<u>Addendum 1</u>

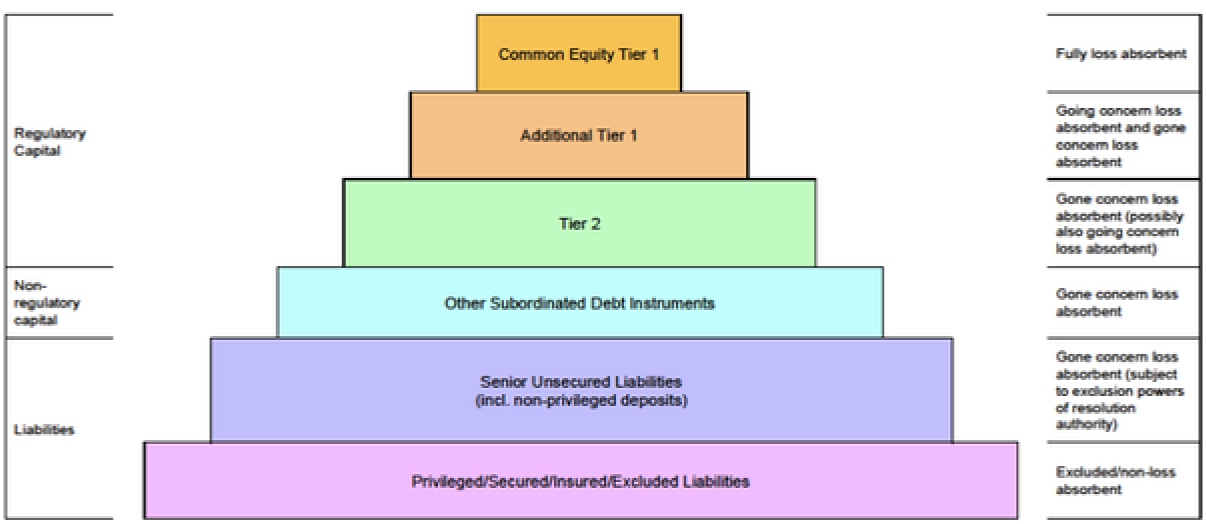
<u>Important Notes for Retail Clients regarding subordinated debt falling under the BRRD resolution regime (BONDS ELIGIBLE FOR "BAIL-IN")</u>

1. What is Subordinated Debt?

Subordinated debt generally refers to debt securities that have a secondary or lesser claim to the issuer's assets than more senior debt, should the issuer default on its obligations. In fact, there are also levels of subordinated debt, with senior subordinated debt having a higher claim to repayment than junior subordinated debt.

2. Where does this debt rank in case of default?

Depending on the particular tranche, the notes are debt obligations of the Issuer and constitute the Issuer's subordinated and unsecured obligations and shall at all times rank pari passu, without any priority or preference among themselves and with other subordinated debt. <u>Thus the Notes rank after other outstanding, unsubordinated and unsecured obligations of the Issuer, present and future</u>. Additional information can be found on the prospectus governing the notes.



3. What is the increased risk?

The risk associated with subordinated debt increases as the priority of the debt becomes lower. For this reason, it is important for investors to consider the Issuer's solvency as well as other obligations in order to evaluate the risk should the Issuer be forced to liquidate.

4. What is meant by Complex Instruments?

Financial instruments are categorised as “complex” and “non-complex”. The “non-complex” category includes plain vanilla (simple) instruments which are easily understood by Retail investors. The “complex” category refers to financial instruments that contain more intricate features and/or structures which add risk to the investor who might find it harder to understand the complexity of such instruments. In this regard, one should only invest in these type of instruments if adequate knowledge and investment experience is confirmed to enable the retail investor understands such instruments.

5. Why is the note categorised to be a complex instrument?

Besides the Subordinated added risks highlighted above, the note carries also the “bail-in” feature. This allows the notes to be converted into ordinary shares or written down on a permanent basis in case of the Issuer (Bank) failing.

6. Why is the “bail-in” featured in the prospectus of these Notes?

The Bank Resolution and Recovery Directive (BRRD) provides 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 Notes). 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.

7. Probability of failure the Issuer

The extent to which the Notes 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 the Notes’ 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 Notes 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 Notes may be partially or fully converted into tier 1 capital to recapitalise the Issuer.

8. Other Risks involved

Investors should read the prospectus and refer specifically to other risks associated with the Issuer and the investment.

9. What is an Appropriateness and Suitability Assessment

Prior to accepting instructions to execute orders, at the initiative of the client, in subordinated debt falling under the BRRD resolution, Calamatta Cuschieri is required to assess whether the Note is appropriate for the investor. This can be assessed by checking whether the investor has the necessary knowledge vis a vis the Note and previous experience in complex instruments to enable them understand better this investment.

If advisory services are requested, the suitability of the instrument vis a vis the investor's particular circumstances needs to be assessed prior to offering financial advice on the Note. This means that investors need to disclose personal information treated as confidential, including

- Knowledge and experience
- Financial information
- Investment objectives

If investors have no investment experience in complex instruments, they are discouraged to participate in these instruments. The same applies if the necessary information required for assessment is not disclosed.

Clients Confirmations

I/we understand the brief above, the complexity and risk features of the "bail-in" and confirm that a copy of this brief together with a copy of the prospectus/supplement has been handed to me/us

Signatures: ____

Date: