

Please read this information carefully. If you require any further clarifications in relation to potential impact on your investment portfolio, please contact our Private Banking Department (telephone: (+356) 21 335 705; e-mail: enquiries@sparkasse-bank-malta.com). Alternatively you are welcome to set up an appointment with one of our Investment Advisors.

We are hereby providing you with the following important disclosures in respect of certain debt instruments issued by a local or foreign financial institutions.

Such disclosures are necessary following the coming into effect of the main provisions of the Banking Recovery and Resolution Directive ('BRRD' or the 'Directive'), on 1 January 2015. Specific financial instruments taken up by investors prior to that date will also be impacted by this Directive.

What is the BRRD?

This Directive came into force on the 2 July 2014 and the main provisions were applicable with effect from 1 January 2015. This Directive introduced a bank recovery and resolution regime which provides resolution authorities with a set of tools which may be used when banks are judged to be failing or likely to fail. One such tool may involve the conversion of a distressed or failed bank's subordinated and/or senior debt instruments into shares and/or the partial or full write down of such instruments. The main purpose of bail-in is to stabilise a failing bank so that its essential services can continue, without the need for bail-out by public funds.

What financial instruments will bail-in apply to and in what order?

Bail-in will potentially apply to any liabilities of the institution which are not backed by assets or collateral. A potential write down of unsecured instruments would follow the ordinary allocation of losses and ranking in insolvency. The impact on you as an investor depends on the rank of the liability / type of instrument in the resolution creditor hierarchy. For instance, if you have invested in subordinated debt instruments, you will be in a less favourable position than investors holding a senior debt instrument, and investors in unsecured debt instruments will be in a less favourable position compared to holders of deposits that are protected by a deposit guarantee scheme.

What are the implications of the BRRD on you as an investor/bondholder?

Resolution in terms of this Directive, may potentially affect those financial instruments which you hold and which are not secured by assets or collateral. These financial instruments have been indicated at the beginning of this communication.

What this means is that since the financial instruments held by yourself (as above indicated), are unsecured, these instruments may be subject to the resolution regime, including bail-in if the issuer of those instruments becomes subject to bail-in procedures if judged to be failing or likely to fail. Therefore, you may suffer losses on your investment due to the 'bail-in-able' feature of the instruments above indicated. In the event of resolution, it is possible that the issuing bank may not be able to meet its obligations to investors in full, payments may be suspended, the outstanding amount of unsecured instruments may be reduced to zero or the instruments may be converted into shares.