

Bank of Valletta Plc

Unsecured & Subordinated 5.00% 2030-2035 Series 2 Tranche 1

Salient Details

OFFEROR & ISSUER	Bank of Valletta Plc
CREDIT RATING	Issue not Rated. However, BOV long term credit rating for senior ordinary debt assigned by Fitch and S & P is BBB with a stable outlook. The security being issued is subordinated and typically subordinated securities would attract a credit rating that is one notch or two lower than that for senior debt in view of the substantially higher risk involved.
CURRENCY	Euro
ISSUE SIZE	€ 100 million - over-allotment option additional € 50 million
OFFER PRICE	100% at par
MINIMUM INVESTMENT	€ 10,000 minimum plus addition in multiples of € 100 thereafter
COUPON INTEREST RATE	5.00% per annum
MINIMUM HOLDING & SUITABILITY TEST REQUIREMENT:	Additionally, in accordance with the Bank Resolution and Recovery Directive II of the European Union as transposed in Malta by the Malta Financial Services Authority, all applications, including Purchase Orders at client's initiative and on an Execution Only basis, are still subject to a Suitability Test performed by a licensed investment services provider that finds the proposed purchase to be Suitable for client's circumstances
CATEGORY OF RISK:	<p>The Bonds are debt obligations of the Issuer and constitute the Issuer's general, direct unconditional, subordinated and unsecured obligations and shall at all times rank pari passu, without any priority or preference among themselves and with other subordinated obligations of the Issuer. Thus, the Bonds rank after other outstanding, unsubordinated and unsecured obligations of the Issuer. This is a High-Risk Security in view of its Subordinated nature and the Risk of being lost in the event of a Bail-In or the bank being in financial difficulties or in case of insolvency proceedings.</p> <p>This subordinated bond is a complex and high risk security.</p>
PREFERRED APPLICANTS:	BOV shareholders & Existing Subordinated Bond holders
MATURITY	Not earlier than 2030 but not later than 2035
LISTING	Official List – Malta Stock Exchange
OFFER OPENS - CLOSSES	Opens: 9th June 2025: Closes 27 th June 2025 or earlier if oversubscribed

Purpose of the Issue and Use of Proceeds

The net proceeds from the Bonds to be issued under these Final Terms will be used to further strengthen the regulatory MREL (Minimum Requirement for Eligible Liabilities) and/or capital base of the Group, as the case may be, which will allow the Issuer to increase its lending book and expand the investment horizon of its proprietary investments, and for the general financing purposes of the Group

Specific Risk Features of Subordinated Bonds of Banks

The risk of subordinated bonds of banks is – particularly as a result of the EU Directive under the title European Recovery and Resolution Directive which aim was to avoid Governments and taxpayers bailing out banks in case of insolvencies - substantially higher than that of ordinary senior bonds and even more so when compared to bank deposits. This is especially so in case of a bank that would encounter financial difficulties in which event subordinated bonds are the first type of security that would be liable to a bail-in and may be cancelled and lost. In view of the higher risk involved and the complexity of this type of financial instrument, the law provides that all applications, including Execution-Only Purchase Orders, are subject to a Suitability Test in order to ensure that the purchase is in line with the client's financial objectives and risk attitude, their knowledge and experience, and their ability to bear losses.

Status & Security

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. Thus, the Notes rank after other outstanding, unsubordinated and unsecured obligations of the Issuer, present and future. This applies both in a bankruptcy as well as in circumstances of financial difficulties of the Bank that trigger a bail-in.

Interest Rate Risk

This is a potentially 10 - year security. Hence it carries higher interest rate risk than shorter debt in view of the higher fluctuations expected as a natural consequence. Increases in interest rates might have a severe downward effect on the market prices of such longer dated securities in the secondary market and vice-versa.

GENERAL REMARKS & FINCO OBSERVATIONS

This circular does NOT constitute any personalised recommendation to any recipient of this Circular.

Finco shall agree to act as intermediary in the selling of the bond in the following circumstances:

- i. On a client taking the initiative himself to approach us and instructing us accordingly (Execution Only), but in any case, subject to a successful Suitability Test on Finco's part; or
- ii. If a client requests our opinion, we might give a personalised recommendation, obviously if a successful Suitability Test is made; or
- iii. Finco may also take the initiative to advise its existing clients to purchase this security where Finco enjoys an Advisory or Discretionary Mandate and Finco considers such a security as Suitable to their circumstances.

The EU BRRD Directive 2014/59/EU, as amended by Directive EU 2019/879, provides that:

- iv. a subscription to subordinated bonds and bailinable securities require a minimum investment of €10,000;
- v. subscriptions by retail clients are subject to a successful Suitability Test performed by a licensed investment services provider; and
- vi. a portfolio concentration risk avoidance mechanism for retail clients whose portfolio does not exceed €500,000 that ensures that overall client exposure to subordinated and bailinable debt (including already existing holdings in subordinated debt of BOV or other Banks) does not exceed 10% of his total portfolio investments and liquid assets.

Malta as an EU Member State has opted not to implement requirement (3) of the EU BRRD Directive. However, it is strongly recommended that clients should still abide by this prudent parameter in (3) unless they are knowledgeable and sophisticated investors who understand the risk involved and who have sufficient capital loss absorption capacity in case of a resolution of the Bank and the consequent loss of capital.

Application Procedures

Any clients interested in applying for this bond are kindly requested to contact our offices as soon as possible.

Availability of Prospectus

The Prospectus issued by Issuer is available at our offices for whoever is interested to have one. In this connection, those interested may call at our offices to collect a copy or otherwise contact us so we may forward same to them.

This mail circular or web site announcement is a general communication addressed to a wide audience, including all clients of Finco. It is not a personalised communication and therefore does not take into account the specific circumstances of a particular client and it does not constitute advice.

This document has been prepared by Ivan Grech, Director, Finco Treasury Management Ltd, based on the prospectus dated 11th October 2024 and is intended solely for distribution to its clients.

Although every effort has been made to ensure the reliability, accuracy and completeness of this information, users should be aware that some of the contents of this circular may have been obtained from external sources and, consequently, Finco Treasury Management Limited assumes no responsibility arising from any reliance placed upon such information by any user.

Investors should consider the full text of the Prospectus, including all risk factors listed therein, which Prospectus is available at our offices for anyone interested therein. In any case Finco Treasury Management Ltd is disclaiming any responsibility arising from any reliance placed upon information contained in this communication.