has been pre-printed in Panel A and reflects the MSE account number on the Issuer's Register at the CSD as at 11th October 2019 with respect to the Subordinated Bondholders. 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 person whose name appears in Panel A shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (vide note 6 below).**

For the **Intermediaries' Offer** Panel A is to be completed with the details of the new Applicant. If the application 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 person whose name appears in Panel A 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 B), 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 details 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 MSE account. 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. APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED BY THE MALTA STOCK EXCHANGE IN THE MSE ACCOUNT NUMBER 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 the space provided in Panel C of the Application Form.
8. Applications must be for a minimum subscription of €25,000/£20,000 and thereafter in multiples of €1,000/£1,000 and must be accompanied by the relevant subscription amount in Euro/Pound Sterling. TRADING IN THE BONDS SHALL TAKE PLACE ON THE MALTA STOCK EXCHANGE IN MULTIPLES OF €1000/£1,000 AND SHALL BE SUBJECT TO THE RETENTION TO A MINIMUM HOLDING OF €25,000 / £20,000. IT IS THE RESPONSIBILITY OF EACH AUTHORISED FINANCIAL INTERMEDIARY TO ENSURE THAT APPLICATIONS FOR SUBSCRIPTION OF BONDS MADE UNDER NOMINEE AS WELL AS WHEN THE BONDS ARE TRADED ON THE SECONDARY MARKET, THE MINIMUM HOLDING OF €25,000 / £20,000 SHALL APPLY TO EACH BENEFICIAL OWNER.
9. 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 (having indicated their status in the appropriate box in Panel A) will have final withholding tax (currently 10%), deducted from interest payments.

In terms of Section 8.15.2 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).

10. 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 9 and 10 above do not constitute tax advice by the Issuer and Applicants are to consult their own independent tax advisers in case of doubt.

11. Interest 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.

12. The Offer Period will open at 12:00 hours on 14th October 2019 and will close at 12:00 hours on 23 October 2019. Completed Application Forms are to be delivered to any Authorised Financial Intermediary listed in Annex I of the Securities Note during normal office hours. Remittances by post are made at the risk of the Applicant and the Company 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.
13. 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 Bonds are complex financial instruments and may not be suitable for all types of retail investors. A potential investor should not invest in the Bonds unless:

- i. **He/She has the necessary knowledge and experience to understand the risks relating to this type of financial instruments;**
- ii. **The Bonds meet the investment objectives of the potential investor; and**
- iii. **Such potential investor is able to bear the investment and financial risks which result from investment in the Bonds.**

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

LIST OF FINANCIAL INTERMEDIARIES

NAME	ADDRESS	TELEPHONE
APS Bank PLC	'APS Centre' Tower Street Birkirkara BKR4012	2560 3273
Bank of Valletta p.l.c	BOV Centre, Cannon Road, Zone 4, Central Business District, Santa Venera CBD 4060	22751732
Calamatta Cuschieri Investment Services Ltd	Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034	25688688
Curmi & Partners Ltd.	Finance House, Princess Elizabeth Street, Ta Xbiex XBX 1102	21347331
Financial Planning Services Ltd	4, Marina Court, G Cali Street, Ta Xbiex XBX 1421	21344244
FINCO Treasury Management Ltd.	The Bastions Office No. 2 Emvin Cremona Street Floriana FRN 1289	21220002
Hogg Capital Investments Limited	Nu Bis Centre Mosta Road Lija LJA 9012 Malta	21322872
Jesmond Mizzi Financial Advisors Ltd	67, Level 3, South Street Valletta, VLT1105	21224410
Lombard Bank Malta plc.	67, Republic Street, Valletta, VLT1117	25581806
MeDirect Bank (Malta) plc	The Centre, Tigne' Point, Sliema, TPO 0001	25574400
Michael Grech Financial Investment Services Limited	The Brokerage, Level 0 A, St Marta Street, Victoria, Gozo VCT 2550	22587000
MZ Investment Services Ltd.	63 St Rita Street Rabat RBT1523	21453739
Rizzo Farrugia & Co (Stockbrokers) Ltd.	Airways House, Fourth Floor, High Street, Sliema SLM 1551	25583000

