



Merkanti Holding  
p.l.c

# PROSPECTUS

DATED: 25 JULY 2022

**Listing of 16,673,333 Ordinary A Shares  
each having a nominal value of €3.00**

Sponsor

**CURMI &  
PARTNERS**

Legal Counsel

**ganado**  
*advocates*



# PROSPECTUS

DATED: 25 JULY 2022

**Listing of 16,673,333 Ordinary A Shares each having  
a nominal value of €3.00 (ISIN: MT0002290113) on the  
Malta Stock Exchange by:**



**Merkanti Holding**  
p.l.c

a public limited liability company registered under the laws of Malta  
with company registration number C 70823 and with its registered office situated at  
Aragon House Business Centre, Dragonara Road, St. Julians STJ 3140, Malta

**THIS PROSPECTUS HAS BEEN APPROVED BY THE MFSA, WHICH IS THE COMPETENT AUTHORITY IN MALTA FOR THE PURPOSES OF THE PROSPECTUS REGULATION. THE COMPETENT AUTHORITY HAS ONLY APPROVED THIS PROSPECTUS AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY IMPOSED BY THE PROSPECTUS REGULATION AND SUCH APPROVAL SHOULD NOT BE CONSIDERED AS AN ENDORSEMENT OF COMPANY OR OF THE QUALITY OF THE SHARES.**

**THE MFSA ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THIS 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 THIS PROSPECTUS INCLUDING ANY LOSSES INCURRED BY INVESTING IN THE SHARES.**

**A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY FINANCIAL INSTRUMENTS. PROSPECTIVE INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE SHARES AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH THEIR OWN INDEPENDENT FINANCIAL ADVISERS.**

**THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF SHARES TO THE PUBLIC, BUT DESCRIBES THE SHARES WHOSE ADMISSION TO LISTING HAS BEEN APPROVED BY THE MFSA.**

Sponsor

**CURMI &  
PARTNERS**

Legal Counsel

**ganado**  
*advocates*

Approved by the directors of the Company



Mario Galea

As Director of the Company and on behalf of each of Silke Stenger, Samuel Morrow, Benjamin Muscat and Martin Ware

## Important Information

THIS PROSPECTUS CONTAINS INFORMATION ON THE COMPANY AND THE SHARES IN ACCORDANCE WITH THE REQUIREMENTS OF THE CAPITAL MARKETS RULES, THE COMPANIES ACT AND THE PROSPECTUS REGULATION.

THIS PROSPECTUS HAS BEEN FILED WITH THE COMPETENT AUTHORITY IN SATISFACTION OF THE CAPITAL MARKETS RULES, WITH THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS AND WITH THE MALTA BUSINESS REGISTRY IN ACCORDANCE WITH THE COMPANIES ACT. THIS PROSPECTUS IS PUBLISHED IN ELECTRONIC FORM ON THE WEBSITE OF THE COMPETENT AUTHORITY AND IS ALSO AVAILABLE, IN PRINTED FORM, FREE OF CHARGE, FROM THE REGISTERED OFFICE OF THE COMPANY.

**THE COMPETENT AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THE SHARES TO LISTING ON THE OFFICIAL LIST OF THE MALTA STOCK EXCHANGE, WHICH MEANS THAT THE SHARES ARE IN COMPLIANCE WITH THE CAPITAL MARKETS RULES. IN PROVIDING THIS AUTHORISATION, THE COMPETENT AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS OF INVESTING IN THE SHARES AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN THE SHARES.**

INVESTING IN THE SHARES INVOLVES CERTAIN RISKS AND SPECIAL CONSIDERATIONS. A NUMBER OF RISK FACTORS RELATING TO THE COMPANY AND THE SHARES ARE SET OUT IN SECTION 1 BELOW, AND PROSPECTIVE INVESTORS ARE ENCOURAGED TO READ THEM CAREFULLY. PROSPECTIVE INVESTORS ARE ENCOURAGED TO SEEK ADVICE FROM A LICENSED STOCKBROKER OR AN INVESTMENT ADVISOR LICENSED UNDER THE INVESTMENT SERVICES ACT.

THIS PROSPECTUS IS TO BE READ IN ITS ENTIRETY AND CONSTRUED IN CONJUNCTION WITH ANY SUPPLEMENT HERETO AND ANY DOCUMENTS THAT ARE INCORPORATED HEREIN BY REFERENCE.

THE COMPANY CONFIRMS THAT (I) THIS PROSPECTUS CONTAINS ALL MATERIAL INFORMATION WITH RESPECT TO THE COMPANY; (II) THE INFORMATION CONTAINED HEREIN IN RESPECT OF THE COMPANY AND THE SHARES IS ACCURATE IN ALL MATERIAL RESPECTS AND IS NOT MISLEADING; (III) ANY OPINIONS AND INTENTIONS EXPRESSED HEREIN ARE HONESTLY HELD AND BASED ON REASONABLE ASSUMPTIONS; (IV) THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT, WHETHER FACT OR OPINION, IN THIS PROSPECTUS MISLEADING IN ANY MATERIAL RESPECT; AND (V) ALL REASONABLE ENQUIRIES HAVE BEEN MADE TO ASCERTAIN ALL FACTS AND TO VERIFY THE ACCURACY OF ALL STATEMENTS CONTAINED HEREIN.

NO PERSON HAS BEEN AUTHORISED TO GIVE ANY INFORMATION, ISSUE ANY ADVERTISEMENT OR MAKE ANY REPRESENTATION WHICH IS NOT CONTAINED OR CONSISTENT WITH THIS PROSPECTUS OR ANY OTHER DOCUMENT PRODUCED IN RELATION TO THE SHARES AND, IF GIVEN OR MADE, SUCH INFORMATION, ADVERTISEMENT OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE COMPANY.

NONE OF THE ADVISORS OR ANY PERSON MENTIONED IN THIS PROSPECTUS, OTHER THAN THE COMPANY AND ITS DIRECTORS, SHALL BE RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS PROSPECTUS, IN ANY SUPPLEMENT, AND IN ANY DOCUMENTS INCORPORATED BY REFERENCE, AND ACCORDINGLY, TO THE EXTENT PERMITTED BY THE LAWS OF ANY RELEVANT JURISDICTION, NONE OF THESE PERSONS ACCEPTS ANY RESPONSIBILITY AS TO THE ACCURACY AND COMPLETENESS OF THE INFORMATION CONTAINED IN ANY OF THESE DOCUMENTS.

ALL THE ADVISORS TO THE COMPANY HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE COMPANY IN RELATION TO THIS PROSPECTUS AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION OR RESPONSIBILITY TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE CONTENTS OF AND ANY INFORMATION CONTAINED IN THE PROSPECTUS, ITS COMPLETENESS OR ACCURACY OR ANY OTHER STATEMENT MADE IN CONNECTION THEREWITH. EACH PERSON RECEIVING THIS PROSPECTUS ACKNOWLEDGES THAT SUCH PERSON HAS NOT RELIED ON ANY OF THE ADVISORS IN CONNECTION WITH ITS INVESTIGATION OF THE ACCURACY OF SUCH INFORMATION OR ITS INVESTMENT DECISION AND EACH PERSON MUST RELY ON ITS OWN EVALUATION OF THE COMPANY AND THE SHARES AND THE MERITS AND RISKS INVOLVED IN INVESTING IN THE SHARES.

EACH PERSON RECEIVING THIS PROSPECTUS ACKNOWLEDGES THAT SUCH PERSON HAS NOT RELIED ON ANY OF THE ADVISORS IN CONNECTION WITH ITS INVESTIGATION OF THE ACCURACY OF SUCH INFORMATION OR ITS INVESTMENT DECISION AND EACH PERSON MUST RELY ON (A) ITS OWN EVALUATION OF THE COMPANY AND THE SHARES AND THE MERITS AND RISKS INVOLVED IN INVESTING IN THE SHARES AND (B) THEIR OWN PROFESSIONAL ADVISORS, AS TO LEGAL, TAX, INVESTMENT OR ANY OTHER RELATED MATTERS CONCERNING THE COMPANY AND WHETHER TO ACQUIRE THE SHARES.

PROSPECTIVE INVESTORS SHOULD NOT TREAT THE CONTENTS OF THE PROSPECTUS AS ADVICE RELATING TO LEGAL, TAXATION, INVESTMENT OR ANY OTHER MATTERS AND SHOULD INFORM THEMSELVES, IN CONSULTATION WITH THEIR INDEPENDENT PROFESSIONAL ADVISORS ON: (A) THE LEGAL, TAX, FINANCIAL AND OTHER REQUIREMENTS FOR THE PURCHASE, HOLDING, TRANSFER OR OTHER DISPOSAL OF SHARES IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE OR DOMICILE; (B) ANY FOREIGN EXCHANGE RESTRICTIONS APPLICABLE TO THE PURCHASE, HOLDING, TRANSFER OR OTHER DISPOSAL OF SHARES WHICH THEY MIGHT ENCOUNTER; AND (C) THE INCOME AND OTHER TAX CONSEQUENCES WHICH MAY APPLY IN THEIR OWN COUNTRIES AS A RESULT OF THE PURCHASE, HOLDING, TRANSFER OR OTHER DISPOSAL OF SHARES.

THE PROSPECTUS AND/OR THE SALE OR DELIVERY OF ANY SHARES MAY NOT BE TAKEN AS AN IMPLICATION THAT (I) THE INFORMATION CONTAINED IN SUCH DOCUMENTS IS ACCURATE AND COMPLETE SUBSEQUENT TO THEIR RESPECTIVE DATES OF ISSUE, (II) THERE HAS BEEN NO ADVERSE CHANGE IN THE FINANCIAL CONDITION OF THE COMPANY SINCE SUCH DATES OR (III) ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE SHARES IS ACCURATE AT ANY TIME SUBSEQUENT TO THE DATE ON WHICH IT IS SUPPLIED OR, IF DIFFERENT, THE DATE INDICATED IN THE DOCUMENT CONTAINING THE SAME.

THIS PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR THE PURPOSES OF AN OFFER, INVITATION OR SOLICITATION TO ANY PERSON (I) IN ANY JURISDICTION IN WHICH SUCH OFFER, INVITATION OR SOLICITATION IS NOT AUTHORISED, (II) IN ANY JURISDICTION IN WHICH ANY PERSON MAKING SUCH OFFER, INVITATION OR SOLICITATION IS NOT QUALIFIED TO DO SO OR (III) TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER, INVITATION OR SOLICITATION. THE DISTRIBUTION OF THIS PROSPECTUS IN CERTAIN JURISDICTIONS MAY BE RESTRICTED AND ACCORDINGLY, PERSONS INTO WHOSE POSSESSION IT IS RECEIVED ARE REQUIRED TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, SUCH RESTRICTIONS.

THE SHARES, ALL THE RIGHTS AND OBLIGATIONS OF THE SHAREHOLDERS AND THE COMPANY, AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH THE SHARES, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH MALTESE LAW. THE COURTS OF MALTA SHALL HAVE EXCLUSIVE JURISDICTION TO SETTLE ANY DISPUTES THAT MAY ARISE OUT OF OR IN CONNECTION WITH THE SHARES, ALL THE RIGHTS AND OBLIGATIONS OF THE SHAREHOLDERS AND/OR THE COMPANY, AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH THE SHARES.

**STATEMENTS MADE IN THIS DOCUMENT ARE (EXCEPT WHERE OTHERWISE STATED) BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THERETO.**

IT IS THE RESPONSIBILITY OF ANY PERSON IN POSSESSION OF THIS DOCUMENT TO INFORM THEMSELVES OF AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAW AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE APPLICANTS FOR THE SHARES SHOULD INFORM THEMSELVES AS TO THE LEGAL, TAX, FINANCIAL AND OTHER REQUIREMENTS OF APPLYING FOR ANY OF THE SHARES AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE OR DOMICILE. APPLICANTS MUST RELY ON THEIR OWN LEGAL ADVISORS, ACCOUNTANTS AND OTHER FINANCIAL ADVISORS AS TO LEGAL, TAX, FINANCIAL OR ANY OTHER RELATED MATTERS CONCERNING THE SHARES.

**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 ADVISORS.**

**THIS PROSPECTUS IS VALID FOR A PERIOD OF 12 MONTHS FROM THE DATE HEREOF. THE OBLIGATION TO SUPPLEMENT THE PROSPECTUS IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES OR MATERIAL INACCURACIES WILL NO LONGER APPLY WHEN THE PROSPECTUS IS NO LONGER VALID.**

# TABLE OF CONTENTS

|  |           |
|--|-----------|
| <b>Important information</b>   | <b>4</b>  |
| <b>Definitions</b>   | <b>10</b> |
| <b>Summary Note</b>  | <b>16</b> |
| <b>1 Risk Factors</b>  | <b>21</b> |
| 1.1 General  | 21        |
| 1.2 Forward Looking Statements   | 21        |
| 1.3 Risks Relating to the Company and the Group  | 22        |
| 1.3.1 <i>Dependence on Subsidiaries</i>  | 22        |
| 1.3.2 <i>Key Person, Recruitment and Retention of Personnel Risk</i>                     | 22        |
| 1.3.3 <i>Dispute and Litigation Risk</i>   | 22        |
| 1.3.4 <i>Operational Risk</i>  | 22        |
| 1.3.5 <i>Reputational Risk</i>   | 22        |
| 1.3.6 <i>Strategic and Business Risk</i>   | 23        |
| 1.3.7 <i>Risks Associated with the Group's Indebtedness</i>                              | 23        |
| 1.4 Risks Relating to Merkanti Bank and its Business                                     | 23        |
| 1.4.1 <i>Bank Regulatory Risk and risks associated with capital adequacy</i>             | 23        |
| 1.4.2 <i>Risks relating to the Subordinated Loan</i>                                     | 24        |
| 1.4.3 <i>Risks relating to the Global Economy and Financial Markets</i>                  | 24        |
| 1.4.4 <i>Data Protection Risk</i>  | 24        |
| 1.4.5 <i>Compliance with Anti-Money Laundering Laws; Failure of Systems and Controls</i> | 25        |
| 1.4.6 <i>Risks relating to Merchant Banking Business</i>                                 | 25        |
| 1.4.7 <i>Risks relating to Large Capital Commitments</i>                                 | 26        |
| 1.4.8 <i>Country Risks</i>   | 26        |
| 1.4.9 <i>Credit Risk</i>   | 26        |
| 1.4.10 <i>Liquidity risk</i>   | 26        |
| 1.4.11 <i>Bank Funding Risks</i>   | 27        |
| 1.4.12 <i>Interest Rate Risks</i>  | 27        |
| 1.4.13 <i>Foreign Exchange Risk</i>  | 27        |
| 1.4.14 <i>Settlement Risk</i>  | 27        |
| 1.4.15 <i>Systemic Risk</i>  | 27        |
| 1.4.16 <i>Risk Management Limitations or Failures</i>                                    | 27        |
| 1.4.17 <i>Risks relating to Projected Growth</i>   | 27        |
| 1.5 Risks Relating to the Property Companies and the German Real Estate                  | 28        |
| 1.5.1 <i>Real Estate Market Risks</i>  | 28        |
| 1.5.2 <i>Tenant and Rental Income Risk</i>   | 28        |
| 1.5.3 <i>Enforcement of Security by the Bondholders</i>                                  | 28        |
| 1.5.4 <i>Exposure to Trends in the German Industrial Sector</i>                          | 28        |
| 1.5.5 <i>Governing Law and Jurisdiction</i>  | 28        |
| 1.6 Risks Relating to the Shares   | 29        |
| 1.6.1 <i>No prior market for the Shares</i>  | 29        |
| 1.6.2 <i>Orderly and Liquid Market</i>   | 29        |
| 1.6.3 <i>Future Share offers and potential Dilution</i>                                  | 29        |
| 1.6.4 <i>Interest Rate Risk</i>  | 29        |
| 1.6.5 <i>Exchange Rate Risk</i>  | 29        |
| 1.6.6 <i>Ranking Risk</i>  | 30        |
| 1.6.7 <i>Changes to Governing Law</i>  | 30        |
| 1.6.8 <i>Liquidity and Volatility Risk</i>   | 30        |
| 1.6.9 <i>Price Risk</i>  | 30        |
| 1.6.10 <i>Suitability of Investment</i>  | 30        |
| 1.6.11 <i>Dividend Payments</i>  | 30        |

|           |   |           |
|-----------|---|-----------|
| <b>2</b>  | <b>Persons Responsible and Statement of Approval</b>  | <b>30</b> |
| 2.1       | Persons Responsible   | 30        |
| 2.2       | Authorisation Statement   | 30        |
| <b>3</b>  | <b>Advisors and Statutory Auditors</b>  | <b>31</b> |
| 3.1       | Advisors  | 31        |
| 3.2       | Statutory Auditors  | 31        |
| <b>4</b>  | <b>The Issuer</b>   | <b>31</b> |
| 4.1       | The Company   | 31        |
| 4.2       | Group Organisational Structure  | 32        |
| <b>5</b>  | <b>Business Overview</b>  | <b>32</b> |
| 5.1       | Business Overview of the Company and the Group  | 32        |
| 5.1.1     | <i>Historical Development and Recent Events</i>   | 32        |
| 5.1.2     | <i>Principal Activities and Markets</i>   | 33        |
| 5.1.3     | <i>Strategy and Objectives</i>  | 34        |
| 5.1.4     | <i>Investments</i>  | 34        |
| 5.1.5     | <i>Regulatory Environment</i>   | 34        |
| 5.2       | Business Overview of Merkanti Bank  | 35        |
| 5.2.1     | <i>Principal Activities of Merkanti Bank</i>  | 35        |
| 5.2.2     | <i>Strategy and Objectives</i>  | 35        |
| 5.2.3     | <i>Overview of Principal Markets and Trend Information</i>                                    | 35        |
| 5.2.4     | <i>Regulatory Environment</i>   | 38        |
| 5.3       | Business Overview of the Property Companies   | 41        |
| 5.3.1     | <i>Principal Activities of the Property Companies</i>   | 41        |
| 5.3.2     | <i>Strategy and Objectives</i>  | 41        |
| 5.3.3     | <i>Description of the German Real Estate</i>  | 41        |
| 5.3.4     | <i>Overview of the German Real Estate Market (Saxony-Anhalt) and Trend Information</i>        | 42        |
| 5.3.5     | <i>Regulatory Environment</i>   | 45        |
| <b>6.</b> | <b>Historical Financial Information</b>   | <b>45</b> |
| <b>7.</b> | <b>Operating and Financial Review</b>   | <b>46</b> |
| 7.1       | Financial Condition   | 46        |
| 7.1.1     | <i>Consolidated Financial Statements</i>  | 46        |
| 7.1.2     | <i>Standalone financial information</i>   | 49        |
| 7.1.3     | <i>Sources of Revenue</i>   | 56        |
| 7.1.4     | <i>Interim financial statements of the Merkanti Group</i>                                     | 56        |
| <b>8.</b> | <b>CAPITAL RESOURCES</b>  | <b>56</b> |
| 8.1       | General   | 56        |
| 8.2       | Working Capital Statement   | 56        |
| 8.3       | Capitalisation and indebtedness   | 57        |
| <b>9.</b> | <b>ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT OF THE COMPANY</b> | <b>58</b> |
| 9.1       | Directors and Officers  | 58        |
| 9.2       | Curriculum Vitae of the Directors   | 58        |
| 9.3       | Conflicts of Interest   | 59        |
| 9.4       | Remuneration and Benefits   | 60        |
| 9.5       | Terms of Office   | 60        |
| 9.6       | Termination Benefits  | 60        |

---

|            |  |           |
|------------|--|-----------|
| <b>10</b>  | <b>Board Committees &amp; Corporate Governance</b>                                 | <b>60</b> |
| 10.1       | Audit Committee  | 60        |
| 10.2       | Compliance with Corporate Governance Requirements                                  | 61        |
| <b>11</b>  | <b>Employees</b>   | <b>61</b> |
| <b>12</b>  | <b>Major Shareholders</b>  | <b>62</b> |
| <b>13</b>  | <b>Related Party Transactions</b>  | <b>63</b> |
| <b>14</b>  | <b>Material Contracts</b>  | <b>64</b> |
| <b>15</b>  | <b>Additional Information</b>  | <b>66</b> |
| 15.1       | Share Capital  | 66        |
| 15.2       | Memorandum and Articles of Association of the Company                              | 67        |
| 15.3       | Dividend policy  | 68        |
| 15.4       | Legal and arbitration proceedings  | 68        |
| <b>16.</b> | <b>Information About The Shares To Be Admitted To Trading</b>                      | <b>68</b> |
| 16.1       | General  | 68        |
| 16.2       | Rights attaching to the Shares   | 69        |
| 16.2.1     | <i>Dividends</i>   | 69        |
| 16.2.2     | <i>Voting rights</i>   | 69        |
| 16.2.3     | <i>Capital distributions</i>   | 69        |
| 16.2.4     | <i>Transferability and restrictions</i>  | 69        |
| 16.2.5     | <i>Pre-emption</i>   | 69        |
| 16.2.6     | <i>Conversion and redemption of Shares</i>   | 70        |
| 16.2.7     | <i>Mandatory takeover bids, squeeze-out and sell-out rights</i>                    | 70        |
| <b>17.</b> | <b>Spin-Off And Admission To Trading</b>   | <b>70</b> |
| <b>18.</b> | <b>Expenses Relating To The Admission To Trading Of The Shares</b>                 | <b>71</b> |
| <b>19.</b> | <b>Taxation</b>  | <b>71</b> |
| 19.1       | General  | 71        |
| 19.2       | Malta Tax on Dividends   | 72        |
| 19.3       | Maltese Tax on Capital Gains on the transfer of the Shares                         | 72        |
| 19.4       | Duty on Documents and Transfers  | 72        |
| 19.5       | Exchange of information  | 72        |
| <b>20.</b> | <b>Third Party Information, Statements by Experts and Declarations of Interest</b> | <b>74</b> |
| <b>21.</b> | <b>DOCUMENTS AVAILABLE FOR INSPECTION</b>  | <b>74</b> |
|            | <b>Annex A: List of Directorships of Directors</b>                                 | <b>77</b> |

---



## Definitions

The following words and expressions shall bear the following meanings, except where the context otherwise requires:

|  |   |
|--|---|
| <b>Altmark Industrie Management Gmbh</b> | previously named Altmark Immobilien Management Gmbh, a private limited liability company registered in line with German Legislation with company registration number HRB5143 Stendal and having its registered office situated at Sanner Str. 2, 39596 Arneburg, Germany.   |
| <b>Banking Act</b>                       | the Banking Act, Chapter 371 of the laws of Malta, as may be amended from time to time;   |
| <b>Board</b>                             | the board of directors of the Company;  |
| <b>Bond Issue</b>                        | the issue of the Bonds pursuant to the Bond Prospectus;   |
| <b>Bonds</b>                             | the €25,000,000 4% secured bonds due 2026 issued by the Company in terms of the Bond Prospectus;  |
| <b>Bonds Trust Deed</b>                  | the Merkanti Holding Bonds Trust Deed dated 26 June 2019 between the Company, the Property Companies and the Bondholder Trustee, as the same may be amended, replaced or updated from time to time;   |
| <b>Bondholder/s</b>                      | any holder/s of the Bonds from time to time, as evidenced by an electronic entry in the register of Bonds held and maintained by the Malta CSD on behalf of the Company;  |
| <b>Bondholder Trustee</b>                | Equity Wealth Solutions Limited, registered under the laws of Malta with company registration number C 31987, its registered office at 176 Old Bakery Street, Valletta, VLT 1455, and duly authorised to act as a trustee in terms of Article 43(3) of the Trusts and Trustees Act (Chapter 331 of the laws of Malta);  |
| <b>Bond Prospectus</b>                   | the prospectus published by the Company on 18 July 2019;  |
| <b>BRRD</b>                              | Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 providing for the establishment of a European Union-wide framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council, as may be amended from time to time; |
| <b>BRRD II</b>                           | Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC, as may be amended from time to time;   |
| <b>Business Day</b>                      | any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;   |
| <b>CAGR</b>                              | the compound annual growth rate;  |
| <b>Clearstream Banking AG</b>            | the central securities depository operated by Clearstream Banking AG of Mergenthalerallee 61, D-65760 Eschborn, Germany;  |
| <b>Capital Markets Rules</b>             | the Capital Markets Rules issued by the MFSA in respect of the Official List, as amended from time to time;   |
| <b>Companies Act</b>                     | the Companies Act, Chapter 386 of the laws of Malta, as may be amended from time to time;   |

|                                  |  |
|----------------------------------|--|
| <b>Company</b>                   | Merkanti Holding p.l.c., a public limited liability company registered under the laws of Malta with company registration number C 70823 and having its registered office situated at Aragon House Business Centre, Dragonara Road, St. Julians STJ 3140, Malta;  |
| <b>Competent Authority</b>       | the MFSA in its capacity as the competent authority in terms of the MFSA Act authorised to approve prospectuses and admissibility to listing and to monitor and supervise local regulated markets and participants thereof falling within the regulatory and supervisory remit of the MFSA;  |
| <b>Corporate Governance Code</b> | the Code of Principles of Good Corporate Governance set out as Appendix 5.1 to Chapter 5 of the Capital Markets Rules;   |
| <b>CRD IV</b>                    | Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as may be amended from time to time (including by CRD V);  |
| <b>CRD IV Package</b>            | the CRD IV and the CRR;  |
| <b>CRD V</b>                     | Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures;  |
| <b>CRD V Package</b>             | the CRD V and the CRR II;  |
| <b>CRD Packages</b>              | the CRD IV Package and the CRD V Package;  |
| <b>CRR</b>                       | Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, as may be amended from time to time (including by CRR II);   |
| <b>CRR II</b>                    | Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012; |
| <b>CSD Share Register</b>        | the register of Shares held and maintained by the Malta CSD on behalf of the Company;  |
| <b>Directors</b>                 | the directors of the Company;  |
| <b>ECB</b>                       | the European Central Bank;   |
| <b>Euro or €</b>                 | the lawful currency of the Eurozone, being the region comprised of Member States of the European Union that have and continue to adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and by the Treaty of Amsterdam;   |
| <b>FATF</b>                      | the Financial Action Task Force, an inter-governmental body, established by the G7 summit in 1989, the aim of which is to set standards and foster international action against money laundering and funding of terrorism;   |
| <b>FIAU</b>                      | the Financial Intelligence Analysis Unit as established under the Prevention of Money Laundering Act (Chapter 373 of the Laws of Malta);   |

|  |  |
|--|--|
| <b>Financial Instruments</b>                     | the instruments listed in the Second Schedule of the Investment Services Act (Chapter 370 of the Laws of Malta), as amended from time to time;   |
| <b>Financial Markets Act</b>                     | the Financial Markets Act, Chapter 345 of the laws of Malta, as may be amended from time to time;  |
| <b>GDPR</b>                                      | Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC, as may be amended from time to time;                                    |
| <b>Gardaworld CN Ltd</b>                         | Gardaworld CN Ltd., a limited liability company registered under the laws of the Marshall Islands with registration number 105099 with its registered office situated at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960; being a subsidiary of Scully Royalty;                      |
| <b>German Law Mortgage</b>                       | each first ranking (in section III of the German land register) uncertificated land charge (Buchgrundschulden) granted under German law on the relevant German Real Estate;  |
| <b>German Real Estate</b>                        | the German real estate owned by the Property Companies as described in further detail in Section 5.3;  |
| <b>Group</b>                                     | the group of companies of which the Company is the parent company and any subsidiary of the Company, including Merkanti Bank, the Property Companies and Merkanti Diesel, Altmark and MFCR Oriental;   |
| <b>Income Tax Act</b>                            | the Income Tax Act, Chapter 123 of the laws of Malta, as may be amended from time to time;   |
| <b>Investment Services Act</b>                   | the Investment Services Act, Chapter 370 of the laws of Malta, as may be amended from time to time;  |
| <b>Listing</b>                                   | the admission to listing and trading of the Shares on the Official List;   |
| <b>Malta CSD</b>                                 | the central registration system for dematerialised financial instruments in Malta operated by the MSE (of Garrison Chapel, Castille Place, Valletta VLT 1063, Malta) and authorised in terms of the Financial Markets Act;   |
| <b>Malta Stock Exchange or MSE</b>               | Malta Stock Exchange p.l.c., as originally constituted by the Financial Markets Act, bearing company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;  |
| <b>Market Abuse Regulation</b>                   | Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, as may be amended from time to time; |
| <b>Memorandum and/or Articles of Association</b> | the memorandum and/or articles of association of the Company in force at the time of publication of this Prospectus;   |
| <b>Merchants Employees Incentive Corp.</b>       | Merchants Employees Incentive Corp., a company registered under the laws of the Marshall Islands with company registration number 88787 and having its registered address at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH96960, Marshall Islands;  |
| <b>Merkanti (A)</b>                              | Merkanti (A) International Ltd, a private limited liability company registered under the laws of Malta with company registration number C 92495 and having its registered office situated at Aragon House Business Centre, Dragonara Road, St. Julians STJ 3140, Malta;  |

|                              |   |
|------------------------------|---|
| <b>Merkanti (D)</b>          | Merkanti (D) International Ltd, a private limited liability company registered under the laws of Malta with company registration number C 92496 and having its registered office situated at Aragon House Business Centre, Dragonara Road, St. Julians STJ 3140, Malta;   |
| <b>Merkanti Bank</b>         | Merkanti Bank Limited, a credit institution licensed by the MFSA under the Banking Act, and registered as a private limited liability company under the laws of Malta with company registration number C 31608 and having its registered office situated at Aragon House Business Centre, Dragonara Road, St. Julians STJ 3140, Malta;  |
| <b>Merkanti Diesel</b>       | Merkanti Diesel Limited, a private limited liability company registered under the laws of Malta with company registration number C 94239 and having its registered office situated at Aragon House Business Centre, Dragonara Road, St. Julians STJ 3140, Malta;  |
| <b>MFSA</b>                  | Malta Financial Services Authority as established under the MFSA Act;   |
| <b>MFSA Act</b>              | the Malta Financial Services Authority Act (Chapter 330 of the laws of Malta), as may be amended from time to time  |
| <b>MSE Bye-Laws</b>          | the bye-laws of and issued by the MSE, as may be amended from time to time;   |
| <b>Official List</b>         | the list prepared and published by the MSE as its official list in accordance with the MSE Bye-Laws;  |
| <b>Ordinary B Shares</b>     | the ordinary B shares of the Company having a nominal value of €3.00;   |
| <b>Pledges</b>               | the Pledges of Accounts and the Pledges of Shares;  |
| <b>Pledges of Accounts</b>   | the pledges on certain bank accounts of the Property Companies held with Merkanti Bank, constituted in favour of the Bondholder Trustee under the Maltese law pledge of deposited monies agreements entered into on 23 July 2019, and subject to the terms and conditions contained therein, as the same may be amended, varied or supplemented from time to time;  |
| <b>Pledges of Shares</b>     | the pledges of all of the shares held by the Company in each of the Property Companies constituted in favour of the Bondholder Trustee under the Maltese law pledge of shares agreements entered into on 23 July 2019 and the additional share pledge agreements entered into on 30 December 2019, and subject to the terms and conditions contained therein, as the same may be amended, varied or supplemented from time to time; |
| <b>Property Companies</b>    | together, Merkanti (A) and Merkanti (D);  |
| <b>Property Valuer</b>       | Sachverständigenbüro Katrin Zimmermann of Humboldtstraße 4, 39112 Magdeburg, Germany;   |
| <b>Prospectus</b>            | this Prospectus in its entirety together with any Supplements;  |
| <b>Prospectus Regulation</b> | Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC;   |
| <b>R&amp;R Regulations</b>   | the Recovery and Resolution Regulations (Subsidiary Legislation 330.09 of the laws of Malta), as may be amended from time to time;  |
| <b>Scully Royalty</b>        | Scully Royalty Ltd, a limited liability company registered under the laws of the Cayman Islands with registration number HS323455 and listed on the New York Stock Exchange under ticker SRL;   |
| <b>Security</b>              | the Pledges and the German Law Mortgages;   |

|                                     |  |
|-------------------------------------|--|
| <b>Security Documents</b>           | the relevant pledge agreements constituting the Pledges of Shares and Pledges of Accounts and the notarial deeds pursuant to which each German Law Mortgage was granted;   |
| <b>Shareholder Rights Directive</b> | Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies, as amended, from time to time;   |
| <b>Shareholders</b>                 | any person who holds, directly or indirectly, Shares;  |
| <b>Shares</b>                       | the ordinary A shares of the Company each having a nominal value of €3.00;   |
| <b>Spin-Off</b>                     | the distribution of a dividend in kind by Scully Royalty of the Spin-Off Shares to the shareholders of Scully Royalty on a pro rata basis, as described in Section 17;   |
| <b>Spin-Off Shares</b>              | 8,313,326 Shares (representing approximately forty nine point nine percent (49.9%) of the Shares);   |
| <b>Sponsor</b>                      | Curmi & Partners Ltd, an MFSA authorised investment services firm (in terms of the Investment Services Act) registered under the laws of Malta with company registration number C 3909 and having its registered office at Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102, Malta;  |
| <b>SRMR</b>                         | 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, as may be amended from time to time, (including by SRMR II);       |
| <b>SRMR II</b>                      | Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 806/2014 as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms, as may be amended from time to time;   |
| <b>Subordinated Loan</b>            | The subordinated loan in the amount of €4,500,000 granted by the Company to Merkanti Bank, pursuant to a subordinated loan agreement entered into between the parties 27 August 2019 using part of the proceeds of the Bond Issue;   |
| <b>Supplement</b>                   | any supplement to this Prospectus that may be issued from time to time by the Company;   |
| <b>Tier 2 Capital</b>               | the term used in the CRD IV and in the CRR to denote capital of Merkanti Bank maintained in terms of Article 71 of the CRR and consisting of Tier 2 items in terms of Article 62 of the CRR, or, if such term is no longer used, any equivalent or successor term, whether in the same law or regulations in any other law or regulation (as updated from time to time) applicable to Merkanti Bank from time to time; |
| <b>Transparency Directive</b>       | Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, as amended, from time to time;  |
| <b>Voting Rights</b>                | voting rights (or any interest therein) attributable to shares.  |

*Unless it is otherwise required by the context:*

- a. words in this Prospectus importing the singular shall include the plural and vice versa;*
- b. words in this Prospectus importing the masculine gender shall include the feminine gender and vice versa;*
- c. the word "may" in this Prospectus shall be construed as permissive and the word "shall" in this Prospectus shall be construed as imperative;*
- d. the word "person" shall refer to both natural and legal persons; and*

*Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.*

# SUMMARY

---

**THIS SUMMARY HAS BEEN APPROVED BY THE MFSA AS THE COMPETENT AUTHORITY IN MALTA FOR THE PURPOSES OF THE PROSPECTUS REGULATION. THE COMPETENT AUTHORITY ONLY APPROVES THIS SUMMARY AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY IMPOSED BY THE PROSPECTUS REGULATION. SUCH APPROVAL SHOULD NOT BE CONSIDERED AS AN ENDORSEMENT OF THE ISSUER AND THE SECURITIES THAT ARE THE SUBJECT OF THIS SUMMARY.**

This Summary is issued in accordance with the provisions of the Prospectus Regulation. Capitalised terms used but not otherwise defined in this Summary shall have the meanings assigned to them in the 'Definitions' section of the Prospectus.

## Section A – Introduction and Warnings

Prospective investors are hereby warned that:

- this summary should be read as an introduction to the Prospectus;
- any decision to invest in the Shares should be based on consideration of the Prospectus as a whole by the prospective investor;
- a prospective investor may lose all or part of the capital invested in subscribing for the Shares;
- where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under Maltese law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated;
- civil liability attaches only to those persons who have tabled the Summary including any translation thereof and who applied for its notification, 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 Summary whether to invest in the Shares; and
- this Prospectus is valid for a period of 12 months from the date of the Prospectus. The obligation to supplement the Prospectus (and the Summary) in the event of significant new factors, material mistakes or material inaccuracies will no longer apply when the Prospectus is no longer valid.

**International Securities Identification Number:** MT0002290113

### Identity and Contact Details of the Company:

|                              |   |
|------------------------------|---|
| Legal & Commercial Name:     | Merkanti Holding p.l.c.   |
| Company Registration Number: | C 70823   |
| Registered Office Address:   | Aragon House Business Centre, Dragonara Road, St. Julians STJ 3140, Malta |
| LEI:                         | 485100XW28XWM45YPV18  |
| Telephone Number:            | +356 23 286 000   |
| E-mail Address:              | info@merkantiholding.com  |
| Website:                     | www.merkantiholding.com   |

### Identity and Contact Details of the Competent Authority:

Malta Financial Services Authority, Triq l-Imdina, Zone 1, Central Business District, Birkirkara CBD 1010, Malta. Its telephone number is +356 2144 1155 and its website is [www.mfsa.mt](http://www.mfsa.mt).

**Date of approval of the Prospectus:** 25 July 2022

## Section B – Key Information On The Issuer

### Who is the issuer of the securities?

The issuer of the Shares is Merkanti Holding p.l.c., a public limited liability company registered in Malta in terms of the Companies Act. The Company's Legal Entity Identifier (LEI) number is 485100XW28XWM45YPV18.

### Principal Activities of the Company

The Company is a holding and finance company that does not carry on any trading activities apart from the raising of capital and advancing of the same to the Group. Accordingly, the Company is economically dependent on the Group.

### Major Shareholders

As at the date of this Prospectus, the Company's issued share capital is €50,020,002, divided into 16,666,666 Ordinary A Shares of €3 each and 1 Ordinary B Share of €3 (all fully paid up) held directly and indirectly by Scully Royalty, and 6,667 Ordinary A Shares of €3 each (all fully paid up held by Merchants Employees Incentive Corp).

### Directors of the Company

As at the date of this Prospectus, the board is composed of the following five (5) directors:

|                 |  |
|-----------------|--|
| Mario P Galea   | Independent Non-Executive and Chairman |
| Benjamin Muscat | Independent Non-Executive              |
| Silke Stenger   | Independent Non-Executive              |
| Samuel Morrow   | Executive Director                     |
| Martin Ware     | Non-Executive Director                 |

### Statutory Auditors of the Company

PricewaterhouseCoopers of 78, Mill Street, Qormi QRM 3101, Malta, were the auditors of the Company for the period covered by the historical financial information incorporated by reference into this Prospectus and have been appointed as the Company's statutory auditors until the end of the next annual general meeting of the Company. PricewaterhouseCoopers is a registered audit firm with the Accountancy Board of Malta in terms of the Accountancy Profession Act (Chapter 281 of the laws of Malta) with registration number AB/26/84/38.

### What is the key financial information regarding the issuer?

The below tables show the main financial information relating to the issuer:

#### Income Statement:

| <b>Merkanti Holding plc<br/>Extracts from Consolidated Income Statement<br/>Amounts in €000's</b> | <b>31 Dec 2019<br/>Audited</b> | <b>31 Dec 2020<br/>Audited</b> | <b>31 Dec 2021<br/>Audited</b> |
|---|--------------------------------|--------------------------------|--------------------------------|
| Net interest income   | 226                            | 223                            | 1,049                          |
| Net fee and commission income   | 2,221                          | 752                            | 2,212                          |
| Rental income   | 2,156                          | 1,996                          | 2,021                          |
| Other revenue   | 863                            | 1,997                          | 1,218                          |
| Operating income  | 7,535                          | 5,453                          | 6,783                          |
| Profit/(Losses) attributable to shareholders  | 2,595                          | 102                            | 656                            |

#### Balance Sheet:

| <b>Merkanti Holding plc<br/>Extracts from Consolidated Statement<br/>of Financial Position<br/>Amounts in €000's</b> | <b>31 Dec 2019<br/>Audited</b> | <b>31 Dec 2020<br/>Audited</b> | <b>31 Dec 2021<br/>Audited</b> |
|--|--------------------------------|--------------------------------|--------------------------------|
| Total assets   | 90,964                         | 89,145                         | 89,968                         |
| Secured borrowings listed on the MSE   | 24,287                         | 24,381                         | 24,478                         |
| Loan and receivables from customers  | 3,800                          | 10,790                         | 11,387                         |
| Deposits from customers  | 10,216                         | 6,986                          | 7,024                          |
| Total equity   | 53,045                         | 53,148                         | 53,729                         |

#### Cash Flow:

| <b>Merkanti Holding plc<br/>Extracts from Consolidated Statement of Cash Flows<br/>Amounts in €000's</b> | <b>31 Dec 2019<br/>Audited</b> | <b>31 Dec 2020<br/>Audited</b> | <b>31 Dec 2021<br/>Audited</b> |
|--|--------------------------------|--------------------------------|--------------------------------|
| Net cash generated from/ (used in) operating activities  | 134                            | (14,323)                       | (426)                          |
| Net cash generated from/ (used in) investing activities  | (7,367)                        | 3,692                          | (1,120)                        |
| Net cash generated from/ (used in) financing activities  | 24,201                         | (150)                          | (167)                          |
| <b>Net movement in cash and cash equivalents</b>   | <b>16,968</b>                  | <b>(10,781)</b>                | <b>(1,712)</b>                 |
| Effect of exchange rate changes on cash and cash equivalents   | (71)                           | (252)                          | 10                             |
| Opening cash and cash equivalents  | 10,345                         | 27,243                         | 16,210                         |
| <b>Closing cash and cash equivalents</b>   | <b>27,243</b>                  | <b>16,210</b>                  | <b>14,507</b>                  |

### **What are the key risks that are specific to the issuer?**

*Dependence on subsidiaries* – The Company is a diversified holding and finance company that does not carry on any trading activities apart from the raising of capital and advancing of the same to the Group. Accordingly, the Company is economically dependent on the Group and, specifically, on the operating and financial performance of Merkanti Bank and the Property Companies. The risks associated with Merkanti Bank and the Property Companies, respectively, are therefore relevant to the Company and, the materialisation of any of these risks will have a direct impact on the performance and financial position of the Company, and may negatively impact the value of the Shares and/or the ability of the Company to recommend a dividend for distribution to its Shareholders.

*Risks associated with the Group's indebtedness* – The Group may continue to fund its operations and future growth by incurring additional debt. Borrowings under any bank credit facilities may be at variable interest rates, which may expose the Group to the risk of increases in interest rates. The agreements regulating the borrowings may impose certain operating restrictions and financial covenants on the Group. These restrictions and covenants could limit the Group's ability to obtain future financing, implement capital expenditures, withstand a future downturn in business or economic conditions generally or otherwise inhibit the ability to conduct necessary corporate activities. A portion of the cash flow generated from operations is utilised to repay the Group's debt obligations. This gives rise to a reduction in the amount of cash flows which would otherwise be available for funding of the Group's working capital, capital expenditure, development costs, and other general corporate purposes.

*Bank Regulatory Risk* – Merkanti Bank is subject to a number of prudential and regulatory controls, designed to maintain the safety and soundness of credit institutions, ensure their compliance with economic and other objectives and limit their exposure to risk, including but not limited to CRD IV / CRD V, CRR / CRR II and BRRD / BRRD II. Furthermore, on 27 October 2021, the European Commission published a proposed review of EU banking rules (the Capital Requirements Regulation and the Capital Requirements Directive VI) which finalises the implementation of the Basel III agreement in the EU. In this regard, Merkanti Bank therefore faces risks associated with rapidly evolving prudential regulatory environment pursuant to which it is required, amongst other things, to maintain adequate and liquidity capital resources and to satisfy specified capital and liquidity ratios at all times. The interpretation and the application by regulators of existing laws and regulations to which Merkanti Bank is subject may also change from time to time. Accordingly, there can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect Merkanti Bank and its financial position.

*Risks relating to the Subordinated Loan* – The Subordinated Loan constitutes a direct, unsecured obligation of the Company. Subject to applicable law, in the event of the liquidation of Merkanti Bank, bankruptcy proceedings or any other similar proceedings affecting the Company's claims against Merkanti Bank in respect of the Subordinated Loan shall rank: (a) subordinated in right of payment to the claims of all depositors and other unsubordinated secured and unsecured creditors of Merkanti Bank; (b) *pari passu* with the claims of all subordinated creditors of Merkanti Bank which by law rank, or by their terms are expressed to rank, *pari passu* with the Subordinated Loan; and (c) senior to Merkanti Bank's ordinary shares, preference shares and any junior subordinated obligations or other securities of Merkanti Bank which by law rank, or by their terms are expressed to rank, junior to the Subordinated Loan. The Resolution Committee may exercise the bail-in tool in respect of Merkanti Bank and the Subordinated Loan if Merkanti Bank is under resolution, which may result in a loss in value of the Subordinated Loan, whereby it may be subject to a write-down or conversion into equity, pursuant to the Recovery & Resolution Regulations. Such a development could have an adverse impact on the financial performance and condition of the Company.

*Transaction Risk* – The trade finance and merchant banking business is subject to certain transaction risks that may have a material adverse effect on Merkanti Bank's financial performance and condition. Merkanti Bank intends to make investments in highly unstructured situations and in companies undergoing severe financial distress and such investments often involve severe time constraints. These investments may expose Merkanti Bank to significant transaction risks. An unsuccessful investment may result in the total loss of such investment and may have a material adverse effect on the business, results of operations, financial condition and cash flow of the Company.

*Key Person, Recruitment and Retention of Personnel Risk* – The Group's future success depends to a significant degree on the skills, experience and efforts of its executives and the loss of their services may compromise its ability to effectively conduct business. If not successful in attracting and retaining qualified personnel, the Group's ability to execute its business model and growth strategy could be affected, which could have a material adverse impact on the financial performance and condition of the Company.

*Country Risks* – In conducting its business Merkanti Bank operates in various markets and is subject to political, economic, legal, operational and other risks that are inherent in operating in other countries. These risks range from difficulties in settling transactions in emerging markets to possible nationalization, expropriation, price controls, exchange rate controls and other restrictive governmental actions, and terrorism. If any of these risks materialise, Merkanti Bank's business, financial performance and condition could be negatively impacted. In particular, international lending and business with international counterparties includes country risk, which is the risk associated with the economic, social and political environment of the borrower's home country. On the other hand, the recent grey listing of Malta by the FATF, could have a negative effect on the business of Merkanti Bank as foreign counterparties could be reluctant to do business involving Maltese businesses and banks, and impact international payment transactions.

*Real Estate Market Risks* – The Property Companies and in turn, the Company, are exposed to the real estate and property market. This market is, among other things, affected by shifts in demand and supply, changes in general economic conditions, changing supply within a particular area of competing space and attractiveness of real estate relative to other investment choices. Changes in regulatory requirements and applicable laws (such as taxation and planning permits), political conditions, public health crises such as the current COVID-19 pandemic, conditions of the financial markets, inflation, interest rate fluctuations, the availability of financing, yields of alternative investments and other factors may also have an adverse effect on the property market and, in turn, the capital values and income streams of the German Real Estate. Furthermore, real estate is generally a relatively illiquid asset, and such illiquidity may affect the Group’s ability to vary its portfolio or dispose of, or liquidate, part of the portfolio in a timely fashion and at satisfactory prices in response to changes in economic, real estate market, or other conditions.

*Tenant and Rental Income Risk* – The Property Companies and in turn, the Company, are reliant on the rental income stream of the German Real Estate as a fundamental source of income. The revenue generated from the Property Companies’ leasing activities is primarily dependent on tenants fulfilling their obligations under their lease agreements with Property Companies. The Property Companies are therefore subject to the risk that tenants may terminate or elect not to renew their respective lease/s, either due to the expiration of the lease term or due to an early termination of the lease, thereby resulting in the loss of rental income. This risk increases where there is a significant concentration in a particular category of tenants. There can be no assurance that the tenants will not fail to perform their obligations, whether due to insolvency, lack of liquidity, market or economic downturns, operational failure or other reasons which are beyond the Property Companies’ control, which failure may have a material adverse effect on the financial condition of the Property Companies, and in turn of the Company, the results of their operations and their prospects. In case of early termination, there will be a risk of loss of rental income if the tenant is not replaced in a timely manner. This may jeopardise the Group’s profitability, unless new tenants are sought and found. Increases in supply of and declines in demand for such property to be leased may put downward pressure on the leases which the Group will be able to achieve, or even make it more difficult to lease the German Real Estate. This may have an adverse impact on the financial performance and condition of the Group and/or the ability of the Company to recommend a dividend for distribution to its Shareholders.

*Enforcement of Security by the Bondholders* – The obligations of the Company to the Bondholders under the Bonds have been secured in favour of the Bondholder Trustee for the benefit of the Bondholders in accordance with the terms of the Bonds Trust Deed and the relevant Security Documents, specifically by means of the German Law Mortgages and the Pledges. The Security may be enforced by the Bondholder Trustee following an event of default in accordance with the terms and conditions of the Bonds. Upon enforcement the Bondholder Trustee will (broadly, and subject to the terms of the relevant Security Documents) be entitled to appropriate and utilise (including through a sale of) the secured assets to obtain payment of amounts owing to the Bondholders under the terms of the Bonds. The Property Companies and the German Real Estate (owned by the Property Companies) represent a significant percentage of the Company’s and the Group’s assets. Accordingly, any enforcement of the Security (in particular, the Pledges of Shares and/or the German Law Mortgages) would likely have an adverse impact on the financial performance and condition of the Group and/or the ability of the Company to recommend a dividend for distribution to its Shareholders.

## Section C – Key Information On The Shares

### *What are the main features of the Shares?*

|                 |  |
|-----------------|--|
| Securities      | Ordinary shares denominated in Euro (ISIN: MT0002290113)   |
| Nominal Value   | €3 per Share   |
| Rights          | All shares in the Company rank <i>pari passu</i> amongst themselves. The Shares form part of the Ordinary A shares of the Company. Save for the rights relating to the Reserved Matters pertaining to the holders of the Ordinary B Shares, the Ordinary A Shares and the Ordinary B Shares have the same rights and entitlements as all other shares in issue in the Company. |
| Status          | The Shares are in fully registered and dematerialised form.  |
| Transferability | The Shares are freely transferable.  |

The Shares carry the right to participate in any distribution of dividend declared by the Company *pari passu* with any and all other Shares in the Company. Dividends shall be deemed to be non-cumulative. Although there are no inherent restrictions on dividends attaching to the Shares, any distribution of dividends is subject to the restrictive covenant on dividends contained in the terms and conditions of the Bonds, as well as the profits available for distribution for the relevant year the Company’s capital generation capacity, the Board’s view on the prevailing market outlook and on the growth strategy, any debt servicing and repayment requirements, cash flows, working capital requirements, investment opportunities, capital expenditure and the availability of distributable reserves in terms of the Companies Act.

The Shares of the Company are subordinated to the Bonds (and any other debt instruments in the Company’s capital structure).

### **Where will the Shares be traded?**

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

### **Where are the key risks that are specific to the Shares?**

*No prior markets for the Shares* - As at the date of this Prospectus, there has been no public market for the Shares within or outside Malta. Due to the absence of any prior market for the Shares, there can be no assurance that the price of the Shares will correspond to the price at which the Shares will trade in the market subsequent to Listing. The market price of the Share could be subject to significant fluctuations in response to numerous factors, including the occurrence of any of the risk factors identified above.

*Orderly and Liquid Market* – The existence of an orderly and liquid market for the Shares depends on a number of factors, including but not limited to the presence of willing buyers and sellers of the Shares at any given time and the general economic conditions of the market in which the Shares are traded. Such factors are dependent upon the individual decisions of Shareholders and the general economic conditions of the market, over which the Company has no control. Accordingly, there can be no assurance that an active secondary market for the Shares (whether on-exchange or over-the-counter) will develop, or, if it develops, that it will continue. Furthermore, there can be no assurance that a Shareholder will be able to sell or otherwise trade in the Shares at all.

*Ranking Risk* – The Shares represent equity interests in the Company that entitle the holder to rank *pari passu* with all other holders of ordinary Shares in the Company upon any distribution of assets in a winding up. The Shares of the Company are subordinated to the Bonds (and any other debt instruments in the Company's capital structure) and will therefore be subject to greater credit risk than Bonds or any other debt instruments of the Company.

*Dividend Payments* – The Company's results can fluctuate and its ability to pay dividends is dependent on, amongst other things, it achieving sufficient profits. The Company may not pay dividends if the Directors believe this would cause the Company to be less adequately capitalised or that there are otherwise insufficient distributable reserves or for various other reasons. Future dividends will depend on, among other factors, the Company's future profits, financial position, working capital requirements, general economic conditions and other factors that the Directors deem significant from time to time.

## **Section D – Key Information On The Admission To Trading On A Regulated Market**

### **Under which conditions and timetable can I invest in the Shares?**

The Shares are in fully registered and dematerialised form and are represented in uncertificated form by the appropriate entry in the CSD Share Register maintained on behalf of the Company at the Malta CSD in accordance with the requirements of the MSE, or in such other form as may be determined from time to time by applicable law, the requirements of the MSE or the Company.

### *Expected Timetable and Expenses of the Listing*

Admission to listing of the Shares on the Official list is expected to take place concurrently with the commencement of the process of distribution of the Spin-Off Shares to Scully Royalty's shareholders (which is expected to take place by no later than 30 September 2022), with commencement of trading of the Shares to take place within 2 Business Days after admission to listing.

Professional fees and costs related to printing, listing, registration, sponsor, management, and other miscellaneous expenses in connection with the admissibility to listing and trading of the Shares are estimated to be in the region of € 352,000 and will all be borne by the Scully Royalty as part of the Spin-Off process. There is no particular order of priority with respect to such expenses.

### *Why is this prospectus being produced?*

The Listing is taking place as a result of the Spin-Off process, whereby the shareholders of Scully Royalty will also become Shareholders of the Company.

*Conflicts of Interest* – Samuel Morrow is the Chief Executive Officer of Scully Royalty, a director of Merkanti Bank and the sole director of each of the Property Companies and of Merkanti Diesel. Accordingly, there is a potential conflict of interest between Mr. Morrow's duties to the Company and his interests in and/or duties to Scully Royalty and/or to the Company's various subsidiaries.

# 1. RISK FACTORS

## 1.1 General

AN INVESTMENT IN THE SHARES INVOLVES CERTAIN RISKS, INCLUDING BUT NOT LIMITED TO THOSE RISKS DESCRIBED IN THIS SECTION. THE FOLLOWING RISKS ARE THOSE IDENTIFIED BY THE COMPANY AS AT THE DATE OF THIS PROSPECTUS. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER, TOGETHER WITH THEIR INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS, THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE COMPANY.

THE RISK FACTORS BELOW HAVE BEEN CATEGORISED UNDER FIVE MAIN CATEGORIES, ACCORDING TO WHETHER THE RISKS UNDER REVIEW RELATE TO: (I) THE COMPANY AND THE GROUP GENERALLY; (II) MERKANTI BANK AND ITS BUSINESS; (III) THE PROPERTY COMPANIES AND THE GERMAN REAL ESTATE; OR (IV) THE SHARES.

THE RISK FACTOR APPEARING FIRST UNDER EACH SUB-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 PROSPECTUS. 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 FINANCIAL CONDITION AND PERFORMANCE OF THE COMPANY OR THE GROUP, IF THE RISK FACTOR WERE TO MATERIALISE.

SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES THAT MAY OR MAY NOT OCCUR AND THE COMPANY IS NOT IN A POSITION TO EXPRESS A VIEW ON THE LIKELIHOOD OF ANY SUCH CONTINGENCIES OCCURRING. SHOULD ANY OF THE RISKS DESCRIBED BELOW MATERIALISE, THEY COULD HAVE A SERIOUS ADVERSE EFFECT ON THE COMPANY'S AND/OR THE GROUP'S FINANCIAL RESULTS.

THE RISKS AND UNCERTAINTIES DISCUSSED BELOW MAY NOT BE THE ONLY ONES THAT THE COMPANY AND/OR THE GROUP FACE. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE THE DIRECTORS OF THE COMPANY MAY NOT CURRENTLY BE AWARE OF, COULD WELL RESULT IN A MATERIAL IMPACT ON THE FINANCIAL CONDITION AND OPERATIONAL PERFORMANCE OF THE COMPANY AND/OR THE GROUP. ACCORDINGLY, PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CAREFULLY READ, CONSIDER AND UNDERSTAND THE PROSPECTUS AS A WHOLE BEFORE INVESTING IN THE COMPANY. IN ADDITION, PROSPECTIVE INVESTORS OUGHT TO BE AWARE THAT RISKS MAY BE AMPLIFIED DUE TO A COMBINATION OF RISK FACTORS.

## 1.2 Forward Looking Statements

This document includes statements that are or may be deemed to be "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including but not limited to the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will", or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements are based purely on the intentions, beliefs or current expectations of the Company and/or the Directors. There can be no assurance that the results and events contemplated by the forward-looking statements contained in this Prospectus will occur.

Forward-looking statements, by their very nature, involve substantial uncertainties because they relate to events and depend on circumstances that may or may not occur in the future, many of which are beyond the Company's control. Forward-looking statements are not guarantees of future performance and should therefore not be construed as such. The Company's actual results of operations and financial condition may, as a result of many different factors, differ materially from the impression created by the forward-looking statements contained in this document. In addition, even if the results of operations and financial condition of the Company are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Subject to its legal and regulatory obligations (including those under the Capital Markets Rules), the Company 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.

## **1.3 Risks Relating to the Company and the Group**

### **1.3.1 Dependence on Subsidiaries**

The Company is a diversified holding and finance company that does not carry on any trading activities apart from the raising of capital and advancing the same to the Group. Accordingly, the Company is economically dependent on the Group and, specifically, on the operating and financial performance of Merkanti Bank and the Property Companies. The risks associated with Merkanti Bank and the Property Companies as described in Sections 1.4 and 1.5 below, respectively, are therefore relevant to the Company and, the materialisation of any of these risks will have a direct impact on the performance and financial position of the Company, and may negatively impact the value of the Shares and/or the ability of the Company to recommend a dividend for distribution to its Shareholders.

### **1.3.2 Key Person, Recruitment and Retention of Personnel Risk**

The Group's future success depends to a significant degree on the skills, experience and efforts of its executives and the loss of their services may compromise its ability to effectively conduct business. The Group does not maintain "key person" insurance in relation to any employees. Moreover, the Group is dependent upon the continued availability and commitment of management, whose contributions to immediate and future operations are of significant importance. The loss of any such management could negatively affect the Group's business operations. From time to time, the Group also needs to identify and retain additional skilled management and specialised technical personnel to efficiently operate the business. Recruiting and retaining qualified personnel is critical to the success of the Group's business and there can be no assurance of the Group's ability to attract and retain such personnel. If not successful in attracting and retaining qualified personnel, the Group's ability to execute its business model and growth strategy could be affected, which could have a material adverse impact on the financial performance and condition of the Company.

### **1.3.3 Dispute and Litigation Risk**

As of the date of this Prospectus, save for the disclosure made in Section 15.4 of this Prospectus, the Group is not involved in any material disputes. The Group is subject to claims, litigation and regulatory proceedings in the normal course of business and could become subject to additional claims in the future. There is a risk that the Company or its subsidiaries may become involved in disputes, the target of claims or subject to other litigation in the future, in respect of, for example, regulatory compliance, contract matters, customer-related issues, including matters related to tax matters. Any negative outcomes of such disputes will have a negative effect on the Group's business, earnings or financial position. Such disputes and claims, the outcome of which can be difficult to foresee, can be time consuming, disrupt normal operations, involve large amounts, entail substantial costs, have a negative impact on reputation, even if potential claims against the Group are overruled.

### **1.3.4 Operational Risk**

Operational risk is the risk of incurring losses due to deficiencies or failures on the part of internal processes, people or systems or due to unexpected external events, which could impede the Group's ability to meet its objectives. Operational risks are inherent in all activities and processes. They exist in the normal course of business and when such risk events occur. This risk could negatively impact the Group's clients and/or its ability to serve them. Operational risk can arise from several factors including, amongst others, failure of internal systems and controls, errors by employees, fraud, inadequate business and employee practices, failure to comply with regulatory and compliance requirements, natural disasters, and damage to physical assets.

Operational risks include risks related to Information Technology. The Group uses information technologies, including information systems and related infrastructure as well as cloud applications and services, to store, transmit, process and record sensitive information, including employee information and financial and operating data, communicate with employees and business partners and for many other activities related to the business. The Group's business partners, including operating partners, suppliers, customers and financial institutions, are also dependent on digital technology. Despite security design and controls, information technology systems, may be vulnerable to a variety of interruptions, including during the process of upgrading or replacing software, databases or components thereof, natural disasters, terrorist attacks, telecommunications failures, computer viruses, cyber-attacks, the activities of hackers, unauthorised access attempts and other security issues or may be breached due to employee error, malfeasance or other disruptions. Operational risk could result in financial losses or possibly reputational risk, which could affect the Group's business performance and may weaken its standing with stakeholders.

### **1.3.5 Reputational Risk**

Reputational risk is the risk that negative publicity regarding the Group's business practices, whether true or not, will cause a decline in the customer base, costly litigation, or revenue reductions, which could in turn could have a material adverse effect on the Group's operations, earnings and financial position. Reputational risk could be particularly damaging for the Group since the nature of its business requires maintaining the confidence of depositors, creditors, regulatory authorities and of the general marketplace. Reputational risk may arise, as a result of other risk factors such as IT risks, operational failures or failure to comply with relevant local and international laws and regulations.

### 1.3.6 Strategic and Business Risk

Strategic risk is the risk associated with the future business plans and strategies of the Group. Improper strategic choices or the actual implementation of strategic decisions, as well as lack of responsiveness to changes in the economic environment, can have a serious and significant impact on prospective financial results. As the Group is engaged in German property business, this risk category is intimately connected with the overall performance of the global and German economy. In addition, the Group is engaged in corporate financing, trade finance and merchant banking business, which is intimately connected with the level of cross-border trade between countries and in markets that are typically classified as being in the emerging stages of their economic development and political stability. Since 2019 the Group has also been engaged in the area of dispute resolution funding, the profitability of which is dependent on the outcome of legal claims in Germany. Closely linked with the above, business risk is the risk associated with the particular business and operating circumstances of the Group, and is more within the control of decisions taken by management but which nevertheless can have a significant impact on operating and business results.

### 1.3.7 Risks Associated with the Group's Indebtedness

The Group may continue to fund its operations and future growth by incurring additional debt. Borrowings under any bank credit facilities may be at variable interest rates, which may expose the Group to the risk of increases in interest rates. The agreements regulating the borrowings may impose certain operating restrictions and financial covenants on the Group. These restrictions and covenants could limit the Group's ability to obtain future financing, implement capital expenditures, withstand a future downturn in business or economic conditions generally or otherwise inhibit the ability to conduct necessary corporate activities. A portion of the cash flow generated from operations is utilised to repay the Group's debt obligations. This gives rise to a reduction in the amount of cash flows which would otherwise be available for funding of the Group's working capital, capital expenditure, development costs, and other general corporate purposes.

The use of borrowings presents the risk that the Group may be unable to service interest payments and principal repayments or comply with other requirements of its facility agreements. A substantial deterioration in operating cash flows and profitability could make it difficult for the Group to service interest payments and principal repayments on its borrowings. The Group could be at risk of default on the occurrence of certain unexpected events. Any failure to satisfy debt obligations could result in a default under the terms of current and future financing arrangements, thereby having a materially adverse effect on the Group's financial profile. In such an event, the Group may be obliged to sell some of its assets to meet such obligations or seek alternative finance to repay such borrowings. Defaults may also lead to the enforcement of security over certain assets. Borrowings may not be able to be refinanced or the terms of any refinancing may be less favourable than the existing terms of borrowing.

### 1.3.8 Integration Risk

The integration into the Group and operation of any new business(es) acquired by the Group may potentially disrupt the current business of the Group and create additional unforeseen expenses and may not achieve the anticipated benefits of any such acquisitions. It may take longer than expected to realise the full benefits from acquisitions and transactions or the benefits may be smaller than anticipated or remain unrealised. The integration of an acquired business comprises a multitude of risks and challenges, *inter alia* the acclimatisation of operations of the acquired business and difficulties in convergence of IT systems, risks of entering markets in which the Group have had no or only limited direct experience, difficulties in completing strategic initiatives already underway in the acquired companies, assumption of unidentified liabilities of the acquired business, the potential loss of key personnel and/or clients, and unfamiliarity with partners and clients of the acquired company, each of which could have a material adverse effect on the Group's business, results of operations and financial condition.

The success of the integration of acquired businesses typically assumes certain synergies and other benefits and there is no assurance that these risks or other unforeseen factors will not offset, whether in whole or in part, the intended benefits of the acquisitions. Moreover through its investments, the Group may expose itself to the risk factors pertaining to the industry and markets in which investment is made, which risks may differ from those to which the Group and its business and activities are generally exposed. As a result of these risks, there can be no assurance that the Group will be able to realise the full anticipated cost savings, synergies or revenue enhancements from any such acquisitions.

## 1.4 Risks Relating to Merkanti Bank and its Business

### 1.4.1 Bank Regulatory Risk and risks associated with capital adequacy

Merkanti Bank 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 but not limited to CRD IV / CRD V, CRR / CRR II and BRRD / BRRD II (described in further detail in Section 5.2.4 below). Furthermore, on 27 October 2021, the European Commission published a proposed review of EU banking rules (the Capital Requirements Regulation and the Capital Requirements Directive VI) which finalises the implementation of the Basel III agreement in the EU. In this regard, Merkanti Bank faces risks associated with a rapidly evolving prudential regulatory environment pursuant to which it is required, amongst other things, to maintain adequate capital and liquidity resources and to satisfy specified capital and liquidity ratios at all times. The interpretation and application by regulators of existing laws and regulations to which Merkanti Bank is subject may also change from time to time.

Such changes either individually and/or in aggregate, may lead to further unexpected enhanced requirements in relation to the Bank's capital, leverage, liquidity and funding ratios or alter the way such ratios are calculated. Any legislative measures or regulatory actions or the interpretation or application of such measures or actions may necessitate changes to Merkanti Bank's business operations which could result in significant loss of revenue, limit the ability to pursue business opportunities in which Merkanti Bank might otherwise consider engaging or limit the ability to provide certain products and services, affect the value of assets held, impose additional compliance and other costs or otherwise adversely affect its business. Accordingly, there can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect Merkanti Bank and its financial position.

For example, a perceived or actual shortage of capital held by Merkanti Bank could result in actions by regulatory authorities, including public censure and the imposition of quantitative and qualitative sanctions. This may also affect Merkanti Bank's capacity to continue or grow its business operations, generate a sufficient return on capital or pursue acquisitions or other strategic opportunities, affecting future growth potential.

The BRRD (as amended by the BRRD II) establishes a framework for the recovery and resolution of credit institutions and certain investment firms. The BRRD establishes a legal regime which, amongst others, provides authorities with a set of powers and tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system. (More detail regarding the BRRD and its implementation in Malta as well as the powers and tools available to the authorities is provided under Section 5.2.4). Should Merkanti Bank become subject to a write-down, conversion or resolution powers under the BRRD, this may adversely affect Merkanti Bank's business, financial condition, ability to pay dividends, results of operations and/or prospects.

#### **1.4.2 Risks relating to the Subordinated Loan**

The Subordinated Loan constitutes a direct, unsecured obligation of the Company. Subject to applicable law, in the event of the liquidation of Merkanti Bank, bankruptcy proceedings or any other similar proceedings affecting Merkanti Bank, the Company's claims against Merkanti Bank in respect of the Subordinated Loan shall rank: (a) subordinated in right of payment to the claims of all depositors and other unsubordinated secured and unsecured creditors of Merkanti Bank; (b) *pari passu* with the claims of all subordinated creditors of Merkanti Bank which by law rank, or by their terms are expressed to rank, *pari passu* with the Subordinated Loan; and (c) senior to Merkanti Bank's ordinary shares, preference shares and any junior subordinated obligations or other securities of Merkanti Bank which by law rank, or by their terms are expressed to rank, junior to the Subordinated Loan.

Moreover, as described in Section 5.2.4, the Recovery & Resolution Regulations provide for various powers and tools of the Resolution Committee in the event that the Resolution Committee considers that all of the conditions set out in Regulation 32 of the Recovery & Resolution Regulations are met by Merkanti Bank. As such, the Resolution Committee may exercise the bail-in tool (in accordance with Regulation 43 of the Recovery & Resolution Regulations) in respect of Merkanti Bank and the Subordinated Loan, which may result in a loss in value of the Subordinated Loan, whereby it may be subject to a write-down or conversion into equity, the extent of which depends on Regulation 36 of the Recovery & Resolution Regulations. Such a development could have an adverse impact on the financial performance and condition of the Company.

#### **1.4.3 Risks relating to the Global Economy and Financial Markets**

Merkanti Bank's operations are affected by conditions in the global economy and financial markets. Changes in overall economic conditions, inflation, consumer and business spending, recession, unemployment and other general factors including public health crises such as the COVID-19 pandemic, which are beyond Merkanti Bank's control, may affect in a negative way Merkanti Bank's overall performance and results. Furthermore, certain activities are particularly affected by the level of cross-border trade between countries at varying stages of their economic development, including countries which may not yet have achieved the level of political stability of countries members of the Organisation for Economic Cooperation and Development (OECD). A significant economic downturn may affect Merkanti Bank's financial performance and condition, including the ability to raise capital. Additionally, customers may also be adversely affected by an economic downturn.

Merkanti Bank may face, among others, the following specific risks related to any future economic downturn: increased regulation of banking operations; compliance with such regulation may increase the costs of banking operations, adverse pricing of products and services may limit the ability to pursue business opportunities; reduced demand for Merkanti Bank's products and services; inability of customers to comply fully or in a timely manner with their existing obligations; and the degree of uncertainty concerning economic conditions may adversely affect the accuracy of estimates, which, in turn, impact the reliability of the process and the sufficiency of credit loss allowances.

#### **1.4.4 Data Protection Risk**

Merkanti Bank is subject to significant regulation and obligations regarding the processing of personal data. Merkanti Bank processes personal data as part of its business, some of which may be sensitive personal data, and therefore must comply with strict data protection and privacy laws and regulations.

Merkanti Bank is also at risk from cyber-crime and fraudulent activity. Notwithstanding Merkanti Bank's efforts to ensure compliance with the relevant data protection regulations and protection from cyber-crime, Merkanti Bank is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, stolen or processed in breach of data protection and privacy laws and regulations.

If Merkanti Bank or any of the third-party service providers on which it relies fails to store or transmit personal data in a secure manner, or if any loss of personal data were otherwise to occur, Merkanti Bank could be subject to investigative or enforcement action by relevant regulatory authorities and could face liability under data protection and privacy laws and regulations.

Any of these events could result in the loss of the goodwill of its customers and deter new customers which could have a material adverse effect on Merkanti Bank's business, financial condition, results of operation and prospects.

#### **1.4.5 Compliance with Anti-Money Laundering Laws; Failure of Systems and Controls**

Ongoing amendments to sanctions, anti-money laundering, anti-terrorist financing and similar laws impose significant compliance obligations on Merkanti Bank. Merkanti Bank has adopted policies and procedures to ensure compliance with anti-money laundering laws, regulations, implementing procedures and international sanctions, including internal controls, ongoing monitoring of customers and transactions and "know-your-customer" procedures aimed at preventing money laundering and terrorist financing. The Bank is also required to comply with its obligation to detect and report suspicious transactions and other activities to the relevant competent authority.

Notwithstanding that Merkanti Bank remains alert to high-risk transactions, illicit practices such as forgery, double invoicing, partial shipments of goods and use of fictitious goods, may be used to evade applicable laws and regulations. Should Merkanti Bank's policies and procedures prove to be ineffective in preventing third parties from using its finance operations as a conduit for money laundering or terrorism financing without its knowledge, Merkanti Bank's reputation could suffer and/or Merkanti Bank could become subject to fines, sanctions or legal or regulatory action, which could have an adverse effect on Merkanti Bank's reputation, business, financial condition and results of operations.

In recent years, a concerted global effort has been made to place the proper and effective detection, prevention, mitigation and combatting of money laundering and financial crime on the forefront of the regulatory agenda, resulting in heightened expectations surrounding market operators, such as banks. The introduction of the new EU AML Authority together with the single EU Rulebook for AML/CFT matters will harmonise AML/CFT rules across the EU which will include more detailed rules on customer due diligence, beneficial ownership and the national registers for bank accounts will be connected, are envisaged to bring about considerable changes to Merkanti Bank's policies and procedures and internal controls.

The inability of the Bank to adapt to these evolving requirements may expose the Bank to significant penalties or other sanctions, as a result of which the goodwill and repute of the Group may be impaired, and which could potentially have a material adverse effect on impacted lines of operations, rating, relationship banking and its future prospects.

In May 2021 Merkanti Bank received an administrative penalty of €0.26 million by the FIAU relating to deficiencies in relation to certain internal administrative processes, including customer risk assessment, due diligence and ongoing monitoring of transactions. Merkanti Bank has initiated a remediation plan including an upgrade of its core banking system upgrade, which it had committed to prior to the imposition of such administrative penalty. Merkanti Bank is committed to this upgrade but given the planned merger the new combined bank would be expected to be operating under the Sparkasse core banking system, with this plan being currently on hold subject to the closing of the Sparkasse Bank acquisition.

#### **1.4.6 Risks relating to Merchant Banking Business**

Merkanti Bank's merchant banking business could experience significant periodic variations in revenues and results of operations in the future. These variations may be attributed in part to the fact that such revenues are often earned upon the successful completion of a transaction, the timing of which is uncertain and beyond Merkanti Bank's control. In many cases, Merkanti Bank may receive little or no payment for engagements that do not result in the successful completion of a transaction.

The trade finance and merchant banking business is subject to certain transaction risks that may have a material adverse effect on Merkanti Bank's financial performance and condition. Whilst transaction risks are managed by allocating and monitoring capital investments in circumstances where the risk to capital is minimal, carefully screening clients and transactions and engaging qualified personnel to manage transactions, transaction risks can arise from proprietary investing activities, and can include market, counterparty and credit risks.

All aspects of the merchant banking business are highly competitive, and are expected to remain so. Competitors include merchant and investment banks, brokerage firms, commercial banks, private equity firms, hedge funds, financial advisory firms and natural resource and mineral royalty companies. Many competitors have substantially greater capital and resources, including access to supply, than Merkanti Bank. Principal factors affecting competition in this business include transaction execution, products and services, client relationships, reputation, innovations, credit worthiness and price. The scale of Merkanti Bank's competitors has also increased in recent years as a result of substantial consolidation. These firms have the ability to offer a wider range of products than Merkanti Bank, which may enhance their competitive position. If Merkanti Bank is unable to compete effectively with its competitors, its business and results of operations will be adversely affected.

#### **1.4.7 Risks relating to Large Capital Commitments**

Merkanti Bank may enter into large transactions in which it commits its own capital as part of its merchant banking business. The number and size of these large transactions which is regulated by CRR II and is limited to a maximum of 25% of its Tier 1 capital, may materially affect Merkanti Bank's results of operations in a given period. To the extent that Merkanti Bank owns assets (i.e. long positions), a downturn in the value of those assets or in the markets in which those assets are traded or situated could result in losses. Conversely, to the extent that Merkanti Bank has sold assets it does not own (i.e. short positions) in any of those markets, an upturn in those markets could expose Merkanti Bank to potentially large losses as Merkanti Bank attempts to cover Merkanti Bank's short positions by acquiring assets in a rising market.

#### **1.4.8 Country risks**

In conducting its business Merkanti Bank operates in various markets and is subject to political, economic, legal, operational and other risks that are inherent in operating in other countries. These risks include government intervention, such as tariffs, protectionism and subsidies; changes in regulatory, taxation and legal structure; difficulties in obtaining permits, price controls, exchange rate controls. Furthermore, Merkanti Bank is expected to conduct a portion of its operations in emerging markets, which often pose higher risks.

The ineffectiveness of the legal and judicial systems, and/or lack of poor condition of infrastructure in some of the emerging markets, including those in which Merkanti Bank may be carrying out activities, may also pose difficulties or Merkanti Bank in preserving its legal rights. On the other hand, the recent grey listing of Malta by the FATF, could have a negative effect on the business of Merkanti Bank as foreign counterparties could be reluctant to do business involving Maltese businesses and banks, and impact international payment transactions.

#### **1.4.9 Credit risk**

Credit risk is the risk that one party to a financial transaction, as a result of bankruptcy or insolvency, lack of liquidity, operational failure or other reasons including 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, might fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk may also arise as Merkanti Bank may, based on incomplete, untrue or incorrect information, grant credit that otherwise would not have been granted or that would have been granted under different conditions. Merkanti Bank finances international trade (inclusive of factoring and forfaiting) in many countries worldwide, especially emerging markets, which in turn entails an exposure to sovereign, bank and corporate credit risk respectively. Credit risk is not only akin to loans but also to such other business conducted by Merkanti Bank such as factoring. Credit risk and counterparty risk can also arise from other business transactions offered by the Group, including but not limited to, merchant banking, local short and medium-term real estate facilities, ship financing and leasing. Credit risk increases if Merkanti Bank is not able to sufficiently diversify its lending activities in terms of industries, geographies, products, and counterparties.

#### **1.4.10 Liquidity risk**

Liquidity risk arises in the general funding of Merkanti Bank's activities and the management of positions. There is a risk that Merkanti Bank may be unable to meet its obligations as they become due because of an inability to liquidate assets or obtain adequate funding (referred to as 'funding liquidity risk') or that it cannot easily liquidate an asset or offset specific exposures in an appropriate time-frame without significantly lowering market prices because of inadequate market depth or market disruptions ('market liquidity risk'). Merkanti Bank could therefore be at risk of default on the occurrence of certain unexpected events. In such an event, Merkanti Bank may be forced to sell some of its assets to meet such obligations or seek alternative finance to repay its borrowings. Borrowings may not be able to be refinanced or the terms of any refinancing may be less favourable than the existing terms of borrowing. Any failure to satisfy debt obligations could result in a default under the terms of current and future financing arrangements, thereby having a materially adverse effect on the Group's financial condition and/or the ability of the Company to recommend a dividend for distribution to its Shareholders.

#### **1.4.11 Bank Funding Risks**

deposits, capital funding, deposit platforms and international interbank funding. In contrast to a number of other banks in Malta, Merkanti Bank does not rely on the retail deposit market. The availability of corporate deposits may be impacted by increased competition from other deposit-takers or factors that constrain the volume of liquidity in the market. Moreover, the utilisation of wholesale funding from the international interbank market could increase risks if funding from such markets were to become scarcer or more expensive. Any such decrease in Merkanti Bank's ability to obtain funding at attractive levels may adversely affect margins and profitability, potentially materially affecting the financial performance and condition of Merkanti Bank.

#### **1.4.12 Interest Rate Risks**

Fluctuations in interest rates are influenced by factors outside Merkanti Bank'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. Merkanti Bank's operations are subject to interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or at different amounts. A mismatch in the timing of the maturity or re-pricing of interest-earning assets and liabilities may have a negative impact on the financial performance of the Group.

#### **1.4.13 Foreign Exchange Risk**

Merkanti Bank conducts the principal part of its business in Euro (€). However, it performs some of its activities in other currencies and Merkanti Bank is therefore also exposed to foreign exchange risk. These exposures include the monetary assets and monetary liabilities of the Group, together with an element of income and expenses that are not denominated in the functional currency of Merkanti Bank. Transactional exposures give rise to foreign currency gains and losses that are recognised in the income statement.

#### **1.4.14 Settlement Risk**

Merkanti Bank faces settlement risk due to the possibility that one or more parties will fail to deliver on the terms of a contract at the agreed-upon time. Merkanti Bank classifies settlement risk as a type of counterparty risk associated with default risk, as well as with timing differences between parties. Consequently, Merkanti Bank could suffer a loss if the counter-party fails to deliver on settlement date.

#### **1.4.15 Systemic Risk**

Systemic risk could be caused by several factors, including as a result of the COVID-19 pandemic or Malta's grey-listing status. Furthermore, due to the high level of interdependence between financial institutions, Merkanti Bank 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. Even the perceived lack of creditworthiness of, or concerns about, a single counterparty may lead to market wide liquidity problems and losses or defaults by Merkanti Bank 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 also have a material adverse effect on Merkanti Bank's ability to obtain new wholesale funding, which could affect its financial performance and condition.

#### **1.4.16 Risk Management Limitations or Failures**

Merkanti Bank may use a variety of instruments and strategies to manage exposure to various types of risks. Merkanti Bank may, for example, use derivative foreign exchange contracts to manage Merkanti Bank's exposure and its clients' exposure to foreign currency exchange rate risks. If any of the variety of instruments and strategies utilised to manage the exposure to various types of risk are not effective, the Group may incur losses. Many of such strategies are based on historical trading patterns and correlations. However, these strategies may not be fully effective in mitigating Merkanti Bank's risk exposure in all market environments or against all types of risk. Unexpected market developments may affect risk management strategies and unanticipated developments could impact risk management strategies in the future.

#### **1.4.17 Risks relating to Projected Growth**

Merkanti Bank's management intends to pursue growth in banking operations, invoice factoring, structured corporate finance, trade finance and merchant banking activities, via both existing operations and through the introduction of new products and services. In order to expand market share Merkanti Bank may take on or increase its exposure to a variety of risks, including credit and counterparty risks, as it increases its asset portfolio. The profitability of dispute resolution funding, the profitability of which is dependent on the outcome of legal claims in Germany. Whilst Merkanti Bank expects to maintain enhanced monitoring of lending policies and procedures, credit and other risk management policies, provisioning and collateral levels, the increase in lending and investing activities could further increase credit and other risks, potentially resulting in a deterioration in overall asset quality as well as higher levels of provisioning and non-performing loans.

## **1.5 Risks Relating to the Property Companies and the German Real Estate**

### **1.5.1 Real Estate Market Risks**

The Property Companies and in turn, the Company, are exposed to the real estate and property market. This market is, among other things, affected by shifts in demand and supply, changes in general economic conditions, changing supply within a particular area of competing space and attractiveness of real estate relative to other investment choices. Changes in regulatory requirements and applicable laws (such as taxation and planning permits), political conditions, public health crises such as the current COVID-19 pandemic, conditions of the financial markets, inflation, interest rate fluctuations, the availability of financing, yields of alternative investments and other factors may also have an adverse effect on the property market and, in turn, the capital values and income streams of the German Real Estate. Furthermore, real estate is generally a relatively illiquid asset, and such illiquidity may affect the Group's ability to vary its portfolio or dispose of, or liquidate, part of the portfolio in a timely fashion and at satisfactory prices in response to changes in economic, real estate market, or other conditions.

### **1.5.2 Tenant and Rental Income Risk**

The Property Companies and in turn, the Company, are reliant on the rental income stream of the German Real Estate as a fundamental source of income. The revenue generated from the Property Companies' leasing activities is primarily dependent on tenants fulfilling their obligations under their lease agreements with Property Companies. The Property Companies are therefore subject to the risk that tenants may terminate or elect not to renew their respective lease/s, either due to the expiration of the lease term or due to an early termination of the lease, and there is a risk of loss of rental income if the tenant is not replaced in a timely manner

This risk increases where there is a significant concentration in a particular category of tenants, with the nature of the German Real Estate resulting in an element of concentration risk. There can be no assurance that the tenants will not fail to perform their obligations, whether due to insolvency, lack of liquidity, market or economic downturns, operational failure or other reasons which are beyond the Property Companies' control, which failure may have a material adverse effect on the financial condition of the Property Companies, and in turn of the Company.

Increases in supply of and declines in demand for such property to be leased may put downward pressure on the leases which the Group will be able to achieve, or even make it more difficult to lease the German Real Estate.

The German Real Estate consists of industrial parks that are exposed to industrial sector in Germany, which in turn is vulnerable to trends in the German economy. The industrial sector may be affected by a downturn in economic conditions or similar developments.

### **1.5.3 Enforcement of Security by the Bondholders**

The obligations of the Company to the Bondholders under the Bonds have been secured in favour of the Bondholder Trustee for the benefit of the Bondholders in accordance with the terms of the Bonds Trust Deed and the relevant Security Documents, specifically by means of the German Law Mortgages and the Pledges. The Security may be enforced by the Bondholder Trustee following an event of default in accordance with the terms and conditions of the Bonds. Upon enforcement the Bondholder Trustee will (broadly, and subject to the terms of the relevant Security Documents) be entitled to appropriate and utilise (including through a sale of) the secured assets to obtain payment of amounts owing to the Bondholders under the terms of the Bonds. The Property Companies and the German Real Estate (owned by the Property Companies) represent a significant percentage of the Company's and the Group's assets. Accordingly, any enforcement of the Security (in particular, the Pledges of Shares and/or the German Law Mortgages) would likely have an adverse impact on the financial performance and condition of the Group and/or the ability of the Company to recommend a dividend for distribution to its Shareholders.

### **1.5.4 Exposure to Trends in the German Industrial Sector**

The German Real Estate consists of industrial parks that are exposed to industrial sector in Germany, which in turn is vulnerable to trends in the German economy. The industrial sector may be affected by a downturn in economic conditions or similar developments, which could negatively impact the Property Companies' ability to lease out part or all of the German Real Estate.

### **1.5.5 Governing Law and Jurisdiction**

The lease agreements to which the Property Companies are a party are governed by the laws of Germany and any disputes arising under such agreements are subject to the jurisdiction of the courts or arbitral tribunals in Germany. As the Company and the Property Companies are Maltese companies, this increases the complexity involved in any dispute or legal proceeding arising on the basis of these agreements, as a foreign legal element is involved.

## **1.6 Risks Relating to the Shares**

### **1.6.1 No prior market for the Shares**

As at the date of this Prospectus, there has been no public market for the Shares within or outside Malta. Due to the absence of any prior market for the Shares, there can be no assurance that the price of the Shares will correspond to the price at which the Shares will trade in the market subsequent to Listing. The market price of the Share could be subject to significant fluctuations in response to numerous factors, including the occurrence of any of the risk factors identified above.

### **1.6.2 Orderly and Liquid Market**

The existence of an orderly and liquid market for the Shares depends on a number of factors, including but not limited to the presence of willing buyers and sellers of the Shares at any given time and the general economic conditions of the market in which the Shares are traded. Such factors are dependent upon the individual decisions of Shareholders and the general economic conditions of the market, over which the Company has no control. Accordingly, there can be no assurance that an active secondary market for the Shares (whether on-exchange or over-the-counter) will develop, or, if it develops, that it will continue. Furthermore, there can be no assurance that a Shareholder will be able to sell or otherwise trade in the Shares at all.

The price at which the Shares will trade and the price which the Shareholders may realise for Shares will be influenced by a large number of factors, some specific to the Company, its operations, and some which are peculiar to the business sectors in which the Company operates, the performance of the Company's operations, large purchases or sales of the Shares, liquidity (or absence of liquidity) in the Shares, currency fluctuations, legislative or regulatory changes relating to the business of the Company and general economic conditions over which the Company may have no control.

In any event, stock markets (including the Maltese stock market) have from time to time experienced substantial price and volume fluctuations, which in addition to general economic and political conditions, could adversely affect the market price of the Shares. A public trading market having the desired characteristics of depth and liquidity depends inter alia upon the presence in the marketplace of willing buyers and sellers of the Shares at any given time, which presence is dependent upon the individual decisions of investors over which the Company has no control. Scully Royalty's shareholders, who will be distributed the majority of the Shares during the Spin-Off, are largely based outside of Malta and will initially be transferred and hold their Shares in securities accounts outside of the Malta CSD system. While it is possible that there will be some over-the-counter (OTC) trading in the Shares, including on the OTCQX International market where the Company may have the Shares traded (which is expected to contribute towards but cannot guarantee liquidity of the Shares), exchange trading of the Shares (on the MSE) will only be available for those who opt to hold their shares in a securities account with the Malta CSD or with a local investment firm, and the Company cannot provide any assurance of liquidity on the MSE should there not be a sufficient number of investors willing to do so (nor can liquidity be guaranteed even if this were the case).

### **1.6.3 Future Share Offers and Potential Dilution**

The Company has no current plans for an offering of new ordinary shares. However, it is possible that the Company may decide to offer additional shares in the future. Future offerings of new shares, or the availability for sale of substantial amounts of shares in the public market, could dilute the holdings of Shareholders not partaking in such offer or sale of shares. Furthermore, such new offerings could also adversely affect the prevailing market price of the Shares and may make it more difficult for Shareholders to sell Shares at a time and price that they deem appropriate and could also impair the Company's ability to raise capital through future offers of equity securities.

In addition, no prediction can be made about the effect which any future public offerings of the Company's securities (including but not limited to the effects arising out of a change in the cash flow requirements of the Company or other commitments of the Company vis-à-vis the new security holders), or any takeover or merger activity involving the Company (including but not limited to a de-listing, in full or in part, of the Shares), will have on the market price of the Shares prevailing from time to time.

### **1.6.4 Interest Rate Risk**

Investment in the Shares involves the risk that subsequent changes in market interest rates may adversely affect the value of the Shares.

### **1.6.5 Exchange Rate Risk**

A Shareholder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Shares (Euro) and the Shareholder's currency of reference, if different.

### **1.6.6 Ranking Risk**

The Shares represent equity interests in the Company that entitle the holder to rank *pari passu* with all other holders of ordinary Shares in the Company upon any distribution of assets in a winding up. The Shares of the Company are subordinated to the Bonds (and any other debt instruments in the Company's capital structure) and will therefore be subject to greater credit risk than Bonds or any other debt instruments of the Company.

### **1.6.7 Changes to Governing Law**

The terms and conditions of the admission to trading of the Shares are based on Maltese law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of this Prospectus. Similarly, no prediction can be made about the effect which any future public offerings of the Company's Shares, or any takeover or merger activity involving the Company, will have on the market price of the Shares prevailing from time to time.

### **1.6.8 Liquidity and Volatility Risk**

Application has been made to seek a listing of the Shares on the Malta Stock Exchange, which is a smaller market and less liquid than the more developed stock markets in Europe and/or the United States of America. Furthermore, the limited liquidity of the market for the Shares could increase the price volatility of the Shares and may impair the ability of a holder of Shares to sell such Shares in the market in the amount and at the price and time such holder wishes to do so.

### **1.6.9 Price Risk**

The price at which the Shares will be traded, as well as the sales volume of the Shares traded, will be subject to fluctuations. These movements may not necessarily be caused by the Group's business activity or its results of operations. It is also possible that damage to the Group's reputation, its' results of operations or its business outlook may fall short of expectations, in which case the price of the Shares could be negatively affected.

### **1.6.10 Suitability of Investment**

An investment in the Company may not be suitable for all recipients of this Prospectus and prospective Shareholders are urged to consult their advisors as to the suitability or otherwise of acquiring the Shares before such acquisition.

### **1.6.11 Dividend Payments**

The Company's results can fluctuate and its ability to pay dividends is dependent on, amongst other things, it achieving sufficient profits. The Company may not pay dividends if the Directors believe this would cause the Company to be less adequately capitalised or that there are otherwise insufficient distributable reserves or for various other reasons. Future dividends will depend on, among other factors, the Company's future profits, financial position, working capital requirements, general economic conditions and other factors that the Directors deem significant from time to time.

THE FOREGOING RISK FACTORS ARE NOT EXHAUSTIVE AND DO NOT PURPORT TO BE A COMPLETE LIST OF ALL OF THE RISKS AND CONSIDERATIONS INVOLVED IN INVESTING IN THE SHARES. IN PARTICULAR, THE COMPANY'S PERFORMANCE MAY BE AFFECTED BY CHANGES IN MARKET OR ECONOMIC CONDITIONS AS WELL AS LEGAL, REGULATORY AND TAX REQUIREMENTS APPLICABLE TO THE COMPANY AND/OR THE SHARES.

## **2. PERSONS RESPONSIBLE AND STATEMENT OF APPROVAL**

### **2.1 Persons Responsible**

All of the Directors whose names appear under Section 9.1 of this Prospectus are the persons responsible for all of the information contained in this Prospectus. To the best of the knowledge and belief of the Directors the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect its import, and the Directors have taken all reasonable care to ensure that this is the case. The Directors accept responsibility accordingly.

### **2.2 Authorisation Statement**

This Prospectus has been approved by the Competent Authority, as competent authority in Malta for the purposes of the Prospectus Regulation. The Competent Authority only approves this prospectus as meeting the standard of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of the Company or the Shares (that are the subject of this Prospectus). Investors should make their own assessment as to the suitability of investing in the Shares.

## 3. DIRECTORS, ADVISORS AND STATUTORY AUDITORS

### 3.1 Advisors

|                             |  |
|-----------------------------|--|
| Legal Counsel (Maltese law) | <b>GANADO Advocates</b><br>171, Old Bakery Street<br>Valletta, VLT 1455<br>Malta                           |
| Reporting Accountants       | <b>PricewaterhouseCoopers</b><br>78, Mill Street<br>Qormi QRM 3101<br>Malta                                |
| Sponsor                     | <b>Curmi &amp; Partners Ltd</b><br>Finance House, Princess Elizabeth Street<br>Ta' Xbiex XBX 1102<br>Malta |

The services of the Company's legal counsel and other advisors in respect of this Prospectus are limited to the specific matters upon which they have been consulted. There may be other matters that would have a bearing on the Company or an investment in the Shares upon which the Company's legal counsel and other advisors have not been consulted. The Company's legal counsel and other advisors do not undertake to monitor the compliance by the Company with its obligations as described in this Prospectus, nor do they monitor the Company's activities for compliance with applicable laws. Additionally, the Company's legal counsel and other advisors have relied and continue to rely upon information furnished to it by the Company and the Directors, and have not investigated or verified nor will it investigate or verify the accuracy and completeness of information set out herein concerning the Company, the Company's service providers or any other parties involved in the Listing (including all of their respective affiliates, directors, officers, employees and agents). Moreover, the Company's legal counsel accepts no responsibility for any description of matters in this Prospectus that relate to (and any issues arising from) any applicable law that is not Maltese law.

### 3.2 Statutory Auditors

PricewaterhouseCoopers of 78, Mill Street, Qormi QRM 3101, Malta, were the auditors of the Company for the period covered by the historical financial information incorporated by reference into this Prospectus and have been appointed as the Company's statutory auditors until the end of the next annual general meeting of the Company. PricewaterhouseCoopers is a registered audit firm with the Accountancy Board of Malta in terms of the Accountancy Profession Act (Chapter 281 of the laws of Malta) with registration number AB/26/84/38.

## 4. General Information on The Company and The Group

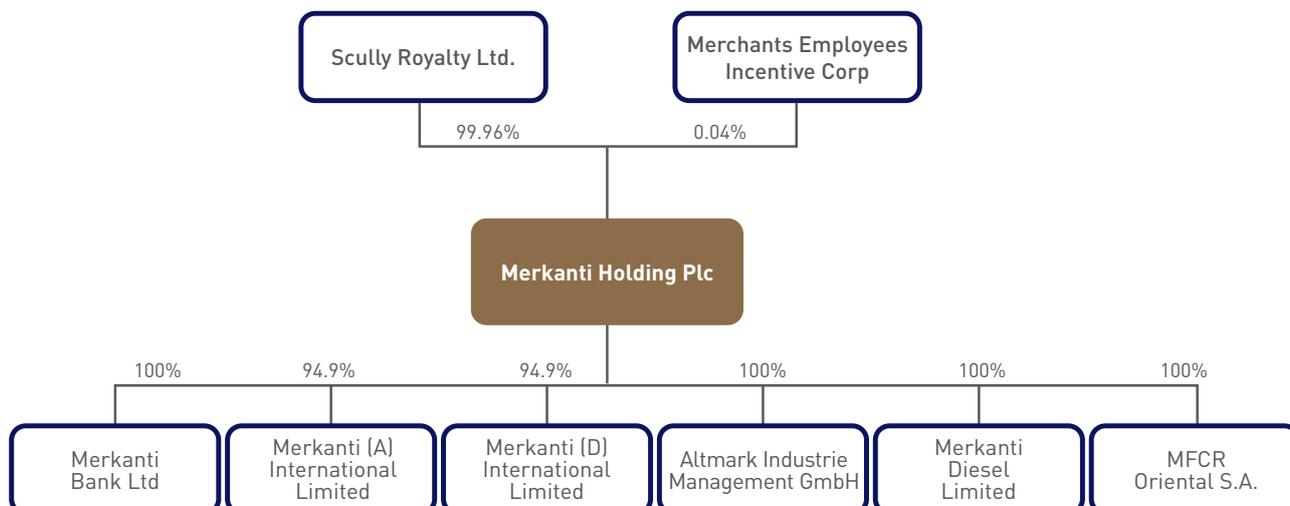
### 4.1 The Company

|  |  |
|--|--|
| <b>Legal &amp; Commercial Name:</b>          | Merkanti Holding p.l.c.  |
| <b>Company Registration Number:</b>          | C 70823  |
| <b>Legal Form:</b>                           | public limited liability company established under the Companies Act       |
| <b>Legal Entity Identification Number:</b>   | 485100XW28XWM45YPV18   |
| <b>Place of Registration &amp; Domicile:</b> | Malta  |
| <b>Date of Registration:</b>                 | 28 May 2015  |
| <b>Date of Conversion to plc:</b>            | 30 May 2019  |
| <b>Registered Office Address:</b>            | Aragon House Business Centre, Dragonara Road, St. Julian's STJ 3140, Malta |
| <b>Telephone Number:</b>                     | +356 23 286 000  |
| <b>E-mail Address:</b>                       | info@merkantiholding.com   |
| <b>Website:</b>                              | www.merkantiholding.com  |

Unless it is specifically stated herein that particular information is incorporated by reference into this Prospectus, the contents of the Company's website (or any other website referred to herein) or any other website directly or indirectly linked to the Company's website do not form part of the Prospectus. Accordingly, no reliance ought to be made by any investor on any information or other data contained in such website as a basis for a decision to invest in the Shares.

## 4.2 Group Organisational Structure

The following diagram illustrates the corporate structure of the Group as at the date of the Prospectus:



The principal activities of each company are described in further detail in Section 5 below.

## 5. BUSINESS OVERVIEW

### 5.1 Business Overview of the Company and the Group

#### 5.1.1 Historical Development and Recent Events

Merkanti Holding was incorporated as a private limited liability company on the 28 May 2015 and was subsequently converted to a public limited liability company on 30 May 2019. The Company was originally incorporated as a holding company for the purpose of the acquisition (and subsequent holding) of Merkanti Bank (at the time BAWAG Malta Bank Limited) from BAWAG P.S.K. (as described in Section 5.2 below).

In late 2018 the Company commenced a restructuring process in preparation for the Bond Issue. This restructuring comprised of (1) the acquisition of a majority of the shares (85%) in each of the Property Companies from an indirect subsidiary of Scully Royalty, on 27 December 2018 (pursuant to the share purchase agreement described in Section 13 below) and (2) the redomiciliation of the Property Companies (that were originally incorporated in the Marshall Islands) to Malta. The redomiciliation process concluded on 17 July 2019 when each of the Property Companies was issued a certificate of continuation by the Malta Business Registry confirming that each of them has been registered as continuing in Malta with effect from 8 July 2019 pursuant to the Continuation of Companies Regulations (Subsidiary Legislation 386.05 of the laws of Malta).

The Company completed a successful Bond Issue during Q3 2019, pursuant to which the Company raised approximately €24,500,000 in net proceeds and which were subsequently invested in Merkanti Bank and the Property Companies. Broadly, the Company: (1) deposited €10,500,000 with Merkanti Bank through a number of term deposits, with these funds to be utilised by Merkanti Bank to finance the expansion of its trade finance and merchant banking business; (2) granted a Subordinated Loan to Merkanti Bank in the amount €4,500,000 in anticipation of Merkanti Bank's business expansion plans for the purpose of increasing its regulatory capital; and (3) granted loans, in the amount of €6,750,000 and €2,750,000, to Merkanti (A) and Merkanti (D), respectively, partly for financing of maintenance and development costs relating to the German Real Estate and partly for general corporate funding purposes.

In December 2019, the Company acquired (pursuant to a share purchase agreement described in Section 14 below) a further 198 shares in each of the Property Companies (and representing 9.9% of each of the Property Companies' share capital). As a result, the Company increased its shareholding in each Property Company to 94.9%.

Also in December 2019, the Company established another subsidiary, Merkanti Diesel, for the purpose of undertaking dispute resolution funding activities including, among other things, providing all necessary assistance in respect of legal cases instituted by various plaintiffs in accordance with pre-determined terms and conditions. Broadly speaking, third party dispute resolution funding is a practice whereby a third party offers financial support to a claimant in order to cover the claimant's litigation expenses, in return for a pre-agreed share of the proceeds of the dispute, if the claim is successful.

On 28 May 2020, the Company entered into a share purchase agreement to acquire 100% of the issued share capital of Altmark Industrie Management GmbH from a related party, this company provides management services to the two Property Companies. The offices are based at the premises of Merkanti (A) and it provides administration, accounting, tax, maintenance and other services to both Merkanti (A) and Merkanti (D), amongst other companies.

On 1 July 2020 the Company entered into a share purchase agreement to acquire 100% of the issued share capital of MFCR Oriental SA. MFCR Oriental SA is a Uruguay-registered company with its principal business being the origination of merchant banking and trade finance opportunities for Merkanti Bank and the Group, sourcing within South America and Asia. MFCR Oriental's business is financed and coordinated through Merkanti Bank.

### 5.1.2 Principal Activities and Markets

The Company is a holding and finance company that does not carry on any trading activities apart from the raising of capital and advancing the same to the Group. Accordingly, the Company is economically dependent on the Group. The principal activities and markets of the Group are materially comprised of the activities of Merkanti Bank and the Property Companies, as described in further detail in Sections 5.2 and 5.3 below. All information in the tables below has been derived from the consolidated audited financial statements of the Company.

#### Merkanti Holding plc Revenue breakdown per sector Amounts in €000's

|                      | 31 Dec 2019  | 31 Dec 2020  | 31 Dec 2021  |
|----------------------|--------------|--------------|--------------|
| Banking services     | 2,875        | 2,222        | 4,410        |
| Property Rental      | 2,156        | 1,996        | 2,021        |
| Other                | 773          | 1,812        | 1,269        |
| <b>Total revenue</b> | <b>5,804</b> | <b>6,029</b> | <b>7,699</b> |

Merkanti Group's overall gross revenue generation is primarily driven by (i) the Group's banking services, comprising both merchant banking and trade finance services; and (ii) rental income generated from the Group's property portfolio.

Uncategorised revenue classified as 'Other', comprises various ancillary income streams to the Group's overall operations such as net trading gains and realised gains on disposal of assets. The significant increase noted in the year ending 31 December 2020 and 31 December 2021 to 'Other' revenue pertains to Merkanti Diesel Ltd and MFCR Oriental SA, the operations of which comprise litigation services and supply chain management respectively.

#### Merkanti Holding plc Revenue breakdown by geographic market Amounts in €000's

|                      | 31 Dec 2019  | 31 Dec 2020  | 31 Dec 2021  |
|----------------------|--------------|--------------|--------------|
| Malta                | -            | 210          | 89           |
| Europe               | 2,627        | 3,001        | 2,750        |
| North America        | 331          | 1,380        | 3,164        |
| South America        | 1,969        | 735          | 1,184        |
| Asia                 | 877          | 702          | 511          |
| Africa               | 0            | 1            | 1            |
| <b>Total revenue</b> | <b>5,804</b> | <b>6,029</b> | <b>7,699</b> |

The Group's revenue generation by geographic market indicates that Europe has been a major contributor with over €2.6 million in revenue generated annually, driven by the Group's property rental operations since 2019; and the provision of litigation services since 2020. Over the past two years, the Group's presence in North America has grown considerably, reaching €3.2 million for the year ended 31 December 2021 primarily driven by Merkanti Holding's merchant banking services.

In addition, revenue generated from trade finance and merchant banking varies based on the opportunities available to the Group from one year to the next. Therefore, the volatility noted in revenue generated from South America and Asia over the years is partly affected by market forces impacting the provision of trade finance and merchant banking services.

### 5.1.3 Strategy and Objectives

The Company intends to further grow its banking activities and seeks to invest in businesses or assets whose intrinsic value is not properly reflected. The Group actively seeks investments where its financial expertise and management can add or unlock value for the benefit of itself and its clients. The Group's investing activities are generally not passive and entail active involvement in the development and growth of such businesses.

### 5.1.4 Investments

The Company's material investments, during the three-year period ending 31 December 2020, consisted of (1) the acquisition of its 94.9% shareholding in each of the Property Companies and (2) investments made in Merkanti Bank and Property Companies using the proceeds of the Bond Issue (in each case as described in Section 5.1.1 above). Merkanti Bank has made merchant banking investments including granting various factoring facilities, which, in the aggregate, could be considered to be material.

On 4 March 2022 the Company entered into a share purchase agreement for the acquisition of Sparkasse (Holdings) Malta Ltd. a private limited liability company registered in Malta (C 35408) ("Sparkasse Holdings"), the parent company of Sparkasse Bank Malta plc (C 27152) ("Sparkasse Bank"), from Anteilsverwaltungsparkasse Schwaz, a private limited liability company duly incorporated and validly existing under the laws of Austria, with company registration number 032764H.

The total consideration payable by the Company for Sparkasse Holdings is approximately equal to the net tangible asset value, less various customary adjustments, of Sparkasse Holdings and includes (i) a cash payment at closing of the transaction; (ii) three consecutive annual payments of €2.5 million; and (iii) a contingent payment, payable upon the recovery of an asset of Sparkasse Bank which was previously written off in its entirety. The consideration for the acquisition shall be satisfied through cash on hand, available liquidity within the Group, or potentially through other means. The transaction is conditional upon the satisfaction of certain standard conditions precedent for such a transaction and regulatory approval, including from the European Central Bank, the MFSA, the Central Bank of Ireland, and the Director General (Competition) under the Malta Competition and Consumer Affairs Authority Act (Chapter 510 of the laws of Malta).

The acquisition is currently expected to be concluded in the second half of calendar year 2022. Upon closing of this transaction, the Company intends to merge the businesses of Sparkasse Bank and Merkanti Bank to form a larger independent institution with projected, on the basis of 31<sup>st</sup> December 2021 financial information: combined Own Funds of circa €60 million, total assets of €1.1 billion, assets under custody of €8.5 billion and revenues of €17 million. The combined institution shall be renamed and rebranded to reflect the larger entity's focus and market footprint in the corporate banking, custody, depository and investment services sectors in Malta and Ireland. The business plan of Sparkasse Bank will remain unchanged within the combined entity, with the activities of Merkanti Bank supplementing the core corporate and custody businesses currently conducted by Sparkasse Bank.

The Group does not have, as at the date of this Prospectus, any joint venture arrangements in place in which the Group holds a portion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.

### 5.1.5 Regulatory Environment

As an issuer of securities that are listed on the Official List, the Company is subject to an array of financial markets legislation, including the Capital Markets Rules, the Transparency Directive (which is generally transposed into the Capital Markets Rules), and the Market Abuse Regulation. Following the Listing of the Shares the Company will also be subject to the provisions of the Shareholder Rights Directive (also transposed into the Capital Markets Rules). All of these laws are generally designed to ensure the transparency of the financial markets and enhance investor confidence.

The Competent Authority supervises the Company in relation to its compliance with the Capital Markets Rules and all other financial markets legislation to which the Company is subject. The Competent Authority has extensive supervisory and investigatory powers, including the ability to issue requests for information, to conduct regulatory investigations and on-site inspections, to impose monetary and other sanctions, or to suspend the trading of the securities of the Company. The Company, in relation to all European securities laws applicable to it, is also subject to various technical standards, guidelines and recommendations developed by the European Securities and Markets Authority (ESMA) and which are also followed and enforced by the Competent Authority in its supervision of the Company and other listed entities.

The Capital Markets Rules set out various continuing obligations which issuers such as the Company must observe for as long as their securities remain listed on the Official List. These continuing obligations are set out in chapter 5 of the Capital Markets Rules, which chapter also transposes the relevant provisions of the Transparency Directive. Among other continuing obligations to which the Company is subject in terms of the Capital Markets Rules, the Company is required to publish, within specified timeframes, annual and half-yearly financial statements, together with the necessary directors' and/or auditors' reports (as applicable) as well as publicly disclose certain material information relating to the Company and its listed securities, as and when such information arises.

The Shareholder Rights Directive (as transposed into the Capital Markets Rules) establishes certain transparency, participation and other requirements designed to encourage and facilitate shareholder engagement and the exercise of certain shareholder rights at general meetings. Among other things, it will also require (following the Listing of the Shares) the Company to establish a remuneration policy for Directors that must be approved by Shareholders in general meeting and to prepare an annual remuneration report.

The Market Abuse Regulation applies, broadly speaking, to the Company and its officers, as well as anybody who deals in the Company's listed securities. The Market Abuse Regulation prohibits (i) insider dealing, (ii) the unlawful disclosure of inside information and (iii) market manipulation, which collectively constitute 'market abuse'. The Market Abuse Regulation also requires the Company to publicly disclose inside information as soon as possible and to also keep a list of all persons who have access to inside information and who are working for it under a contract of employment, or otherwise performing tasks for the Company through which they have access to inside information. Moreover, certain officers and/or employees of the Company who are considered to be 'persons discharging managerial responsibility' (generally speaking, the Board and certain senior managers) as well as persons connected to them (such as their spouses), are required to notify the Company, as well as the MFSA, of any transaction/s in the Company's listed securities (over a certain threshold) within three Business Days of the relevant transaction.

## **5.2 Business Overview of Merkanti Bank**

### **5.2.1 Principal Activities of Merkanti Bank**

Merkanti Bank is a credit institution licensed by the MFSA under the Banking Act that provides merchant banking services, together with trade finance - invoice factoring, treasury as well as general lending and taking of corporate deposits. Merkanti Bank's operations began in February 2016 after the ECB and MFSA approval of the acquisition of Merkanti Bank from BAWAG P.S.K. Following its acquisition, Merkanti Bank underwent an internal reorganisation process focused on revamping its internal procedures, systems and corporate governance structures in order to align the organisation with Merkanti Bank's new business model (as described under section 5.2.2 below).

Further details on Merkanti Bank can be found at: <http://www.merkantibank.com>.

### **5.2.2 Strategy and Objectives**

Prior to acquisition, BAWAG's operations primarily related to the provision of corporate banking with the goal of generating interest income. Following the acquisition, Dr. Otto Karasek, who was Chief Executive Officer, continued in his role and focused on revamping Merkanti Bank's business model by changing internal procedures, systems, corporate governance structures and shifting operations towards the provision of traditional merchant banking services.

Merkanti Bank acts as a traditional merchant bank, providing advisory and fee related services and allocating proprietary capital to finance various projects. Merkanti Bank engages in merchant banking, lending, and trade finance activities on a global basis. With respect to merchant banking, Merkanti Bank has been providing advisory and fee related services, including to related parties.

This investment in and growth of Merkanti Bank's activities is overseen by Mr. Martin Ware who was appointed as Merkanti Bank's Chief Executive Officer in June 2021. To further support these efforts, Merkanti Bank has hired additional personnel with experience in merchant banking, revamped its procedures and structures, and updated its systems to accommodate expected growth. Merkanti Bank plans to continue recruiting staff to implement the expansion of its merchant banking, lending, and trade finance activities.

During 2020, the objective of Merkanti Bank was to maintain a substantial level of liquidity with the expectation of capitalizing on potential opportunities that could arise by way of which Merkanti Bank could strengthen and/or widen its catchment area and service offering. Merkanti Bank has adopted a cautious approach and passed on a number of such opportunities in 2020 as the risk to return ratio was not appropriate. Although the economic challenges brought about by COVID-19 have repriced the business, the international corporate environment remains challenging. Going forward Merkanti Bank's main business strategy will continue to focus on merchant banking, trade finance and lending activities with the objective of improving fee related income and also enhance its asset allocation structure with related loan and treasury business. Merkanti Bank is also in the process of upgrading internal operational systems in order to handle the expected increase in business development momentum.

The initial months of 2021 were characterised by a continuation of the development of Merkanti Bank's dispute resolution portfolio. Furthermore, management notes that Merkanti Bank progressed further on the finalisation of new loan facilities that were being discussed during 2020 and that additional merchant banking fee income is expected to be booked in the coming months. Interest income is expected to benefit from various trade finance facilities, whilst no adverse movements in terms of expected credit losses were registered during 2021 so far.

Upon the expected merging of the businesses of Sparkasse Bank and Merkanti Bank as described in section 5.1.4 above, the combined entity's primary focus will be the custody and depository sectors in Malta and Ireland, building on the existing business plan of Sparkasse Bank centered on the core corporate and custody businesses currently conducted, supplemented by the existing activities of Merkanti Bank.

### **5.2.3 Overview of Principal Markets and Trend Information**

In addition to generating fee and interest income from its core merchant banking activities, Merkanti will continue to access the global trade finance market. Below is a brief overview of recent and expected future trends in the global trade finance market. Unless otherwise indicated, the information contained in this Section is sourced primarily from the International Chamber of Commerce (ICC) Global Survey on Trade Finance (2020).

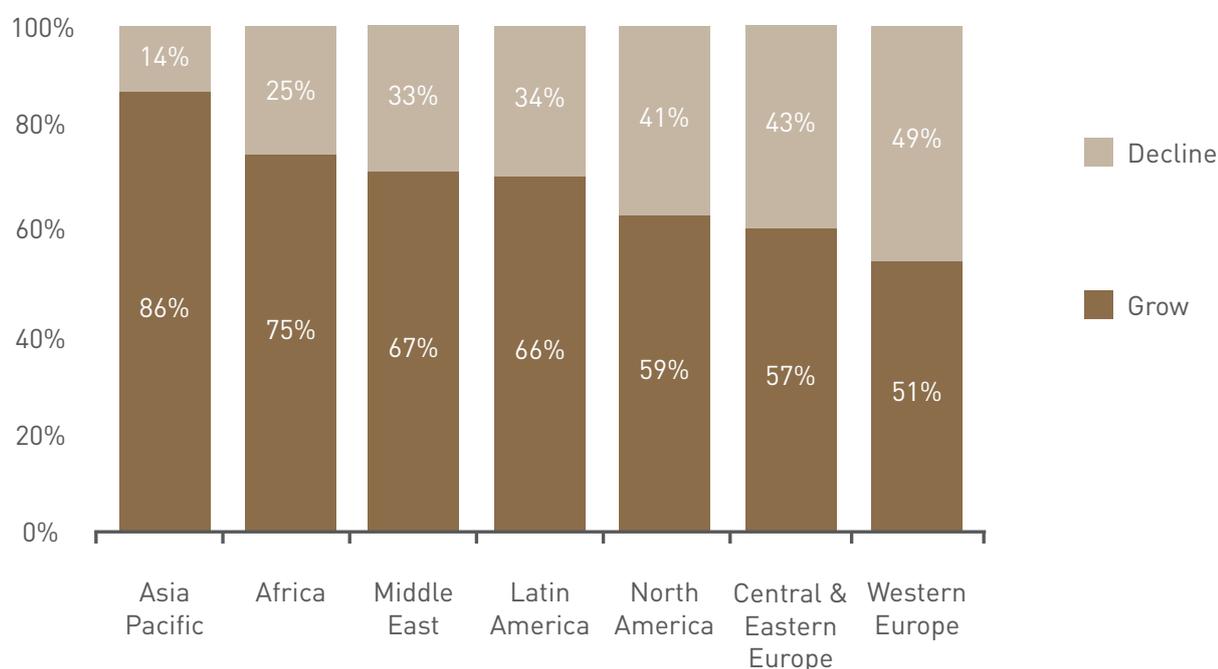
Upon the expected merging of the businesses of Sparkasse Bank and Merkanti Bank as described in section 5.1.4 above, the combined entity's primary focus will be the custody and depository sectors in Malta and Ireland, building on the existing business plan of Sparkasse Bank centered on the core corporate and custody businesses currently conducted, supplemented by the existing activities of Merkanti Bank.

### Trade finance worldwide

Global trade finance revenues were projected at approximately \$46 billion in 2019 as documented in the Boston Consulting Group model. However, based on all 3 projected scenarios presented within the report, further declines in trade finance were expected due to the slowdown in global trade brought about by the COVID-19 pandemic. The most widely used traditional trade finance sources are commercial letters of credit, guarantees and collections. Common supply chain finance sources are receivables discounting, payables finance, loans against receivables and factoring.

Over the next two years, demand for trade financing is expected to grow in all regions. The Asia-Pacific region and Africa are expected to achieve the most growth, while Western Europe derived the biggest divide with only 51% anticipating growth compared to the 49% expecting a decline.

### Will demand for trade financing grow or decline over the next two years?



Source: International Chamber of Commerce (ICC) Global Survey on Trade Finance (2020)

### The impacts of COVID-19 and Russia-Ukraine conflict on the trade finance industry

At first the COVID-19 pandemic did not have a systemic impact on the availability of trade financing; however, its rapid spread worldwide created an unprecedented environment for trade, disrupting economic activity and the overall flow of goods. The global trade finance market size was valued at \$8.9trillion in 2019, however due to COVID-19, the market dropped to \$7.6trillion in 2020, but it is expected to reach \$11.6trillion by the end of 2028, growing at a CAGR of 5.4% during the forecast period 2022-2028 (Source: QYResearch, Valuates Reports, 2022). The ICC and the World Trade Organisation ('WTO') also refer to emerging system-wide difficulties with USD liquidity and tightening of controls which further exacerbated trade financing over 2020.

Based on the Boston Consultancy Group's analysis, together with contribution from existing institutions providing trade finance services, it was expected that trade flows would decline due to the pandemic, whilst the recovery is expected to be gradual over the coming years. Vaccine roll-out in the US and EU has accelerated the recovery, with European exports meeting their pre-pandemic levels in Q2 2021, over a year after the pandemic commenced (Source: International Chamber of Commerce, March 2022).

The turbulence seen at the start of 2022 caused by the Russian invasion of Ukraine has severely dented the rate of recovery from the pandemic. The WTO announced its revision of merchandise global trade growth forecast for 2022 from 4.7% to 3%. Lockdowns in China in Q1 2022 following the spread of the new Omicron COVID-19 variant have also adversely impacted the outlook for 2022.

In a study by Coalition Greenwich (a research subsidiary of S&P), trade finance revenues for the largest trade transaction banks were up by 10% in 2021 and are expected to continue growing in 2022. The same study indicated that the largest contributors to this strong growth have been the newly reached record-high commodity prices and higher interest rates. Countering these key drivers, sanctions against Russia are compromising this growth given that Russia accounted for 1.9% and 1.4% of global exports and imports respectively in 2020.

### The prospective evolution of trade finance

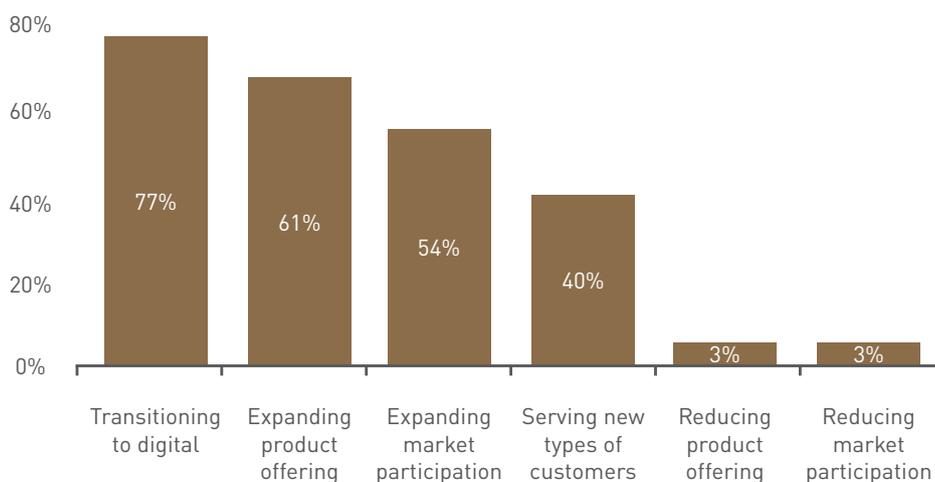
The development of the trade finance service offering is a gradual process, with the most prominent change in the shorter-term expected to be driven by the transition towards a more digital service offering. This also implies that institutions with the financial technology infrastructure in place could commence/increase their involvement in trade finance.

Financial institutions expect that the gradual digitalisation of the trade finance service offering will be aided by direct funding to trade finance providers; and more collaborations between existing financial institutions and leading technology firms. Financial technology firms are expected to continue expanding their involvement in trade financing over the medium term. This will likely evolve through a combination of direct funding to SMEs and/or the formation of white-labelled technology partnerships.

Other providers expect to evolve over the coming years by expanding the product offering available to customers; expansion of their market participation by targeting a wider area of jurisdictions; and serving new types of customers.

A report from Berne Union, a global association for the export credit and investment insurance industry (November 2021) indicated that with positive economic forecasts and rising commodity prices, credit insurers' risk appetite is expected to increase, which would also facilitate improved demand for export credit insurance in 2022. On the other hand whilst expectations improved in line with developments related to the pandemic, the Russia-Ukraine war combined with trade tensions, supply chain disruptions, and higher input and shipping costs, are risks facing this sector.

### How do existing trade finance providers expect to evolve over the coming years?



Source: International Chamber of Commerce (ICC) Global Survey on Trade Finance (2020)

### The Trade Finance gap

Notwithstanding the growing trade finance business volumes worldwide, a trade financing gap still exists. In fact, this financing gap has been widening ever since the financial crisis, given that major global banks restricted the extent of providing finance to developing markets. A study by the WTO in 2021 estimates the global trade finance gap at \$1.7 trillion in 2020, 15% higher than a 2018 estimate of \$1.5 trillion. The gap is believed to have widened significantly following the COVID-19 crisis as the likelihood of trade finance applications being rejected rose significantly due to increased uncertainties on economic stability. Unmet demand for trade finance represents a loss of global trade and worldwide economic growth. The view among trade finance experts in multilateral development banks and the WTO is that purchasing COVID-19 vaccines and channelling them to low-income countries have added to current trade finance gaps. Significant mitigation measures by multilateral development banks, export credit agencies and others are already in progress, but there is still a gap which needs to be addressed.

The existence of the trade financing gap is also affected by the increasing anti-money laundering (AML) and know your customer (KYC) requirements across the globe. More restrictive conditions might result in the refusal of certain trade finance requests. In addition, the incremental administrative responsibility precludes certain institutions from providing their services to higher risk jurisdictions. However, it is envisaged that the gradual digitalisation of the overall trade finance service offering and closer collaboration between private institutions and public organisations should result in pooling of resources which would ease the administrative pressures currently faced by trade finance providers.

## 5.2.4 Regulatory Environment

Merkanti Bank operates in a complex regulatory environment. It is subject to various laws and regulations, including 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. Recent and future changes in the laws and regulations applicable to Merkanti Bank and its operations, including those applicable to credit institutions, may have a significant impact on Merkanti Bank, principally amongst which are the following:

### *The CRD Packages*

In 2013, the European Union adopted the 'CRD IV Package', the third set of amendments to the original capital requirements directive (CRD), following two earlier sets of revisions adopted in 2009 (CRD II) and 2010 (CRD III). The CRD IV Package was intended to implement into EU law the majority of the international standards agreed by the Basel Committee on Banking Supervision (BCBS) in 2010, known as Basel III framework. The CRD IV Package is comprised of an EU Directive (CRD IV) governing the access to banking activities and an EU Regulation (CRR) establishing the prudential requirements that institutions need to respect.

The CRD IV Package impacted the prudential regulatory regime applicable to banks with effect from 1 January 2014, including through: (i) increased minimum levels of capital and additional minimum capital buffers; (ii) enhanced quality standards for qualifying capital; (iii) increased risk weighting of assets, particularly in relation to market risk and counterparty credit risk; and (iv) the future introduction of a minimum leverage ratio.

The CRD IV Package has been amended through the CRD V Package, which was published in the Official Journal of the European Union on 7 June 2019. The CRD V Package consists of an additional EU Regulation (CRR II amending the CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements) and an EU Directive (CRD V amending the CRD IV as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures). It is worth noting that the CRD V Package introduces a new 'approval' or 'exemption from approval' requirement for holding companies which fall within the definitions of financial holding companies and mixed financial holding companies as set out in the CRR.

The CRD V Package was adopted with the aim of addressing those elements of the Basel III framework which were still to be fully implemented as well as introducing EU-specific amendments that are not driven by Basel III framework or other international standards.

The majority of CRR II provisions were applicable as from 28 June 2021, with certain provisions applicable both before and after that date. The deadline for the transposition of CRD V into local legislation was the 28 December 2020 with staggered implementation dates: certain provisions were to be applied from 29 December 2020, others were to be applied from 28 June 2021 and others are to apply from 1 January 2022 respectively. The CRD V was transposed into national legislation on 28 December 2021 mainly through the enactment of Act No. LXXI of 2021 and Act No. LXXII of 2021.

Furthermore, on 27 October 2021, the European Commission published a proposed review of EU banking rules (the Capital Requirements Regulation III and the Capital Requirements Directive VI) which finalises the implementation of the Basel III agreement in the EU. The latter is still subject to discussion at EU level. It provides for enhancing the way banks measure and manage Environmental, Social and Governance risks and requires disclosures on the area. This includes regular climate stress testing by both supervisors and banks. Other amendments relate to the fit and proper framework, operational risk management and risk weighting of residential mortgage exposures.

### *BRRD and SRMR*

The BRRD was published in the Official Journal of the European Union on 12 June 2014 and came into force on 2 July 2014. The SRMR, which complements the BRRD, subsequently entered into force on the 19 August 2016. The BRRD establishes a framework for the recovery and resolution of credit institutions and certain investment firms. It establishes a legal regime which requires firms to prepare recovery plans and resolution authorities to prepare resolution plans and provides competent authorities with early intervention powers to intervene sufficiently early and quickly in an unsound or failing institution.

In addition, once it is determined that an institution is failing or likely to fail, the BRRD gives resolution authorities powers and tools intended to ensure the continuity of critical functions, to safeguard the resolution objectives and to manage the failure of an institution in an orderly manner if deemed to be in the public interest.

The Single Resolution Board (the 'SRB') is the central resolution authority within the banking union. Together with the National Resolution Authorities (the 'NRAs'), it forms the SRM. The NRAs are the resolution authorities of the participating Member States of the banking union, which are empowered to exercise resolution powers over banks within their own remit and, in compliance with a resolution scheme adopted by the SRB, over the banks within the SRB's remit. The SRB and the NRAs cooperate closely with each other within the SRM and exercise their respective powers and tasks in terms of the provisions of the SRMR.

Normal insolvency proceedings are the default outcome in the event of a bank failure, unless the resolution authorities consider that resolution action is feasible and credible in the circumstances. Before deciding whether or not to take resolution action, a Public Interest Assessment (the **'PIA'**) needs to be carried out by the resolution authorities in order to analyse the feasibility of winding up a bank under normal insolvency proceedings as well as to assess the feasibility of any foreseen resolution action. The PIA builds on the preliminary public interest assessment carried out during the resolution planning phase and is specific to each case, as it considers the national insolvency proceedings and the preferred resolution strategy that would be applied to the bank should it be resolved.

The resolution powers provided to the SRB and the NRAs 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. The BRRD also requires banks to meet a minimum requirement for own funds and eligible liabilities (**'MREL'**) so as to be able to absorb losses and restore their capital position, allowing banks to continuously perform their critical economic functions during and after a crisis.

On 23 November 2016, the European Commission released proposals to revise both the SRMR and the BRRD, which proposals resulted in the SRMR II and BRRD II being published in the Official Journal of the European Union on 7 June 2019. SRMR II entered into force on 28 December 2020 and BRRD II had to be transposed by European Union Member states into national law by no later than 28 December 2020. SRMR II incorporates the amendments to the BRRD at the level of the SRM. BRRD II aims to enhance the framework for bank resolution by, among other things, adjusting the MREL of resolution entities and subsidiaries to align it with the Total loss Absorbing Capacity (**'TLAC'**) standard. The more stringent new rules aim to increase the bail-in-able capital available in case of a bank resolution, thus improving resolvability and consequently reducing the risk of public funds being used for bank resolutions and therefore creating a closer balance between liability and control. Furthermore, the BRRD II includes other reforms unrelated to TLAC or MREL such as amendments to requirements on the contractual recognition of bail-in, the introduction of a new moratorium power for resolution authorities and the introduction of requirements on the contractual recognition of resolution stay powers.

The Recovery & Resolution Regulations, transpose into Maltese law the provisions of the BRRD. The Recovery & Resolution (Amendment) Regulations transpose the BRRD II into local legislation by amending the Recovery & Resolution Regulations. Pursuant to Article 7B of the MFSA Act, 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 and whose composition, powers and functions are governed by provisions set out in the First Schedule to the MFSA Act and the Recovery & Resolution Regulations. The Recovery & Resolution Regulations provide for various powers and tools of the Resolution Committee in the event that the Resolution Committee considers that all of the conditions set out in Regulation 32 of the Recovery & Resolution Regulations are met. In certain instances, the Resolution Committee needs to work hand in hand with the SRB. The SRB assesses, in cooperation with the NRAs, the resolvability of banks and drafts resolution plans for banks falling under its direct supervision. The SRB also has an oversight function on the resolution plans drafted by the respective NRA for banks falling within the NRA's remit. The SRB is responsible for the resolution of systemically important institutions and the relative NRA would be entrusted with the implementation of the resolution scheme adopted by the SRB. In the case of banks falling under the direct supervision of the NRAs, the latter would be responsible for the resolution of the bank in question. In the case of credit institutions that meet the applicable conditions for resolution, the SRB or the Resolution Committee, as the case may be, has the following tools available at its disposal: (i) the sale of business tool: enabling the SRB or the Resolution Committee, as the case may be, to affect a sale of the whole or part of the business; (ii) the bridge institution tool: providing for a temporary bridge 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. This tool can only be used in conjunction with any other tool; and (iv) the bail-in tool: ensuring that most unsecured creditors bear losses and bail-in the institution under resolution.

The SRB or the Resolution Committee, as the case may be, must exercise the power to write down and convert shares and other capital instruments immediately before or together with the application of a resolution tool. The power to write down or convert capital instruments may be exercised by the SRB or the Resolution Committee, as the case may be, either: (i) independently of resolution action; or (ii) in combination with a resolution action, where the conditions for resolution are met. Regulation 34 of the Recovery & Resolution Regulations sets out a number of general principles which are applicable when applying such resolution tools and exercising such resolution powers, including that (i) the shareholders of the institution under resolution bear first losses and (ii) the creditors of the institution under resolution bear losses after the shareholders in accordance with the order of priority of their claims under normal insolvency proceedings, save as expressly provided otherwise in the Recovery & Resolution Regulations.

The SRB or the Resolution Committee, as the case may be, has very wide powers as necessary to apply the resolution tools (which include the sale of business tool, the bridge institution tool, the asset separation tool and the bail-in tool described above), 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.

### ***Depositor Compensation***

The Depositor Compensation Scheme Regulations (Subsidiary Legislation 371.09 of the Laws of Malta, “**DCSR**”) require that each Maltese credit institution participates in the Depositor Compensation Scheme (the “**DCS**”), which collects and administers the contributions of the member credit institutions, such as Merkanti Bank, and settles any compensation claims of depositors in accordance with the DCSR.

Under the DCSR, the DCS is liable for obligations resulting from deposits denominated in any currency in an amount of up to €100,000 per depositor and credit institution, subject to such deposits being classified as ‘eligible deposits’ under the DCSR. Contributions and commitments made to the DCS by Maltese credit institutions are also governed by Banking Rule 18 of 2016, ‘Risk-Based Method’ and the ‘Compensation Contribution Method’ under the Depositor Compensation Scheme Regulations, and Banking Rule 19 of 2016, Banking Rule on ‘Payment Commitment’ under the Depositor Compensation Scheme Regulations.

On 24 November 2015, the European Commission proposed a regulation to establish a European Deposit Insurance Scheme (“**EDIS**”) for deposits of all credit institutions which are members of any of the current national statutory depositor compensation schemes of EU Member States participating in Merkanti Banking Union. The EDIS remains at proposal stage as at the date of this Prospectus.

### ***Prevention of Money Laundering and Funding of Terrorism***

Merkanti Bank is subject to the money laundering regime aimed at preventing money laundering and the funding of terrorism, contained mainly in the Prevention of Money Laundering Act (Chapter 373 of the laws of Malta), the Prevention of Money Laundering and Funding of Terrorism Regulations (Subsidiary Legislation 373.01) (the “**PMLFTR**”), the Criminal Code (Chapter 9 of the laws of Malta), the Implementing Procedures issued by the FIAU in terms of the PMLFTR and the National Interest (Enabling Powers) Act (Chapter 365 of the Laws of Malta). Collectively, these rules and regulations aim to implement the EU Directives on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing.

These rules and regulations require, among others, Merkanti Bank to adequately identify and verify customers and ultimate beneficial owners where applicable, through rigorous identification and verification procedures, subject to adopting a risk-based approach, conduct customer due diligence (including sanctions and politically exposed persons screening), maintaining up-to-date customer records, and to design, implement and review internal controls, processes, procedures and policies for the ongoing monitoring and evaluation of customers and the risks associated with establishing and maintaining relations with its customers. In addition, Merkanti Bank is required to comply with its obligation to detect and report suspicious transactions and other activities to the relevant competent authority.

### ***Payment Services Directive***

Directive (EU) 2015/2366 on payment services in the internal market (known as “**PSDII**”) entered into force in January 2016 and this was transposed into local legislation on the 13 January 2018 by means of CBM Directive no 1 (repealing the previous CBM Directive no. 1). PSDII seeks to enhance consumer protection when effecting online payments, whilst at the same time promoting the use of innovative online and mobile payment solutions. The major change brought about by the PSDII is the opening up by the payments industry by regulating “account information services” and “payment initiation services” and thus obliging banks to provide third party payment service providers access to customers’ payments accounts which are accessible online. The regulation of payment services continues to generally evolve through the issuing of specific Regulatory Technical Standards in this area by the European Banking Authority and any payment services initiatives undertaken by the Issuer will need to be undertaken within this regulatory context.

### ***Data Protection***

The Regulation (EU) No. 2016/679 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 (also known as the EU General Data Protection Regulation or the “**GDPR**”) came into full effect from 25 May 2018 and replaced the previous EU Directive 95/46 EC. The GDPR applies to all banks established in the European Union or who otherwise provide services to European citizens. As an EU Regulation, the GDPR is directly applicable into Maltese law without the need for any local transposition.

On 28 May 2018, Malta enacted the Data Protection Act (Chapter 586 of the Laws of Malta), which replaced the previous Data Protection Act (Chapter 440 of the Laws of Malta) and was used to further specify certain provisions of the GDPR.

The GDPR introduced increased obligations on data controllers and enhanced rights for data subjects. The requirements of these laws affect Merkanti Bank’s ability to collect, handle, store, retain, process, and use personal data as well as transfers of personal data to countries that do not have adequate data protection laws. The GDPR also requires data controllers to demonstrate and record compliance with the GDPR as well as report breaches to the Data Protection Commissioner (Malta’s supervisory authority for GDPR purposes) without undue delay (within 72 hours where feasible) and, in certain cases, to the individuals whose data has been implicated by the breach. Other various obligations arise from the GDPR, including in relation to data protection impact assessments, data subject rights, the use of adequate technical and organisational measures, the conditions on which processors may be engaged, ensuring data protection by design and by default within their organisation.

The GDPR, as supplemented by the revised Data Protection Act, also provide for separate tiers of administrative fines in the event of an infringement. The amounts that are contemplated by these tiers are significant and sizeable, but they also represent maximum limits and the imposition of a fine does not necessarily need to be automatic consequence for non-compliance. The Data Protection Commissioner may at its discretion utilise other corrective measures, if considered by it to be more proportionate in the circumstances. Furthermore, the GDPR also identifies a list of points to consider when investigating an alleged infringement, including the nature, the risk, severity and the duration of the infringement. Criminal penalties are also envisaged in certain exceptional and particularly severe cases set out at law, such as where a person does not comply with any lawful request pursuant to an investigation by the Data Protection Commissioner.

## **5.3 Business Overview of the Property Companies**

### **5.3.1 Principal Activities of the Property Companies**

The Property Companies are property holding companies that operate in the industrial real estate rental sector in Germany, together holding assets valued at €32.8 million (see Section 7.1.1 below), yielding a combined rental income of approximately € 2.0 million per annum.

The German Real Estate owned by each of the Property Companies (further details on which are set out below) is currently rented out to a number of tenants. Rental agreements in place between the Property Companies and the respective tenants are either open-ended indefinite term contracts or definite term contracts (with a number of definite term rental agreements catering for the automatic renewal of the lease, and with renewal periods ranging from one to six years). In most cases the lessee has the option to terminate the contract by giving written notice a number of months prior the expiration of the contract, which notice period ranges between 3 to 18 months. For the year ending 31 December 2021, 93% of the combined rental income was generated from areas rented out to third party tenants, with the remaining 7% generated from rentals to related parties.

### **5.3.2 Strategy and Objectives**

The Property Companies' main objective is to maximize the value of its real estate holdings over the long-term through various means, including but not limited to, development, rationalization, strategic dispositions, and ordinary rental and leasing businesses. Given the geographically convenient location of both properties, as well as the business-friendly corporate landscape and supportive regulatory and governmental environment, the Property Companies intend to leverage their footprint and expand their services to other innovative and relevant industries, while furthering their offerings to the traditional businesses which have operated in the area.

### **5.3.3 Description of the German Real Estate**

#### ***Industrial and Commercial Park Altmark (Arneburg, Germany)***

Merkanti (A) owns a part of the Industrial and Commercial Park Altmark, located in Arneburg, Germany, which is the largest industrial and commercial park in the German State of Saxony-Anhalt with in total 7,400,000 m<sup>2</sup>. The part of Merkanti (A) is a piece of land in the size of 1,671,856 m<sup>2</sup>. Merkanti (A) offers developed industrial and commercial land for greenfield investments as well as warehouses, production halls, workshops and offices. There are currently 32 buildings in Industrial and Commercial Park Altmark, which is traditionally a centre for the pulp and paper industry but that has recently made developments towards sustainable energy, with a large solar park built there in 2014. Industrial and Commercial Park Altmark is well connected via a railway system, a connection to its own harbour on the Elbe River which leads directly to the Hamburg International Harbour and a connection to modern roads for transportation by truck. Industrial and Commercial Park Altmark presently yields a rental income of approximately €1.1 million per annum.

A significant portion of Merkanti (A)'s rental income generated in 2019 (47%), 2020 (44%) and in 2021 (39%) was generated by tenants in the wood processing industry. Tenants within the construction industry account for an additional 2019 27%, 2020 33% and in 2021 39% of rental income. The remaining notable portions of rental income are made up of various tenants operating in the property management and transport industries, with an additional few small-scale tenants operating in industries such as telecommunications, manufacturing and agriculture. The main use of the Industrial and Commercial Park Altmark property is for storage and production purposes, with this activity making up 68% of total rental income during 2019, 76% of total rental income during 2020 and 78% of total rental income during 2021. The remaining parts of the property were also used for office space and agricultural purposes.

Merkanti (A)'s largest tenant by rental income had eight (8) rental agreements between 2019 and 2021 that in total accounted for approximately 45% of Merkanti (A)'s total rental income in 2019, 36% of Merkanti (A)'s total rental income in 2020 and 39% of Merkanti (A)'s total rental income in 2021. Four (4) of the rental agreements of 2021 are for indefinite terms, with the remaining four (4) rental agreements running for a definite period. Each of the definite rental agreements is subject to automatic renewal for further terms if the lessee does not provide Merkanti (A) with written termination notice within the time period specified in the relevant agreement.

Merkanti (A)'s second largest tenant by rental income has seven (7) rental agreements with Merkanti (A) in the period from the year 2019 to 2021 that accounted for approximately 27% of Merkanti (A)'s total rental income in 2019, 33% of Merkanti (A)'s total rental income in 2020 and 39% of Merkanti (A)'s total rental income in 2021. All rental agreements are subject to automatic renewal for further terms if the lessee does not provide Merkanti (A) with written termination notice within the time period specified in the relevant agreement.

### ***Dessau-Mitte Industrial Park (Dessau, Germany)***

Merkanti (D) owns the Dessau-Mitte Industrial Park, located in Dessau, Germany, a 111,688m<sup>2</sup> development property that offers office and administrative buildings, production halls and warehouses (there are currently 18 buildings in the Dessau-Mitte Industrial Park) and land for industrial investments. The Dessau-Mitte Industrial Park is ideally situated for hosting production, engineering, and servicing companies, currently housing traditional equipment for cement plants, mills, cooling apparatus, drums and rotary furnaces, as well as broad-based engineering services in the field of cement plants and medical technology. The Dessau-Mitte Industrial Park benefits from connections to the autobahn, the national railway and to the Elbe River and its current infrastructure includes two transformer stations, freshwater supply, effluent disposal, district heating lines and a telecommunications network. Dessau-Mitte Industrial Park presently yields a rental income of approximately €1.0 million per annum.

A total of 53% of Merkanti (D)'s revenue generated in 2019 to 2021 relates to tenants that operate in the manufacturing industry, which proportion represents a significant concentration but which is also reflective of the nature of the property. A further 12% of Merkanti (D)'s revenue generated over the past three (3) years was generated from tenants operating in the construction industry. In addition, 16% of Merkanti (D)'s revenue generated in 2019, 13% of Merkanti (D)'s revenue generated in 2020 and 7% of Merkanti (D)'s revenue generated in 2021 related to the medical technology industry. Other smaller tenants operate in the security services, artisan advertising and communications industries. Similar to Merkanti (A), Merkanti (D)'s rental income is also highly dependent on the rental of storage space averaging at around 60% of all rental income generated over the past three years. Other uses of the Dessau-Mitte Industrial Park currently include office space, a garage, parking area and a rail system.

Merkanti (D)'s primary tenant generating 51% of the industrial park's rental income in 2021 operates within the packaging industry. The tenant holds five (5) definite rental agreements due to mature in September 2022. However, all rental agreements are subject to automatic renewal for further terms if the lessee does not provide Merkanti (A) with written termination notice within the time period specified in the relevant agreement.

#### **5.3.4 Overview of the German Real Estate Market (Saxony-Anhalt) and Trend Information**

The German Real Estate owned by the Property Companies is all located in the Saxony-Anhalt region in Germany. Below is a brief review of the current and expected future trends in the property market in Germany, including some specific analysis on the property market in the Saxony-Anhalt region.

##### ***The Manufacturing Sector in Germany and Rental prices***

The Property Companies mainly lease out industrial space for manufacturing, storage and production facilities. In Germany, manufacturing is the most important sector in industry and accounts for 79% of total production.

In the long-term, Germany's industrial production is projected to trend around 2.40% in 2023 and 2.30% in 2024. This presents an opportunity for the expansion of the market for rental of industrial space in all German states, including Saxony-Anhalt. This notwithstanding, the prime rental locations for the manufacturing sector in Germany include Berlin, Hamburg, Frankfurt and Munich, due to their better connectivity with airports and highways.

In the Saxony-Anhalt region, logistics is at the heart of the state's business growth strategy. The area is a dynamic business environment set at the heart of Europe with high levels of direct investment, with a number of connections to pan-European traffic routes accessible through various means: air cargo through the Leipzig/Halle Airport; extensive rail network (with around 3,100km of track systems and 76 freight transport stations); and one of the most modern waterway networks in Europe with the Elbe, Mittelland Canal, Elbe-Havel Canal and waterway cross.

As reported by the German Federal Statistical Office, the manufacturing sector contributed to approximately 20% of Germany's Gross Value Added (GVA) in 2020, with minor movements noted from prior years. In February 2022, the price-adjusted stock of orders in manufacturing increased seasonally and calendar adjusted 1.0% as compared to the previous month, based on provisional data. This represents a 20.5% increase over the previous year.

The industrial sector in Saxony-Anhalt has developed to be highly-specialised, consisting of lead markets in chemistry and bioeconomy as well as energy, machinery and plant construction, resource efficiency, water technologies, and mobility & logistics, amongst others. The chemical sector in the "Middle German Chemical Triangle" including established names in the industry including Bayer, Total and Dow Chemical, has flourished over the past years, such that Saxony-Anhalt has established itself as a globally leading centre of competence in the field of polymer production and processing.

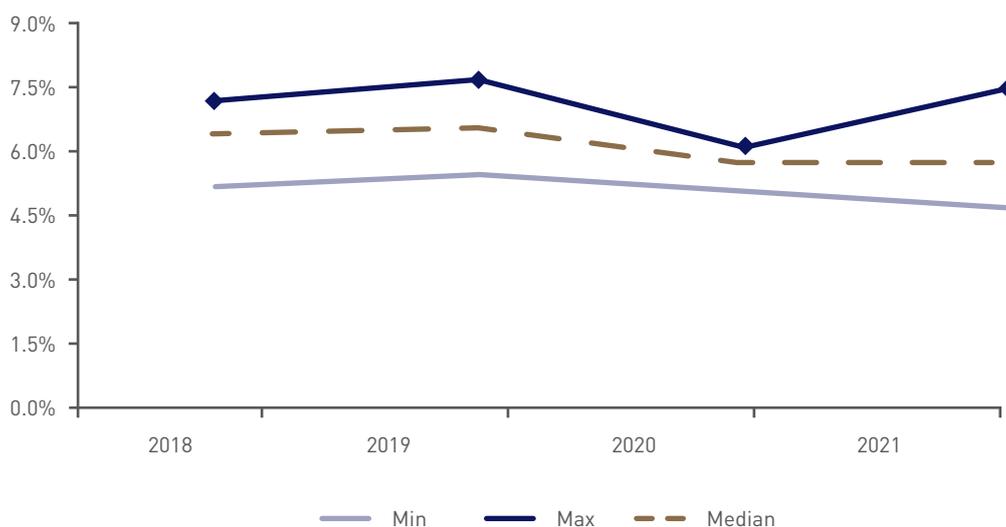
In 2021, Germany's Saxony Anhalt exported €17.7billion, making it the 10th largest exporter out of the 16 exporter states in Germany. The majority of exports included pharmaceutical products, plastics and other chemical -products. On the other hand, total imports amounted to €17.3billion, the 11th largest importer out of 16 in Germany, with the majority of imports including petroleum oil and gases, and pharmaceutical products.

As presented in the table below, rental rates for office space and properties used for the purposes of logistics and storage are higher in Dessau-Rosslau when compared to rates in Arneburg. On the other hand, properties used for production and storage purposes are higher in Arneburg (Source: Market Research from Empirca, Thomas Daily).

| Classification        | Min rent (€/sqm) | Max rent (€/sqm) | Median rent (€/sqm) |
|-----------------------|------------------|------------------|---------------------|
| <b>Arneburg</b>       |                  |                  |                     |
| Office                | 3.77             | 12.00            | 5.40                |
| Production / Storage  | 2.00             | 2.00             | 2.00                |
| Logistics             | 2.60             | 3.60             | N/A                 |
| <b>Dessau-Rosslau</b> |                  |                  |                     |
| Office                | 4.50             | 6.19             | 5.64                |
| Production / Storage  | 1.80             | 2.77             | 2.00                |
| Logistics             | 2.80             | 3.80             | N/A                 |

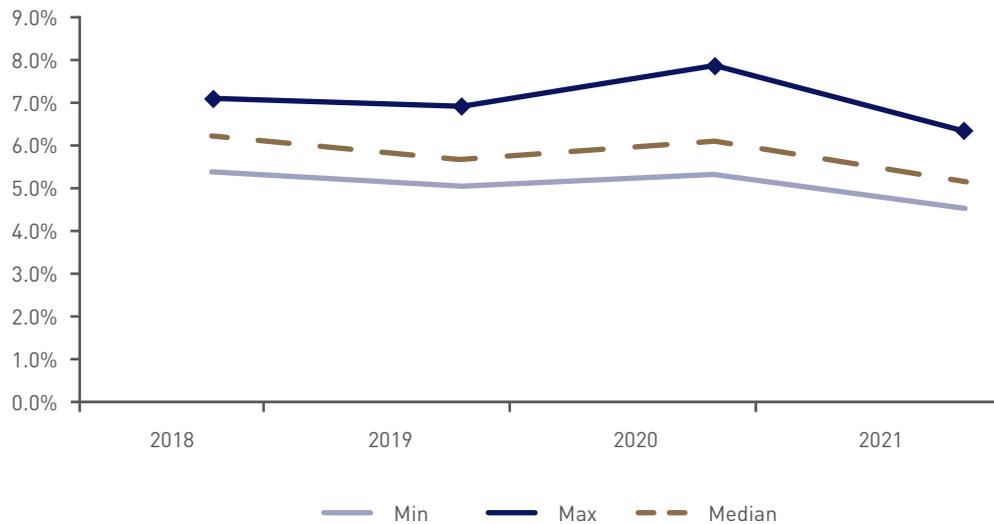
As presented below, yields for office space in Saxony-Anhalt have fluctuated between 4.80% and 7.70% between 2018 and 2021, with a median yield of 5.90% over the past two years. The declining yield is indicative that the value of office areas has increased at a faster rate than chargeable rental rates. It is also noticeable that despite the impact which the COVID-19 pandemic might have on the general rental industry, yields for office areas have not been particularly impacted to date. However, the PwC Real Estate Investor Survey of March 2022 points out that market players expect annual rental growth rates in subprime regions to increase (+2.0%) compared to the result of the previous survey (+1.5%), impacting both property values and implied yields.

#### Office yields in Saxony-Anhalt



Rental yields for properties used for the purposes of logistics and storage in subprime areas, including Saxony-Anhalt, have stabilised within a range of 3.8% and 6.1%, with a median of 4.8% in 2021. Following a marginal increase in yields in 2020 driven by the COVID-19 pandemic, these largely stabilised back to pre-COVID levels during 2021. The PwC Real Estate Investor Survey sets out that the performance of core and core-plus logistics properties in secondary areas has been more positive than those in prime areas. Yields decreased by -20 bps, -14 bps and -67 bps for core, core-plus and value-add properties in smaller locations respectively, whereas yields have decreased by -23bps, -30bps and -41 bps (for core, core-plus and value-add properties respectively) in the top 15 locations. Having said this, investors expect annual growth rate of 2.5% in top locations, whereas they expect annual growth rate of 2.0% in smaller locations.

### Logistics rental yields in subprime areas (incl. Saxony-Anhalt)



### Projected rental market rates in Saxony-Anhalt

According to JLL, a global commercial real estate services company, almost 861,000sqm, 16% more than the equivalent period last year, was taken up in the first three months of 2022, indicating that the momentum from the end of 2021 was successfully carried over, also signalling the initial improvement in the economic situation. JLL is also expecting an annual take-up of around 3.27 million sqm, around the same level as the previous year. Rental trends in the largest cities are dominated by two current trends: good quality, sustainable offices to offer employees a good working environment; and the additional strain on office tenants derived from rising energy costs. JLL expects that by the end of the year, nominal price rents in the most prominent office locations will increase by a further 2.5%.

Average rental yields for office space is expected to reach 2.5% for the top cities in Germany such as Berlin and Munich. As presented in the PwC Real Estate Investor Survey in Germany, as at March 2022, returns were decreasing across all risk classes in regional cities and regions, with return on core properties falling by an average of 20 bps. The annual market rent growth rate for office space of Saxony-Anhalt is estimated at 2.0%.

### Commercial real estate market in Germany

In March 2022, the 'PwC Real Estate Survey' (Volume 14) stated that logistics continues to be the most attractive German market and office properties in secondary market locations outperform the top cities. Berlin, Hamburg, Dusseldorf, Cologne, Frankfurt am Main, Stuttgart and Munich expect an annual growth rate of at least 1.5%, with the strongest increase in Stuttgart (2.2%) followed by Dusseldorf and Munich (+1.9% each). The yields for office properties in regional cities have declined by an average of 9% from the previous year. Compared to the previous year's survey, yields in the Saxony-Anhalt, Mecklenburg-West Pomerania and Brandenburg region have decreased by 5.9%. The shift in the real estate market yields may be the result of the COVID-19 pandemic which saw a lot of employees working from home.

The transaction volume in the investment German real estate market (commercial and residential) continued its volume rally in February 2022, amounting to approximately €9.0billion between January and February 2022, according to a report by Savills. Since the beginning of the year till end February 2022, a total of €17.6billion have been transacted on the German real estate investment market. Such high transaction volumes have never been seen before. The rolling twelve-month volume at the end of the month was €120.5billion and rose by 4.3% compared to the previous month. It is also interesting to note that in the twelve months to end February 2022, around 17% of the single asset deals of existing commercial buildings were for properties for which conversion was intended.

The pandemic is likely to have changed the way people want to work, live and consume in the future to even more rapid change. The very high purchase volume of developers is possibly an indicator of this shift. Having said this, the growing demand for new developments and redevelopments is countered by the significant increase in construction costs. The Russia-Ukraine war, and the associated challenges in the energy and building materials sector are likely to drive up construction costs even further.

Another research publication by DZ HYP AG, one of the largest banks in Germany in terms of total assets, indicates that office rental rates are stagnating after rising sharply over many years because of lack of supply. This being said, rental rates are not falling, in spite of uncertain future demand for office space and a moderate rise in vacancies suggests that the office market should remain stable.

### **Improved accessibility in Saxony-Anhalt**

Saxony-Anhalt has one of the densest railway networks in Europe, with around 2,300km of tracks and has also one of the most modern waterway networks in Europe, with the Elbe, Mittelland Canal and Wasserstraßenkreuz (water bridge); Magdeburg Port is an interior hub for the seaports. There are numerous federal highways, waterways and major rail routes which run through Saxony-Anhalt. A well-developed transportation network is an important location factor.

There are currently seven highways in Saxony-Anhalt following completion of works on a federal road at the end of 2018. A well-developed transportation network is an important location factor. It is thus expected that an additional highway will benefit the entire region by improving accessibility and increasing business and tourism. A new highway in the vicinity of Arneburg is also being constructed and is expected to be completed by 2030 while certain parts are expected to be completed before this date. The proposed highway will improve access to Stendal and to the Industrial and Commercial Park Altmark.

### **5.3.5 Regulatory Environment**

There are no material regulations to which the Property Companies and their operations are subject.

## **6. HISTORICAL FINANCIAL INFORMATION**

The Company's audited financial statements, and the audit reports thereto, for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 were filed with the Malta Business Registry and the MFSA and shall be deemed to be incorporated by reference in, and form part of, this Prospectus.

These financial statements have been drawn up in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and are available for inspection at the Company's registered office and on the Company's website ([www.merkantiholding.com](http://www.merkantiholding.com)) as set out in Section 21 of this Prospectus.

There has been no significant change in the financial performance or financial position of the Group since the end of the financial year ended 31 December 2021.

| <b>Key References</b>                                   | <b>Page Number in Annual Reports</b> |                                  |                                  |
|---|--------------------------------------|----------------------------------|----------------------------------|
| Information incorporated by reference in the Prospectus | Financial year ended 31 Dec 2019     | Financial year ended 31 Dec 2020 | Financial year ended 31 Dec 2021 |
| Consolidated Statements of Financial Position           | 21-22                                | 23-24                            | 11-12                            |
| Consolidated Statements of Profit or Loss               | 23                                   | 25                               | 13                               |
| Consolidated Statements of Changes in equity            | 25-27                                | 28-30                            | 15-17                            |
| Consolidated Statements of Cash Flows                   | 28-29                                | 31-32                            | 18-19                            |
| Notes to the Consolidated Financial Statements          | 30-109                               | 32-125                           | 20-111                           |
| Independent Auditors' Reports                           | 11-20                                | 11-22                            | 112-122                          |

## 7. OPERATING AND FINANCIAL REVIEW

### 7.1 Financial Condition

#### 7.1.1 Consolidated Financial Statements

The key highlights taken from the consolidated financial statements of the Group for the years ended 31 December 2019, 2020 and 2021 are set out below.

| <b>Merkanti Holding plc</b><br><b>Consolidated Income Statement for the period ending</b><br><b>Amounts in €000's</b> | <b>31 Dec 2019</b><br><b>Audited</b> | <b>31 Dec 2020</b><br><b>Audited</b> | <b>31 Dec 2021</b><br><b>Audited</b> |
|---|--------------------------------------|--------------------------------------|--------------------------------------|
| Net fee and interest income   | 2,447                                | 976                                  | 3,261                                |
| Rental income   | 2,156                                | 1,996                                | 2,021                                |
| Net trading gains/ (losses)   | 749                                  | 777                                  | 402                                  |
| Other income/ (expenses)  | 105                                  | 531                                  | 551                                  |
| Realised gains on disposal of financial assets  | 9                                    | 46                                   | (0)                                  |
| Net revenue from customer contracts   | -                                    | 516                                  | 317                                  |
| <b>Total income</b>   | <b>5,466</b>                         | <b>4,842</b>                         | <b>6,551</b>                         |
| General and administrative expenses   | (1,709)                              | (1,798)                              | (1,875)                              |
| Salaries  | (1,199)                              | (1,686)                              | (1,976)                              |
| Repairs and maintenance   | (649)                                | (337)                                | (697)                                |
| Other selling and administrative costs  | (446)                                | (953)                                | (1,096)                              |
| Changes in expected credit losses   | (91)                                 | (58)                                 | 93                                   |
| <b>Total selling, general and administrative costs</b>  | <b>(4,093)</b>                       | <b>(4,833)</b>                       | <b>(5,551)</b>                       |
| <b>Profit before non-cash movements and one-off costs</b>   | <b>1,373</b>                         | <b>8</b>                             | <b>1,000</b>                         |
| Fair value gains of investment property   | 2,069                                | 485                                  | 284                                  |
| Realised gains on disposal of investment property   | -                                    | 127                                  | (52)                                 |
| Depreciation and amortisation   | (121)                                | (268)                                | (240)                                |
| Fines   | -                                    | -                                    | (260)                                |
| <b>Profit before tax</b>  | <b>3,321</b>                         | <b>352</b>                           | <b>732</b>                           |
| Taxation  | (404)                                | (223)                                | (84)                                 |
| <b>Profit for the year</b>  | <b>2,916</b>                         | <b>129</b>                           | <b>648</b>                           |
| Profit attributable to NCI  | (321)                                | (27)                                 | (8)                                  |
| <b>Profits attributable to shareholders</b>   | <b>2,595</b>                         | <b>102</b>                           | <b>656</b>                           |

The Group reported a pre-tax profit of €0.7 million in the financial year ended 31 December 2021, up from €0.4 million in 2020, however lower than 2019 (€3.3 million), which was characterised by a major fair value gain of €2.1 million recognised on its investment property. The decline in Merkanti Holding's profitability in 2020 is primarily due to a decrease in the Group's consolidated net fee and interest income generated from third parties, which has recovered over the past year.

Revenue from customer contracts represents a new revenue stream generated from the sale of commodities to third parties. This revenue stream commenced from 2020 following inclusion of MFCR Oriental S.A. in the Merkanti Group during the year (100% equity stake).

The Group's consolidated performance for the years ending 31 December 2019 to 2021 includes 94.9% of Merkanti (A) and Merkanti (D)'s performance during the year.

| <b>Merkanti Holding plc</b><br><b>Consolidated Statement of Financial Position as at</b><br><b>Amounts in €000's</b> | <b>31 Dec 2019</b><br><b>Audited</b> | <b>31 Dec 2020</b><br><b>Audited</b> | <b>31 Dec 2021</b><br><b>Audited</b> |
|--|--------------------------------------|--------------------------------------|--------------------------------------|
| <b>Assets</b>  |                                      |                                      |                                      |
| Cash and cash equivalents  | 27,294                               | 16,316                               | 14,568                               |
| Loans and advances to customers  | 3,800                                | 10,790                               | 11,387                               |
| Financial assets   | 11,220                               | 14,053                               | 13,758                               |
| Property, plant and equipment  | 230                                  | 317                                  | 209                                  |
| Right-of-use asset   | 680                                  | 584                                  | 429                                  |
| Intangible assets  | 25                                   | 18                                   | 647                                  |
| Investment property  | 35,140                               | 32,587                               | 32,866                               |
| Deferred tax assets  | -                                    | 369                                  | 380                                  |
| Accrued income and other receivables   | 1,901                                | 2,108                                | 2,357                                |
| Amount due from related companies  | 10,675                               | 12,003                               | 13,367                               |
| <b>Total assets</b>  | <b>90,964</b>                        | <b>89,145</b>                        | <b>89,968</b>                        |
| <b>Equity &amp; liabilities</b>  |                                      |                                      |                                      |
| <b>Equity</b>  |                                      |                                      |                                      |
| Share capital  | 50,000                               | 50,020                               | 50,020                               |
| Retained earnings and other reserves   | 1,167                                | 1,299                                | 1,925                                |
| Non-controlling interest   | 1,878                                | 1,828                                | 1,785                                |
| <b>Total equity</b>  | <b>53,045</b>                        | <b>53,148</b>                        | <b>53,729</b>                        |
| <b>Liabilities</b>   |                                      |                                      |                                      |
| Borrowings   | 24,287                               | 24,381                               | 24,478                               |
| Lease liabilities  | 683                                  | 624                                  | 478                                  |
| Derivative liabilities   | 65                                   | 368                                  | 309                                  |
| Trade payables   | 494                                  | 540                                  | 868                                  |
| Other payables and accruals  | 179                                  | 966                                  | 866                                  |
| Amounts owed to customers  | 10,216                               | 6,986                                | 7,024                                |
| Deferred tax liabilities   | 1,996                                | 2,133                                | 2,215                                |
| <b>Total liabilities</b>   | <b>37,920</b>                        | <b>35,997</b>                        | <b>36,239</b>                        |
| <b>Total equity and liabilities</b>  | <b>90,964</b>                        | <b>89,145</b>                        | <b>89,968</b>                        |

The Group's financial position as at 31 December 2021 indicates total assets of €90 million and total liabilities of €36.2 million resulting in a net equity value of €53.7 million as at this date.

The main components of the Group's assets base include the investment property held by Merkanti (A) and Merkanti (D) (€32.9 million); cash and cash equivalents (€14.6 million); loans and advances to customers (€11.4 million); financial assets (€13.8 million); and amounts due from Scully Royalty group companies (€13.3 million). The majority of the cash balances included in the statement of financial position consist of cash balances held by Merkanti Bank with the Central Bank of Malta. The amounts due from related companies primarily comprise balances due from Scully Royalty of €12.2 million.

As at 31 December 2021, the Group's financial position indicates total liabilities amounting to €36.2 million, the main components of which being Merkanti Holding's secured bond issued on the MSE (€24.5 million); amounts owed to customers of €7.0 million, representing deposits held by Merkanti Bank from third parties and related parties; and deferred tax liabilities recognized on the Group's investment property (€2.2 million).

| <b>Merkanti Holding plc</b><br><b>Overview of the Group's equity by segment</b><br><b>Amounts in €000's</b> | <b>31 Dec 2021</b><br><b>Audited</b> |
|---|--------------------------------------|
| Merkanti Bank   | 17,178                               |
| Property rental   | 36,406                               |
| Other   | 145                                  |
| <b>Total equity</b>   | <b>53,729</b>                        |

The Consolidated Statement of Financial Position indicates a total equity balance of €53.7 million, which primarily consists of the Company's share capital of €50.0 million and consolidated retained earnings and other reserves of €1.9 million, comprising the equity position of Merkanti Bank, Merkanti (A) and Merkanti (D). The Group's equity position as at 31 December 2021 is primarily made up of the Property Companies (€36.4 million), and the banking and financial services segments (Merkanti Bank and Merkanti Diesel) amounting to €17.2 million.

| <b>Merkanti Holding plc</b><br><b>Consolidated Statement of Cash Flow for the years ending</b><br><b>Amounts in €000's</b> | <b>31 Dec 2019</b><br><b>Audited</b> | <b>31 Dec 2020</b><br><b>Audited</b> | <b>31 Dec 2021</b><br><b>Audited</b> |
|--|--------------------------------------|--------------------------------------|--------------------------------------|
| <b>Cash flows from operating activities</b>  |                                      |                                      |                                      |
| Net interest, commission and rental income received  | 4,588                                | 5,348                                | 6,493                                |
| Cash payments to employees and suppliers   | (4,264)                              | (6,325)                              | (7,417)                              |
| <b>Cash flows generated from operating activities before changes in operating assets and liabilities</b>                   | <b>323</b>                           | <b>(977)</b>                         | <b>(924)</b>                         |
| <i>Changes in operating assets and liabilities:</i>  |                                      |                                      |                                      |
| Net increase/(decrease) in loans and advances to customers   | (1,235)                              | (7,841)                              | 522                                  |
| Net increase/(decrease) in amounts owed to customers   | 6,498                                | (3,231)                              | 38                                   |
| Net (increase)/decrease in litigation funding assets   | -                                    | (1,455)                              | 969                                  |
| Net increase in other assets and receivables   | (5,243)                              | (696)                                | (1,266)                              |
| Reserve deposit with Central Bank of Malta   | (58)                                 | (54)                                 | 13                                   |
| Net increase/ (decrease) in other liabilities and payables   | (151)                                | (70)                                 | 222                                  |
| <b>Net cash generated from/ (used in) operating activities</b>   | <b>134</b>                           | <b>(14,323)</b>                      | <b>(426)</b>                         |
| <b>Cash flows from investing activities</b>  |                                      |                                      |                                      |
| Acquisition of subsidiaries / equity stakes in subsidiaries (net of cash acquired)   | (3,645)                              | -                                    | -                                    |
| Acquisition of financial assets  | (5,633)                              | (4,825)                              | (1,119)                              |
| Disposal of financial assets   | 2,110                                | 5,553                                | 653                                  |
| Acquisition of PPE   | (199)                                | (200)                                | (37)                                 |
| Disposal of property, plant and equipment  | -                                    | -                                    | 6                                    |
| Disposal of investment property  | -                                    | 3,165                                | 7                                    |
| Acquisition of Intangible Assets   | -                                    | -                                    | (629)                                |
| <b>Net cash generated from/ (used in) investing activities</b>   | <b>(7,367)</b>                       | <b>3,692</b>                         | <b>(1,120)</b>                       |
| <b>Cash flows from financing activities</b>  |                                      |                                      |                                      |
| Proceeds from debt issued on the MSE (net of issue costs)  | 24,262                               | -                                    | -                                    |
| Capital repayments of lease payments   | (61)                                 | (155)                                | (167)                                |
| Paid up share capital during the year  | -                                    | 5                                    | 0                                    |
| <b>Net cash generated from/ (used in) financing activities</b>   | <b>24,201</b>                        | <b>(150)</b>                         | <b>(167)</b>                         |
| <b>Net movement in cash and cash equivalents</b>   | <b>16,968</b>                        | <b>(10,781)</b>                      | <b>(1,712)</b>                       |
| Effect of exchange rate changes on cash and cash equivalents   | (71)                                 | (252)                                | (10)                                 |
| Opening Balance  | 10,345                               | 27,243                               | 16,210                               |
| <b>Closing Balance</b>   | <b>27,243</b>                        | <b>16,210</b>                        | <b>14,507</b>                        |

During the three-year period ending 31 December 2021 the Merkanti Group generated net cash amounting to €4.5 million (excl. the impact of exchange rate movements), which includes the Group's bond issue of €24.3 million during 2019. As at 31 December 2021, the Group's cash balance stood at €14.5 million.

The Group used net cash from operations of €14.6 million. This is primarily driven by the aggregate increase in loans and advances to customers (€8.6 million); movements in other assets and receivables (€7.2 million); and increase in dispute resolution assets (€0.5 million) as the Group's asset base and on-balance sheet exposure increased. These movements were partly netted off by an increase in amounts owed to customers of €3.3 million over the three-year period.

Net cash used by the Group in its investing activities amounted to €4.8 million, which primarily reflects the net impact of: (i) acquisition of subsidiaries (€3.6 million); (ii) net acquisition of financial assets (€3.3 million); and (iii) disposal of investment property in the Property Companies (€3.2 million).

The Group's financing activities over the three-year period primarily consist of the proceeds from the bond issue in 2019, net of any lease payments incurred over the past years.

Due to the nature of the Company's holdings, the remaining part of this Section of the Prospectus sets out further analysis of financial information by individual subsidiary.

### 7.1.2 Standalone financial information

#### Merkanti Bank Ltd

The audited financial statements of Merkanti Bank for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 were filed with the Malta Business Registry.

The key highlights taken from the audited financial statements of Merkanti Bank for the years ended 31 December 2019, 2020 and 2021 are set out over the following pages.

| <b>Merkanti Bank Ltd</b><br><b>Statement of Financial Position as at 31 December</b><br><b>Amounts in €000's</b> | <b>2019</b><br><b>Audited</b> | <b>2020</b><br><b>Audited</b> | <b>2021</b><br><b>Audited</b> |
|--|-------------------------------|-------------------------------|-------------------------------|
| <b>Assets</b>  |                               |                               |                               |
| Cash and cash equivalents  | 10,407                        | 12,372                        | 9,960                         |
| Loans and advances to banks  | 11,218                        | 3,153                         | 3,779                         |
| Loans and advances to customers  | 5,600                         | 15,930                        | 15,774                        |
| Investments  | 8,393                         | 8,412                         | 8,288                         |
| Property, plant and equipment  | 138                           | 398                           | 301                           |
| Intangible assets  | 25                            | 18                            | 647                           |
| Accrued income and other assets  | 559                           | 326                           | 450                           |
| <b>Total assets</b>  | <b>36,341</b>                 | <b>40,607</b>                 | <b>39,198</b>                 |
| <b>Equity &amp; liabilities</b>  |                               |                               |                               |
| <b>Equity</b>  |                               |                               |                               |
| Share capital  | 10,000                        | 10,000                        | 10,000                        |
| Revaluation reserve  | 50                            | 90                            | 49                            |
| Retained earnings  | 4,292                         | 4,432                         | 4,935                         |
| <b>Total equity</b>  | <b>14,342</b>                 | <b>14,522</b>                 | <b>14,984</b>                 |
| <b>Liabilities</b>   |                               |                               |                               |
| Amounts owed to customers  | 17,208                        | 21,064                        | 19,046                        |
| Subordinated liabilities   | 4,500                         | 4,500                         | 4,500                         |
| Other liabilities  | 291                           | 521                           | 668                           |
| <b>Total liabilities</b>   | <b>21,999</b>                 | <b>26,085</b>                 | <b>24,214</b>                 |
| <b>Total equity and liabilities</b>  | <b>36,341</b>                 | <b>40,607</b>                 | <b>39,198</b>                 |

Subsequent to the issue of the bond on the MSE by Merkanti Holding, Merkanti Bank's on-balance sheet activity increased following an injection by Merkanti Bank's immediate parent. This follows Merkanti Bank's intended long-term strategy to access the market and expand through the provision of merchant banking services and to a lesser extent trade finance services.

Merkanti Bank's total assets as at 31 December 2021 amounted to €39.2 million and included namely loans to customers (€15.8 million), investments (€8.3 million) and loans to banks (€3.8 million). Merkanti Bank also holds balances amounting to €10 million with the Central Bank of Malta, including the Minimum Reserve Requirement in line with the Regulations set out by the ECB.

The balances held with other banks reflect funds that are redeployed as trade finance facilities by the respective financial institutions. Merkanti Bank's investments primarily include holdings in Malta Government Stocks and local credit institutions, which are measured at fair value through other comprehensive income (€7.5 million). Merkanti Bank's investments measured at fair value through profit and loss (€1.8 million) comprise securities issued by a special purpose vehicle for dispute resolution financing; and a fixed income loan comprising a profit-participation feature. The loans to customers primarily relate to amounts advanced to Scully Royalty and related entities (€15.8 million, including overdraft facilities).

Merkanti Bank's liabilities as at 31 December 2021 amounted to €24.2 million and largely included customer deposits of €19 million and subordinated liabilities of €4.5 million held by Merkanti Holding (classified as Tier 2 capital following approval by the MFSA).

It is noted that whilst the subordinated loan has a maturity of 7 years, due to the recent introduction of amendments in the Capital Requirement Regulations (CRR II), the Company is currently considering various options in relation to this funding instrument, including potential repayment or the conversion into additional deposits to place as cash collateral, or into additional tier 1 capital.

The majority of Merkanti Bank's customer deposits are arising from Merkanti Holding and other entities forming part of the broader Scully Royalty group (€18.6 million).

Merkanti Bank's total equity as at 31 December 2021 amounted to €15 million and included, share capital (€10.0 million) and retained earnings (€4.9 million).

| <b>Merkanti Bank Ltd</b><br><b>Income Statement for the years ended 31 December</b><br><b>Amounts in €000's</b> | <b>2019</b><br><b>Audited</b> | <b>2020</b><br><b>Audited</b> | <b>2021</b><br><b>Audited</b> |
|---|-------------------------------|-------------------------------|-------------------------------|
| Interest income   | 347                           | 1,195                         | 1,865                         |
| Interest expense  | (111)                         | (358)                         | (437)                         |
| <b>Net interest income</b>  | <b>236</b>                    | <b>836</b>                    | <b>1,428</b>                  |
| Fee and commission income   | 2,306                         | 1,598                         | 1,693                         |
| Fee and commission expense  | (2)                           | (6)                           | (0)                           |
| <b>Net fee and commission income</b>  | <b>2,304</b>                  | <b>1,592</b>                  | <b>1,693</b>                  |
| Net trading gains/ (losses)   | 749                           | (96)                          | 80                            |
| Gains/ (Losses) on disposal of investment measured through OCI  | 9                             | 46                            | (0)                           |
| Other operating income  | 35                            | 35                            | 35                            |
| <b>Operating income</b>   | <b>3,333</b>                  | <b>2,413</b>                  | <b>3,235</b>                  |
| Recoveries of impaired loans/ (movement in expected credit losses)  | (91)                          | (63)                          | 49                            |
| Administrative expenses   | (2,459)                       | (2,209)                       | (2,781)                       |
| <b>Profit for the year</b>  | <b>783</b>                    | <b>140</b>                    | <b>503</b>                    |

Merkanti Bank's net fee and commission income decreased from €2.3 million in 2019 down to €1.7 million in 2021, as the impact of the COVID-19 pandemic restricted Merkanti Bank's ability to provide certain merchant banking services. The majority of this income was generated from merchant banking services provided to a number of related entities forming part of the Scully Royalty group. The step-up in net interest income from €0.2 million in 2019 up to €1.4 million in 2021 was driven by Merkanti Bank's increase in its loan portfolio to customers.

Merkanti Bank's operating income amounted to €3.2 million in 2021, almost reaching 2019 levels (€3.3 million), following a decrease to €2.4 million in 2020. The fluctuation in Merkanti Bank's operating income is primarily driven by the more turbulent market environment which did not allow for significant net trading gains during 2020 (€0.7 million in 2019).

Administrative expenses stepped up from €2.5 million in 2019 to €2.8 million in 2021 as Merkanti Bank invested in its staff complement over the years, in order to support the planned expansion in its overall services.

The gradual increase in net interest income over the past year, was partly offset by an increase in administrative expenses, resulting in Merkanti Bank's profit for the year to reach €0.5 million up from €0.1 million in 2020.

## Merkanti (A) Ltd

The sections below summarise the financial position and financial performance of Merkanti (A) for the financial years ended 31 December 2019, 2020 and 2021.

| <b>Merkanti (A) Ltd</b><br><b>Income Statement for the year ended 31 December</b><br><b>Amounts in €000's</b> | <b>2019</b><br><b>Audited</b> | <b>2020</b><br><b>Audited</b> | <b>2021</b><br><b>Audited</b> |
|---|-------------------------------|-------------------------------|-------------------------------|
| Net rental income   | 1,282                         | 1,066                         | 1,131                         |
| General and administrative expenses   | (214)                         | (214)                         | (287)                         |
| Repairs and maintenance costs   | (242)                         | (167)                         | (497)                         |
| Other selling, general and administrative costs   | (191)                         | (557)                         | (264)                         |
| <b>EBITDA</b>   | <b>635</b>                    | <b>128</b>                    | <b>83</b>                     |
| Fair value gains of investment property   | 1,985                         | 487                           | 283                           |
| Realised gains on disposal of investment property   | -                             | 127                           | 2                             |
| Fair value gains in relation to participation rights  | -                             | 49                            | (477)                         |
| <b>Operating income</b>   | <b>2,620</b>                  | <b>790</b>                    | <b>(109)</b>                  |
| Net finance costs   | (135)                         | (75)                          | (20)                          |
| <b>Profit before tax</b>  | <b>2,485</b>                  | <b>715</b>                    | <b>(129)</b>                  |
| Taxation  | (393)                         | (169)                         | (251)                         |
| <b>Profit after tax</b>   | <b>2,091</b>                  | <b>546</b>                    | <b>(380)</b>                  |

Merkanti (A) generated total net rental income of €1.3 million in 2019, decreasing to €1.1 million in 2020 and 2021, following maturity of some rental agreements which were not renewed. Notwithstanding the impact of COVID-19 which resulted in certain industries working remotely over an extended period of time, Merkanti (A) did not provide material rent concessions which affected its performance over the past years.

Operating expenses increased from €0.6 million in 2019 to €1 million in 2021. Repairs and maintenance were stable at €0.2 million in 2019 and 2020, increasing to €0.5 million in 2021 which reflected a number of one-off repairs taking place during the year. Other general administrative expenses fluctuated from €0.2 million in 2019, increasing to €0.6 million in 2020, before decreasing to €0.3 million in 2021. Merkanti (A)'s cost base during 2020 was characterised by one-off sales commission due on the disposal of investment property and short-term lease expenses incurred during the year amounting to €0.3 million.

Over the three-year period, Merkanti (A) recognised fair value gains on investment property amounting to €2.8 million based on the fair value estimated by the valuer, which valuation is prepared on an annual basis. During 2020, Merkanti (A) disposed tracts of land of its industrial park, on which a gain of €0.1 million was achieved. In addition, a €0.4 million net fair value loss on the company's participation rights was recognised based on the potential dividend distribution of the fellow subsidiary between 2020 and 2021.

On the basis of the above movements, Merkanti (A) reported an average pre-tax profit of €1.6 million per annum between 2019 and 2020, whilst incurring a pre-tax loss of €0.1 million during 2021.

| <b>Merkanti (A) Ltd</b>                                  |                |                |                |
|--|----------------|----------------|----------------|
| <b>Statement of Financial Position as at 31 December</b> |                |                |                |
| <b>Amounts in €000's</b>                                 | <b>2019</b>    | <b>2020</b>    | <b>2021</b>    |
|  | <b>Audited</b> | <b>Audited</b> | <b>Audited</b> |
| <b>Non-current assets</b>                                |                |                |                |
| Investment property                                      | 26,198         | 23,647         | 23,925         |
| Amounts receivable from related parties                  | 4,718          | 5,573          | 5,309          |
| <b>Total non-current assets</b>                          | <b>30,916</b>  | <b>29,220</b>  | <b>29,234</b>  |
| <b>Current assets</b>                                    |                |                |                |
| Loans and trade receivables                              | 34             | 31             | 57             |
| Financial assets measured at FVTPL                       | 1,650          | 2,623          | 2,147          |
| Current tax receivable                                   | -              | -              | 175            |
| Cash and cash equivalents                                | 2,905          | 4,469          | 4,023          |
| <b>Total current assets</b>                              | <b>4,589</b>   | <b>7,122</b>   | <b>6,401</b>   |
| <b>Total assets</b>                                      | <b>35,505</b>  | <b>36,343</b>  | <b>35,635</b>  |
| <b>Equity</b>  |                |                |                |
| Share capital  | 1              | 1              | 1              |
| Other reserves   | 24,173         | 24,173         | 24,173         |
| Retained earnings  | 3,384          | 2,930          | 1,846          |
| <b>Total equity</b>                                      | <b>27,558</b>  | <b>27,104</b>  | <b>26,020</b>  |
| <b>Non-current liabilities</b>                           |                |                |                |
| Deferred tax liabilities                                 | 1,008          | 1,096          | 1,139          |
| Other non-current liabilities                            | 6,750          | 6,750          | 6,750          |
| <b>Total non-current liabilities</b>                     | <b>7,758</b>   | <b>7,846</b>   | <b>7,889</b>   |
| <b>Current liabilities</b>                               |                |                |                |
| Trade and other payables                                 | 189            | 1,391          | 1,547          |
| Indirect taxes payable                                   | -              | 2              | 179            |
| <b>Total current liabilities</b>                         | <b>189</b>     | <b>1,393</b>   | <b>1,726</b>   |
| <b>Total equity and liabilities</b>                      | <b>35,505</b>  | <b>36,343</b>  | <b>35,635</b>  |

As at 31 December 2021, the Net Asset Value of Merkanti (A) amounted to €26 million. The principal asset of the company comprises the Altmark industrial park which is valued at approximately €23.9 million as at 31 December 2021. The remaining assets of the company primarily relate to amounts receivable from other entities within the Scully Royalty group (€5.3 million); and financial assets comprising equity interest in a related party (acquired in settlement of receivables due from another related entity) and participation rights in a subsidiary of the Merkanti Group (€1.7 million and €0.5 million respectively). Cash balances held by Merkanti (A) amounted to €4 million.

Merkanti (A) holds borrowings of €6.75 million due to Merkanti Holding which will mature within 5 years, in line with the maturity of the bond. The remaining liabilities primarily relate to amounts due to Merkanti Holding following a declaration of dividends by Merkanti (A) during 2020; and accrued interest due on the company's borrowings. The company holds deferred tax liabilities amounting to €1.1 million as at 31 December 2021 realised on fair value movements of the underlying investment property.

## Merkanti (D) Ltd

The sections below summarise the financial position and financial performance of Merkanti (D) for the financial years ended 31 December 2019, 2020 and 2021.

| <b>Merkanti (D) Ltd<br/>Income Statement for the year ended 31 December<br/>Amounts in €000's</b> | <b>2019<br/>Audited</b> | <b>2020<br/>Audited</b> | <b>2021<br/>Audited</b> |
|---|-------------------------|-------------------------|-------------------------|
| Net rental income   | 928                     | 1,013                   | 994                     |
| General and administrative expenses   | (236)                   | (236)                   | (261)                   |
| Repairs and maintenance costs   | (376)                   | (220)                   | (165)                   |
| Utilities   | (174)                   | (149)                   | (156)                   |
| Other selling, general and administrative costs   | (107)                   | (218)                   | (133)                   |
| <b>EBITDA</b>   | <b>34</b>               | <b>188</b>              | <b>279</b>              |
| Fair value gains on investment property   | 84                      | (2)                     | 1                       |
| <b>Operating income</b>   | <b>118</b>              | <b>186</b>              | <b>280</b>              |
| Finance income/ (costs)   | (55)                    | (179)                   | (179)                   |
| <b>Profit before tax</b>  | <b>63</b>               | <b>8</b>                | <b>101</b>              |
| Taxation  | (10)                    | (29)                    | (196)                   |
| <b>Profit after tax</b>   | <b>53</b>               | <b>(22)</b>             | <b>(96)</b>             |

Merkanti (D) generated total net rental income of €0.9 million in 2019, which has since increased to €1.0 million in 2020 and 2021. Notwithstanding the impact of COVID-19 which resulted in certain industries working remotely over an extended period of time, Merkanti (D) did not provide any rent concessions in 2020, nor was it impacted with any termination of material rental agreements since 2020.

Operating expenses declined from €0.9 million in 2019 to €0.7 million in 2021. Repairs and maintenance stabilised at €0.2 million over the past two years, decreasing from €0.4 million in 2019 reflecting the effect of a number of extraordinary repairs. Other selling, general and administrative expenses amounted to €0.1 million in 2021, decreasing from €0.2 million in 2020 – which was characterised by a one-off impairment of financial assets during the year.

Minimal fair value movements were recognized on the investment property in Dessau-Rosslau over the past three years, based on the fair value estimated by the valuer.

Based on the above movements, Merkanti (D) reported an average pre-tax profit of €0.1 million per annum between 2019 and 2021.

| <b>Merkanti (D) Ltd</b>                                  |                |                |                |
|--|----------------|----------------|----------------|
| <b>Statement of Financial Position as at 31 December</b> |                |                |                |
| <b>Amounts in €000's</b>                                 | <b>2019</b>    | <b>2020</b>    | <b>2021</b>    |
|  | <b>Audited</b> | <b>Audited</b> | <b>Audited</b> |
| <b>Non-current assets</b>                                |                |                |                |
| Investment property                                      | 8,942          | 8,940          | 8,941          |
| Amounts receivable from related parties                  | 57             | 85             | 108            |
| <b>Total non-current assets</b>                          | <b>8,999</b>   | <b>9,025</b>   | <b>9,049</b>   |
| <b>Current assets</b>                                    |                |                |                |
| Loans and trade receivables                              | 40             | 19             | 38             |
| Financial assets measured at FVTPL                       | 1,100          | 1,100          | 1,100          |
| Current tax receivables                                  | -              | -              | 149            |
| Cash and cash equivalents                                | 2,978          | 2,672          | 2,601          |
| <b>Total current assets</b>                              | <b>4,118</b>   | <b>3,791</b>   | <b>3,888</b>   |
| <b>Total assets</b>                                      | <b>13,117</b>  | <b>12,816</b>  | <b>12,937</b>  |
| <b>Equity</b>  |                |                |                |
| Share capital  | 1              | 1              | 1              |
| Other reserves   | 6,741          | 6,741          | 6,741          |
| Retained earnings  | 2,528          | 2,007          | 1,911          |
| <b>Total equity</b>                                      | <b>9,270</b>   | <b>8,748</b>   | <b>8,653</b>   |
| <b>Non-current liabilities</b>                           |                |                |                |
| Deferred tax liabilities                                 | 987            | 1,030          | 1,072          |
| Other non-current liabilities                            | 2,750          | 2,750          | 2,750          |
| <b>Total non-current liabilities</b>                     | <b>3,737</b>   | <b>3,780</b>   | <b>3,822</b>   |
| <b>Current liabilities</b>                               |                |                |                |
| Trade and other payables                                 | 110            | 288            | 321            |
| Indirect taxes payable                                   | -              | -              | 141            |
| <b>Total current liabilities</b>                         | <b>110</b>     | <b>288</b>     | <b>462</b>     |
| <b>Total equity and liabilities</b>                      | <b>13,117</b>  | <b>12,816</b>  | <b>12,937</b>  |

Merkanti (D)'s Net Asset Value as at 31 December 2021 amounted to €8.7 million. The principal asset of the company comprises the Dessau-Rosslau industrial park which is valued at approximately €8.9 million as at 31 December 2021. The remaining assets of the company primarily relate to financial assets comprising equity interest in a related party (€1.1 million). Cash balances held by Merkanti (D) amounted to €2.6 million.

The company holds borrowings of €2.75 million due to Merkanti Holding which will mature within 6 years, in line with the maturity of the bond. The remaining liabilities of €0.5 million primarily relate to amounts due to Merkanti Holding following a declaration of dividends by Merkanti (D) during 2021; accrued interest due on the company's borrowings; and current tax liabilities. The company also holds deferred tax liabilities amounting to €1.1 million as at 31 December 2021.

#### **Merkanti Diesel Ltd**

| <b>Merkanti Diesel Ltd</b>                             |                |                |
|--|----------------|----------------|
| <b>Income Statement for the year ended 31 December</b> |                |                |
| <b>Amounts in €000's</b>                               | <b>2020</b>    | <b>2021</b>    |
|  | <b>Audited</b> | <b>Audited</b> |
| Changes in the fair value of investment                | 1,028          | (104)          |
| Realised gains on disposal of investment               | 119            | 432            |
| Administrative expenses                                | (44)           | (181)          |
| <b>Operating profit/(loss)</b>                         | <b>1,103</b>   | <b>147</b>     |
| Finance costs  | (104)          | (51)           |
| <b>Profit/(loss) before tax</b>                        | <b>999</b>     | <b>96</b>      |
| Tax (expense)/income                                   | (350)          | (33)           |
| <b>Profit/(loss) for the year</b>                      | <b>650</b>     | <b>62</b>      |

Merkanti Diesel was registered in 2019 to fund several legal claims in Germany in connection with the diesel scandal affecting the German automotive industry over the past years. The diesel scandal revealed that a number of German automobile manufacturers admitted to tampering emission results, and led to a number of litigation cases against these manufacturers. Over the two-year period ending 31 December 2021, approximately two-thirds of such claims funded by Merkanti Diesel had reached settlement, resulting in income in the region of €0.9 million in total. In addition, Merkanti Diesel realised fair value gains of €0.46 million for dispute resolution funding which had not yet been disposed as at the end of the year. For the year ending 31 December 2021, Merkanti Diesel generated post-tax profits of €0.1 million.

| <b>Merkanti Diesel Ltd</b>  |                |                |                |
|---|----------------|----------------|----------------|
| <b>Statement of Financial Position as at year ended 31 December</b> | <b>2019</b>    | <b>2020</b>    | <b>2021</b>    |
| <b>Amounts in €000's</b>  | <b>Audited</b> | <b>Audited</b> | <b>Audited</b> |
| <b>Current assets</b>   |                |                |                |
| Financial assets  | 77             | 2,560          | 1,918          |
| Trade and other receivables   | 1              | -              | 0              |
| Cash and cash equivalents   | 1,723          | 23             | -              |
| <b>Total assets</b>   | <b>1,801</b>   | <b>2,583</b>   | <b>1,918</b>   |
| <b>Equity and liabilities</b>                                       |                |                |                |
| <b>Equity</b>   |                |                |                |
| Share capital   | 1              | 1              | 1              |
| Retained earnings   | (0)            | 650            | 712            |
| <b>Total equity</b>   | <b>1</b>       | <b>651</b>     | <b>713</b>     |
| <b>Liabilities</b>  |                |                |                |
| <b>Current liabilities</b>  |                |                |                |
| Trade and other payables  | 1,800          | 1,554          | 787            |
| Current tax liabilities   | -              | 350            | 383            |
| Accrued expenses and other liabilities                              | -              | 38             | 35             |
| <b>Total current liabilities</b>                                    | <b>1,800</b>   | <b>1,932</b>   | <b>1,205</b>   |
| <b>Total equity and liabilities</b>                                 | <b>1,801</b>   | <b>2,583</b>   | <b>1,918</b>   |

The fair value of Merkanti Diesel's dispute resolution assets was estimated at €1.9 million as at 31 December 2021. Management expects that the overall success rate of all the dispute resolution assets to be at approximately 94%. Merkanti Diesel's payables comprise of related party balances with fellow subsidiaries within the Merkanti Group. As at 31 December 2021, the company's Net Asset value stood at €0.7 million, equivalent to the profits generated during the past years.

#### **Altmark Industrie Management GmbH**

As the property management company of Merkanti (A) and Merkanti (D), Altmark Industrie is primarily a pass-through entity for the provision of accounting, marketing and maintenance services to the Group's property companies.

Based on Altmark Industrie's unaudited accounts for the year ended 31 December 2021, the company generated post-tax losses of €46 thousand. The company's Net Asset Value stood at €157 thousand, comprising share capital of €25 thousand and retained earnings of €132 thousand.

#### **MFCR Oriental S.A.**

The 100% equity stake in MFCR Oriental SA was transferred to the Merkanti Group during 2020. The company's revenue materially comprises the sale of food products to a third-party customer in South America on a monthly basis. The company's Net Asset Value stood at €0.145 thousand as at 31 December 2021.

### 7.1.3 Sources of revenue

The below summarises revenue and profitability generation of Merkanti Holding for the financial years ended 31 December 2019, 2020, and 2021.

| <b>Merkanti Holding Plc</b><br><b>Revenue and profits generated by segment</b><br><b>Amounts in €000's</b> | <b>31 Dec 2019</b> | <b>31 Dec 2020</b> | <b>31 Dec 2021</b> |
|--|--------------------|--------------------|--------------------|
| <b>Overview of revenue generation</b>  |                    |                    |                    |
| <b>Banking and financial services</b>  |                    |                    |                    |
| Net fee and interest income  | 2,447              | 976                | 3,261              |
| Net trading gains/ (losses)  | 749                | 777                | 402                |
| Other income   | 105                | 531                | 551                |
| Gains on disposal of financial assets  | 9                  | 46                 | (0)                |
| <b>Sub-total</b>   | <b>3,310</b>       | <b>2,330</b>       | <b>4,214</b>       |
| <b>Property rental and management activities</b>   |                    |                    |                    |
| Rental income  | 2,156              | 1,996              | 2,021              |
| <b>Supply chain activities</b>   |                    |                    |                    |
| Net revenue from customer contracts  | -                  | 516                | 317                |
| <b>Total revenue</b>   | <b>5,466</b>       | <b>4,842</b>       | <b>6,551</b>       |
| <b>Overview of profit/ (loss) generation (before tax)</b>  |                    |                    |                    |
| Banking and financial services   | 739                | (497)              | 119                |
| Property rental and management activities  | 2,581              | 354                | 320                |
| Supply chain activities  | -                  | 496                | 293                |
| <b>Total profit before tax</b>   | <b>3,321</b>       | <b>352</b>         | <b>732</b>         |

Revenue generated from the Group's banking and financial services declined in 2020 as Merkanti Bank was unable to generate the same level of net fee and commission income from third parties in contrast to prior years. However, during 2021 revenue generated from banking and financial services reached €4.2 million following a recovery in Merkanti Bank's operations.

Revenue generated from Merkanti Diesel through the disposal of litigation claims commenced in 2020 following initiation of operations during the year. This segment yielded profits of €0.8 million over the past two years.

Since forming part of the Merkanti Group, Merkanti (A) and Merkanti (D) on average generated c. 37% of the Group's total revenue through its rental income streams from the two industrial parks. The operations of Altmark Industrie Management GmbH are predominantly intercompany in nature. The profit generated during the year ended 31 December 2021 amounted to €0.3 million, down from €2.6 million in 2019 which included fair value gains on investment property of €2.1 million.

The operations of Merkanti (A), Merkanti (D) and Merkanti Diesel are fully driven by the German market.

## 8. CAPITAL RESOURCES

### 8.1 General

The Group's operations are financed through a mix of equity and reserves, and the bond issued on the MSE. As set out in further detail below, the Group also holds a number of customer deposits which are held by Merkanti Bank as part of its ongoing operations as a financial institution.

### 8.2 Working Capital Statement

The Board, after reasonable inquiry, is of the opinion that the working capital available to the Company is sufficient for the Company's present business requirements for the next twelve (12) months of operations.

## 8.3 Capitalisation and Indebtedness

| <b>Merkanti Holding Plc<br/>Statement of capitalisation<br/>Amounts in €000's</b> | <b>30 Dec 2019<br/>Audited</b> | <b>30 Dec 2020<br/>Audited</b> | <b>30 Dec 2021<br/>Audited</b> | <b>31 May 2022<br/>Unaudited</b> |
|---|--------------------------------|--------------------------------|--------------------------------|----------------------------------|
| <b>Total non-current debt</b>   |                                |                                |                                |                                  |
| Secured borrowings listed on the MSE  | 24,287                         | 24,381                         | 24,478                         | 24,521                           |
| <b>Shareholder equity</b>   |                                |                                |                                |                                  |
| Share capital   | 50,000                         | 50,020                         | 50,020                         | 50,020                           |
| Retained earnings and other reserves  | 1,167                          | 1,299                          | 1,925                          | 2,095                            |
| <b>Total</b>  | <b>75,454</b>                  | <b>75,700</b>                  | <b>76,423</b>                  | <b>76,636</b>                    |

Throughout the past three years, the Group has maintained a heavily equity-financed capital structure partly driven by the capital adequacy ratios to which Merkanti Bank is subject to as part of its operations. The Group's equity amounted to €51.2 million as at 31 December 2019 which increased slightly to €52.1 million as at 31 May 2022. Total equity, excluding the Group's non-controlling interest, comprises share capital of €50.0 million, with the residual consisting of retained earnings and other reserves.

During 2019, Merkanti Group issued a bond on the local stock exchange of €25 million, secured by the Group's investment property, due to be repaid by 2026. The purpose of the bond issue was primarily to expand Merkanti Bank's deposit base in order to facilitate the expansion of its trade finance and merchant banking business. The Group's ability to implement Merkanti Bank's strategy over the past years has been, to a certain extent, impacted by the COVID-19 pandemic. Merkanti Group's performance during 2021 reflects the Directors' intention to continue its strategy implementation as the global recovery from the pandemic takes place, which is expected to be maintained in the following years.

| <b>Merkanti Holding Plc<br/>Statement of indebtedness<br/>Amounts in €000's</b> | <b>30 Dec 2019<br/>Audited</b> | <b>30 Dec 2020<br/>Audited</b> | <b>30 Dec 2021<br/>Audited</b> | <b>31 May 2022<br/>Unaudited</b> |
|---|--------------------------------|--------------------------------|--------------------------------|----------------------------------|
| Cash and cash equivalents   | 10,407                         | 3,944                          | 4,581                          | 5,864                            |
| Cash held with the Central Bank of Malta  | 16,886                         | 12,372                         | 9,961                          | 14,219                           |
| Other financial assets  | 11,220                         | 14,053                         | 13,758                         | 13,117                           |
| Loans and advances to customers   | 3,800                          | 10,790                         | 11,387                         | 12,107                           |
| <b>Total Group liquidity</b>  | <b>42,313</b>                  | <b>41,160</b>                  | <b>39,687</b>                  | <b>45,305</b>                    |
| Amounts owed to customers   | (10,216)                       | (6,986)                        | (7,024)                        | (10,336)                         |
| <b>Current financial indebtedness</b>   | <b>(10,216)</b>                | <b>(6,986)</b>                 | <b>(7,024)</b>                 | <b>(10,336)</b>                  |
| <b>Net current financial liquidity/(indebtedness)</b>                           | <b>32,097</b>                  | <b>34,174</b>                  | <b>32,662</b>                  | <b>34,970</b>                    |
| Borrowings listed on the MSE  | (24,287)                       | (24,381)                       | (24,478)                       | (24,521)                         |
| Derivative liabilities  | (65)                           | (368)                          | (309)                          | (503)                            |
| Lease liabilities   | (683)                          | (624)                          | (478)                          | (405)                            |
| <b>Non-current financial indebtedness</b>                                       | <b>(25,035)</b>                | <b>(25,372)</b>                | <b>(25,266)</b>                | <b>(25,428)</b>                  |
| <b>Total liquidity/(indebtedness)</b>   | <b>7,062</b>                   | <b>8,801</b>                   | <b>7,397</b>                   | <b>9,542</b>                     |

The Group's liquidity as at 31 May 2022 stood at €45.3 million up from €42.3 million as at 31 December 2019, following an increase in loans and advances to customers which was partly offset by a reduction in balances held with the Central Bank of Malta which have been bearing negative interest over the past years.

The Group's net current financial liquidity improved by €2.8 million up to 31 May 2022, increasing from €32.1 million as at 31 December 2019 to €35 million as at 31 May 2022. As at 31 May 2022 the Group's total liquidity stood at €9.5 million, which excess cash is necessitated by Merkanti Bank's capital and liquidity ratios.

## 9. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT OF THE COMPANY

### 9.1 Directors and Officers

The Memorandum of Association of the Company provides that the business and affairs of the Company shall be managed and administered by a Board of not less than three (3) and not more than seven (7) Directors. Directors of the Company are appointed by means of an ordinary resolution taken in a general meeting.

The Company is currently managed by a Board of five (5) Directors who are responsible for the overall direction, management and strategy of the Company. As at the date of this Prospectus, the Board is composed of the following persons:

| <b>Name</b>     | <b>Designation</b>                        | <b>Date of Appointment</b> |
|-----------------|---|----------------------------|
| Mario P Galea   | Independent Non-Executive & Chairman      | 1 July 2019                |
| Benjamin Muscat | Independent Non-Executive                 | 1 July 2019                |
| Silke Stenger   | Independent Non-Executive                 | 1 July 2019                |
| Samuel Morrow   | Executive Director                        | 26 June 2018               |
| Martin Ware     | Non-Executive Director, CEO Merkanti Bank | 11 November 2020           |

The business address of the Directors is that of the Company. The curriculum vitae of each the Directors are set out in Section 9.2 below.

The Board currently consists of one (1) executive Director, who is entrusted with the Company's day-to-day management, and four (4) non-executive Directors, three of whom are also independent of the Company and the Group. The main function of the non-executive Directors are to monitor the operations and performance of the executive Directors, as well as to review any proposals tabled by the executive Directors. In their capacity as members of the Audit Committee (as described in Section 10.1 below), the non-executive Directors sitting on the Audit Committee also have a crucial role in monitoring the activities and financial performance of the Company.

None of the Directors have been: (a) convicted in relation to fraud or fraudulent conduct; (b) made bankrupt or associated with any liquidation or insolvency of a company in respect of which they were a director or senior manager; (c) the subject of any official public incrimination or sanction by any statutory or regulatory authority; or (d) disqualified by a court from acting as director or manager. Notwithstanding the above, Scully Royalty and its group of companies have historically been involved with distressed entities as a means to generate revenue, and, through his employment with the Scully Royalty group, Mr. Morrow has been involved in situations where, subsequent to his involvement or directorship ending, an entity has either been struck from the corporate register or filed for insolvency in the ordinary course of business.

A list of all current and past directorships of Board members for the past five years is set out at Annex A of this Prospectus.

None of the Directors currently hold any Shares or Ordinary B Share or options over Shares or over Ordinary B Shares, as the case may be. However, subsequent to the Spin-off, Mr. Morrow will hold Shares of the Company on a pro-rata basis to his interest in Scully Royalty as detailed in its 2021 Annual Report.

Other than the Executive Directors, the Company does not currently have any senior management.

The company secretary of the Company is GANADO Services Limited (C 10785).

### 9.2 Curriculum Vitae of the Directors

#### **Mario Galea**

Mr Galea is a certified public accountant and auditor holding a warrant to practice both as an accountant and an auditor, Mr Mario P. Galea currently practises as a business adviser providing oversight and advisory services to businesses and corporations, and serves on the board of directors of various companies in the financial and commercial sectors, namely Palm City Limited (C 34113), and Palm Waterfront Limited (C 57155). Mr Galea also sits on the board of directors of a number of listed companies that is, Mediterranean Investments Holding p.l.c. (C 37513), in respect of which he also acts as chairman of its audit committee, Corinthia Finance p.l.c. (C 25104) and Santumas Shareholdings p.l.c (C 35). Mr Galea was founder, managing partner and chairman of Ernst & Young in Malta for more than ten years and saw the successful introduction and growth of the local firm into a recognised and respected presence in the market. Amongst a number of other appointments, he served as president of the Malta Institute of Accountants, chairman of the Malta Resources

Authority, and sat on various professional committees in Malta and abroad, such as the Council of the Federation des Experts-Comptables Européens (FEE) in Brussels. He continues to form part of the Ethics and Regulatory committees of the Malta Institute of Accountants and the Accountancy Board, the accountancy professional regulator in Malta. Mr Galea has also lectured in auditing, assurance and professional and business ethics, led several training courses and spoke at various business and professional conferences in Malta and abroad.

#### ***Benjamin Muscat***

Mr. Benjamin Muscat is a Certified Public Accountant by profession (Fellow of the Association of Chartered and Certified Accountants – FCCA) with a long career in finance and management at senior executive positions. He has worked in various industry sectors, including switchgear manufacturing, food production, beer and soft drink brewing and production and bottling, international fast food with franchising, hospitality and timeshare, construction and real estate development, including marketing and selling luxury condominiums. In his capacity as Chief Executive Officer of MIDI plc, a Maltese listed company, Mr Muscat was key in the development of the Tigne' Point Project. Mr Muscat was also instrumental in the promotion of the re- generation of part of Malta's historical Grand Harbour, including the development of a cruise ship porting facility locally known as the Valletta Waterfront project. He also has extensive experience in raising project specific funding via banking facilities, third party investment, private placements, and issue of equity and debt instruments through retail offers subsequently listed on the Malta Stock Exchange. Mr Muscat is a founder council member of the Junior Achievement (Young Enterprise) Malta Foundation (JA-YE Malta), the local affiliate of an international voluntary and non-profit organisation which seeks to inspire and equip young people to learn and succeed through enterprise. Today Mr Muscat provides professional services as a freelance consultant and independent directorship services.

#### ***Samuel Morrow***

Mr. Morrow was appointed Chief Executive Officer of Scully Royalty Ltd. in April 2021, and Chief Financial Officer of Scully Royalty in July 2017. Mr. Morrow also acts as a director of Merkanti Bank, the Property Companies and other of the Company's subsidiaries. Mr. Morrow is a Chartered Financial Analyst and was formerly Vice President of Tanaka Capital Management and Treasurer, Chief Financial Officer and Chief Operating Officer of the Tanaka Growth Fund. Mr. Morrow is a graduate of St. Lawrence University and has completed credits towards a Masters in Business Administration (Langone Program) at the Leonard N. Stern School of Business at New York University.

#### ***Silke Stenger***

Ms. Stenger is an independent business consultant and business coach with experiences beyond others in automotive industry, plant engineering and cement industry, franchise, and consultancy. She is a director of Scully Royalty Ltd. Ms. Stenger was the vice chairperson of KHD Humboldt Wedag International AG and sat on the boards of several other international corporations, acting as chairperson of Audit and the Corporate Governance Committees. Ms. Stenger was the Chief Financial Officer of Management One Human Capital Consultants Limited and Head of Investor Relations and authorized representative (Prokurist) with Koidl & Cie. Holding AG. She holds an MSc degree in Industrial and Communications Psychology from FHWien University of Applied Sciences of WKW in Vienna, Austria, is a certified controller and IFRS accountant, specializing in corporate governance and Sarbanes-Oxley Act of 2002 compliance.

#### ***Martin Ware***

Mr. Ware was appointed Director of the company in November 2020 and CEO of Merkanti Bank in June. Mr Ware has been engaged by the Scully Royalty Ltd., group since October 2008 holding a series of senior positions as CEO, Managing Director, General Manager or Project Manager mainly in the U.K., U.S.A., Hongkong, Germany, Ireland, Switzerland and Malta. Mr. Ware's career spans decades in numerous roles at international commodity trading houses including as Chief Financial Officer, Controller, Directors, Business Development Manager, Trader and others in the United Kingdom and Switzerland.

### **9.3 Conflicts of Interest**

Samuel Morrow is the Chief Executive Officer of Scully Royalty, a director of Merkanti Bank and the sole director of each of the Property Companies and of Merkanti Diesel. Accordingly there is a potential conflict of interest between Mr. Morrow's duties to the Company and his interests in and/or duties to Scully Royalty and/or to the Company's various subsidiaries.

The Audit Committee of the Company has the task of ensuring that any potential conflicts of interest that might arise pursuant to these different roles held by the directors are handled in the best interest of the Company and according to law. The fact that the Audit Committee is constituted in its entirety by independent, non-executive Directors provides an effective measure to ensure that related party transactions (that will be vetted by the Audit Committee) have been entered into on an arms-length basis. Potential conflicts of interest situations regarding Board members are specifically regulated by the Companies Act and by Articles 119 and 120 of the Articles of Association, pursuant to which a Director is required to declare his interest in and shall be precluded from voting on any such contract, arrangement, transaction or proposal that is being discussed by the Board.

Other than as stated in this Section 9.3, there are no potential conflicts of interest between the duties to the Company of its directors and their private interests and/or other duties.

## 9.4 Remuneration and Benefits

The aggregate amount of remuneration paid during the financial year ended 31 December 2021 to Directors (including any contingent or deferred compensation) by the Group for services rendered in all capacities (to the Company and its subsidiaries) amounted to €354,785. The Group did not grant any benefits in kind to any of the Directors (for services rendered in all capacities to the Group) during the same period.

Apart from Mr. Morrow's amended and restated employment contract dated 2021 which includes various customary prerequisites including retirement benefits, the Group has not set aside or accrued for the benefit of the Directors, during financial year ended 31 December 2021, any amounts for pension, retirement or similar benefits.

## 9.5 Terms of Office

Each of the Directors was appointed on the respective dates set out in Section 9.1 above. None of the directors have entered into a service contract with the Company. Each Director shall hold office until the conclusion of the next following annual general meeting and shall be automatically eligible for re-election by the Company in general meeting, without the need for nomination, provided that no election may be made for a period exceeding three years. The appointment and termination of appointment as a director of the Company is governed by the M&As.

## 9.6 Termination Benefits

Other than Mr. Morrow, none of the Directors are party to service contracts with the Company or any its subsidiaries that provide for benefits upon termination of employment. Mr. Morrow's amended and restated employment contract, dated 2021, includes customary termination benefits, including severance payments upon a change of control.

# 10. BOARD COMMITTEES & CORPORATE GOVERNANCE

## 10.1 Audit Committee

The Audit Committee assists the Board in fulfilling its supervisory and monitoring responsibilities, according to detailed terms of reference that reflect the requirements of the Capital Markets Rules as well as current good corporate governance best practices. The terms of reference of the Audit Committee established by the Board establish its composition, role, and function, the parameters of its remit, as well as the basis for the processes that it is required to comply with.

The Audit Committee, which meets at least four times a year, is a sub-committee of the Board and is directly responsible and accountable to the Board.

The primary purpose of the audit committee is to assist the Directors in conducting their role effectively so that the Company's decision-making capability and the accuracy of its reporting and financial results are maintained at a high level at all times. The terms of reference of the Audit Committee set out the main responsibilities of the Audit Committee, which include (but are not limited to) the following:

- a Informing the Board of the outcome of the statutory audit and explaining how the statutory audit contributed to the integrity of financial reporting and what the role of the audit committee was in that process;
- b Monitoring the financial reporting process and submitting recommendations or proposals to ensure its integrity;
- c Monitoring of the effectiveness of the Company's internal quality control and risk managements system and, where applicable, its internal audit, regarding the financial reporting of the Company, without breaching its independence;
- d Reviewing and monitoring the external auditor's independence, objectivity and effectiveness, in particular in relation to the appropriateness of the engagement of the external auditor to the supply non-audit services.
- e Assuming responsibility for the selection procedure of, and making recommendations to the Board in relation to the appointment of, the external auditor and to approve the remuneration and terms of engagement of the external auditor following appointment by the shareholders in general meeting; and
- f Evaluating the arm's length nature of any proposed transactions to be entered into by the Company and a related party, given the role and position of the Company within the Group, to ensure that the execution of any such transaction is indeed at arm's length, conducted on a sound commercial basis and in the best interests of the Company.

The members of the Audit Committee as the date of this Prospectus are the following:

**Mario Galea (Chairman)**  
**Benjamin Muscat (Member)**  
**Silke Stenger (Member)**

The Audit Committee is constituted in its entirety by independent non-executive Directors (each of whom satisfies the independence criteria set out in the Capital Markets Rules). In accordance with the Capital Markets Rules, all of the members of the Audit Committee are designated as competent in auditing and/or accounting.

## 10.2 Compliance with Corporate Governance Requirements

The Company declares its full support of the Corporate Governance Code and undertakes to fully comply with the Corporate Governance Code to the extent that this is considered complementary to the size, nature, and operations of the Company. The Company shall also, on a yearly basis in its annual report, detail the level of the Company's compliance with the principles of the Corporate Governance Code, explaining the reasons for non-compliance, if any. As at the date of this Prospectus, the Board considers the Company to be in compliance with the Corporate Governance Code, save for the following exceptions:

Principle 7 (Evaluation of the Board's Performance): The Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is evaluated on an ongoing basis by, and is subject to the constant scrutiny of the Board itself (half of which is composed by independent non-executive Directors), the Company's shareholders, the market and all of the rules and regulations to which the Company is subject as a company with its securities listed on a regulated market.

Principle 8 (Committees): The Board considers that the size and operations of the Company do not warrant the setting up of remuneration and nomination committees. Given that the Company does not have any employees or officers other than the Directors and the company secretary, it is not considered necessary for the Company to maintain a remuneration committee. The Company does not believe it is necessary to establish a nomination committee as appointments to the Board are determined by the shareholders of the Company in accordance with nomination and appointment process set out in the Memorandum and Articles of Association. The Company considers that the members of the Board possess the level of skill, knowledge and experience expected in terms of the Code.

## 11. EMPLOYEES

As at 31 December 2021 the Group has 25 employees. In addition to its directors, the Company currently has one employee. The Directors believe that the current organisational structure is adequate given the current activities of the Company. The Directors shall maintain this structure under ongoing review so as to ensure that it meets the developing demands of the business and in order to strengthen the checks and balances required for the implementation of good corporate governance.

The average number of persons employed by the Group during the years 2019, 2020, 2021 and as at the date of this Prospectus are as follows:

| Year                                     | 2019 | 2020 | 2021 | Date of Prospectus |
|--|------|------|------|--------------------|
| <b>Merkanti Bank Plc</b>                 | 13   | 12   | 13   | 13                 |
| <b>Altmark Industrie Management GmbH</b> | 0    | 11   | 12   | 12                 |
| <b>Total Number of Employees</b>         | 13   | 23   | 25   | 25                 |

## 12. MAJOR SHAREHOLDERS

As at the date of this Prospectus, the Company's issued share capital is €50,020,002, divided into 16,666,666 Ordinary A Shares of €3 each, 1 Ordinary B Share of €3 each (all fully paid up) held directly and indirectly by Scully Royalty, and 6,667 Ordinary A Shares of €3 (all fully paid up), with this amount held by Merchants Employees Incentive Corp.

Scully Royalty is a public company listed on the New York Stock Exchange with ticker symbol 'SRL'. It is a holding company with several investments across a wide range of industries and provides financial services and proprietary capital to enterprises, seeking businesses and assets which offer the potential to increase or unlock value. Scully Royalty specialises in markets that are not adequately addressed by traditional sources of supply and finance, operating in multiple geographies and industries, including financial services, real estate, manufacturing, natural resources and medical equipment and services. Further details on Scully Royalty can be found at: <http://www.scullyroyalty.com> or on the website of the U.S. Securities and Exchange Commission at <https://www.sec.gov/edgar/searchedgar/companysearch.html>.

Following the Spin-Off, pursuant to which circa 49.9% of the shares in the Company will be distributed as a dividend in kind to the shareholders of Scully Royalty on a pro rata basis, the major shareholders of Scully Royalty will also become the major shareholders of the Company. On the basis of Scully Royalty's most recently published annual report, as filed with the U.S. Securities and Exchange Commission on 29 April 2022, the following persons are known to Scully Royalty to be the beneficial owners of more than five percent (5%) of Scully Royalty's common shares (each holding the percentage set out below, calculated on all issued common shares in Scully Royalty as at 26 April 2022):

- Peter Kellogg, group – 34.7%;
- The estate of Lloyd Miller, III – 12.4%; and
- Nantahala Capital Management, LLC – 5.4%.

Further details on each of the foregoing beneficial ownership interests are set out in Scully Royalty's 2021 annual report, a copy of which can be found on Scully Royalty's website.

In terms of clause 9 of the Memorandum of Association, all ordinary shares of the Company, whether classified as Ordinary "A" Shares or Ordinary "B" Shares rank *pari passu* between themselves in all respects.

The Articles of Association contain certain reserved matters which, in addition to any other approvals as may be required in terms of the Companies Act or the Memorandum and Articles of Association, require the separate approval from each separate class of shareholders, which approval (from each separate class) requires the consent of shareholders holding more than 50% of the shares of that specific class in the aggregate (the 'Reserved Matters').

The following is a list of Reserved Matters:

- a any reduction of the Company's share capital or the purchase by the Company of any of its shares or the sub-division, consolidation and division or cancellation and division or cancellation of any of the shares in the capital of the Company;
- b any variation of the rights attaching to any class of shares in the capital of the Company;
- c any variation to the Company's Memorandum and Articles of Association;
- d the taking of any steps leading to a voluntary winding up or to pass a resolution to dissolve or liquidate the Company;
- e the appointment and/or removal of any Director; and
- f the declaration of any dividend.

Due to the Reserved Matters, the Company does not consider itself to be controlled by any of its major shareholders.

To the best of the Company's knowledge, there are no arrangements in place as at the date of the Prospectus the operation of which may, at a subsequent date, result in a change in control of the Company.

The Company has also recently adopted (in its Memorandum of Association) an 'ownership ceiling', pursuant to which no person may hold or control (directly or indirectly and in any manner whatsoever) such number of Voting Rights in excess of 15% of the total Voting Rights in the issued share capital of the Company. Persons who hold or control (directly or indirectly and in any manner whatsoever) Voting Rights in excess of this ownership threshold as at 20 October 2020 are considered to be 'grandfathered' and permitted to retain such holding or control, provided that they are prohibited from further increasing their holding or control in the future. These provisions in the Memorandum of Association are designed to ensure that the majority of the Shares remain in public hands and that no single person obtains a controlling interest in the Company. See Section 15.2 below and clause 10 of the Memorandum of Association for further details.

Moreover, the Company adopts measures in line with the Corporate Governance Code with a view to ensuring that the relationship with any major shareholders and the rest of the Group remains at arm's length, including adherence to rules on related party transactions that require the sanction of the Company's Audit Committee, which is constituted entirely by independent, non-executive Directors. The Audit Committee has the task of ensuring that any potential abuse is managed, controlled and resolved in the best interests of the Company. The composition of the Board, including the presence of three (3) independent non-executive Directors, also minimises the possibility of any abuse of control by any major shareholder.

## 13. RELATED PARTY TRANSACTIONS

Related party transactions of the Group are primarily carried out with Merkanti Holding's ultimate parent, Scully Royalty Ltd, and any other entities controlled by the ultimate parent. The transactions entered into by the Group and any of its related parties are reported in the Consolidated audited financial statements of the Group for the respective financial years.

All related party transactions entered into by the Group are disclosed in the annual reports as follows:

| Historical Financial Period           | Note to the Accounts |
|---------------------------------------|----------------------|
| Financial year ended 31 December 2019 | 35                   |
| Financial year ended 31 December 2020 | 39                   |
| Financial year ended 31 December 2021 | 39                   |

The magnitude of the Group's net receivable related party balances has increased gradually over the past years, from €13.2 million as at 31 December 2019 up to €22.5 million as at 31 December 2021, driven by a larger amount of loans advanced to Scully Royalty as part of its ongoing operations (€11.5 million as at 31 December 2021). As at 31 May 2022 the Group's net receivable balance from related parties amounted to €10.3 million reflecting a settlement of loans and advances to related parties which amounted to €8.8 million as at 31 December 2021, supplemented by an increase in amounts due to related parties of €3 million primarily driven by a higher net amount of deposits received from Scully Royalty and related parties. Furthermore, over the past three years the Group has generated total profits from related parties, primarily from the Group's ultimate parent, amounting to €7.7 million. For the period ending 31 May 2022, the Group has generated total profits from related parties in the region of €1.3 million. All related party transactions entered into by Merkanti Holding have been concluded on an arm's length basis and within the ordinary course of business of the Group.

| Related party transactions of Merkanti Group as at<br>Amounts in €000's | 31 Dec 2019<br>Audited | 31 Dec 2020<br>Audited | 31 Dec 2021<br>Audited | 31 May 2022<br>Unaudited |
|---|------------------------|------------------------|------------------------|--------------------------|
| <b>Statement of Financial Position</b>                                  |                        |                        |                        |                          |
| Loans and advances to parent company and related parties                | 3,870                  | 10,414                 | 11,452                 | 2,650                    |
| Financial assets  | 2,750                  | 3,017                  | 3,017                  | 3,017                    |
| Amounts due from related parties  | 10,773                 | 12,086                 | 13,402                 | 12,693                   |
| Accrued income and other assets   | 774                    | 1,212                  | 1,375                  | 1,750                    |
| Amounts due to related parties  | (4,989)                | (3,795)                | (6,636)                | (9,680)                  |
| Other payables  | (9)                    | (118)                  | (120)                  | (166)                    |
| <b>Net receivable balances from related parties</b>                     | <b>13,169</b>          | <b>22,816</b>          | <b>22,491</b>          | <b>10,264</b>            |
| <b>Income Statement</b>   |                        |                        |                        |                          |
| Net interest income   | 494                    | 1,238                  | 2,029                  | 904                      |
| Net fee and commission income   | 1,715                  | 641                    | 1,913                  | 424                      |
| Rental income   | 323                    | 6                      | -                      | -                        |
| Other operating income  | -                      | 480                    | 510                    | 271                      |
| Administrative expenses   | (605)                  | (384)                  | (660)                  | (278)                    |
| <b>Net profits generated from related parties</b>                       | <b>1,927</b>           | <b>1,981</b>           | <b>3,792</b>           | <b>1,321</b>             |

Other than the normal ongoing operations of Merkanti Holding, in terms of Net interest, Net fee and commission income generation, the Directors are not aware of any additional material related party transactions having been executed by the Group during the financial period under review up until the date of the Prospectus.

Merkanti Holding also has a number of agreements with its various subsidiaries governing the operations and funding of its underlying companies as set out in further detail in the following section.

## 14. MATERIAL CONTRACTS

### *Loans to the Property Companies*

The Company has granted loans (using part of the Bond Issue proceeds), in the amount of €6,750,000 and €2,750,000, to Merkanti (A) and Merkanti (D), respectively, pursuant to two loan agreements entered into on 9th September 2019, each between the Company and the relevant Property Company. Approximately €3,200,000 and €1,300,000 were utilised by Merkanti (A) and Merkanti (D), respectively, for the purpose of maintaining sustainable income including, but not limited to, the financing of maintenance costs relating to the German Real Estate and could also be utilised for the purpose of generating further sustainable income including, but not limited to, construction and other development costs relating to the German Real Estate, the acquisition of other industrial parks or similar immovable property or assets located in Germany. Approximately €3,550,000 and €1,450,000 were utilised by Merkanti (A) and Merkanti (D), respectively, for general corporate funding purposes. Each of these loans has a term of just under seven (7) years and bears interest at a rate of 6.5% per annum. Repayment of the principal under each loan is due and payable upon maturity in a single bullet payment to the Company.

### *Subordinated Loan to Merkanti Bank*

The Company has granted the Subordinated Loan to Merkanti Bank (using part of the Bond Issue proceeds) in the amount €4,500,000, with the Subordinated Loan qualifying as Tier 2 Capital and used by Merkanti Bank to increase its regulatory capital in anticipation of the expansion of its trade finance and merchant banking business. The Subordinated Loan bears interest at a rate of 5% per annum and has a term of just under seven (7) years, subject to the right of Merkanti Bank to prepay at any time after the fifth (5th) anniversary of execution of the Subordinated Loan (subject further to the applicable provisions of the CRR). Repayment of the principal under the Subordinated Loan is otherwise due and payable upon maturity in a single bullet payment to the Company.

### *Term Deposits with Merkanti Bank*

As at 30 June 2021, the Company has short term deposits with Merkanti Bank amounting to €6,850,000 (partly originating from the Bond Issue proceeds) which are being utilised by Merkanti Bank for general funding purposes. The average interest rate on the deposits amounts to 0.10% per annum in line with market interest rates.

### *Share Purchase Agreements*

On 27 December 2018, the Company entered into a share purchase agreement (as amended on 10 April 2019) with an indirect subsidiary of Scully Royalty, pursuant to which the Company acquired 85% of the shares in each of the Property Companies for a purchase price of €29,481,505. On 30 December 2019, the same parties entered into another share purchase agreement, pursuant to which the Company acquired the remaining 198 shares held by the seller in each of the Property Companies (and representing 9.9% of each of the Property Companies' share capital) for a total purchase price of €3,645,334.7. As a result, the Company increased its shareholding in each Property Company to 94.9%. In accordance with the terms of the original Pledge of Shares agreements entered into as part of the Security for the Bonds, the Company was required to and duly pledged in favour of the Bondholder Trustee the additional shares acquired in each of the Property Companies pursuant to additional share pledge agreements it entered into on 30 December 2019.

On 28 May 2020, the Company entered into a share purchase agreement to acquire 100% of the issued share capital of Altmark Industrie Management GmbH from a related party, for a net book value of €161,940. On 1 July 2020, the Company entered into a share purchase agreement to acquire 100% of the issued share capital of MFCR Oriental S.A., for a net book value of €50,801. Both of these acquisitions were effective from 1 January 2020.

### *Option Deed*

The Company has entered into an agreement with an unrelated third party, Merchants Employees Incentive Corp. (the "Option Holder") dated 20 June 2018 (the "Option Deed") in terms of which the Company granted the Option Holder an option to subscribe for shares in the Company up to 10% of the total issued share capital of the Company and the related voting rights (the "Option") at the option price, which option price shall be the higher of the (a) net tangible asset value per share of the Company in the last quarter preceding the exercise of the Option after eliminating, among other things all intercompany receivables and (b) nominal value per share of the Company (the "Option Price"). The Option, which may be exercised in full or in part, subject to approval by the relevant authorities, will expire automatically on 20 June 2028 (the "Expiry Date"). Any shares issued pursuant to the exercise of the Option will be issued without any encumbrance but subject to the Memorandum and Articles of Association. The Option Holder may assign or transfer the Option (provided that the Option will not be further assignable or transferable by the assignee or transferee). Any shares issued under the Option Deed are to be held for the benefit of consultants and Group personnel however to date remain unallocated.

### **Share Option Agreement**

The Company has entered into an agreement with Industrial Equity Ltd., having company registration number 102451 and having its registered office at registered office situated at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 (the “**Share Option Holder**”) dated 23 September 2020 (the “**Share Option Agreement**”), as amended on 24 January 2022, in terms of which the Company granted the Share Option Holder an option to acquire up to 6,666,667 Ordinary B Shares in the Company and the related voting rights (the “**Option**”) at the exercise price per share, which price shall be the higher of the (a) net tangible asset value per share of the Company based upon the Company’s financial statements of the last six month period prior to the date of the option notice after eliminating all inter-company receivables and/or debts with adequate allowances for taxes, severance payments and any guarantees or terminal expenses; or (b) nominal value per share of the Company (the “**Option Price**”). The Option, which may be exercised in full or in different parts, subject to approval by the relevant authorities, will expire automatically on 1 February 2023 (the “**Expiry Date**”). Any shares issued pursuant to the exercise of the Option will be issued without any encumbrance but subject to the Memorandum and Articles of Association. The Option Holder may assign or transfer the Option. Any shares issued in terms of the Share Option Agreement are to be held for the benefit of Scully Royalty’s shareholders and are currently unallocated.

### **Termination of Deed of Covenants and Shareholders Rights Plan**

On 20 June 2018, the Company, jointly with its shareholders Scully Royalty and Gardaworld CN Ltd., entered into a ‘Deed of Covenants’ in favour of the Option Holder, pursuant to which, inter alia, until 20 June 2028 (and whether the Option has been exercised or not) any actions in relation to the capital of the Company which would have the effect of diluting the shareholders’ holding in the Company (including the Option Holder’s holding if it becomes a shareholder) and any changes to the composition of the Board would have been subject to the consent of the Option Holder. The parties also undertook that if certain ‘Change of Control’ events (as described therein) occurred prior to the 20 June 2028, they would consent to and implement without any delay any measures proposed by the Option Holder (to safeguard or protect the interests of the Company’s shareholders and the Option Holder from the effects of such events).

Also on 20 June 2018, the Company established a ‘Shareholders Rights Plan’ and appointed Bond and Share Administrators Limited to act as an agent for the Company to administer, for the benefit of the Company’s shareholders, certain aspects relating to the separation of certain ‘Rights’ (which Rights are exercisable for the purchase of ordinary shares in the Company as described in the terms of the plan) from the ordinary shares of the Company and the exercise, if any, of the separated Rights subsequent to a separation (as described in the terms of the plan). In terms of this agreement one right was issued in respect of each issued ordinary share of the Company and each Option granted on 20 June 2018 (upon exercise), and the Company also authorised the issuance of additional Rights upon the occurrence of certain events.

The Company has entered into a cancellation agreement dated 6 December 2021 with Scully Royalty, Gardaworld CN Ltd and Merchants Employees Incentive Corp., pursuant to which the parties agreed to terminate the Deed of Covenants upon the earlier to occur of the commencement of the Spin-Off and the Listing. Pursuant to a Board resolution passed on 6 December 2021, the Company entered into a cancellation agreement dated 6 December 2021 with Bond and Share Administrators Limited, whereby the parties thereto agreed to terminate the Shareholders Rights Plan and the appointment of Bond and Share Administrators Limited as the Company’s agent in respect of the plan. The effective date of termination of both the Deed of Covenants and the Shareholders Rights Plan shall be the earlier of: (i) the commencement of the Spin-Off, provided Listing occurs subsequently or (ii) Listing.

### **Separation Agreement**

As part of the Spin-Off, the Company has entered into an agreement with Scully Royalty which will become effective as of the date of the listing, pursuant to which certain rights and obligations of the parties relating to employees, contingent liabilities, taxes, administrative services, assets and liabilities, business opportunities, and other matters affected by the Spin-Off were agreed. Specifically, the Company agreed not to enter into certain businesses that compete with Scully’s core business in the future, to provide various general and administrative services for arm’s length consideration, to cooperate and consult in regards to the defense of various actions, to assist with various corporate requirements including cooperation with auditors and the provision of documents related to accounting, and to settle various intercompany balances, among other things.

## 15. ADDITIONAL INFORMATION

### 15.1 Share Capital

As at the date of this Prospectus, the Company's authorised share capital is €200,000,004, divided into 33,333,334 Ordinary A Shares of €3 each and 33,333,334 Ordinary B Shares of €3 each. The Company's issued share capital is €50,020,002, divided into 16,673,333 Ordinary A Shares of €3 each and 1 Ordinary B Share of €3 each, all fully paid up and held as follows:

- 16,666,666 Ordinary A Shares held by Scully Royalty;
- 6,667 Ordinary A Shares held by Merchants Employees Incentive Corp. and
- 1 Ordinary B Share held by Gardaworld CN Ltd

On 28 January 2016 the Company resolved to increase its authorised share capital from €1,500 divided into 1,499 Ordinary A Shares of €1 each and 1 Ordinary B Share of €1 each, fully paid up, to €100,000,000 divided into 99,999,999 Ordinary A Shares of €1 each and 1 Ordinary B Share of €1 each. The Company's issued share capital was 50,000,000, divided into 49,999,999 Ordinary A Shares of €1 each held by MFC Industrial Limited and 1 Ordinary B Share of €1 each held by Mr. Ferdinand Steinbauer, the holders of the Ordinary B Shares had no voting rights, were not entitled to receive notice of or be counted in the quorum of any General Meetings or to appoint directors. Moreover the holders of the Ordinary B Shares were not entitled to participate in any dividend or other distributions of profits of the Company and upon liquidation were solely entitled to the return of the nominal value of such Ordinary B Shares, but not to participate in the distribution of any surplus. On 9 March 2018 the Ordinary A Shares were transferred to Scully Royalty, and the Ordinary B Share was transferred to Gardaworld CN Ltd.

On 20 May 2019 the Shareholders resolved to convert the Company into a public limited liability company and change its name to 'Merkanti Holding p.l.c.', the Memorandum and Articles of Association were replaced in their entirety in order to ensure compliance with the legal requirements pertaining to public limited liability companies in terms of the Companies Act. The share capital of the Company and the voting rights pertaining thereto remained unchanged.

The Memorandum and Articles of Association were once again updated at the annual general meeting of the Company held on the 31 July 2020. The main purpose of the update was to introduce the Ownership Threshold as defined and as set out in Section 15.2 below. The share capital of the Company and the voting rights pertaining thereto remained unchanged.

At an extraordinary general meeting of the Company on 10 September 2020 the Shareholders resolved to issue and allot 20,000 Ordinary A Shares, of a nominal value of €1, 25% paid up, to Merchants Employees Incentive Corp. (pursuant a partial exercise of the Option held by the latter in terms of the Option Deed described in further detail above). Merchants Employees Incentive Corp. subsequently fully paid up the remainder of the nominal value of its 20,000 Ordinary A Shares following a call made by the Board on 6 December 2021.

On the 29 April 2021, at the annual general meeting of the Company, the Shareholders once again resolved to update the Memorandum and Articles of Association. The main changes included (i) a change in rights of Ordinary B Shares which previously did not enjoy any economic and/or voting rights in the Company, but were granted identical rights to Ordinary A Shares at the 2021 annual general meeting; (ii) an increase in the Company's authorised share capital to €200,000,000 divided into 100,000,000 Ordinary A Shares of €1 each and 100,000,000 Ordinary B Shares of €1 each; and (iii) and the addition of the Reserved Matters as defined and as set out in Section 12 above.

At an extraordinary general meeting of the Company held on 7 January 2022, the Shareholders approved certain amendments to the Memorandum and Articles of Association in preparation for the Listing and resolved to implement a reverse split the Ordinary A Shares on a 3 for 1 basis (resulting in a increase in nominal value of the Ordinary A Shares to €3) together with an increase in nominal value of the Ordinary B Shares, also to €3. In furtherance and in advance of the reverse split, Scully Royalty transferred one Ordinary A Share to Merchants Employees Incentive Corp. on 6 December 2021. In addition to an increase of the nominal value of the (authorised and issued) Ordinary A Shares and Ordinary B Shares from €1 to €3, the amendments to the Memorandum and Articles of Association also included an increase of the authorised share capital by €4, to €200,000,004.

On 24 June 2022, at an extraordinary general meeting of the Company the Shareholders resolved to change the nominal value of the share capital of the Company from €3 to €0.10 per share (the "Restructuring of Nominal Value"). As a result of the Restructuring of Nominal Value, the authorised share capital of the Company shall be restructured from 33,333,334 Ordinary A Shares having a nominal value of €3 each; and 33,333,334 Ordinary B Shares having a nominal value of €3 each to 1,000,000,020 Ordinary A Shares having a nominal value of €0.10 each; and 1,000,000,020 Ordinary B Shares having a nominal value of €0.10 each. The Shareholders further resolved to approve a reduction of the issued share capital as a result of the Restructuring of Nominal Value from €50,020,002 divided into 16,673,333 Ordinary A shares having a nominal value of €3 each; and 1 Ordinary B share having a nominal value of €3; to an issued share capital of €1,667,333.40 divided into 16,673,333 Ordinary A shares with a nominal value of €0.10 each and 1 Ordinary B share with a nominal value of €0.10 (the "Issued Share Capital Reduction"). During the extraordinary general meeting the Shareholders, also resolved to update the Memorandum and Articles of Association to reflect the Restructuring of Nominal Value and Issued Share Capital Reduction.

The proposed changes to the Company's share capital approved by the Shareholders shall not take effect until 3 (three) months from the date of the publication by the Registrar of Companies of the statement referred to in Article 401(1)(e) of the Companies Act (the "Effective Date"). During this three month period, a creditor whose debt existed prior to the publication of this statement may file a sworn application with the Court to object to the proposed reduction of issued share capital. If such creditor satisfies the Court that due to the proposed reduction in the issued share capital the satisfaction of his claims would be prejudiced and that no adequate safeguards have been obtained, the Court will uphold the objection or allow the reduction of issued share capital only on sufficient security being given.

Assuming that no objections by creditors are filed during this three month period, on the Effective Date or shortly thereafter, the Memorandum and Articles of Association of the Company updated to reflect the restructuring of the Company's share capital and approved by the Shareholders during the extraordinary general meeting, shall be filed for registration with the Malta Business Registry. Upon registration of the updated Memorandum and Articles of Association, the changes to the Company's share capital shall come into effect.

No payment (or other consideration) shall be due or made to the Ordinary A or Ordinary B shareholders whose issued share capital will be reduced and once the Issued Share Capital Reduction comes into effect, the amount of the reduced issued share capital shall be allocated to a reserve of the Company and no proceeds resulting therefrom shall be distributed to the Shareholders.

## 15.2 Memorandum and Articles of Association of the Company

### *Objects*

The principal objects of the Company are set out in clause 4 of the Memorandum of Association, which are, in summary, to carry on the business of a holding and finance company. A copy of the Memorandum and Articles of Association is available for inspection as set out in Section 21 of this Prospectus.

### *Share Rights*

All shares in the Company rank *pari passu* amongst themselves. In this respect, each Share carries one (1) vote and Shareholders are entitled to (a) receive notice of, attend and vote at general meetings of the Company; (b) participate in any dividend or other distributions of profits of the Company; and (c) a return of the nominal value of their shares upon liquidation, and to participate in any surplus distribution. All Shareholders have a right to vote on any resolution appointing Directors, with Directors to be elected on an individual basis by ordinary resolution of the Company in general meeting. However, only those Shareholders holding at least 6,666 shares are entitled to nominate a person to stand for the election as a Director. The M&As provide for certain Reserved Matters (as better described in Section 12 above) which provide the holders of the Ordinary B Shares with certain voting rights.

### *Ownership Ceiling*

In order to ensure that the majority of the Company's shares remain in public hands and that no single person obtains a controlling interest in the Company, the Company has adopted an 'ownership ceiling' in its Memorandum of Association, pursuant to which no person may, ultimately hold or control (directly or indirectly and in any manner whatsoever) such number of Voting Rights which, in the aggregate, amount to more than 15% of the total Voting Rights in the issued share capital of the Company (the "**Ownership Threshold**").

This notwithstanding, those persons who held or controlled (directly or indirectly and in any manner whatsoever) Voting Rights in excess of the Ownership Threshold prior to 20 October 2020 (an "**Existing Holding**") were 'grandfathered' and permitted to retain their Existing Holding, provided that they shall be prohibited from acquiring any additional Voting Rights in the future.

If a person exceeds the Ownership Threshold (or their Existing Holding), that person shall (a) be obliged to immediately dispose of any voting rights held in excess of the Ownership Threshold (or of their Existing Holding) to a third party and (b) any shares relating to any Voting Rights held in excess of the Ownership Threshold (or of their Existing Holding) shall immediately be disenfranchised from such voting rights until they are disposed of.

Prospective Shareholders should refer to clause 10 of the Memorandum of Association for full details on the 'ownership ceiling', including various types of holdings that are to be taken into account in calculating the number of voting rights held or controlled by a person as well as certain exemptions from the application of these 'ownership ceiling' provisions.

### 15.3 Dividend policy

The Company does not currently pay dividends. The ability to pay dividends in the future and the extent of any dividend distribution will depend upon, amongst other factors, the profit for the year, the Board's view on the prevailing market outlook, any debt servicing and repayment requirements, the cash flows for the Group, working capital requirements and the availability of distributable reserves in terms of the Companies Act and other regulatory requirements as may be applicable.

Moreover, as long as the Bonds remain outstanding, any distribution of dividends shall be subject to the restrictive covenant on dividends contained in the terms and conditions of the Bonds, pursuant to which the Company has covenanted to the Bondholders not to declare or pay any dividend, purchase or redeem any of its own shares except if from the proceeds of a new issue of shares made for such purpose (each, a "Restricted Payment"), unless:

- (a) The 'Interest Cover Ratio' (i.e. the Company's profit before tax income and before interest expense divided by the Company's interest expenses for the same period) calculated on the basis of the Company's most recent financial statements, after adjusting to take into consideration the impact of the proposed Restricted Payment, is above 3.0x; and
- (b) The 'Debt-to-Total Capital Ratio' (i.e. the Company's interest-bearing borrowings divided by the Company's total capital, with total capital being the sum of interest-bearing borrowings plus total equity) calculated on the basis of the Company's most recent financial statements, after adjusting to take into consideration the impact of the proposed Restricted Payment, is below 60%.

### 15.4 Legal and arbitration proceedings

In 2019, Scully Royalty and some of its subsidiaries, including the Company, were named as defendants in a legal action in the Cayman Islands related to an alleged guarantee of the former parent of the Scully Royalty group of companies for an amount of approximately €43million. In 2021, the Company was informed that the Plaintiff intends to add additional disputed claims, which, including the original €43million, total €91million. The Scully Royalty group, including the Company, believes that such claims are without merit and intends to vigorously defend such claims. The Company has initiated litigation locally in Malta seeking a declaratory judgment against the plaintiff in regards to this original claim. In addition, the Company has taken additional risk mitigation measures to reduce the possibility for any potential monetary loss. To date, the litigation has not materially progressed, and the Company does not currently expect that it will be resolved in the near-term.

Save for what is disclosed in the immediately preceding paragraph there have not been any governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Company is aware) during the twelve months prior to the date of this Prospectus that may have or have had a significant effect on the Company's and/or the Group's financial position or profitability.

## 16. INFORMATION ABOUT THE SHARES TO BE ADMITTED TO TRADING

### 16.1 General

The Shares are ordinary shares in the Company having a nominal value of €3.00 per Share. The 16,673,333 Shares being admitted for trading on the MSE by the Company constitute the entire issued share capital of the Company as at the date of this Prospectus, to the exclusion of the 1 Ordinary B Share having a nominal value of €3.00.

The ISIN of the Shares is MT0002290113.

The Shares have been created in terms of the Companies Act.

The Shares are in fully registered and dematerialised form and are represented in uncertificated form by the appropriate entry in the CSD Share Register maintained on behalf of the Company at the Malta CSD in accordance with the requirements of the MSE, or in such other form as may be determined from time to time by applicable law, the requirements of the MSE or the Company.

The currency of the Shares is Euro (€).

## 16.2 Rights attaching to the Shares

All shares in the Company rank pari passu amongst themselves. The Shares form part of the ordinary A shares of the Company. Save for the rights relating to the Reserved Matters (as better described in Section 12 above) pertaining to the holders of the Ordinary B Shares, the Ordinary A Shares and the Ordinary B Shares have the same rights and entitlements as all other shares in issue in the Company. The following are highlights of the rights attaching to the Shares.

### 16.2.1 Dividends

The Shares carry the right to participate in any distribution of dividend declared by the Company pari passu with any and all other Shares in the Company. Dividends shall be deemed to be non-cumulative.

Although there are no inherent restrictions on dividends attaching to the Shares, any distribution of dividends is subject to the restrictive covenant on dividends contained in the terms and conditions of the Bonds, as described in further detail in Section 15.3 above.

### 16.2.2 Voting rights

Each Share entitles the holder thereof to one (1) vote at meetings of Shareholders.

### 16.2.3 Capital distributions

All Shares carry the right for the holders thereof to participate in any distribution of capital made, whether in the context of a winding up or otherwise, pari passu with all other Shares of the Company.

### 16.2.4 Transferability and restrictions

The Shares are freely transferable and following Listing, shall be transferable only in whole in accordance with the rules and procedures of the Official List applicable from time to time. No minimum holding requirement is applicable once the Shares are admitted to Listing.

Any person becoming entitled to a Share in consequence of the death or bankruptcy of a Shareholder may, upon such evidence being produced as may from time to time properly be required by the Company or the Malta CSD, elect either to be registered himself as holder of the Share or to have another 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 Malta 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 Share, or procuring the transfer of the Share, in favour of that person.

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

The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Company 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 Company.

### 16.2.5 Pre-emption

Subject to article 88 of the Act, and article 16 of the Articles of Association, in issuing and allotting new Equity Securities the Company:

- a shall not allot any Equity Securities on any terms to any person unless an offer has first been made to each existing Shareholder to allot to him at least on the same terms, a proportion of those Equity Securities which is as nearly as practicable equal to the aggregate proportion of Shares held by him (in nominal value); and
- b shall not allot any of those Equity Securities so offered to any person not being a Shareholder, prior to the expiration of any period of offer made to existing Shareholders in terms of article 16(a) of the Articles, or prior to a negative or positive reply from all such Shareholders in respect of such offer.

Any such Equity Securities not subscribed for by the existing Shareholders in terms of their pre-emption rights may be offered for subscription to any other person/s under the same or other conditions which however cannot be more favourable than an offer made under article 16(a) of the Articles of Association;

Notwithstanding the above, any right of pre-emption referred to in article 16 of the Articles of Association may be restricted or withdrawn by (i) an extraordinary resolution of the general meeting or (ii) the Board, provided that the Board is authorised to issue Equity Securities in accordance with article 85 of the Act and for so long as the Board remains so authorised.

For the purpose of this section, “**Equity Securities**” means shares, another class of shares, or any other securities or instruments (including but not limited to warrants or options in relation to Shares), that can be converted or exchanged into, or which carry the right to subscribe for, shares or another class of shares.

Pursuant to an extraordinary general meeting of the Company held on 10 September 2020, the Board was authorised to exercise the power of the Company to issue and allot Equity Securities up to the amount of the authorised but unissued share capital of the Company from time to time (in respect of each class), and that the Board of Directors may offer, allot, grant, or otherwise dispose of such Equity Securities to such persons on such terms and in such manner as they think fit. This authorisation is valid until 10 September 2025 unless previously renewed, varied or revoked by the Company in general meeting. Accordingly, in terms of article 88 of the Act, and article 16 of the Articles of Association, the Board is authorised to withdraw or restrict all pre-emption rights of the Shareholders and will remain so authorised for as long as the Board remains so authorised to issue Equity Securities.

#### **16.2.6 Conversion and redemption of Shares**

In terms of the Articles and the relevant provisions of the Companies Act, the Company may by extraordinary resolution convert any paid-up shares into stock, and re-convert any stock into paid-up shares of any denomination. Further details on the rights of conversion are included in the Articles. The Shares are not redeemable or convertible into any other form of security.

#### **16.2.7 Mandatory takeover bids, squeeze-out and sell-out rights**

Chapter 11 of the Capital Markets Rules, implementing the relevant provisions of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004, regulates the acquisition by a person or persons acting in concert of the control of a company and provides specific rules on takeover bids and the squeeze-out and sell-out mechanisms. The Shareholders may be protected by the Capital Markets Rules in the event that the Company is the subject of a Takeover Bid (as defined therein). The Capital Markets Rules may be viewed on the official website of the MFSA (<https://www.mfsa.mt/our-work/securities-and-markets-supervision/>).

Chapter 11 of the Capital Markets Rules may be subject to changes following the publication of this Prospectus. Accordingly, prospective investors should consult with their advisers as to the implications of such changes as and when amendments to Chapter 11 of the Capital Markets Rules take effect.

## **17. SPIN-OFF AND ADMISSION TO TRADING**

The board of directors of Scully Royalty has approved the Spin-Off, a distribution of a dividend in kind of the Spin-Off Shares (representing circa forty nine point nine percent (49.9%) of the Shares in the Company) to Scully Royalty’s shareholders pro rata to the amount of shares held by them in Scully Royalty.

The Spin-Off Shares may only be received by the shareholders of Scully Royalty in electronic form through Clearstream Banking AG. In order to receive their Spin-Off Shares, shareholders of Scully Royalty (or their custodian or nominee) will be required to have a Clearstream Banking AG account or an account with a European central securities depository with direct or indirect interoperable links with Clearstream Banking AG and, accordingly, Scully’s shareholders will need to provide instructions and the relevant account details to Scully or its designated distribution agent in order to enable settlement of the Spin-Off Shares. Where Scully Royalty is not provided with information from its shareholders on the aforementioned accounts with a European central securities depository, Scully Royalty shall retain such Spin-Off Shares in its own custodian’s Clearstream Banking AG (or other European central securities depository) account for the benefit of those shareholders, until such time as the required instructions are received (or unless the Spin-Off Shares are delivered to Depository Trust Company (“DTC”) accounts as described in the following paragraph). Scully Royalty shall not exercise any voting rights pertaining to such Spin-Off Shares that it may hold for the benefit of its shareholders pending receipt of their instructions.

An application has also been filed with the DTC, the central securities depository subsidiary of the Depository and Trust Clearing Corporation (US), for DTC eligibility of the Shares (“DTC eligibility”). Should DTC eligibility be obtained prior to or on the date of listing of the Shares then Scully Royalty shall make all necessary arrangements through its designated distribution agent for the Spin-Off Shares to be delivered to the relevant DTC accounts of Scully Royalty shareholders (or of their custodian or nominee). In the event that DTC eligibility is so obtained prior to or on the date of listing of the Shares, all of the Spin-Off Shares shall be delivered to the DTC for onward distribution to Scully’s shareholders and none of the Spin-Off Shares will be delivered to Clearstream Banking AG (or other European central securities depository) accounts as described in the preceding paragraph.

In any event, all transfers of the Spin-Off Shares by Scully Royalty to its shareholders as described above will take place through the Malta CSD’s link with Clearstream Banking AG, and will therefore be subject to completion of the Clearstream Banking AG eligibility process in respect of the Shares.

Scully Royalty expects to disclose additional information, in a press release issued in advance of the Listing and Spin-Off and an information statement to be mailed to Scully Royalty's shareholders, which document will include the applicable record date for the Spin-Off, information with respect to any applicable distribution agent relating thereto and instructions for the submission of Clearstream Banking AG (or other European central securities depository) account details to enable settlement of the Spin-Off Shares.

The Listing and the publication of this Prospectus were authorised by a resolution of the Board passed on 7 January 2022. Application has been made to the MSE for the Shares to be listed and traded on its Official List.

Admission to listing of the Shares on the Official list is expected to take place concurrently with the commencement of the process of distribution of the Spin-Off Shares to Scully Royalty's shareholders (which is expected to take place by no later than 30 September 2022), with commencement of trading of the Shares expected to take place within 2 Business Days after admission to listing.

The Company expects that Shareholders holding their shares outside of the Malta CSD system will be able to engage in over-the-counter (OTC) trading of their Shares (on the assumption that there are willing buyers and sellers of the Shares at any given time), while exchange trading of the Shares (on the MSE) will be available for those who may later, of their own accord, choose to open (and transfer their Spin-Off Shares to) a securities account with the Malta CSD or with a local investment firm. The Company is also considering having the Shares traded on the OTCQX International market (<https://www.otcqx.com/services/otcqx-international>) at a later date following the admission of the Shares to listing on the Official List.

As a result of the Spin-Off, the shareholders of Scully Royalty will also become Shareholders of the Company. Prospective Shareholders should note that, on becoming Shareholders they shall become subject to and shall be required to comply with certain regulatory requirements in terms of inter alia the Capital Markets Rules, the Transparency Directive, the Market Abuse Regulation and the Shareholder Rights Directive and, accordingly are advised to familiarise themselves with the same. In particular prospective Shareholders should be aware of the requirements of the Capital Markets Rules on the transparency of major holdings, pursuant to which any Shareholder who acquires or disposes of Shares (including any acquisition of Shares as a result of the Spin-off) shall be required to notify the Company and the Competent Authority of the proportion of voting rights of the Company held by such Shareholder as a result of the acquisition or disposal where that proportion reaches, exceeds or falls below the thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 50%, 75% and 90%. Notifications of major holdings are to be made within four trading days of the acquisition, using the form available on the Competent Authority's website at [https://www.mfsa.mt/wp-content/uploads/2019/01/esma-2015-1597\\_standard\\_form\\_for\\_major\\_holdings1.docx](https://www.mfsa.mt/wp-content/uploads/2019/01/esma-2015-1597_standard_form_for_major_holdings1.docx).

## **18. EXPENSES RELATING TO THE ADMISSION TO TRADING OF THE SHARES**

Professional fees and costs related to printing, listing, registration, sponsor, management, and other miscellaneous expenses in connection with the admissibility to listing and trading of the Shares are estimated to be in the region of €352,000 and will all be borne by Scully Royalty as part of the Spin-Off process. There is no particular order of priority with respect to such expenses.

## **19. TAXATION**

### **19.1 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 Shares to be issued by the Company, including their acquisition, holding and transfer as well as on any income derived therefrom or on any gains derived on the transfer of such Shares. The following is a summary of the anticipated tax treatment applicable to the Investors in so far as taxation in Malta is concerned. This information, which does not constitute legal or tax advice, and which does not purport to be exhaustive, refers only to the Investors who do not deal in securities in the course of their trading activity of business.

The information below is based on an interpretation of tax law and practice relative to the applicable legislation, as known to the Company 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 professional advice in this respect should be sought accordingly.

## 19.2 Malta Tax on Dividends

The Company, being a Maltese incorporated company, is considered tax resident and domiciled in Malta for Maltese income tax purposes and is therefore subject to Maltese income tax on its worldwide income and gains at the corporate tax rate which currently stands at 35%.

A distribution by the Company out of distributable profits to any Shareholder should not be subject to any further Maltese tax (whether by way of withholding or otherwise) at the level of the Shareholder, subject to certain conditions.

However, the Company is obliged to withhold tax at the rate of 15% upon a distribution out of certain distributable profits (which were not taxed at the level of the Company and allocated to what is referred to as its 'untaxed account') to a Shareholder who is:

- i a person resident in Malta (other than a company);
- ii a non-resident person (including a non-resident company) who is owned and controlled by, directly or indirectly, or who acts on behalf of, an individual who is ordinarily resident and domiciled in Malta;
- iii a trustee of a trust where the beneficiaries of such trust are persons referred to in (i) and (ii) above;
- iv an individual who is a national of the EU/EEA (and his or her spouse where applicable), in specific circumstances referred to in the Maltese Income Tax Act (Cap. 123, Laws of Malta), when such individual applies the tax rates applicable to Maltese-resident individuals.

The Shareholder may in certain circumstances opt to declare the gross dividend distributed thereto from the untaxed account in his or her individual Maltese income tax return and claim a refund on the difference between the 15% withholding tax and the personal tax rate applicable to the Shareholder (if the tax rate applicable to the Shareholder is less than 15%).

## 19.3 Maltese Tax on Capital Gains on the transfer of the Shares

In terms of the Income Tax Act, Maltese income tax should be chargeable on any capital gains arising from the transfer of a finite list of capital assets including "securities" which are defined as "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".

In terms of Article 5(6)(b) of the Income Tax Act, any gains derived on a transfer of shares listed on a stock exchange recognised under the Financial Markets Act, should be exempt from income tax to the extent that such shares are held as capital assets by the investor.

Consequently, should the Shares be listed on the Malta Stock Exchange, no income tax should be chargeable on a capital gain arising on the transfer of the Shares, as long as such shares are held as capital assets.

Furthermore, certain other exemptions from Maltese income tax may be applicable on the transfer of the Shares as specified in Article 12 of the Income Tax Act. Such exemptions include capital gains derived by an Investor who is not resident in Malta on a transfer of shares in the Company to the extent that:

- i the beneficial owner of the gains is a person not resident in Malta;
- ii such beneficial owner is not owned and controlled by, directly or indirectly, nor acts on behalf of an individual or individuals who are ordinarily resident and domiciled in Malta; and
- iii the Company does not own, directly or indirectly, immovable property situated in Malta or real rights thereon.

## 19.4 Duty on Documents and Transfers

In terms of the Duty on Documents and Transfers Act (Cap. 364, Laws of Malta), Maltese stamp duty should only be chargeable on a finite list of documents and transfers including the transfer of marketable securities, including rights thereon.

A marketable security is defined in the said legislation as "a holding of share capital in any company and any document representing the same". Having said this, in terms of Article 50 of the Financial Markets Act, the transfer of shares which are listed on a regulated market should be exempt from duty. Consequently, should the Shares be listed on the Malta Stock Exchange (being a regulated Market), no duty should be payable on a transfer of such shares. Other exemptions from Maltese stamp duty may also apply particularly in the event that the Company will be in possession of a Maltese stamp duty exemption determination issued by the Maltese Commissioner for Revenue.

## 19.5 Exchange of information

In terms of the applicable Maltese legislation, the Company and/or its agent may be required to collect and forward certain information (including, but not limited to, information regarding payments made to the Investors) to the Maltese Inland Revenue. The Maltese Inland Revenue should or may, in turn, automatically or on request, forward the information to other relevant tax authorities subject to certain conditions.

### 19.5.1 The Common Reporting Standard and the Directive on Administrative Cooperation

The Organisation for Economic Co-operation and Development (“OECD”) has developed a global framework, commonly known as the Common Reporting Standard (“CRS”) for the identification and timely reporting of certain financial information on individuals, and controlling persons of certain entities, who hold financial accounts with financial institutions of participating jurisdictions in order to increase tax transparency and cooperation between tax administrations. Numerous jurisdictions, including Malta, have signed the OECD multilateral competent authority agreement, which is a multilateral agreement outlining the framework to automatically exchange certain financial and personal information as set out within CRS.

So as to introduce an extended automatic exchange of information regime in accordance with the global standard released by the OECD, CRS has also been adopted in the EU through the implementation of Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of tax information in the field of taxation. This has been transposed in Malta by means of Legal Notice 384 of 2015 amending the Cooperation with Other Jurisdictions on Tax Matters Regulations, Subsidiary Legislation 123.127 (“CRS Legislation”), and has been applicable since 1 January 2016. In terms of this legal notice, the automatic exchange of information obligations shall extend to jurisdictions that are not EU Member States with which there is a relevant arrangement in place.

Malta based financial institutions (defined as such for the purposes of CRS) are obliged to identify and annually report to the Commissioner for Revenue financial accounts held by a reportable person, as defined under the CRS Legislation, including certain entities with one or more controlling persons, as defined under the CRS Legislation. Financial information relating to Shares and notes and the holders thereof may fall within the purview of CRS and may be subject to reporting and information exchange provisions.

Under CRS, financial institutions resident in a CRS participating jurisdiction (such as Malta) would be required to apply onerous due-diligence procedures for the identification of reportable accounts. Shareholders and noteholders may be required to provide certain information and certifications to financial institutions, such as qualifying custodians or any intermediaries, in order to satisfy their obligations under CRS. Certain confidential information in relation to the Shareholders, noteholders and/or other reportable persons may be reported to the Commissioner for Revenue or other relevant overseas tax authorities and automatically exchanged pursuant to these arrangements with the tax administrations of other participating jurisdictions.

Prospective investors are advised to seek professional advice in relation to the CRS and EU Council Directive 2014/107/EU. Not complying with the CRS rules may give rise to certain fines or closure of financial accounts.

### 19.5.2 Foreign Account Tax Compliance Act

The United States has enacted rules, commonly referred to as “FATCA”, that generally impose a reporting regime and, in some cases withholding requirements, with respect to certain US source payments (including dividends and interest), gross proceeds from the disposition of property that can produce US source interest and dividends as well as certain payments made by, and financial accounts held with, entities that are classified as financial institutions under FATCA. The United States has entered into an intergovernmental agreement with Malta dated 6 December 2013 regarding the implementation of FATCA within Malta which has been implemented into Maltese law through the Exchange of Information (United States of America) (FATCA) Order, Subsidiary Legislation 123.156 (“**FATCA Legislation**”).

Under the FATCA Legislation, financial institutions in Malta (defined as such for the purposes of FATCA) are required to satisfy applicable due diligence requirements to identify and report financial accounts held by specified U.S. persons, as defined under the FATCA Legislation, and certain non-U.S. entities, which are controlled by U.S. Controlling Persons, as defined under the FATCA Legislation, to the Commissioner for Revenue. The Maltese Government and the Government of the U.S. shall annually exchange the information obtained pursuant to the FATCA Legislation on an automatic basis.

Financial account information in respect of holders of the Shares and/or of the notes could fall within the scope of FATCA and they may therefore be subject to reporting obligations. In order to comply with its FATCA obligations, if any, the Company may be required to obtain certain information, forms and other documentation on the Shareholders and/or the noteholders to report information on reportable accounts to the Commissioner for Revenue, in accordance with applicable laws and regulations, which will in turn report this information to the Internal Revenue Service in the U.S. Shareholders and/or noteholders should note that a specified US person in terms of FATCA may include a wider range of investors than the current U.S. Person definition referred to in the term Eligible Investors.

Financial institutions reserve the right to request any information and/or documentation required, in respect of any financial account, in order to comply with the obligations imposed under FATCA and any referring legislation. In the case of failure to provide satisfactory documentation and/or information, financial institutions may take such action as it thinks fit, including without limitation, the closure of the financial account.

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 DIVIDEND PAYMENTS MADE BY THE COMPANY. THE ABOVE IS A SUMMARY OF THE ANTICIPATED TAX TREATMENT APPLICABLE TO THE SHARES AND TO INVESTORS. THIS INFORMATION, WHICH DOES NOT CONSTITUTE LEGAL OR TAX ADVICE, REFERS ONLY TO INVESTORS WHO DO NOT DEAL IN SECURITIES IN THE COURSE OF THEIR NORMAL TRADING ACTIVITY.

## **20. THIRD PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATIONS OF INTEREST**

This Prospectus does not contain any statement or report attributed to any person as an expert. The Company confirms any other information sourced from third parties and contained and referred to in this Prospectus has been accurately reproduced in this Prospectus and that there are no facts of which the Company is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

## **21. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents (or copies of the same) are available for physical inspection at the Company's registered office and on the Company's website ([www.merkantiholding.com](http://www.merkantiholding.com)) for the duration of the validity of the Prospectus:

- a The Memorandum and Articles of Association of the Company; and
- b Audited financial information of the Company for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021, together with the auditors' reports thereon.



Merkanti Holding  
p.l.c

# ANNEXES



## **ANNEX A**

### **List of Directorships of Directors**

**Mario P Galea (Independent Non-Executive Director and Chairman)**

| <b>Company Name</b>                   | <b>Registration Number</b> | <b>Date of Appointment</b> | <b>Date of Resignation</b> |
|---------------------------------------|----------------------------|----------------------------|----------------------------|
| Mediterranean Investments Holding Plc | C37513                     | December 2014              | N/A                        |
| Palm City Limited                     | C34113                     | December 2014              | N/A                        |
| Palm Waterfront Limited               | C57155                     | December 2014              | N/A                        |
| Santumas Shareholdings plc            | C35                        | August 2015                | N/A                        |
| BNF Bank plc                          | C41030                     | November 2016              | N/A                        |
| Corinthia Finance plc                 | C25104                     | August 2017                | N/A                        |
| Exalco Finance p.l.c                  | C87384                     | September 2018             | N/A                        |
| Phoenicia Finance Company plc         | C88958                     | October 2018               | N/A                        |
| Best Deal Properties Holding plc      | C56049                     | October 2018               | N/A                        |
| Merkanti Holding Plc                  | C70823                     | July 2019                  | N/A                        |
| Halmann Vella Group plc               | C5067                      | April 2021                 | N/A                        |
| Klikk Finance plc                     | C52833                     | April 2021                 | N/A                        |
| CE Insurance Limited                  | C99826                     | January 2022               | N/A                        |
| Reed (St John's) Ltd                  | C38345                     | April 2017                 | November 2020              |
| LifeStar Insurance p.l.c.             | C29086                     | December 2015              | June 2019                  |
| LifeStar Health Limited               | C6393                      | April 2018                 | June 2019                  |
| Reed Global Limited                   | C45367                     | January 2015               | April 2018                 |

**Benjamin Muscat (Independent Non-Executive Director)**

| <b>Company Name</b>                                   | <b>Registration Number</b> | <b>Date of Appointment</b> | <b>Date of Resignation</b> |
|---|----------------------------|----------------------------|----------------------------|
| Equiom (Malta) Ltd                                    | C57173                     | March 2013                 | N/A                        |
| S3 Global Multi-Strategy Fund (Valletta) SICAV p.l.c. | SV192                      | March 2014                 | April 2022                 |
| Novum Bank Ltd  | C46997                     | June 2013                  | N/A                        |
| ETSF Fund SICAV plc                                   | SV410                      | March 2017                 | N/A                        |
| Phoenicia Finance Company plc                         | C88959                     | November 2018              | N/A                        |
| Merkanti Holding plc                                  | C70823                     | July 2019                  | N/A                        |
| The Convenience Shop (Holding) plc                    | C87554                     | March 2019                 | N/A                        |
| Browns' Pharma Holdings plc                           | C95118                     | March 2020                 | N/A                        |
| Dino Fino Finance plc                                 | C100038                    | August 2021                | N/A                        |
| Shoreline Mall plc                                    | C84005                     | December 2017              | N/A                        |
| Shoreline Residence Ltd                               | C77212                     | April 2017                 | N/A                        |
| Shoreline Contractors Ltd                             | C83994                     | December 2017              | N/A                        |
| Shoreline Holdings Ltd                                | C86187                     | December 2019              | N/A                        |
| Northam European Asset Management Ltd                 | C57824                     | October 12                 | N/A                        |
| Egerson Financial Holdings Ltd                        | C98327                     | March 2021                 | N/A                        |
| Martello Finance Company Ltd                          | OC820                      | December 2013              | N/A                        |
| Martello Financing Ltd                                | C80444                     | April 2017                 | N/A                        |
| Smarkets Holdings (Malta) Ltd                         | C72638                     | October 2016               | N/A                        |
| Smarkets Malta Ltd                                    | C44795                     | October 2016               | N/A                        |
| Bariflow Ltd  | OC1194                     | March 2018                 | N/A                        |
| Seraph Valletta Limited                               | C92132                     | June 2019                  | N/A                        |
| Seraph Malta Limited                                  | C87795                     | August 2018                | N/A                        |
| Ancestry Global Holdings Ltd                          | C88354                     | September 2018             | N/A                        |

|   |        |                |                |
|---|--------|----------------|----------------|
| Abbott Rapid Diagnostics International Unlimited Company            | OC1263 | February 2019  | N/A            |
| Abbott Rapid Diagnostics International Holdco Unlimited Company     | OC1265 | February 2019  | N/A            |
| Abbott Rapid Diagnostics International Subsidiary Unlimited Company | OC1281 | March 2019     | N/A            |
| Wigam Holdings Ltd  | OC612  | September 2012 | N/A            |
| Dodder Finance Ltd  | 52897  | October 2017   | February 2018  |
| Anvilire Limited  | OC1234 | September 2018 | October 2021   |
| RBC Services Ltd  | C60440 | May 2013       | December 2021  |
| Meristero Ltd   | OC767  | January 2014   | April 2021     |
| Horizon Finance plc   | C88540 | December 2018  | May 2021       |
| Schembri Finance plc  | C64755 | April 2014     | May 2021       |
| Raytheon CSS Ltd  | OC1085 | September 2016 | May 2021       |
| Templar EIS Ltd   | C70357 | April 2015     | March 2021     |
| Immersion Technology Ltd  | OC988  | October 2015   | February 2021  |
| Brown's Pharma Ltd  | C22952 | January 2016   | October 2020   |
| S3 Global Multi-Strategy Fund (Malta) SICAV p.l.c.                  | SV86   | March 2014     | September 2020 |
| Concha Investments Ltd  | C74684 | March 2016     | March 2020     |
| HH Finance plc  | C84461 | January 2018   | November 2019  |
| Pefaco International plc  | C65718 | June 2014      | October 2019   |
| Seaculture Ltd  | C76053 | July 2016      | April 2019     |
| Dodder Finance Ltd  | OC1157 | October 2017   | December 2018  |
| Windel Investments Ltd  | C70382 | March 2014     | December 2018  |
| Remedia International Ltd   | C41801 | September 2012 | June 2018      |
| Equiom Services (Malta) Limited                                     | C62051 | April 2011     | May 2018       |
| Real Holdings Ltd   | C62267 | October 2013   | May 2018       |
| Oneka Asset Management Ltd  | C78655 | January 2017   | February 2018  |
| Systems Research Ltd  | C70822 | May 2015       | December 2017  |
| Dase Holdings Ltd   | C68601 | January 2015   | December 2017  |
| Abalone Ltd   | C74560 | February 2016  | July 2017      |
| Tendall Capital Markets Ltd   | C70955 | June 2015      | March 2017     |

#### **Silke Stenger (Independent Non-Executive Director)**

| <b>Company Name</b>  | <b>Registration Number</b> | <b>Date of Appointment</b> | <b>Date of Resignation</b> |
|----------------------|----------------------------|----------------------------|----------------------------|
| Merkanti Holding plc | C70823                     | July 2019                  | N/A                        |
| Scully Royalty Ltd   | HS323455                   | July 2017                  | N/A                        |

#### **Martin Ware (Non-Executive Director)**

| <b>Company Name</b>                  | <b>Registration Number</b> | <b>Date of Appointment</b> | <b>Date of Resignation</b> |
|--------------------------------------|----------------------------|----------------------------|----------------------------|
| Kasese Cobalt Company Limited (KCCL) | N/A                        | November 2011              | N/A                        |
| Merkanti Holding plc                 | C70823                     | July 2020                  | N/A                        |
| Gardaworld CN Ltd                    | 105099                     | June 2020                  | August 2020                |
| 1128349 BC Ltd                       | BC1128349                  | August 2020                | December 2020              |
| 1178936 BC Ltd                       | BC1178936                  | July 2020                  | December 2020              |
| Garda Investments Corp.              | 97815                      | May 2020                   | December 2020              |
| Fesil Sales GmbH                     | HRB 1526                   | October 2016               | February 2019              |
| ACC Resources Inc.                   | E0130572013-3              | August 2014                | July 2016                  |

## Samuel Morrow (Executive Director)

| Company Name                          | Registration Number | Date of Appointment | Date of Resignation |
|---------------------------------------|---------------------|---------------------|---------------------|
| Merkanti Holding plc                  | C70823              | May 2018            | N/A                 |
| Merkanti Bank Ltd                     | C31608              | February 2016       | N/A                 |
| Merkanti (A) International Ltd        | C92495              | July 2019           | N/A                 |
| Merkanti (D) International Ltd        | C92496              | July 2019           | N/A                 |
| Merkanti Diesel Ltd                   | C94239              | December 2019       | N/A                 |
| Scully Royalty Ltd                    | HS323455            | May 2021            | N/A                 |
| 1178936 BC Ltd                        | BC1178936           | July 2020           | N/A                 |
| 1133148 BC Ltd                        | BC1133148           | September 2017      | N/A                 |
| 1312544 BC Ltd                        | BC1312544           | June 2021           | N/A                 |
| 1128349 BC Ltd                        | BC1128349           | August 2020         | N/A                 |
| Gardaworld CN Ltd                     | 105099              | June 2021           | N/A                 |
| Garda Investments Corp.               | 97815               | May 2020            | N/A                 |
| Sherwood Ltd.                         | 105796              | August 2020         | N/A                 |
| KHD Investments                       | 20712               | December 2020       | N/A                 |
| Sai Kung Properties Ltd.              | 950026              | July 2019           | N/A                 |
| MFCR Oriental S.A.                    | 2500                | July 2021           | August 2021         |
| Brock Metals Holding Austria GmbH     | FN333068g           | August 2014         | September 2017      |
| FJ Elsner & Co. GmbH                  | FN528423k           | September 2014      | September 2017      |
| MFC Supply Chain GmbH                 | FN397696y           | August 2014         | September 2017      |
| GPT Global Pellets Trading GmbH       | FN396500p           | August 2014         | September 2017      |
| International Trade Services GmbH     | FN119481h           | August 2014         | September 2017      |
| KHD Humboldt Wedag International GmbH | FN270033h           | August 2014         | September 2017      |
| Larus Handels und Beteiligungs GmbH   | FN146871m           | August 2014         | September 2017      |
| MFC Commodities Trading GmbH          | FN417803t           | August 2014         | September 2017      |
| MFC Corporate Services GmbH           | FN35673k            | August 2014         | September 2017      |
| MFC Energy Holding Austria GmbH       | FN193086a           | August 2014         | September 2017      |
| MFC Holding Austria GmbH              | FN202518x           | August 2014         | September 2017      |
| MFC Metal Trading GmbH                | FN319212f           | August 2014         | September 2017      |
| MFC Trade & Financial Services GmbH   | FN162523f           | August 2014         | September 2017      |
| MFC Power General Partner Ltd.        | BC1046533           | August 2015         | September 2018      |
| MFC Power Ltd.                        | BC1046528           | August 2015         | September 2018      |
| 1049597 BC Ltd.                       | BC1049597           | September 2015      | March 2020          |
| 1059032 BC Ltd.                       | BC1059032           | December 2015       | March 2020          |
| 1128349 BC Ltd.                       | BC1128349           | November 2017       | January 2020        |
| Notine Holdings Inc.                  | BC1049601           | September 2015      | June 2021           |
| Marian Energy Inc.                    | BC1041189           | June 2015           | May 2021            |
| Notine Holdings Inc.                  | BC1312540           | June 2021           | July 2021           |
| Mansfelder Aluminiumwerk GmbH         | HR B 215674         | November 2017       | September 2019      |
| IEM Services Co. Ltd.                 | 88565               | June 2017           | December 2019       |
| Fesil Sales GmbH                      | HRB 1526            | September 2015      | August 2019         |











**Merkanti** Holding  
p.l.c