






  
Roderick E. D. Chalmers  
Chairman

  
Joseph Borg  
Director

  
Roberto Cassata  
Director

  
George Portanler  
Director

  
Norman Rossignaud  
Director

  
Gordon Cordina  
Director

  
Manuel Rizzo  
Director

  
Paul Testaferrata Moroni Viani  
Director

  
George Wells  
Director

Debt Issuance Programme  
Dated 31 May 2011

## Bank of Valletta p.l.c.

a public limited liability company registered under the laws of Malta with company registration number C2833 and with registered office situated at 58, Zachary Street, Valletta VLT 1130 as Issuer of

## €125,000,000 Debt Issuance Programme

Application has been made to the Listing Authority in Malta which is the Maltese competent authority for the purposes of the Prospectus Directive for the approval of this Prospectus.

Application will be also made to the Malta Stock Exchange for each Series of the Notes issued under the Programme to be admitted to trading on the Malta Stock Exchange's Regulated Market and to be listed on the Official List of the Malta Stock Exchange.

See "Risk Factors" for a discussion of certain factors which should be considered by prospective investors in connection with an investment in any of the Notes. This Debt Issuance Programme constitutes a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

Sponsor

Legal Counsel

Manager & Registrar



CAMILLERI PREZIOSI



This Prospectus has been filed with the Listing Authority and will be published in electronic form on the website of the Listing Authority and is also available, in printed form, free of charge, from the registered office of the Issuer.





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## RESPONSIBILITY STATEMENT

The Board of Directors of the Issuer is solely responsible for the information given in this Prospectus. The said Directors, whose names and functions appear in section 7.12.1, hereby declare that, having taken reasonable care to ensure that such is the case, the information contained in this Prospectus for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

## NOTICE

This Prospectus should be read and construed in conjunction with the Reference Documents. Full information on the Issuer and any Tranche of Notes is only available on the basis of the Prospectus, as supplemented from time to time, together with the Reference Documents, and the applicable Final Terms.

The Issuer confirms that this Prospectus contains all information with respect to the Issuer and the Notes which is material in the context of the Programme and the issue and offering of the Notes thereunder; that the information contained herein in respect of the Issuer and the Notes is accurate in all material respects and is not misleading; that any opinions and intentions expressed herein are honestly held and based on reasonable assumptions; that 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 that all reasonable enquiries have been made to ascertain all facts and to verify the accuracy of all statements contained herein.

**The Listing Authority 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.**

No person has been authorised to give any information which is not contained or consistent with this Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information in the public domain and, if given or made, such information must not be relied upon as having been authorised by the Issuer.

None of the advisers or any person mentioned in this Prospectus, other than the Issuer, is responsible for the information contained in this Prospectus or any supplement thereof, or any Final Terms or any Reference Documents, 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 advisers to the Issuer have acted and are acting exclusively for the Issuer in relation to this public offer and have no contractual, fiduciary or other obligation towards any other person and will accordingly not be responsible to any investor or any other person whomsoever in relation to the transactions proposed in the Prospectus.

This document constitutes a base prospectus for the purposes of the Prospectus Directive and relevant Maltese laws. This Prospectus is valid for 12 months from the date of publication and this Prospectus and any supplement hereto as well as any Final Terms reflect their status as at their respective dates of issue. The Prospectus and/ or any Final Terms and the offering, sale or delivery of any Notes may not be taken as a) an implication that the information contained in such documents is accurate and complete subsequent to their respective dates of issue or b) that there has been no adverse change in the financial condition of the Issuer since such dates or c) that any other information supplied in connection with the Programme 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.

The Issuer undertakes to supplement the Prospectus or publish a new Prospectus at any time after submission of the Prospectus for approval to the Listing Authority, if and when, the information herein should become materially inaccurate or incomplete in the event of any new significant factor that is capable of affecting the assessment of the Notes by potential investors. **The Listing Authority is not required to approve any Final Terms issued by the Issuer pursuant to this Prospectus.**

The distribution of the Prospectus and any Final Terms and the offering, sale or delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus or any Final Terms comes, are required by the Issuer to inform themselves about, and to observe, any such restrictions. Additionally, the Notes will not be registered under the United States Securities Act of 1933, as amended. Subject to certain exceptions, the Notes will not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers, sales and



deliveries of Notes and the distribution of this Prospectus or any Final Terms and other offering material relating to the Notes, see section entitled "*Selling Restrictions*".

This Prospectus is drawn up in the English language. The English version shall prevail over any part of this Prospectus translated into any other language other than the Terms and Conditions in respect of the issue of any Tranche (as hereinafter defined) of Notes under the Programme where the prevailing language will be specified in the applicable Final Terms.

The Notes issued under the Programme may be listed on the Official List of the Malta Stock Exchange and admitted to trading on the Regulated Market of the Malta Stock Exchange. The Malta Stock Exchange's Regulated Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC.

**This Prospectus can only be used for the purposes for which it has been published.**

**This Prospectus and any Final Terms must not be used for the purpose of an offer or solicitation to subscribe for Notes by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.**

All terms not otherwise defined in this Prospectus shall have the meaning as set out in the "*Terms and Conditions*" of the Notes.

## DEFINITIONS

In addition to the defined terms used in the section of this Prospectus entitled "*Terms and Conditions*", the following capitalised terms shall have the meaning attributed hereunder:-

<b>Associated Company and Jointly Controlled Entity</b>	each of Middlesea Insurance p.l.c. and MSV Life p.l.c.;
<b>BOV Group</b>	the Issuer and its Subsidiaries;
<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, provided that in the case where the currency of denomination of Notes is not in Euro, the defined term 'Business Day' shall be that inserted in the applicable Final Terms;
<b>Conditions</b>	the Terms and Conditions applicable to each Tranche, as completed, modified, supplemented or replaced by virtue of the Final Terms;
<b>CSD</b>	the central securities depository of the Malta Stock Exchange established pursuant to article 24 of the Financial Markets Act (Cap. 345, laws of Malta), and situated at Garrison Chapel, Castille Place, Valletta VLT 1063;
<b>EURIBOR</b>	Euro Interbank Offered Rate;
<b>Euro or €</b>	the lawful currency of the eurozone;
<b>Final Terms</b>	final terms issued by the Issuer from time to time in the form set out in this Prospectus;
<b>Issuer or Bank</b>	Bank of Valletta p.l.c.;
<b>Issue Price</b>	the price at which each Tranche of Notes will be issued;
<b>LA</b>	the MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act, 1990 (Cap. 345, laws of Malta) by virtue of L.N. 1 of 2003;
<b>LIBOR</b>	London Interbank Offered Rate;
<b>Memorandum and Articles of Association</b>	the memorandum and articles of association of the Issuer in force at the time of publication of the Prospectus;
<b>MFSA</b>	Malta Financial Services Authority;
<b>MSE</b>	Malta Stock Exchange;
<b>Notes</b>	the notes issued by the Issuer in terms of this Prospectus;
<b>Note Holder/s</b>	the holder/s of Notes issued under the Programme;
<b>Pounds Sterling or £</b>	the lawful currency of the United Kingdom;
<b>Programme</b>	the debt issuance programme being made by the Issuer pursuant to this Prospectus;
<b>Prospectus</b>	this document in its entirety;



<b>Prospectus Directive</b>	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC;
<b>Reference Documents</b>	any supplement to the Prospectus, together with any document incorporated by reference;
<b>Regulated Market</b>	a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third party buying and selling interests in financial instruments in the system and in accordance with its non-discretionary rules in a way that results in a contract, in respect of the financial instruments that are admitted to trading under its rules and/or systems, and which is authorised and functions regularly;
<b>Series</b>	one or more Tranches, which are expressed to be consolidated and forming a single series and identical in all respects, except for issue dates, interest commencement dates and/or issue prices;
<b>Subsidiaries</b>	each of Valletta Fund Management Limited (C18603), BOV Investments Limited (C38876) and Valletta Fund Services Limited (C39623);
<b>Summary</b>	the summary of the Prospectus, as the same is contained in the section of this Prospectus named " <i>Summary</i> " and as the same may be amended, supplemented and updated from time to time;
<b>Tranche</b>	each tranche of Notes identical in all respects, except for issue dates, interest commencement dates and/or Issue Prices, issued in accordance with the provisions of this Prospectus as may be amended, supplemented and updated from time to time and the applicable Final Terms;
<b>United States Dollars or \$</b>	the lawful currency of the United States of America.



## SUMMARY

The following constitutes the Summary of the Prospectus and contains the essential characteristics and risks associated with the issuer and the Notes to be issued under the Programme. This Summary does not purport to be complete and should be read as an introduction to this Prospectus. Any decision by an investor to invest in the Notes should be based on consideration of this Prospectus as a whole, as supplemented from time to time, including the Reference Documents, any supplements thereto and the applicable Final Terms. Civil liability is attached to the Issuer who has tabled this Summary including any translation thereof, and applied for its notification, but only if this Summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.

### 1 SUMMARY IN RESPECT OF THE NOTES

<i>Issuer</i>	Bank of Valletta p.l.c.
<i>Admission to Trading</i>	Application will be made to list each Series of the Notes on the Official List of the MSE and to be admitted to trading on the Regulated Market of the MSE.
<i>Use of Proceeds</i>	The Issuer shall use the proceeds for its general corporate and funding purposes such as the provision of loans and advances.
<i>Expenses</i>	The total expenses of the offer of the Notes and the net amount of proceeds therefrom shall be indicated in the applicable Final Terms.
<i>Currencies</i>	Notes may be denominated in Euro, Pounds Sterling or United States Dollars.
<i>Denomination of Notes</i>	Notes will be issued in such denomination as indicated in the applicable Final Terms save that:  a) The minimum denomination of the Notes will be, if in Euro, €100, if in Pounds Sterling, £100, if in United States Dollars, \$100.  b) The maximum denomination of the Notes will be, if in Euro, €1,000, if in Pounds Sterling, £1,000, if in United States Dollars, \$1,000.
<i>Maturities</i>	Such maturities as indicated in the applicable Final Terms.
<i>Form of Notes</i>	The Notes may be issued only in registered form.
<i>Fixed Rate Notes</i>	The Fixed Rate Notes will bear a fixed interest income throughout the entire term of the Notes and will be payable on that basis (as specified in the applicable Final Terms).
<i>Floating Rate Notes</i>	Floating Rate Notes will bear a variable rate of interest by reference to LIBOR or EURIBOR (as adjusted for any applicable margin).
<i>Interest Periods</i>	Interest periods will be specified in the relevant Final Terms.
<i>Redemption</i>	The Notes cannot be redeemed prior to their stated maturity (except upon the occurrence of an event of default).  The redemption amount will be no more or less than 100% of the aggregate principal amount of the Notes.
<i>Taxation</i>	All payments of principal and interest in respect of the Notes will be made subject to any applicable withholding or deducting obligations imposed by applicable law on the Issuer.
<i>Acceleration Events</i>	The Notes will provide for Acceleration Events entitling Note Holders to demand immediate redemption of the Notes, all as more fully set out in the Terms and Conditions.



<i>Status of the Notes</i>	The Notes are unsubordinated and unsecured and will rank <i>pari passu</i> without any priority or preference with all other present and future unsecured and unsubordinated obligations of the Issuer. In terms of article 1995 of the Civil Code (Cap. 16, laws of Malta), the property of a debtor is the common guarantee of his creditors, all of whom have an equal right over such property, unless there exist between them lawful causes of preference. The Notes will thus rank after any claims which are preferred in terms of the law but will rank before and with priority over the Issuer's existing subordinated debt (such as the subordinated bonds issued by the Issuer in 2009 and 2010) or such other subordinated debt which may be issued in the future.
<i>Governing Law</i>	The Notes will be governed by Maltese law.
<i>Jurisdiction</i>	Exclusive place of jurisdiction for any legal proceedings arising under the Notes is Malta.
<i>Clearing and Settlement</i>	Notes will be accepted for clearing through the CSD.
<i>Distribution of the Notes</i>	The method of distribution of each Tranche will be stated in the applicable Final Terms.

## 2 SUMMARY OF RISK FACTORS

<b>General</b>	<b>An investment in the Issuer and the Notes involves certain risks. The following risks are those identified by the Issuer as at the date of the Prospectus. Prospective investors should carefully consider, with their own independent financial and other professional advisers, the following risk factors and other investment considerations as well as all the other information contained in this Prospectus and Reference Documents before deciding to make an investment in the Issuer and the Notes. If any of the risks described below were to materialise, they could have a serious effect on the Issuer's financial results and trading prospects and the ability of the Issuer to fulfil its obligations under the Notes. In addition, prospective investors ought to be aware that risk may be amplified due to a combination of a number of risk factors.</b>
<b>Forward-Looking Statements</b>	<b>This document contains forward-looking statements. No guarantee can be given that future results or expectations covered by such statements will be achieved. These statements by their nature involve substantial risks and uncertainties, certain of which are beyond the Issuer's control.</b>

### 2.1 SUMMARY OF RISKS RELATING TO THE ISSUER

<b>General</b>	<b>The BOV Group is engaged in the business of banking and financial services. Exposure to credit risk, liquidity risk, interest rate risk, foreign currency risk, operational risk and concentration risk arises in the normal course of business. The Issuer is also exposed to other risks as summarised below.</b>
<b>Credit Risk</b>	<b>Credit risk is the risk that a person who has entered into a financial commitment with the Issuer, fails to honour such commitment, in whole or in part.</b>
<b>Liquidity Risk</b>	<b>Liquidity risk is the risk that the Issuer will encounter difficulty in raising funds to meet financial commitments and may also result from an inability to realise a financial asset quickly at close to its fair value.</b>
<b>Interest Rate Risk</b>	<b>Interest rate risk is the risk that the market value of as well as the future cashflows arising out of the Issuer's financial assets and liabilities, will be impacted because of changes in interest rates.</b>
<b>Foreign Currency Risk</b>	<b>Foreign currency risk arises as a result of fluctuations in the prevailing foreign currency exchange rates on the Issuer's financial position and cash flows.</b>

<b>Operational Risk</b>	Operational risk covers the losses arising from inadequate or failed internal processes, people and systems (for example employee fraud, human error, failure of information systems, commercial disputes and product flaws), or from unforeseen external events (for example, natural disasters damaging physical assets, electrical or telecommunications failures), both of which could have a significant negative impact on the Issuer.
<b>Concentration Risk</b>	Due to the fact that the Maltese market, being the main market within which the Issuer operates, is a relatively small market when compared to other larger markets, this exposes the Issuer to higher levels of concentration risk than is normally associated when operating in larger and more diversified markets.
<b>External Factors</b>	The BOV Group's overall performance and results may also be adversely affected by external factors beyond the Issuer's control. These include changes in economic conditions, business cycles, volatility in financial markets and increased competitive pressure in the financial services sector.
<b>Issuer Credit Risk</b>	The Note Holders assume the credit risk of Bank of Valletta p.l.c. as the Issuer of the Notes. In the case of insolvency of the Issuer, the Note Holders may lose part or all of their claims to repayment of their invested capital. The Notes are not secured by the Depositor Compensation Scheme Regulations (Subsidiary Legislation 371.09).
<b>Downgrade in Rating</b>	The value of the Notes may be affected by investors' general appraisal of the Issuer's creditworthiness. Any downgrading of the Issuer's rating by a rating agency could result in a reduction in the value of the Notes.
<b>Reputational Risk</b>	The risk that negative public opinion regarding the Issuer's and/or the BOV Group's business practices, whether true or not, will cause a decline in the customer base, costly litigation or revenue reductions.

## 2.2 SUMMARY OF RISKS RELATING TO THE NOTES

<b>Active Market</b>	There can be no assurance of the presence of willing buyers and sellers for the Notes nor can there be any assurance that Note Holders will be able to sell the Notes at or above the Issue Price of the Notes or at all.
<b>Future Public Offering</b>	No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of any of the Notes outstanding from time to time.
<b>Status of the Notes</b>	The Notes are unsubordinated and unsecured and will rank equally with the Issuer's unsecured obligations. Therefore, if the Issuer does not have enough assets to pay its debts, the Note Holders will be paid before the holders of subordinated debt (such as the subordinated debt issued by the Issuer in 2009 and 2010). On the other hand, the Note Holders will rank after other creditors of the Issuer whose claim is preferred by the law.
<b>Risks relating to Specific Types of Notes</b>	<p><b>Fixed Rate Notes</b> - Investors should be aware that the price of Fixed Rate Notes moves adversely to changes in interest rates. Thus, this may adversely affect the market value of Fixed Rate Notes if a Note Holder decides to sell the Notes before maturity on the secondary market.</p> <p><b>Floating Rate Notes</b> - Investors should be aware that the interest rate on Floating Rate Notes cannot be anticipated since this fluctuates on a daily basis. Thus, in the case of Floating Rate Notes, whilst the amount of interest received will go up when interest rates are rising, the amount of interest received will go down when interest rates are falling.</p>



Additionally, the market value of Notes which may be issued at a discount or premium, tends to fluctuate more in relation to changes in interest rates than do prices for conventional interest-bearing notes.

<b>Market Price</b>	There can be no assurance that the price at which the Notes are issued will correspond to the price at which the Notes will trade in the market. Additionally, the market price of the Notes could be subject to significant fluctuations in response to numerous factors.
<b>Reinvestment</b>	After redemption of the Notes, the investor may only be able to reinvest the redemption proceeds at significant adverse conditions.
<b>Suspension of Trading</b>	The Listing Authority has the authority to suspend trading or listing of the Notes if, <i>inter alia</i> , it comes to believe that such a suspension is required for the protection of investors or for the integrity or reputation of the market. The Listing Authority may also discontinue the listing of the Notes on the MSE. Any such suspension/discontinuation of listing could have a material adverse effect on the liquidity and value of the Notes.
<b>Value of Investments</b>	The value of investments can rise or fall, and past performance is not necessarily indicative of future performance.
<b>Suitability</b>	In the event that an investor in the Notes does not seek professional advice (such as consulting a licensed stockbroker or investment adviser) and/or does not read and fully understand the provisions of this Prospectus, there is a risk that such investor may acquire an investment which is not suitable for his or her profile.
<b>Exchange Rate Fluctuations</b>	A Note Holder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Notes and the Note Holder's currency of reference, if different.
<b>Maltese law</b>	The Terms and Conditions of the Notes are based on Maltese law in effect as at the date of the Prospectus. A change in Maltese law or administrative practice or a judicial decision may have an affect on the Terms and Conditions of the Notes. No assurance can be given as to the impact thereof after the date of this Prospectus.
<b>Offer Volume and Liquidity</b>	The actual volume of Notes depends on the market conditions and may change during the term of the Notes. Therefore, investors should note that the specified offer volume does not necessarily reflect the actual liquidity of the Notes in the secondary market.

### 3 SUMMARY IN RESPECT OF THE ISSUER

#### 3.1 BOARD OF DIRECTORS, EXECUTIVE COMMITTEE, AUDITORS AND ADVISERS

<b>Directors</b>	Roderick E D Chalmers ( <i>Chairman &amp; Non-Executive Director</i> ) Joseph Borg ( <i>Non-Executive Director</i> ) Roberto Cassata ( <i>Non-Executive Director</i> ) Gordon Cordina ( <i>Non-Executive Director</i> ) George Portanier ( <i>Non-Executive Director</i> ) Manuel Rizzo ( <i>Non-Executive Director</i> ) Norman Rossignaud ( <i>Non-Executive Director</i> ) Paul Testaferrata Moroni Viani ( <i>Non-Executive Director</i> ) George Wells ( <i>Non-Executive Director</i> )
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<i>Executive Committee</i>	Tonio Depasquale ( <i>Chief Executive Officer</i> ) Charles Borg ( <i>Chief Officer Financial Markets &amp; Investments</i> ) Michael Borg Costanzi ( <i>Chief Officer Legal &amp; Compliance</i> ) Victor Denaro ( <i>Chief Officer Information Technology</i> ) Kenneth Farrugia ( <i>Chief Officer Valletta Fund Services Limited</i> ) Albert Frendo ( <i>Chief Officer Credit</i> ) Michael Galea ( <i>Chief Officer Operations</i> ) Elvia George ( <i>Chief Officer Finance</i> ) Mario Mallia ( <i>Chief Officer Risk Management</i> ) Peter Perotti ( <i>Chief Officer Valletta Fund Management Limited</i> )
<i>Auditors</i>	Deloitte, Deloitte Place, Mriehel Bypass, Mriehel BKR 3000, Malta.
<i>Advisers</i>	<i>Legal Counsel</i> - Camilleri Preziosi, Level 3, Valletta Buildings, South Street, Valletta VLT 1103, Malta  <i>Sponsor</i> - Rizzo Farrugia & Co. (Stockbrokers) Limited, Airways House, Third Floor, High Street, Silema SLM 1549, Malta  <i>Manager &amp; Registrar</i> - Bank of Valletta p.l.c., 58 Zachary Street, Valletta VLT 1130, Malta

## 3.2 FINANCIAL INFORMATION

### 3.2.1 Extract from the Issuer's Consolidated Audited Financial Statements for the years ended 30 September 2010 and 30 September 2009.

#### Summarised Income Statements

##### For the year ended 30 September

	2010	2009
	€000	€000
<b>Net interest income</b>	<b>126,751</b>	<b>115,371</b>
Net fee and commission income	44,113	37,870
Dividend Income	730	788
Trading profits	22,039	17,236
Net gain/(loss) on investment securities and hedging instruments	(2,442)	1,518
<b>Operating Income</b>	<b>191,191</b>	<b>172,783</b>
Employee compensation and benefits	(50,280)	(48,959)
General administrative expenses	(22,390)	(21,372)
Amortisation and Depreciation	(6,126)	(6,724)
Net impairment losses	(12,936)	(4,016)
<b>Operating Profit</b>	<b>99,459</b>	<b>91,712</b>
Share of results of associate and jointly controlled entity	(542)	(9,894)



<b>Profit before tax</b>	<b>98,917</b>	<b>81,818</b>
Income tax expense	(34,945)	(32,403)
<b>Profit for the year</b>	<b>63,972</b>	<b>49,415</b>

## Summarised Statements of Financial Position

*As at 30 September*

	<b>2010</b>	<b>2009</b>
	<b>€000</b>	<b>€000</b>
<b>Assets</b>		
Investments & short-term funds	2,607,680	2,746,375
Loans and advances to customers	3,496,744	3,245,899
Other assets	230,768	224,140
<b>Total Assets</b>	<b>6,335,192</b>	<b>6,216,414</b>
<b>Liabilities</b>		
Debt securities in issue, subordinated liabilities & amounts owed to banks	493,070	790,087
Amounts owed to customers	5,185,264	4,766,278
Other liabilities	187,810	225,414
<b>Total Liabilities</b>	<b>5,866,144</b>	<b>5,781,779</b>
<b>Total Equity</b>	<b>469,048</b>	<b>434,635</b>
<b>Total Liabilities &amp; Equity</b>	<b>6,335,192</b>	<b>6,216,414</b>

Performance review for the BOV Group for the financial year ended 30 September 2010:

- Profit before taxation amounted to €98.9 million, an increase of 21% over the results reported for the financial year 2009 which stood at €81.8 million;
- Net interest income increased by almost 10% to €126.8 million during the financial year 2010. This growth is attributable to higher volumes in the loan book as well as to the effect of the time lag in the re-pricing of deposits, following the substantial rate cuts witnessed in the previous two years;
- Net commission and trading income for the year rose by 22% over 2009. This improvement arose on a wide cross-section of business activities, including higher foreign exchange volumes, the cards business, e-commerce and investment-related activities;
- The Bank's investment portfolio remained of a high quality. A modest net fair value gain of €1.2 million was recognised in the Issuer's income statement, while a further gain on investments of €4.8 million before tax was credited to reserves;



- The share of losses in respect of the Bank's shareholdings in jointly controlled and associated entities has improved substantially from a share of loss of €9.9 million for the financial year 2009 to just over €0.5 million for the financial year 2010;
- Operating expenses for the financial year 2010 totalled €78.8 million, an increase of just 2.3% over the previous year's figure which stood at €77 million;
- Total net loans and advances as at end of the financial year 2010 stood at €3.6 billion, an increase of €325 million, or 10%, from the financial year 2009. Credit growth has come from carefully selected increases to the business sector and a continuing demand for home loans. Although the overall credit quality of the loan book remained satisfactory, the Bank has adopted a prudent and cautious outlook to certain economic sectors, leading to a higher impairment charge being provided for the financial year 2010. This charge increased from €4 million for the financial year 2009 to €13 million;
- Customer deposits increased by €419 million or 9% over the financial year 2009, and stood at €5.19 billion as at the end of the financial year 2010;
- A final gross dividend of €0.16 per share was declared which together with the gross interim dividend of €0.075 per share results in a total gross dividend of €0.235 per share for the financial year 2010; a bonus share issue of 1 share for every 5 shares held was also declared;
- The capital adequacy ratio (statutory minimum 8%) stood at 15%, while the tier 1 capital stood at 10.5%;
- The liquidity ratio (statutory minimum 30%) stood at 41%;
- The loan-to-deposit ratio stood at 70%;
- Earnings per share increased from €0.245 for the financial year 2009 to €0.317 for the financial year 2010.

### 3.2.2 Extract from the Issuer's Consolidated Unaudited Financial Statements for the six months ended 31 March 2011 and 31 March 2010.

#### Summarised Income Statements

##### For the six months ended 31 March

	2011 €000	2010 €000
<b>Net interest income</b>	<b>67,809</b>	<b>61,905</b>
Net fee and commission income	21,030	22,180
Dividend Income	278	289
Trading profits	2,947	13,693
Net gain on investment securities and hedging instruments	680	576
<b>Operating income</b>	<b>92,744</b>	<b>98,643</b>
Employee compensation and benefits	(26,096)	(25,499)
General administrative expenses	(12,063)	(11,735)
Amortisation and Depreciation	(2,829)	(3,096)
<b>Operating profit before impairment losses</b>	<b>51,756</b>	<b>58,313</b>
Net impairment losses	(10,398)	(7,237)
<b>Operating profit</b>	<b>41,358</b>	<b>51,076</b>
Share of results of associate and jointly controlled entity	3,804	(3,609)



<b>Profit before tax</b>	<b>45,162</b>	<b>47,467</b>
Income tax expense	(14,548)	(17,911)
<b>Profit for the period</b>	<b>30,614</b>	<b>29,556</b>

### Summarised Statements of Financial Position

	<b>March 2011 €000</b>	<b>September 2010 €000</b>
<b>Assets</b>		
Investments & short-term funds	2,548,225	2,607,680
Loans and advances to customers	3,517,650	3,496,744
Other assets	233,723	230,768
<b>Total Assets</b>	<b>6,299,598</b>	<b>6,335,192</b>
<b>Liabilities</b>		
Debt securities in issue, subordinated liabilities & amounts owed to banks	479,159	493,070
Amounts owed to customers	5,184,031	5,185,264
Other liabilities	159,485	187,810
<b>Total Liabilities</b>	<b>5,822,675</b>	<b>5,866,144</b>
<b>Total Equity</b>	<b>476,923</b>	<b>469,048</b>
<b>Total Liabilities and Equity</b>	<b>6,299,598</b>	<b>6,335,192</b>

### 3.3 BRIEF INFORMATION ABOUT THE ISSUER

<i>Full legal and commercial name</i>	Bank of Valletta p.l.c.
<i>Registered address</i>	58, Zachary Street, Valletta, VLT 1130
<i>Place of registration and domicile</i>	Malta
<i>Date of registration</i>	21 March 1974
<i>Date of listing of ordinary shares on the Official List of the MSE</i>	26 August 1992
<i>Credit rating</i>	Assigned a BBB+ credit rating by Fitch Ratings



<i>Principal activities and markets of the Issuer</i>	The Issuer provides a wide range of banking and other financial services. The main market within which the Issuer competes is the Maltese market.
<i>Licenses issued by the MFSA</i>	Licensed by the MFSA: a) As a credit institution under the Banking Act (Cap. 371, laws of Malta); b) As a category 3 and 4 licence holder in terms of the Investment Services Act (Cap. 370, laws of Malta) authorising it to provide a number of investment services to retail, professional and eligible counterparties.
<i>Authorisations issued by the MFSA</i>	Authorised to act as a trustee or co-trustee by the MFSA in terms of the Trusts and Trustees Act (Cap. 331, laws of Malta) and is also a regulated tied insurance intermediary of MSV Life p.l.c. and Middlesea Insurance p.l.c.
<i>Subsidiaries of the Issuer</i>	a) Valletta Fund Management Limited ("VFM") - jointly owned by the Issuer and Insight Investment Management (Global) Limited. VFM is licensed by the MFSA as a category 2 licence holder in terms of the Investment Services Act (Cap. 370, laws of Malta) authorising it to provide management for collective investment schemes and to hold and control clients' money and assets; b) Valletta Fund Services Limited ("VFS") - a fully-owned subsidiary of the Issuer. VFS has been granted recognition status as a fund administrator by the MFSA under the Investment Services Act (Cap. 370, laws of Malta); c) BOV Investments Limited - acts as an investment holding company.
<i>Jointly Controlled Entity</i>	MSV Life p.l.c. - a joint venture between Middlesea Insurance p.l.c. and the Issuer. It operates as a life assurance company and is licensed by the MFSA in terms of the Insurance Business Act (Cap. 403, laws of Malta).
<i>Associated Company</i>	Middlesea Insurance p.l.c. - licensed by the MFSA under the Insurance Business Act (Cap. 403, laws of Malta) to carry on the business of insurance.
<i>Telephone number</i>	+356 2131 2020
<i>Fax number</i>	+356 2275 3730
<i>Email</i>	customercare@bov.com
<i>Website</i>	www.bov.com

### 3.4 TREND INFORMATION

The positive market sentiment that was experienced during the first half of the Issuer's financial year ended 30 September 2010 was interrupted in late April 2010 by the Euro sovereign crisis spearheaded by Greece wherein we saw the financial crisis changing into a sovereign debt crisis.

Fears of contagion of the sovereign debt crisis emerged leading European policy makers to adopt a number of measures aimed at restoring fiscal stability and confidence in financial markets.



As predicted, the contagion has now spread to Portugal and Ireland which have both sought financial assistance from the European Union and the IMF.

The uncertainty caused by the eurozone crisis was further exacerbated in the second quarter of financial year 2011 by two further external event shocks, these being, the political upheaval in North Africa, in particular Libya, and the tragic aftermath of the earthquake in Japan - both of which have a direct bearing on the local economy.

Paradoxically, the domestic economy registered a 3.6% increase in real GDP during the fourth quarter of 2010, slightly below the 4% rate registered in the previous quarter.

Against this background, the Issuer recorded a pre-tax profit of €98.9 million for the financial year 2010, an increase of 21 % over the results reported for the financial year 2009, whilst for the first six months of financial year 2011 the Issuer recorded a pre-tax profit of €45.1 million, a decrease of 4.86% when compared to the first six months of financial year 2010. In the event that the offer that was made to the La Valette Multi Manager Fund's shareholders (referred to in section 7.17) were to be accepted by all eligible investors, the impact that this will have on the pre-tax profit of the Issuer for the financial year 2011 is estimated at €14.5 million, which figure represents the gross cost of the offer (that is before any recoveries from third parties) and in the event that the offer were to be accepted by all eligible investors.

Net interest margin for the financial year 2010 increased by almost 10% to €126.8 million notwithstanding the prevailing low interest rate scenario. This increase was attributable to higher volumes in the loan book as well as to the effect of the time lag in the re-pricing of deposits following the substantial rate cuts witnessed in the past two years. For the first six months of the financial year 2011, the trend experienced in the financial year 2010 continued with net interest income increasing by 9.5% when compared to the first six months of the previous reporting period.

Net commission and trading income increased by 22% resulting from strong performance across the Issuer's various business activities. For the first six months of the financial year 2011 commission and trading income was virtually flat year-on-year.

The Issuer's investment portfolio remains of high quality and is well spread over a large number of names. The fair value gain for the financial year 2010 amounted to a modest €1.2 million due to the uncertainty returning to the capital markets during the second half of the year. This trend continued during the Issuer's first six months of the financial year 2011 resulting in unrealised fair value mark downs of €5.6 million being recorded for the period.

The substantial losses registered by Middlesea Insurance p.l.c. ("MSI") in respect of its Italian subsidiary, Progress Assicurazioni, resulted in a loss for the Issuer of €9.9 million in the financial year 2009. This reduced to just under €0.5 million for the financial year 2010. The life assurance investment represented by MSV Life p.l.c. had a good year with very encouraging growth prospects. The turnaround in the contribution to profits from the Issuer's insurance interests has been satisfactory for the first six months of the financial year 2011, with a contribution to profits amounting to €3.8 million.

During the financial year 2010, the Issuer continued to honour its pledge that it would support the Maltese economy and the business community in a responsible manner through the economic downturn by providing credit to both the personal and business sectors with net advances registering a 10% growth. During the first six months of the financial year 2011, the Bank experienced subdued demand for new credit, with loans and advances to customers standing at €3.5 billion, much in line with the position as at 30 September 2010.

Customer deposits increased during the financial year 2010, exceeding the €5 billion mark for the first time. The net loan-to-deposit ratio remained steady at 70% such that the Issuer's loan book continued to be wholly funded by retail liabilities with no dependence on the short-term interbank or commercial paper markets. Customer deposits for the first six months of the financial year 2011 were also little changed since the previous year end.

Although the overall credit quality of the loan book remained satisfactory, the Issuer has adopted a prudent and cautious outlook to certain sectors, leading to a higher impairment charge being provided for the financial year 2010 from €4 million to €13 million. This outlook by the Issuer has remained unchanged during the first six months of financial year 2011, resulting in an impairment charge of €10.4 million up from €7.2 million for the same reporting period of the previous year, which charge includes a precautionary allowance in respect of certain indirect exposures which the Issuer has in North Africa.

The Issuer continued with its deliberate and conservative policies of the management of its balance sheet registering high liquidity and strong capital ratios for the financial year 2010 and for the first six months of the financial year 2011.

In July 2010, the Issuer's balance sheet was "stress tested" in accordance with parameters set out by the ECB, the results of which confirmed that the Issuer is a well-capitalised bank by international standards. The Issuer was once again selected for participation in a stress test initiative to be completed by June 2011, and which will involve around 90 leading banks across Europe.

Capital forecasting work carried out internally by the Issuer in relation to new regulatory requirements which are aimed at gradually building additional capital conservation and counter cyclical buffers, indicated (based on prudent assumptions) that the Bank will be able to meet such additional requirements from internal resources. These forecasts are being kept under constant review as additional regulations emerge.

Fitch Ratings recently modified the Issuer's long-term rating to 'BBB+' Outlook Stable from the previous 'A-' rating. This modification reflects the more conservative view that credit rating agencies are taking in their rating actions, as evidenced by a spate of downgrades in recent months. The Short-Term rating was affirmed at 'F2', the Individual rating at 'C' and the Support rating at '2'.

### 3.5 MAJOR SHAREHOLDERS

The following persons hold more than 5% of the issued share capital of the Issuer as at the date of the Prospectus:

Government of Malta	25.23%
UniCredit S.p.A.	14.55%

### 3.6 CONFLICTS OF INTEREST

Conflicts of interest, may and do arise on specific matters. In such instances the Issuer has strict policies in place which allow it to manage such conflicts, actual or potential, in the best interests of the Issuer. These policies, which are aligned to the recommendations made in section 11 of the Code of Good Corporate Governance forming part of Chapter 5 of the Listing Rules - include (i) that a director is to make full and frank disclosure with respect to any matter where there is a potential or actual conflict, whether such conflict arises from personal interests or the interests of companies in which such person is a director or officer; (ii) that such director is excused from the meeting and accordingly is not involved in the board's discussion of such matter; and (iii) that such director does not vote on any such matter.

### 3.7 LEGAL PROCEEDINGS

Certain companies within the BOV Group were served with judicial protests in connection with the La Valette Multi Manager Property Fund (the "Fund"). Counter protests rebutting the allegations contained in these protests were filed. The MFSA has been carrying out an investigation on certain matters pertaining to the Fund. The Issuer continues to remain in regular communication with the MFSA in this regard.

On 26 May 2011, the Bank launched a conditional offer to eligible Fund shareholders to purchase and acquire all of their shares in the Fund for a consideration of €0.75 per combined share in the Fund (including both the main pool shares and the side pocket shares). The offer was made subject to a number of terms and conditions contained in an offer document dated 26 May 2011 dispatched to shareholders in the Fund and will be available to investors between the 1 June and the 30 June 2011. The offer was made: (i) on a good faith basis on the part of the BOV Group; and (ii) without admission of any liability on the part of any one or more of its members (Valletta Fund Management Limited and Valletta Fund Services Limited); or any of their directors, officers, agents, employees or advisors (the "Released Parties") and without acceptance of any of the claims leveled or which may be leveled against one or more of the Released Parties in respect of their involvement or contractual relationships with the Fund. In addition the offer made by the Bank, if and to the extent accepted will operate so as to transfer to the Bank the shares in the Fund, with subrogation of rights and together with all interests, claims, benefits and other rights, including any litigious rights, which any shareholder accepting the offer may have against any one or more of the Released Parties with respect to the Fund. Accordingly all shareholders accepting the offer shall, save for the subrogation of rights, accept the offer in full and final settlement and with full and complete discharge of their rights or claims against any of the Released Parties, including the Bank.

The gross cost of the offer (that is before any recoveries from third parties) in the event that the offer were to be accepted by all eligible investors is estimated at €14.5 million, and will be taken as a charge against profits before taxation in the second half of financial year 2011.



### **3.8 SIGNIFICANT CHANGE**

There has been no significant change in the financial or trading position of the BOV Group which has occurred since 31 March 2011, being the date of the last unaudited interim financial information.

### **3.9 MATERIAL CONTRACTS**

There are no material contracts that are not entered into in the ordinary course of the Issuer's business, which could result in any BOV Group member being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to Note Holders in respect of the Notes to be issued pursuant to this Prospectus.

## **4 RISK FACTORS**

### **4.1 GENERAL**

An investment in the Issuer and the Notes involves certain risks. The following risks are those identified by the Issuer as at the date of the Prospectus. Prospective investors should carefully consider, with their own independent financial and other professional advisers, the following risk factors and other investment considerations as well as all the other information contained in this Prospectus and Reference Documents before deciding to make an investment in the Issuer and the Notes.

Some of these risks are subject to contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingencies occurring. The sequence in which the risks below are listed is not intended to be indicative of any order of priority or of the extent of their consequences.

If any of the risks described below were to materialise, they could have a serious effect on the Issuer's financial results and trading prospects and the ability of the Issuer to fulfil its obligations under the Notes.

The risks and uncertainties discussed below may not be the only ones that the Issuer faces. Additional risks and uncertainties, including those which the Directors of the Issuer are not currently aware of, may well result in a material impact on the financial condition and operational performance of the Issuer. Accordingly, prospective investors should make their own independent evaluation of all risk factors, and should consider all other sections in the Prospectus before investing in the Notes. In addition, prospective investors ought to be aware that risk may be amplified due to a combination of risk factors.

### **4.2 FORWARD-LOOKING STATEMENTS**

This document contains forward-looking statements. No assurance can be given that future results or expectations covered by such forward-looking statements will be achieved. These statements by their nature involve substantial risks and uncertainties, certain of which are beyond the Issuer's control.

### **4.3 RISKS RELATING TO THE ISSUER**

The Issuer and the Subsidiaries are engaged in the business of banking and financial services. Exposure to credit risk, liquidity risk, interest rate risk, foreign currency risk, operational risk and concentration risk arises in the normal course of business.

#### **4.3.1 Credit Risk**

Credit risk is the current or prospective risk arising from an obligor's failure to meet a commitment that it has entered into and agreed with the Issuer or any of its Subsidiaries. Credit risk arises primarily from the Issuer's lending activities, but also from guarantees and securities held by the Issuer. Credit risk includes, but is not limited to, default risk, counterparty risk, cross border (or transfer) risk and credit concentration risk.

#### **4.3.2 Liquidity Risk**

Liquidity risk is the risk that the Issuer will encounter difficulty in raising funds to meet financial commitments. Liquidity risk may also result from an inability to realise a financial asset quickly at close to its fair value. The



Issuer is exposed to daily calls on its available cash resources from overnight deposits, current and call deposits, maturing term deposits, loan drawdowns, guarantees and from margin calls.

#### 4.3.3 Interest Rate Risk

Interest rate risk is the risk that (i) the market value (or fair value) of the Issuer's financial assets and liabilities with fixed interest rates will fluctuate because of changes in market interest rates, and, (ii) future cash flows arising out of the Issuer's financial assets and liabilities with floating interest rates will be impacted.

#### 4.3.4 Foreign Currency Risk

Foreign currency risk arises on monetary assets and monetary liabilities of the Issuer that are not denominated in Euro. Exposure arises as a result of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

#### 4.3.5 Operational Risk

Operational risk covers the losses arising from inadequate or failed internal processes, people and systems or from unforeseen external events. Losses from external events could include a natural disaster which could damage the Issuer's physical assets or electrical or telecommunications failures that could disrupt the Issuer's business. Losses from internal problems are more firm-specific and would be closely tied to the Issuer's specific products and business lines and could include employee fraud, human error, failure of information systems, commercial disputes and product flaws. Whilst the losses from external events are relatively easier to define and quantify than losses from internal problems, the impact on the Issuer, in any case, could be substantial.

#### 4.3.6 Concentration Risk

Concentration risk in the context of banking generally denotes the risk arising from (i) an uneven distribution of exposures (or loans) to its borrowers referred to as *name concentration risk*, or (ii) an uneven distribution of exposures to particular sectors, industries, products or regions referred to as *sectoral concentration risk*. Due to the fact that the Maltese market, being the main market within which the Issuer operates, is a relatively small market when compared to other larger markets, this exposes the Issuer to higher levels of concentration risk than is normally associated when operating in larger and more diversified markets.

Additionally, the Issuer is exposed to the following risks.

#### 4.3.7 External Factors

The BOV Group's overall performance and results may also be adversely affected by external factors beyond the Issuer's control. These include changes in economic conditions, business cycles, volatility in financial markets and increased competitive pressure in the financial services sector.

#### 4.3.8 Issuer's Solvency

The Note Holders assume the credit risk of Bank of Valletta p.l.c. as the Issuer of the Notes. In the case of insolvency of the Issuer, the Note Holders may lose part or all of their claims to repayment of their invested capital. The Notes are not secured by the Depositor Compensation Scheme Regulations (Subsidiary Legislation 371.09).

#### 4.3.9 Impact of Downgrading of Credit Rating

The value of the Notes may be affected by investors' general appraisal of the Issuer's creditworthiness. Such perceptions may be influenced by the ratings given to the Issuer's outstanding securities by international rating agencies, such as Fitch Ratings. Any downgrading of the Issuer's rating by a rating agency could result in a reduction in the value of the Notes.

#### 4.3.10 Reputational Risk

The risk that negative public opinion regarding the Issuer's and/or the BOV Group's business practices, whether true or not, will cause a decline in the customer base, costly litigation or revenue reductions. Negative public opinion can result from the Issuer's or the BOV Group's actual or alleged conduct in any number of activities, including lending practices, corporate governance, and actions taken by government or regulators in response to those activities.



#### 4.4 RISKS RELATING TO THE NOTES

##### 4.4.1 No Assurance of Active Secondary Market in the Notes

The existence of an orderly and liquid market for the Notes depends on a number of factors, including the presence of willing buyers and sellers of the Issuer's Notes at any given time. Such presence is dependent upon the individual decisions of investors over which the Issuer has no control. Accordingly, there can be no assurance that an active secondary market for the Notes will develop, or, if it develops, that it will continue. Furthermore, there can be no assurance that Note Holders will be able to sell the Notes at or above the price at which the Issuer issued the Notes or at all.

##### 4.4.2 Effect of Future Public Offerings/Takeover/Merger Activity

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

##### 4.4.3 Status of the Notes

The Notes are unsubordinated and unsecured and will rank *pari passu* without any priority or preference with all other present and future unsecured and unsubordinated obligations of the Issuer. In terms of article 1995 of the Civil Code (Cap. 16 of the laws of Malta), the property of a debtor is the common guarantee of his creditors, all of whom have an equal right over such property, unless there exist between them lawful causes of preference. The Notes will thus rank after any claims which are preferred in terms of the law but will rank before and with priority over the Issuer's existing subordinated debt (such as the subordinated bonds issued by the Issuer in 2009 and 2010) or such other subordinated debt which may be issued in the future.

##### 4.4.4 Risks relating to Specific Types of Notes

The Issuer may issue Fixed Rate Notes. Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the market value of Fixed Rate Notes. Investors should also be aware that the price of Fixed Rate Notes moves adversely to changes in interest rates. When prevailing market interest rates are rising, the prices of Fixed Rate Notes decline. Conversely, if market interest rates are declining, the prices of Fixed Rate Notes rises. This is called market risk since it arises only if a Note Holder decides to sell the Notes before maturity on the secondary market.

The Issuer may issue Floating Rate Notes. Investors should be aware that a key difference between Floating Rate Notes and Fixed Rate Notes is that the interest income on the Floating Rate Notes cannot be anticipated. Given that the reference rate to which the interest rate on Floating Rate Notes is linked fluctuates on a daily basis, an investor is not able to determine a definite yield for the duration of the Floating Rate Note. Only the spread over the reference rate (if available) remains constant. Contrary to fixed rate notes, the prices of floating rate notes are not sensitive to changes in interest rates. However, investors should be aware that, in absolute terms, whilst the amount of interest received will go up when interest rates are rising, the amount of interest received will go down when interest rates are falling.

Additionally, the market value of Notes which may be issued at a discount or premium tends to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing notes.

##### 4.4.5 No prior market for the Notes

There has been no prior market for the Notes within or outside Malta. Due to the absence of any prior market for the Notes, there can be no assurance that the price at which the Notes are issued will correspond to the price at which the Notes will trade in the market. The market price of the Notes could be subject to significant fluctuations in response to numerous factors, including the Issuer's operating results and political and economic developments in or outside Malta.

##### 4.4.6 Reinvestment Risk

After redemption of the Notes, the investor may only be able to reinvest the redemption proceeds at significant adverse conditions.

##### 4.4.7 Discontinuation of Listing

Even after the Notes are admitted to trade on the MSE, the Issuer is required to remain in compliance with certain requirements relating *inter alia* to the free transferability, clearance and settlement of the Notes in order to remain a listed company in good standing. Moreover, the Listing Authority has the authority to suspend trading

or listing of the Notes if, *inter alia*, it comes to believe that such a suspension is required for the protection of investors or of the integrity or reputation of the market. The Listing Authority may discontinue the listing of the Notes on the MSE. Any such trading suspensions or listing revocations / discontinuations described above could have a material adverse effect on the liquidity and value of the Notes.

#### 4.4.8 Value of the Notes

The value of investments can rise or fall, and past performance is not necessarily indicative of future performance.

#### 4.4.9 Suitability

An investment in the Issuer may not be suitable for all recipients of this Prospectus and investors are urged to consult a licensed stockbroker or an investment adviser licensed under the Investment Services Act (Cap. 370, laws of Malta) as to the suitability or otherwise of an investment in any of the Notes before making an investment decision. An informed investment decision can only be made by investors after they have read and fully understood the risk factors associated with an investment in the Notes and the inherent risks associated with the Issuer's business. In the event that an investor in the Notes does not seek professional advice and/or does not read and fully understand the provisions of this Prospectus, there is a risk that such investor may acquire an investment which is not suitable for his or her profile.

#### 4.4.10 Note Holder's Currency of Reference

A Note Holder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Notes and the Note Holder's currency of reference, if different.

#### 4.4.11 Terms and Conditions

The Terms and Conditions of the Notes are based on Maltese law in effect as at the date of the Prospectus. A change in Maltese law or administrative practice or a judicial decision may have an affect on the terms and conditions of the Notes. No assurance can be given as to the impact thereof after the date of this Prospectus.

#### 4.4.12 Offer Volume and Liquidity

The actual volume of Notes depends on the market conditions and may change during the term of the Notes. Therefore, investors should note that the specified offer volume does not allow one to draw any conclusions as to the liquidity of the Notes in the secondary market.



## 5 INCORPORATION BY REFERENCE/DOCUMENTS ON DISPLAY

The following Reference Documents are incorporated by reference into this Prospectus and are available in the English language:

- The Memorandum and Articles of Association of the Issuer;
- The Issuer's consolidated audited financial statements for each of the financial years ended 30 September 2010 and 30 September 2009;
- The audited financial statements of Valletta Fund Management Limited for each of the financial years ended 30 September 2010 and 30 September 2009;
- The audited financial statements of Valletta Fund Services Limited for each of the financial years ended 30 September 2010 and 30 September 2009;
- The audited financial statements of BOV Investments Limited for each of the financial years ended 30 September 2010 and 30 September 2009;
- The Issuer's consolidated unaudited financial statements for the six months ended 31 March 2010 and 31 March 2011.

The above-mentioned documents are available for inspection at the registered office of the Issuer. The Issuer's consolidated audited annual financial statements and the consolidated unaudited interim financial statements may also be inspected on the Issuer's website: [www.bov.com](http://www.bov.com)



## 6 GENERAL DESCRIPTION OF THE PROGRAMME

### 6.1 GENERAL

Under this €125,000,000 Debt Issuance Programme, the Issuer may from time to time issue Notes. The maximum aggregate principal amount of the Notes from time to time outstanding under the Programme will not exceed €125,000,000 (or its equivalent in any other currency).

The Notes may be issued on a continuing basis and may be distributed by way of public or private placements. The method of distribution of each Tranche will be stated in the applicable Final Terms.

Notes will be issued in Tranches, each Tranche consisting of Notes which are identical in all respects except for issue dates, interest commencement dates and/or issue prices. One or more Tranches, which are expressed to be consolidated and forming a single Series and identical in all respects, except for issue dates, interest commencement dates and/or issue prices may form a Series of Notes. Further Notes may be issued as part of an existing Series. The specific terms governing each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions) will be set forth in the applicable Final Terms. The Issuer shall notify the public of the method of publication of the Final Terms by means of electronic publication on the website of the Malta Stock Exchange (<http://www.borzamalta.com.mt>), or, in addition, and at the option of the Issuer, on the website of the Issuer ([www.bov.com](http://www.bov.com)). Any notice so given will be deemed to have been validly given on the date of such publication.

Notes will be issued in such denominations as may be determined by the Issuer and as indicated in the applicable Final Terms save that a) the minimum denomination of the Notes will be, if in Euro, €100, if in Pounds Sterling, £100, if in United States Dollars, \$100; b) the maximum denomination of the Notes will be, if in Euro, €1,000, if in Pounds Sterling, £1,000, if in United States Dollars, \$1,000.

Notes may be issued bearing either a) a fixed rate of interest throughout the entire term of the Notes and will be payable on that basis (as specified in the applicable Final Terms) or b) a floating rate of interest by reference to LIBOR or EURIBOR (as adjusted for any applicable margin).

Notes may be issued at an Issue Price which is at par or at a discount to, or a premium over, par.

Application will be made to list each Series of the Notes on Official List of the MSE and to be admitted to trading on the Regulated Market of the MSE.

### 6.2 ISSUE PROCEDURES

The Final Terms shall render the Terms and Conditions applicable to each Tranche, as completed, modified, supplemented or replaced, the **"Conditions"**.

The provisions of the applicable Final Terms and the Terms and Conditions, taken together, shall constitute the Conditions. Such Conditions will be constituted as follows:

- the blanks in the provisions of the Terms and Conditions which are applicable to the Notes will be deemed completed by the information contained in the Final Terms as if such information were inserted in the blanks of such provisions;
- the Terms and Conditions will be modified, supplemented or replaced by the text of any provisions of the Final Terms modifying, supplementing or replacing, in whole or in part, the provisions of the Terms and Conditions;
- alternative or optional provisions of the Terms and Conditions as to which the corresponding provisions of the Final Terms are not completed or are deleted will be deemed to be deleted from the Conditions;
- all instructions and explanatory notes set out in square brackets in the Terms and Conditions which are inapplicable and any footnotes and explanatory text in the Final Terms which are also inapplicable will be deemed to be deleted from the Conditions.



## 7 INFORMATION ABOUT THE ISSUER

### 7.1 STATUTORY AUDITORS

The Issuer's consolidated audited financial statements for the financial years ended 30 September 2010 and 30 September 2009 have been audited by Deloitte, of Deloitte Place, Mriehel Bypass, Mriehel BKR 3000, Malta. Deloitte is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act (Cap. 281, laws of Malta).

### 7.2 HISTORICAL BACKGROUND

The Issuer was registered in Malta for an indefinite duration on the 21 March 1974 under the name Bank of Valletta Limited, a private limited company incorporated under the Commercial Partnerships Ordinance (Cap. 168, laws of Malta), with registration number C2833, the latter legislation being subsequently repealed and replaced by the Companies' Act (Cap. 386, laws of Malta).

With effect from the 31 December 1997, Bank of Valletta Limited changed its status to a public limited liability company to comply with the provisions of the Companies' Act (Cap. 386, laws of Malta) as result of which the Issuer changed its name from Bank of Valletta Limited to Bank of Valletta p.l.c. The ordinary shares of the Issuer were listed on the Malta Stock Exchange on the 26 August 1992.

### 7.3 ADDITIONAL INFORMATION ABOUT THE ISSUER

Full legal and commercial name:	Bank of Valletta p.l.c.
Registered address:	58, Zachary Street, Valletta VLT 1130
Place of registration and domicile:	Malta
Telephone number:	+356 2131 2020
Fax number:	+356 2275 3730
Email:	customer care@bov.com
Website:	www.bov.com

The Issuer is currently rated by Fitch Ratings ("Fitch"). Fitch is a global rating agency committed to providing the world's credit markets with independent and prospective credit opinions, research and data. The Issuer has been assigned a BBB+ rating by Fitch.

'BBB' ratings indicate that expectations of default risk are currently low. The capacity for timely payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

### 7.4 BONUS ISSUE

Following the approval of the shareholders of the Issuer at the annual general meeting held on the 16 December 2010, with effect from the 12 January 2011, the amount of €40,000,000 from the Issuer's reserves were capitalised for the purpose of a bonus issue of 40,000,000 fully paid ordinary shares of a nominal value of €1 per share, representing 1 bonus share for every 5 shares held, allotted to the members appearing on the register of members of the Issuer as at close of business 12 January 2011. As a result, the issued share capital of the Issuer was increased from 200,000,000 shares to 240,000,000 shares of €1 each fully paid up, resulting in a paid up capital of €240,000,000.

### 7.5 SHARE BUY-BACK

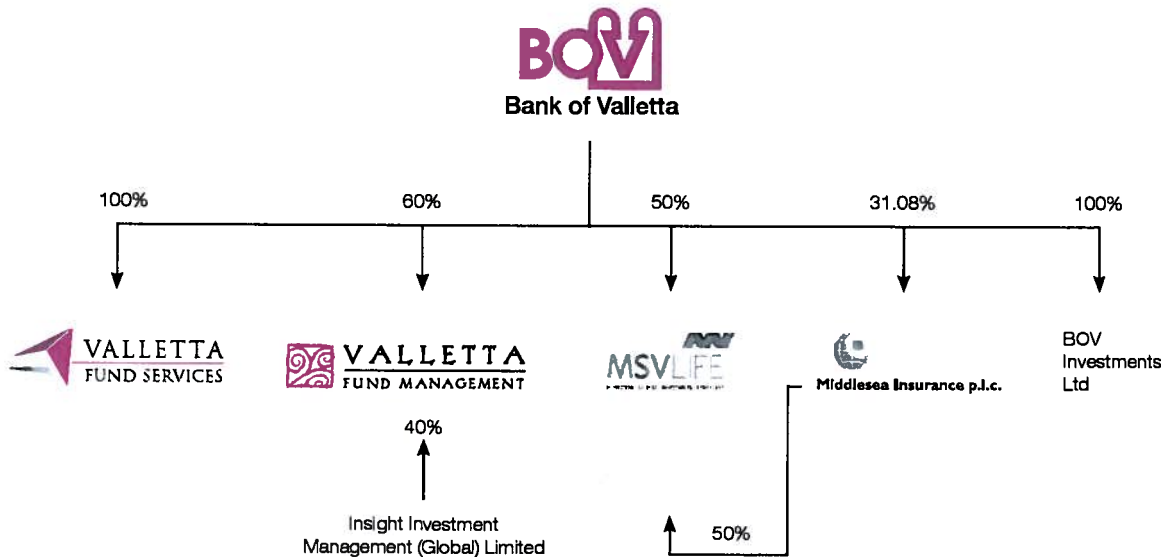
Following the necessary shareholder approvals granted during the Issuer's annual general meeting held on the 19 December 2007 and the subsequent renewal of authorisation granted by the shareholders during the Issuer's annual general meetings of the 17 December 2008 and 16 December 2010, the Directors were re-authorised to re-purchase and acquire from any shareholder(s) up to 10% of the issued and paid up share capital of the Issuer being a maximum number of 20,000,000 shares, at a price ranging from a minimum of €1.50 per share and a maximum of €3.30 per share. Following the renewal of the share buy-back authorisation, such authority has been extended to 19 June 2012.

## 7.6 CHANGES IN MEMORANDUM AND ARTICLES OF ASSOCIATION

During the annual general meeting of the Issuer held on the 16 December 2010, the shareholders of the Issuer approved amendments to the Memorandum and Articles of Association of the Issuer. Such amendments were approved for the purpose of ensuring compliance with Chapter 12 of the Listing Rules (Shareholders' Rights), which chapter implemented the provisions of Directive 2007/36/EC. Amendments were also made to Clause 7 of the Memorandum of Association and Articles 3, 8.4, 18, 48.5, 60.2.3, 63 and 72.2 of the Articles of Association. A shareholders' circular was published in this respect.

## 7.7 ORGANISATIONAL STRUCTURE OF THE BOV GROUP

The following is an organisation chart of the Issuer and includes the Issuer's percentage shareholding in the Subsidiaries, the Associated Company and the Jointly Controlled Entity.



## 7.8 PRINCIPAL ACTIVITIES AND MARKETS OF THE ISSUER

Pursuant to various licences held, the Issuer provides a wide range of banking and other financial services. The objects of the Issuer essentially comprise the carrying on of the business of banking in all aspects including, without limitation, the transacting of all financial, monetary, investment and other business usually carried on by credit institutions.

The principal activities of the Issuer comprise the following:

- The receipt and acceptance of customers' monies for deposit in current, savings and term accounts which may be denominated in Euro and other major currencies;
- The provision of advances by way of (i) short-term and longer-term loans, and, (ii) overdrafts to a wide array of customers, ranging from the private individual, businesses and industries.

The Issuer also provides a number of other services amongst which are:

- Trade finance services to exporters, importers and traders including the provision of loans and overdrafts, documentary collections and negotiation of bills of exchange, bank guarantees, foreign exchange related services, local and cross-border payments;
- Stockbroking, advisory and discretionary portfolio management services;
- Bancassurance and wealth management services;
- Investment banking, including underwriting, manager and registrar services for capital market transactions in the domestic market;
- Trustee and custody services;
- Other services, including 24 hour internet banking service, issue of major credit cards, night safe facilities, automated teller machines, foreign exchange transactions, outward and inward payment transfers.



The Issuer has a well-developed world-wide network of correspondent banks that provide it with the necessary backbone to service its customers in international banking and trade transactions. The Issuer has a number of representative offices in other countries, namely, Australia, Canada and Italy. Although the Issuer has a presence in such other jurisdictions, the main market within which it competes is the Maltese market.

The Issuer is licensed by the MFSA:

- As a credit institution under the Banking Act (Cap. 371, laws of Malta);
- As a category 3 and 4 licence holder in terms of the Investment Services Act (Cap. 370, laws of Malta) authorising it to provide a number of investment services to retail, professional and eligible counterparties.

The Issuer is also authorised to act as a trustee or co-trustee by the MFSA in terms of the Trusts and Trustees Act (Cap. 331, laws of Malta) and is also a regulated tied insurance intermediary of MSV Life p.l.c. and Middlesea Insurance p.l.c.

The Issuer is the parent of the BOV Group which incorporates three Subsidiaries, namely, Valletta Fund Management Limited, BOV Investments Limited and Valletta Fund Services Limited. The BOV Group also has an interest in Middlesea Insurance p.l.c. (*Associated Company*), and MSV Life p.l.c. (*Jointly Controlled Entity*).

## 7.9 THE SUBSIDIARIES

Valletta Fund Management Limited ("VFM") is a joint venture between the Issuer and Insight Investment Management (Global) Limited. VFM is licensed by the MFSA as a category 2 licence holder in terms of the Investment Services Act (Cap. 370, laws of Malta) authorising it to provide management for collective investment schemes and to hold and control clients' money and assets.

Valletta Fund Services Limited ("VFS") is a fully-owned subsidiary of the Issuer. VFS has been granted recognition status as a fund administrator by the MFSA in terms of the Investment Services Act (Cap. 370, laws of Malta).

BOV Investments Limited acts as an investment holding company.

## 7.10 THE ASSOCIATED COMPANY AND JOINTLY CONTROLLED ENTITY

MSV Life p.l.c. is a joint venture between Middlesea Insurance p.l.c. and the Issuer. It operates as a life assurance company and is licensed by the MFSA in terms of the Insurance Business Act (Cap. 403, laws of Malta).

Middlesea Insurance p.l.c. is licensed by the MFSA under the Insurance Business Act (Cap. 403, laws of Malta) to carry on the business of insurance.

## 7.11 TREND INFORMATION

The financial year of the Issuer which ended on the 30 September 2010 was a year which was characterised by periods of relative calm alternating with periods of renewed uncertainty and volatility. In fact, the positive market sentiment that was experienced during the first half of the financial year 2010 was interrupted in late April 2010 by the Euro sovereign crisis spearheaded by Greece which faced severe problems with its public finances. It soon became clear that the funding difficulties previously faced by financial institutions over the previous two years had been transferred to or assumed by various national governments. As a result, we saw the financial crisis changing into a sovereign debt crisis.

Fears of contagion of the sovereign debt crisis emerged particularly in the peripheral eurozone states, leading European policy makers to adopt a number of measures including a funding package for Greece, the establishment of a €750 billion European Financial Stability Facility, encouraging governments to implement stringent austerity measures, stress testing a number of European banks and proposals on the gradual phasing in of new capital adequacy and liquidity buffers. As was widely predicted, the contagion has now spread to Portugal and Ireland, which have both sought financial assistance from the European Union and the IMF. The two other peripheral states, namely Spain and Italy, appear to have been, so far, successful in decoupling themselves from the other three weaker peripheral states.

The uncertainty caused by the eurozone crisis was further exacerbated in the second quarter of the financial year 2011 by two further external event shocks – the political upheaval in North Africa, in particular Libya, and the tragic aftermath of the earthquake in Japan, both of which have a direct bearing on the local economy. Libya, on the one hand, because of the close business ties between the two countries and Japan, on the other hand, because of



its global influence, and the effect on the price of oil resulting from the uncertain future surrounding nuclear power generation.

Paradoxically, against the wider eurozone backdrop, the domestic economy registered a 3.6% increase in real GDP during the fourth quarter of the financial year 2010, slightly below the 4% rate registered in the previous quarter. Growth was driven by exports, which rose faster than imports. Inventory changes and, to a lesser degree, a pick-up in investment, also contributed to this economic expansion.

Against this background, the Issuer recorded a pre-tax profit of €98.9 million for the financial year 2010, an increase of 21% over the results reported for the financial year 2009 whilst for the first six months of the financial year 2011, the Issuer recorded a pre-tax profit of €45.1 million, a decrease of 4.86% when compared to the first six months of the financial year 2010. In the event that the offer that was made to the La Valette Multi Manager Fund's shareholders (referred to in section 7.17) were to be accepted by all eligible investors, the impact that this will have on the pre-tax profit of the Issuer for the financial year 2011 is estimated at €14.5 million, which figure represents the gross cost of the offer (that is before any recoveries from third parties) and in the event that the offer were to be accepted by all eligible investors.

Despite the low interest rate environment, net interest margin increased by almost 10% to €126.8 million during the financial year 2010, attributable to higher volumes in the loan book as well as the effect of the time lag in the re-pricing of deposits following the substantial rate cuts witnessed in the previous two years. In fact, it was only in mid-April of this year that the European Central Bank ("ECB"), in a bid to counter emerging inflationary pressures in the eurozone, raised interest rates by a quarter-point to 1.25%, from the historically low reference rate of 1% that has prevailed since May 2009. With respect to net commission and trading income, this increased by 22% resulting from strong performances across the Issuer's various business activities, including bancassurance, cards and foreign exchange business.

For the first six months of the financial year 2011, the trend experienced in the financial year 2010 continued, with net interest income increasing by 9.5% when compared to the first six months of the previous reporting period. However, commission and trading income was virtually flat year-on-year.

The Issuer's investment portfolio remains of high quality and is well spread over a large number of names. Whilst the positive market sentiment experienced in the first half of the Issuer's financial year 2010 resulted in a fair value gain of approximately €6 million, the sovereign debt issues that emerged during the second half of the Issuer's financial year 2010 resulted in uncertainty returning to the capital markets and the widening of spreads on certain issues thereby causing the reversal of most of the accumulated gains in the first half, and ending with a net fair value position for the year of a modest €1.2 million. This trend continued during the Issuer's first six months of its financial year 2011, resulting in unrealised fair value mark downs being recorded for the period. The uncertainty in markets and the build-up in inflationary pressures caused spreads to widen, and these factors have been reflected in a fair value charge for the first half of the financial year 2011 of €5.6 million. This compares with the gain of €5.9 million during the six-month period to 31 March 2010, a period which, as explained above, immediately preceded the onset of the eurozone sovereign debt concerns.

Whilst the Issuer's results for the financial year 2009 were adversely impacted by the substantial losses registered by Middlesea Insurance p.l.c. ("MSI") in respect of its Italian subsidiary, Progress Assicurazioni, the Issuer's share of results from its insurance sector interests has improved from a share of loss of €9.9 million in the financial year 2009 to a loss of just under €0.5 million for the financial year 2010. The life assurance investment represented by MSV Life p.l.c. had a good year with very encouraging growth prospects, whilst, concurrently, MSI has undergone an extensive internal reorganisation and is now focusing on its core local insurance business. As a result, MSI registered a profit before tax for its financial year which ended December 2010 of €6.4 million, as compared to the loss for the previous year of €54.4 million. The turnaround in the Issuer's insurance interests has been satisfactory for the first six months of the financial year 2011, with a contribution to profits for the period amounting to €3.8 million.

During the financial year 2010, the Issuer continued to honour its pledge that it would support the Maltese economy and the business community in a responsible manner through the economic downturn by providing credit to both the personal and business sectors. This was evidenced by net advances which registered a 10% growth. Customer deposits increased by 9% for the financial year 2010, exceeding the €5 billion mark for the first time and this in spite of a high level of bond issuance activity during that period. The net loan-to-deposit ratio remained steady at 70%, such that the Issuer's loan book continued to be wholly funded by retail liabilities with no dependence on the short-term interbank or commercial paper markets. On the other hand, during the first six months of the financial year 2011, loans and advances stood at €3.5 billion, much in line with the position as at 30 September 2010, reflecting the subdued demand for credit experienced during the period. Customer deposits for the first six months of the financial year 2011 were also little changed since the previous year end. Whereas domestic retail deposits have continued to show



satisfactory growth, normal levels of volatility has been experienced in the institutional deposit sector resulting in a flat position overall.

The significant growth of the loan book coupled with the pressures being faced in some economic sectors has led the Issuer to adopt a prudent and cautious outlook leading to a higher impairment charge being provided for the financial year 2010 from €4 million to €13 million. Although the overall credit quality of the loan book remained satisfactory, the Issuer has seen a year-on-year deterioration in the proportion of non-performing accounts to total loans and advances. The outlook by the Issuer on certain economic sectors has remained unchanged during the first six months of the financial year 2011. Consequently, during this period, the Issuer provided for an impairment charge of €10.4 million up from €7.2 million for the same reporting period of the previous year, which charge includes a precautionary allowance in respect of certain indirect exposures which the Issuer has in North Africa. Overall, the credit quality of the loan book remained largely unchanged, with non-performing loans amounting to 5.3% of gross advances (30 September 2010: 5.2%).

Through its deliberate and conservative policies on the management of its balance sheet, the Issuer has maintained high liquidity and strong capital ratios for the financial year 2010. Liquidity remained very satisfactory at 41%, as compared with the 30% regulatory requirement. The total capital ratio stood at 15%, with the core tier 1 capital ratio standing at a strong 10.5%. In July 2010, the Issuer's balance sheet was "stress tested" in accordance with parameters set out by the ECB, the results of which confirmed the Issuer as a well-capitalised bank by international standards. For the first six months of the financial year 2011, the Issuer has continued to manage its balance sheet in a prudent manner. Liquidity remained strong, with minimal use being made of inter-bank funding. Core tier 1 capital stood at 10.8%, whilst the total overall capital ratio position was a strong 15.3%. The Issuer has, once again, been selected for participation in a stress test initiative carried out under the auspices of the recently established European Banking Authority, and which tests will involve close to 90 leading banks across Europe. This initiative is to be completed by June 2011, and the Issuer is quietly confident that the outcome of the tests will be favourable.

In addition, in September 2010, it was announced by regulators that as part of the Basel III process, agreement had been reached on the implementation of a series of measures directed at gradually raising the minimum requirement and quality of bank capital as well as the requirement to gradually build additional capital conservation and counter cyclical buffers. Capital forecasting work carried out internally by the Issuer showed the Bank to be comfortably in excess of the new minimum capital requirements, and an expectation (based on prudent assumptions) that the Bank will be able to meet the phased additional capital conservation and counter-cyclical buffers from internal resources. These forecasts are being kept under constant review as additional regulations emerge.

Fitch Ratings ("Fitch") recently modified the Issuer's long-term rating to 'BBB+' Outlook Stable from the previous 'A-' rating. This modification reflects the more conservative view that credit rating agencies are taking in their rating actions, as evidenced by a spate of downgrades in recent months. The short-term rating was affirmed at 'F2', the individual rating at 'C' and the support rating at '2'. Fitch explained that this is the result of a "more cautious view" that it is adopting with regard to the level of concentration in the Bank's loan book, "given the small size of the domestic economy." Fitch confirmed that there has been no material change in the Bank's fundamentals. In fact, the rating agency commends the Issuer's "satisfactory profitability, sound liquidity and funding position, adequate capitalisation as well as its position as the largest bank in Malta." Fitch affirms that the Bank's "funding and liquidity are sound and supported by a large and stable customer deposit base." The Bank's ratio of lending to deposits continues to be kept "at conservative levels". The increase in the Bank's ratio of doubtful loans to gross loans, as highlighted in the Issuer's annual report for FY10, was attributed to the real estate and construction sectors. Although Fitch stated that these are now "showing signs of improvements", expectations are that loan impairment charges will "remain higher than in the past." Nevertheless, the rating agency concludes that the Issuer's profitability will "continue to benefit from a more favourable domestic economic environment in FY11".

## **7.12 BOARD OF DIRECTORS AND BOARD COMMITTEES**

### **7.12.1 Board of Directors**

The Board of Directors of the Issuer consists of a minimum of seven and a maximum of ten persons. Such maximum number may be increased to eleven solely in the circumstances indicated in article 60.2.5 of the Articles of Association of the Issuer. The appointment of a director is contemplated by articles 60.1.1 to 60.2.5 of the Articles of Association. The removal of directors is contemplated in article 62.1 of the Articles of Association of the Issuer. In the case where a director is appointed pursuant to article 60.2.5, the removal thereof may only be made by the Board of Directors of the Issuer.

The Board meets regularly to establish and review the policies and strategies of the Issuer and to monitor the implementation thereof and the overall performance of the Issuer.

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

**Roderick E D Chalmers (Chairman & Non-Executive Director)**

Appointed Chairman of the Board in November 2004. Mr Chalmers also chairs the boards of MSV Life p.l.c., Valletta Fund Management Limited and Valletta Fund Services Limited, and is a member on the boards of Middlesea Insurance p.l.c., Gasan Group Limited, Gasan Finance Company p.l.c., Alfred Gera & Sons Limited, Simonds Farsons Cisk p.l.c. and Global Sources Limited, a NASDAQ listed company. Between 1984 and 2000, Mr Chalmers was a partner and managing partner with Coopers & Lybrand (later PricewaterhouseCoopers), Hong Kong; chairman of the firm's South East Asia Regional Executive and a member of the International Board of Directors. Upon the merger of Coopers & Lybrand and Price Waterhouse in 1998, he was appointed chairman, Asia-Pacific, for PricewaterhouseCoopers, until his retirement in 2000. He was also a member of the PwC Global Management Board. Mr Chalmers served as non-executive director of the Hong Kong Securities and Futures Commission and was also a member of the Takeovers and Mergers Panel. He was appointed by the Financial Secretary of Hong Kong to sit on the Banking Advisory Committee.

**Joseph Borg (Non-Executive Director)**

Appointed to the Board in December 1998. Mr Borg currently chairs the Board's Audit Committee and is also a member on the Remuneration Committee. Mr Borg is the managing director of the FXB Group of Companies, a position he has held since June 1986. He was formerly a director of the Malta Development Corporation; secretary and then chairman of the Gozo Committee of the Malta Federation of Industries. He served on the Council of the Malta Federation of Industries and is presently a member of the Gozo Business Chamber, for which he also served as secretary. He occupied the post of chairman of Gozo Channel Co Limited for three years up to July 2008. He has also been a director of the Oasi Foundation (Foundation for Drug Rehabilitation) since its inception.

**Roberto Cassata (Non-Executive Director)**

Appointed to the Board in September 2003. Mr Cassata is an auditor and accountant by profession and also studied economics at the Palermo State University. He is presently chief financial officer of IRFIS Mediocredito della Sicilia S.p.A. (UniCredit Group) - Palermo. During his career, Mr Cassata has worked extensively with PricewaterhouseCoopers where he was responsible for the Sicilian operational department and was also senior manager for the banking sector in Southern Italy. He was also chief financial officer at Banco di Sicilia S.p.A. (UniCredit Group).

**Gordon Cordina (Non-Executive Director)**

Appointed to the Board in December 2008. Dr Cordina also chairs the Board's Risk Management and Compliance Committee. He heads the Economics Department of the University of Malta. Dr Cordina is a graduate of the University of Cambridge and the University of Malta. He has also served as director general of the National Statistics Office of Malta, as economic adviser to the Malta Council for Economic and Social Development and as head of the research department of the Central Bank of Malta. Dr Cordina has been involved in a number of local and international research projects and consultancy assignments with various institutions and entities including the EU Commission, government ministries and authorities, NGOs and private sector entities.

**George Portanier (Non-Executive Director)**

Appointed to the Board in May 1992. Mr Portanier is currently a member on the Board's Risk Management and Compliance Committee. Mr Portanier was formerly a director of Portanier Brothers Limited and served as a member of the Local Manufacturers' Committee of the Federation of Industries, as well as a member of the Council of the Federation of Industries. Business interests include real estate development.

**Manuel Rizzo (Non-Executive Director)**

Appointed to the Board in December 2010. Mr Rizzo joined the Bank in 1976 and in the last thirty-four years has worked in various aspects of business banking. Between 1982-1983 he was seconded by the Bank to Lohombus Corporation (then a joint venture between the Issuer and Mid-Med Bank Limited). Until very recently he held managerial positions at the Bank's bancassurance office. Mr Rizzo is presently one of the elected members of the Board of Trustees of the BOV Employees' Foundation, a position he has held since 2006.

**Norman Rossignaud (Non-Executive Director)**

Appointed to the Board in December 1990. Mr Rossignaud is currently a member on the Board's Audit Committee. In 2006, Mr Rossignaud was appointed as Malta's non-resident ambassador to the Republic of Serbia. Mr Rossignaud is a retired Bank executive. He served as a director of Bank of Valletta International Limited, a former subsidiary of the Issuer and was also a director of Telemalta Corporation and of Malta Export Credit Insurance Company Limited. He was a founder member of the Malta Union of Bank Employees and president for fourteen years. He was also vice-president of the Confederation of Malta Trade Unions.





**Paul Testaferrata Moroni Viani (Non-Executive Director)**

Appointed to the Board in December 2007. Mr Testaferrata Moroni Viani is currently a member of the Board's Audit Committee, Remuneration Committee and Risk Management and Compliance Committee. Mr Testaferrata Moroni Viani is a director of companies owned by Mercury p.l.c. namely Moroni Investments Limited, Sales & Letting Limited (formerly Circles Limited), Euro Appliance Company Limited, Testaferrata Moroni Viani Holdings Limited (formerly Macapps Limited), SGP Projects Limited, Spinola Hotels Limited, St George's Park Company Limited Reliant Limited and Cambridge Place Limited. He is a land owner and is involved in tourism and investment services and is responsible for market and sales research, contracting, administration, property construction and development, managing operations, strategic planning and new business development. He is currently also a director of GO p.l.c., Middlesea Insurance p.l.c., and Vitava Fund SICAV p.l.c.

**George Wells (Non-Executive Director)**

Appointed to the Board in December 2005. Mr Wells is a chartered management accountant and currently a member of the Board's Audit Committee and the Risk Management and Compliance Committee and a member of the Bank's Asset Liability Management Committee (ALCO). Mr Wells has served as a non-executive deputy chairman and a council member of the Malta Stock Exchange. He was formerly a director of Stainless Steel Products Limited, a subsidiary company of Jacuzzi Group of Companies of the U.S.A. and a director of U.K. company Pland Stainless Limited and SSP Holdings Limited, both formerly within the Spring Ram Group of Companies. He has also served as a director of Stainless Steel Products (Ireland) Limited, a former subsidiary company of Lonrho p.l.c.

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

**Catherine Formosa (Company Secretary)**

Appointed BOV Group Company Secretary in October 2009. Dr Formosa is also the company secretary of MSV Life p.l.c. ("MSV") and secretary to the Issuer's and MSV's Board Committees. Dr Formosa read law at the University of Malta and joined the Bank in June 2000 where she headed the legal advice section at the Bank's legal office. Before joining the Bank, Dr Formosa worked at the tax and legal department of PricewaterhouseCoopers.

**7.12.2 Board Committees**

The Board of Directors has established the following Committees:

<i>Audit Committee</i>	The Audit Committee's terms of reference are modelled on the Principles laid out in the Listing Rules, and are aimed primarily at monitoring the financial reporting process, the effectiveness of the Bank's internal control, internal audit and the audit of the annual and consolidated accounts. The Committee is also responsible for managing the Board's relationships with internal and external auditors.
<i>Remuneration Committee</i>	The Remuneration Committee is responsible for the development and implementation of the remuneration and related policies of the BOV Group, and for ensuring compliance with the relevant provisions and regulations of good corporate governance on remuneration and related matters.
<i>Risk Management and Compliance Committee</i>	The Risk Management and Compliance Committee assists the Board in assessing the different types of risk to which the organisation is exposed. This Committee is responsible for the proper implementation and review of the BOV Group's risk policies, related mainly, but not restricted to, credit, market and operational risks. It reports to the Board on the adequacy, or otherwise, of such policies. The Committee is also responsible to review delegated limits, together with an oversight of the BOV Group's monitoring and reporting systems, to ensure regular and appropriate monitoring and reporting on the BOV Group's risk positions. The Committee is responsible for overseeing the Group's compliance with the obligations imposed by statute, legislation, codes, rules and regulations that are relevant to the BOV Group and its business.



### 7.12.3 Management Committees

The Board of Directors have established the following Management Committees:

<p><i>Executive Committee</i></p>	<p>The Executive Committee meets twice a month, and is responsible for the day-to-day management of the Bank's business, the development and implementation of approved strategy, policies, operational plans and budgets as well as the monitoring of operational and financial performance, assessment and control of risk, the prioritisation and allocation of resources and the monitoring of competitive forces in all areas of operation.</p> <p>As at the date of this Prospectus the Executive Committee of the Issuer is composed of the following:</p> <table data-bbox="657 555 1489 862"> <tr> <td>Tonio Depasquale</td> <td><i>Chief Executive Officer</i></td> </tr> <tr> <td>Charles Borg</td> <td><i>Chief Officer Financial Markets &amp; Investments</i></td> </tr> <tr> <td>Michael Borg Costanzi</td> <td><i>Chief Officer Legal &amp; Compliance</i></td> </tr> <tr> <td>Victor Denaro</td> <td><i>Chief Officer Information Technology</i></td> </tr> <tr> <td>Kenneth Farrugia</td> <td><i>Chief Officer Valletta Fund Services Limited</i></td> </tr> <tr> <td>Albert Frendo</td> <td><i>Chief Officer Credit</i></td> </tr> <tr> <td>Michael Galea</td> <td><i>Chief Officer Operations</i></td> </tr> <tr> <td>Elvia George</td> <td><i>Chief Officer Finance</i></td> </tr> <tr> <td>Mario Mallia</td> <td><i>Chief Officer Risk Management</i></td> </tr> <tr> <td>Peter Perotti</td> <td><i>Chief Officer Valletta Fund Management Limited</i></td> </tr> </table>	Tonio Depasquale	<i>Chief Executive Officer</i>	Charles Borg	<i>Chief Officer Financial Markets &amp; Investments</i>	Michael Borg Costanzi	<i>Chief Officer Legal &amp; Compliance</i>	Victor Denaro	<i>Chief Officer Information Technology</i>	Kenneth Farrugia	<i>Chief Officer Valletta Fund Services Limited</i>	Albert Frendo	<i>Chief Officer Credit</i>	Michael Galea	<i>Chief Officer Operations</i>	Elvia George	<i>Chief Officer Finance</i>	Mario Mallia	<i>Chief Officer Risk Management</i>	Peter Perotti	<i>Chief Officer Valletta Fund Management Limited</i>
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Elvia George	<i>Chief Officer Finance</i>																				
Mario Mallia	<i>Chief Officer Risk Management</i>																				
Peter Perotti	<i>Chief Officer Valletta Fund Management Limited</i>																				
<p><i>Credit Committee</i></p>	<p>The Credit Committee meets on a weekly basis unless further meetings are required. The Credit Committee is composed of representatives from both risk and credit functions and it operates within a Board approved credit-sanctioning limit. Proposals falling outside this limit are referred, with the Committee's recommendations, to the Board for consideration and determination. To operate, the Committee needs to be fully constituted. Therefore, each member has an approved specific alternate.</p>																				
<p><i>Asset and Liability Management Committee</i></p>	<p>The Asset and Liability Management Committee ("ALCO") is responsible for managing the BOV Group's balance sheet so as to achieve an optimal balance between risk and return. This Committee meets once a month to review balance sheet risks and ensures their prudent management. ALCO monitors the capital adequacy of the Group on a continuous basis, making use of capital forecasts to ensure that enough capital is readily available at all times to meet the demand arising from business expansion and/or more stringent regulation. It takes an integrated view of asset and liability cash flows, their uncertainties, and the management of such integrated exposures at a consolidated level, to enable it to give strategic direction to the business. Consideration is given, <i>inter alia</i>, to solvency, liquidity and interest rate risks. ALCO gives guidance in respect of risk and return to the business, and exercises executive authority in the area of interest rate management by setting base rates payable on retail deposits. It monitors hedging strategies and hedge effectiveness in respect of the risks mentioned above, as well as asset mix, liabilities and balance sheet growth.</p>																				

### 7.13 MAJOR SHAREHOLDERS

As at the date of the Prospectus, the following shareholders hold in excess of 5% of the share capital of the Issuer:

Government of Malta	25.23%
UniCredit S.p.A.	14.55%



## 7.14 CONFLICTS OF INTEREST

Conflicts of interest, may and do arise on specific matters. In such instances the Issuer has strict policies in place which allow it to manage such conflicts, actual or potential, in the best interests of the Issuer. These policies, which are aligned to the recommendations made in section 11 of the Code of Good Corporate Governance forming part of Chapter 5 of the Listing Rules - include (i) that a director is to make full and frank disclosure with respect to any matter where there is a potential or actual conflict, whether such conflict arises from personal interests or the interests of companies in which such person is a director or officer; (ii) that such director is excused from the meeting and accordingly is not involved in the board's discussion of such matter; and (iii) that such director does not vote on any such matter.

## 7.15 FINANCIAL INFORMATION

### 7.15.1 Extract from the Issuer's Consolidated Audited Financial Statements for the years ended 30 September 2010 and 30 September 2009.

#### Summarised Income Statements

For the year ended 30 September

	2010	2009
	€000	€000
Net interest income	126,751	115,371
Net fee and commission income	44,113	37,870
Dividend Income	730	788
Trading profits	22,039	17,236
Net gain/(loss) on investment securities and hedging instruments	(2,442)	1,518
Operating Income	191,191	172,783
Employee compensation and benefits	(50,280)	(48,959)
General administrative expenses	(22,390)	(21,372)
Amortisation and Depreciation	(6,126)	(6,724)
Net impairment losses	(12,936)	(4,016)
Operating Profit	99,459	91,712
Share of results of associate and jointly controlled entity	(542)	(9,894)
Profit before tax	98,917	81,818
Income tax expense	(34,945)	(32,403)
Profit for the year	63,972	49,415

## Summarised Statements of Financial Position

As at 30 September

	2010	2009
	€000	€000
<b>Assets</b>		
Investments & short-term funds	2,607,680	2,746,375
Loans and advances to customers	3,496,744	3,245,899
Other assets	230,768	224,140
<b>Total Assets</b>	<b>6,335,192</b>	<b>6,216,414</b>
<b>Liabilities</b>		
Debt securities in issue, subordinated liabilities & amounts owed to banks	493,070	790,087
Amounts owed to customers	5,185,264	4,766,278
Other liabilities	187,810	225,414
<b>Total Liabilities</b>	<b>5,866,144</b>	<b>5,781,779</b>
<b>Total Equity</b>	<b>469,048</b>	<b>434,635</b>
<b>Total Liabilities &amp; Equity</b>	<b>6,335,192</b>	<b>6,216,414</b>

### Performance review for the BOV Group for the financial year ended 30 September 2010:

- Profit before taxation amounted to €98.9 million, an increase of 21% over the results reported for the financial year 2009 which stood at €81.8 million;
- Net interest income increased by almost 10% to €126.8 million during the financial year 2010. This growth is attributable to higher volumes in the loan book as well as to the effect of the time lag in the re-pricing of deposits, following the substantial rate cuts witnessed in the previous two years;
- Net commission and trading income for the year rose by 22% over 2009. This improvement arose on a wide cross-section of business activities, including higher foreign exchange volumes, the cards business, e-commerce and investment-related activities;
- The Bank's investment portfolio remained of a high quality. A modest net fair value gain of €1.2 million was recognised in the Issuer's income statement, while a further gain on investments of €4.8 million before tax was credited to reserves;
- The share of losses in respect of the Bank's shareholdings in jointly controlled and associated entities has improved substantially from a share of loss of €9.9 million for the financial year 2009 to just over €0.5 million for the financial year 2010;
- Operating expenses for the financial year 2010 totalled €78.8 million, an increase of just 2.3% over the previous year's figure which stood at €77 million;
- Total net loans and advances as at end of the financial year 2010 stood at €3.6 billion, an increase of €325 million, or 10%, from the financial year 2009. Credit growth has come from carefully selected increases to the business sector and a continuing demand for home loans. Although the overall credit quality of the loan book remained satisfactory, the Bank has adopted a prudent and cautious outlook to certain economic sectors, leading to a higher impairment charge being provided for the financial year 2010. This charge increased from €4 million for the financial year 2009 to €13 million;
- Customer deposits increased by €419 million or 9% over the financial year 2009, and stood at €5.19 billion as at the end of the financial year 2010;



- A final gross dividend of €0.16 per share was declared which together with the gross interim dividend of €0.075 per share results in a total gross dividend of €0.235 per share for the financial year 2010; a bonus share issue of 1 share for every 5 shares held was also declared;
- The capital adequacy ratio (statutory minimum 8%) stood at 15% , while the tier 1 capital stood at 10.5%;
- The liquidity ratio (statutory minimum 30%) stood at 41 %;
- The loan-to-deposit ratio stood at 70%;
- Earnings per share increased from €0.245 for the financial year 2009 to €0.317 for the financial year 2010.

7.15.2 Extract from the Issuer's Consolidated Unaudited Financial Statements for the six months ended 31 March 2011 and 31 March 2010.

**Summarised Income Statements**

*For the six months ended 31 March*

	2011	2010
	€000	€000
<b>Net interest income</b>	<b>67,809</b>	<b>61,905</b>
Net fee and commission income	21,030	22,180
Dividend Income	278	289
Trading profits	2,947	13,693
Net gain on investment securities and hedging instruments	680	576
<b>Operating income</b>	<b>92,744</b>	<b>98,643</b>
Employee compensation and benefits	(26,096)	(25,499)
General administrative expenses	(12,063)	(11,735)
Amortisation and Depreciation	(2,829)	(3,096)
<b>Operating profit before impairment losses</b>	<b>51,756</b>	<b>58,313</b>
Net impairment losses	(10,398)	(7,237)
<b>Operating profit</b>	<b>41,358</b>	<b>51,076</b>
Share of results of associate and jointly controlled entity	3,804	(3,609)
<b>Profit before tax</b>	<b>45,162</b>	<b>47,467</b>
Income tax expense	(14,548)	17,911
<b>Profit for the period</b>	<b>30,614</b>	<b>29,556</b>

## Summarised Statements of Financial Position

	March 2011 €000	September 2010 €000
<b>Assets</b>		
Investments & short-term funds	2,548,225	2,607,680
Loans and advances to customers	3,517,650	3,496,744
Other assets	233,723	230,768
<b>Total Assets</b>	<b>6,299,598</b>	<b>6,335,192</b>
<b>Liabilities</b>		
Debt securities in issue, subordinated liabilities & amounts owed to banks	479,159	493,070
Amounts owed to customers	5,184,031	5,185,264
Other liabilities	159,485	187,810
<b>Total Liabilities</b>	<b>5,822,675</b>	<b>5,866,144</b>
<b>Total Equity</b>	<b>476,923</b>	<b>469,048</b>
<b>Total Liabilities and Equity</b>	<b>6,299,598</b>	<b>6,335,192</b>

### 7.15.3 CAPITAL ADEQUACY AND LIQUIDITY RATIOS

The Issuer has maintained sound capital and liquidity ratios over the past five years as shown below:

#### Capital Adequacy Ratios

(As at 30 September)

	2010	2009	2008	2007	2006
Statutory minimum	8%	8%	8%	8%	8%
Issuer's capital adequacy ratio	15%	14%	12%	13%	13%

#### Liquidity Ratios

(As at 30 September)

	2010	2009	2008	2007	2006
Statutory minimum	30%	30%	30%	30%	30%
Issuer's liquidity ratio	41%	45%	52%	55%	47%

### 7.15.4 Significant Change

There has been no significant change in the financial or trading position of the BOV Group which has occurred since 31 March 2011, being the date of the last published unaudited interim financial information.

### 7.15.5 Historical Financial Information

Full historical financial information for the financial years ended 30 September 2010 and 30 September 2009 are set out in the financial statements of the Issuer as audited by Deloitte, and are available in printed form, free of charge, from the registered office of the Issuer.



The latest audited financial information available in respect of the Issuer relates to the financial year ended on 30 September 2010.

#### **7.16 MATERIAL CONTRACTS**

There are no material contracts that are not entered into in the ordinary course of the Issuer's business, which could result in any BOV Group member being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to Note Holders in respect of the Notes to be issued pursuant to this Prospectus.

#### **7.17 LEGAL PROCEEDINGS**

Certain companies within the BOV Group were served with judicial protests in connection with the La Valette Multi Manager Property Fund (the "Fund"). Counter protests rebutting the allegations contained in these protests were filed. The MFSA has been carrying out an investigation on certain matters pertaining to the Fund. The Issuer continues to remain in regular communication with the MFSA in this regard.

On 26 May 2011, the Bank launched a conditional offer to eligible Fund shareholders to purchase and acquire all of their shares in the Fund for a consideration of €0.75 per combined share in the Fund (including both the main pool shares and the side pocket shares). The offer was made subject to a number of terms and conditions contained in an offer document dated 26 May 2011 dispatched to shareholders in the Fund and will be available to investors between the 1 June and the 30 June 2011. The offer was made: (i) on a good faith basis on the part of the BOV Group; and (ii) without admission of any liability on the part of any one or more of its members (Valletta Fund Management Limited and Valletta Fund Services Limited); or any of their directors, officers, agents, employees or advisors (the "Released Parties") and without acceptance of any of the claims leveled or which may be leveled against one or more of the Released Parties in respect of their involvement or contractual relationships with the Fund. In addition the offer made by the Bank, if and to the extent accepted will operate so as to transfer to the Bank the shares in the Fund, with subrogation of rights and together with all interests, claims, benefits and other rights, including any litigious rights, which any shareholder accepting the offer may have against any one or more of the Released Parties with respect to the Fund. Accordingly all shareholders accepting the offer shall, save for the subrogation of rights, accept the offer in full and final settlement and with full and complete discharge of their rights or claims against any of the Released Parties, including the Bank.

The gross cost of the offer (that is before any recoveries from third parties) in the event that the offer were to be accepted by all eligible investors is estimated at €14.5 million, and will be taken as a charge against profits before taxation in the second half of financial year 2011.



## 8 TERMS AND CONDITIONS

### 8.1 APPLICABILITY OF THE TERMS AND CONDITIONS

The provisions of these Terms and Conditions apply to the Notes as completed, modified, supplemented or replaced, in whole or in part, by the terms of the final terms which are attached hereto, the **"Final Terms"**. The blanks in the provisions of these Terms and Conditions which are applicable to the Notes shall be deemed to be completed by the information contained in the Final Terms as if such information were inserted in the blanks of such provisions; any provisions of these Terms and Conditions modifying, supplementing or replacing, in whole or in part, the provisions of these Terms and Conditions shall be deemed to so modify, supplement or replace the provisions of these Terms and Conditions; alternative or optional provisions of these Terms and Conditions as to which the corresponding provisions of the Final Terms are not completed or are deleted shall be deemed to be deleted from these Terms and Conditions; and all provisions of these Terms and Conditions which are inapplicable to the Notes (including instructions, explanatory notes and text set out in square brackets) shall be deemed to be deleted from these Terms and Conditions, as required to give effect to the terms of the Final Terms. Copies of the applicable Final Terms may be obtained free of charge from the offices of the Issuer.

### 8.2 CURRENCY, DENOMINATION, FORM AND TITLE, CERTAIN DEFINITIONS

#### 8.2.1 Currency and Denomination

This Series of Notes of Bank of Valletta p.l.c. (the **"Issuer"**) is issued in [ ] (the **"Specified Currency"**) in the aggregate principal amount of [insert aggregate principal amount] and is divided into [ ] Notes in the principal amount of [ ] (the **"Specified Denominations"**).

#### 8.2.2 Form and Title

The Notes are issued in fully registered and dematerialised form without interest coupons and are represented in uncertificated form by the appropriate entry in the electronic register maintained by the CSD on behalf of the Issuer. There will be entered in such electronic register, the names, addresses, identity card numbers (in the case of natural persons), registration numbers (in the case of companies) and MSE account numbers of the Note Holders and particulars of the Notes held by them respectively and a copy of the Note Holder's entry into the register will, at all reasonable times during business hours, be open to the inspection of the Note Holders at the registered office of the Issuer.

The CSD will issue, upon a request by the Note Holder, a statement of holdings to Note Holders evidencing their entitlement to Notes held in the register kept by the CSD.

#### 8.2.3 Certain Definitions

**"Clearing System"** means the Central Securities Depository ("CSD") and any successor in such capacity;

**"Note Holder/s"** means, in respect of the Notes, any holder/s thereof, as the same is evidenced by an entry in the register of Notes held by the CSD;

References herein to the **"Notes"** are references to the Notes of this Series.

References herein to the **"Specified Currency"** shall include any successor currency provided for by the laws in force in the jurisdiction where the Specified Currency is issued or pursuant to intergovernmental agreement or treaty (a **"Successor Currency"**) to the extent that payment in the predecessor currency is no longer a legal means of payment by the Issuer on the Notes.

### 8.3 STATUS AND RIGHTS

#### 8.3.1 Status

The Notes are unsubordinated and unsecured and will rank *pari passu* without any priority or preference with all other present and future unsecured and unsubordinated obligations of the Issuer. In terms of article 1995 of the Civil Code (Cap. 16, laws of Malta), the property of a debtor is the common guarantee of his creditors, all of whom have an equal right over such property, unless there exist between them lawful causes of preference. The Notes will thus rank after any claims which are preferred in terms of the law but will rank before and with priority over the Issuer's existing subordinated debt (such as the subordinated bonds issued by the Issuer in 2009 and 2010) or such other subordinated debt which may be issued in the future.



### 8.3.2 Rights

There are no special rights attached to the Notes other than the right of the Note Holders to payment of capital and interest and in accordance with the ranking specified herein.

## 8.4 INTEREST

### 8.4.1 In the case of Fixed Rate Notes insert:

The Notes bear interest on their principal amount at the fixed rate of **[insert rate of interest]** per cent per annum from (and including) **[insert interest commencement date]** to (and excluding) the Maturity Date. Interest shall be payable in arrears on **[insert fixed interest date(s)]** in each year (each such date, an "Interest Payment Date"). The first payment of interest shall be made on **[insert first interest payment date]**

### 8.4.2 In the case of Floating Rate Notes insert:

The Floating Rate Notes bear interest on their principal amount at the rate per annum (expressed as a percentage) equal to **[in the case of where there is included a Relevant Margin: the aggregate sum of the [insert margin], the "Relevant Margin", and the Rate of Interest]/[in the case where no Relevant Margin is included: the Rate of Interest]**. The Interest Period applicable on Notes is **[insert Interest Period]** and such interest is payable in arrears on each Interest Payment Date. The amount of interest payment shall be determined in accordance with sub-paragraph (1) hereof. Interest shall be payable in arrears on **[insert fixed interest date(s)]** in each year (each such date, an "Interest Payment Date"). The first payment of interest shall be made on **[insert first interest payment date]**.

- (1) Rate of Interest. The rate of interest (the "Rate of Interest") for each Interest Period will be determined in the manner specified hereon and the provisions below relating to Screen Rate Determination shall apply:

#### Screen Rate Determination

The Rate of Interest applicable to Floating Rate Notes for each Interest Period shall be determined by the Issuer on the following basis:

- i. the offered rate for deposits; or
  - ii. the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, 0.00005 being rounded upwards),  
of the rates for deposits in the relevant currency for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) two Business Days prior to the first day of the relevant Interest Period (the "Interest Determination Date");
- (2) If, on any Interest Determination Date, no such rate for deposits so appears (or, as the case may be, if fewer than two such rates for deposits so appear) or if the Relevant Screen Page is unavailable, the Issuer will request appropriate quotations and will determine the arithmetic mean (rounded as aforesaid) of the rates at which deposits in the relevant currency are offered by the Reference Banks in the London interbank market or, where the basis for calculating the Rate of Interest is EURIBOR, in the eurozone interbank market, selected by the Issuer, at approximately 11.00 a.m. (London time, in the case of LIBOR or Brussels time, in the case of EURIBOR) on the Interest Determination Date for a period of the duration of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time. If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this sub-paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date;
- (3) Information about the past and further performance of EURIBOR and LIBOR, including the volatility thereof, can be obtained from Reuters / Bloomberg.
- (4) If, on any Interest Determination Date, only two or three rates are so quoted, the Issuer will determine the arithmetic mean (rounded as aforesaid) of the rates so quoted.
- (5) For the purposes of this section 8.4.2 hereof:

"Eurozone" means the region comprised of member states of the European Union that adopt or have adopted the single currency in accordance with the Treaty establishing the European Community, as amended.



### **"Interest Amount"**

- (i) in respect of an Interest Period, the amount of interest payable for that Interest Period; and
- (ii) in respect of any other period, the amount of interest payable for that period.

**"Interest Commencement Date"** means the [insert interest commencement date].

**"Interest Period"** means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

**"Reference Banks"** means, in the case of a determination of LIBOR, the principal London office of four major banks in the London interbank market and, in the case of a determination of EURIBOR, the principal eurozone office of four major banks in the eurozone interbank market, in each case selected by the Issuer.

**"Reference Rate"** means [insert LIBOR or EURIBOR].

**"Relevant Screen Page"** means such page, section, caption, column or other part of a particular information service specified in the Final Terms.

**"Relevant Time"** means, if the Reference Rate is LIBOR, approximately 11.00 a.m. (London time) or if the Reference Rate is EURIBOR, 11.00 a.m. (Brussels time).

### **8.4.3 Accrual of Interest**

Interest (if any) shall cease to accrue on each Note on the day preceding the Maturity Date thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event, interest shall continue to accrue at the Rate of Interest up until the payment thereof.

### **8.4.4 Margin, Maximum Rate of Interest, Minimum Rates of Interest and Rounding**

- (i) If any Relevant Margin is specified in the Final Terms, an adjustment shall be made to all Rates of Interest, calculated in accordance with section 8.4.2 above by adding (if a positive number) or subtracting (if a negative number) such amount of basis points from the Relevant Screen Rate for the relevant Reference Rate for the relevant Interest Period, subject to the next paragraph.
- (ii) If any maximum Rate of Interest or minimum Rate of Interest is specified in the Final Terms, then any Rate of Interest shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (a) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (b) all figures shall be rounded to seven significant figures (with halves being rounded up), and, (c) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up). For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country of such currency.

### **8.4.5 Calculations**

The amount of interest payable in respect of any Note for any Interest Period shall be equal to the product of the Rate of Interest, the principal amount of the Notes and the Day Count Fraction for such Interest Period. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be applied to the period for which interest is required to be calculated.

For the purpose of this section 8.4.5 hereof:

- (a) In the case of Fixed Rate Notes,

**"Day Count Fraction"** means, in respect of the calculation of an amount of interest on any Fixed Rate Note for any period of time (from and including the first day of such period to but excluding the last and whether or not constituting an Interest Period, the **"Calculation Period"**):

**"Actual/Actual"**, and calculated by applying the actual number of days in the Calculation Period divided by 365 or, when all or part of an Interest Period falls in a leap year, 366;



(b) In the case of Floating Rate Notes,

**"Day Count Fraction"** means, in respect of the calculation of an amount of interest on any Floating Rate Note for any period of time (from and including the first day of such period to but excluding the last and whether or not constituting an Interest Period, the "Calculation Period"):

- (i) if the Note is denominated in Euro or United States Dollars, the Day Count Fraction is **"Actual/360"** and calculated by applying the actual number of days in the Calculation Period divided by 360;
- (ii) if the Note is denominated in Pounds Sterling, the Day Count Fraction is **"Actual/365"** and calculated by applying the actual number of days in the Calculation Period divided by 365 or, when all or part of an Interest Period falls in a leap year, 366.

#### 8.4.6 Interest Payment Date not being a Business Day

In the event that any Interest Payment Date falls on a day other than a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day (the **"Following Business Day Convention"**),

#### 8.4.7 Business Day

In the event that the Specified Currency is not Euro, the term 'Business Day' shall mean a day which is a day (other than Saturday and Sunday) on which commercial banks are generally open for business, and foreign exchange markets settle payments in **[insert all relevant financial centres]**.

### 8.5 PAYMENTS

Payment of the principal amount of the Notes will be made in the Specified Currency by the Issuer to the person in whose name such Notes are registered as at the close of business on the Maturity Date, with interest accrued up to (but excluding) the Maturity Date, by means of direct credit transfer into such bank account as the Note Holder may designate from time to time, provided such bank account is denominated in **[insert Specified Currency]** and held with any licensed bank in Malta. Such payment shall be effected on Maturity Date. The Issuer shall not be responsible for any loss or delay in transmission. Upon payment of the **[insert redemption value]** the **"Redemption Value"**, the Notes shall be redeemed and the appropriate entry made in the electronic register of the Notes at the GSD.

In the case of Notes held subject to usufruct, payment will be made against the joint instructions of all bare owners and usufructuaries. Before effecting payment, the Issuer shall be entitled to request any legal documents deemed necessary concerning the entitlement of the bare owner/s and the usufructuary/ies to payment of the Notes.

Payment of any instalment of interest on a Note will be made to the person in whose name such Note is registered at the close of business **[insert number of days]** prior to the Interest Payment Date **[the "Register Cut-Off"]** by means of direct credit transfer into such bank account as the Note Holder may designate from time to time, provided such bank account is denominated in **[insert Specified Currency]** and held with any licensed bank in Malta.

All payments with respect to the Notes are subject in all cases to any applicable fiscal or other laws and regulations. In particular, but without limitation, all payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made net of any amount which the Issuer is compelled by law to deduct or withhold for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed, levied, collected, withheld or assessed.

No commissions or expenses shall be charged by the Issuer to Note Holders in respect of such payments.

### 8.6 REDEMPTION AT MATURITY

The Issuer will redeem the Notes (together with payment of interest accrued thereon) at their Redemption Value on **[insert the specified Maturity Date]** (the **"Maturity Date"**).

### 8.7 TRANSFERABILITY OF THE NOTES

The Issuer will not register the transfer or transmission of Notes for a period of **[insert number of days]** preceding the due date for any payment of interest on the notes.

## **8.8 TAXATION**

All amounts payable under the Notes will be paid with deduction or withholding for or on account of any present or future taxes, duties or governmental charges whatsoever imposed or levied by or on behalf of the Republic of Malta or any taxing authority therein, where the Issuer is compelled by a law or other regulation to deduct or withhold such taxes, duties or governmental charges. The Issuer will not be obliged to make any additional payments in respect of any such withholding or deduction imposed.

## **8.9 ACCELERATION**

### **8.9.1 Right of Acceleration**

Each Note Holder shall be entitled to declare his Notes due and demand immediate redemption thereof at the Redemption Value, together with accrued interest, if any, to the date of repayment, in the event that any of the following events (each an "Acceleration Event") occurs:

- a) The Issuer shall fail to pay any interest on any Note when due and such failure shall continue for thirty (30) days after written notice thereof shall have been given to the Issuer by any Note Holder; or
- b) The Issuer shall fail duly to perform or shall otherwise be in breach of any other material obligation contained in the Conditions of the Notes and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer by any Note Holder; or
- c) An order is made or resolution passed or other action taken for the dissolution, termination of existence, liquidation, winding-up or bankruptcy of the Issuer; or
- d) The Issuer stops or suspends payments (whether of principal or interest) with respect to all or any class of its debts or announces an intention to do so or ceases or threatens to cease to carry on its business or a substantial part of its business; or
- e) The Issuer is unable, or admits in writing its inability, to pay its debts as they fall due or otherwise becomes insolvent.

### **8.9.2 Form of Notice**

Any notice, including any notice declaring Notes due, in accordance with section 8.8.1 shall be made by means of a written declaration delivered by hand or registered mail to the registered office of the Issuer.

### **8.9.3 Prescriptive Period**

In terms of article 2156 of the Civil Code (Cap. 16, laws of Malta), actions for the payment of interest on sums taken on loan and for the return of money given on loan (if the loan does not result from a public deed) are barred by the lapse of five years. Accordingly, actions for the payment of interest and principal on the Notes are barred by the said prescriptive period.

## **8.10 FURTHER ISSUES IN TRANCHES, PURCHASES AND CANCELLATION**

### **8.10.1 Further Issues in Tranches**

The Issuer may from time to time, without the consent of the Note Holders, issue further Tranches of Notes, so as to form a single Series with the Notes.

### **8.10.2 Purchases**

The Issuer may at any time purchase Notes in the open market or otherwise and at any price. If purchases are made by tender, tenders for such Notes must be made available to all Note Holders of the Tranche/s that are being tendered for.

### **8.10.3 Cancellation**

All Notes redeemed in full shall be cancelled forthwith and may not be reissued or resold.



## **8.11 NOTICES**

### **8.11.1 Publication**

All notices concerning the Notes will be made by means of electronic publication on the website of the Malta Stock Exchange ([www.borzamalta.com.mt](http://www.borzamalta.com.mt)), or, in addition and at the option of the Issuer, on the website of the Issuer ([www.bov.com](http://www.bov.com)). Any notice so given will be deemed to have been validly given on the date of such publication. Furthermore, Note Holders may request that any such notices be sent by post to the address contained in the register of Note Holders maintained by the CSD on behalf of the Issuer.

## **8.12 APPLICABLE LAW, PLACE OF PERFORMANCE, PLACE OF JURISDICTION AND ENFORCEMENT**

### **8.12.1 Applicable Law**

The Notes, as to form and content, and all the rights and obligations of the Note Holders and the Issuer, shall be governed by Maltese law.

### **8.12.2 Submission to Jurisdiction**

The place of jurisdiction for all legal proceedings arising out of or in connection with the Notes shall be Malta.

# FORM OF FINAL TERMS

Full information on the Issuer and the issue of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus dated [-] 2011. The Final Terms will be available for inspection at the registered office of the Issuer.

Date [-]

Final Terms

[Title of relevant Series of Notes]

[to be consolidated, form a single series with the [Title of Relevant Series of Notes] issued on [-]]

Series [-]/[-], Tranche [-]<sup>1</sup>

Issued pursuant to the

€[-]

**Debt Issuance Programme**

Dated [-] 2011

of

**Bank of Valletta p.l.c.**

Issue Price: [-]

Issue Date: [-]

These are the applicable Final Terms of an Issue of Notes under the €[-] Debt Issuance Programme of Bank of Valletta p.l.c. (the "**Programme**"). Full information on the Issuer and the issue of the Notes is only available on the basis of the combination of the Prospectus dated [-] 2011, the "**Prospectus**" and these Final Terms.

## 9 PART I: TERMS AND CONDITIONS

This part of the Final Terms is to be read in conjunction with the Terms and Conditions of the Notes, the "**Terms and Conditions**" set forth in the Prospectus dated [-] 2011 pertaining to the Programme, as the same may be supplemented from time to time. Capitalised terms not otherwise defined herein shall have the same meanings specified in the Terms and Conditions.

All provisions in the Terms and Conditions corresponding to items in the Final Terms which are either not selected or completed or which are deleted shall be deemed to be deleted from the Terms and Conditions applicable to the Notes, the "**Conditions**".

### 9.1 LANGUAGE OF CONDITIONS

English

### 9.2 CURRENCY, DENOMINATION, FORM AND TITLE, CERTAIN DEFINITIONS<sup>2</sup>

Specified Currency

[ ]

Aggregate Principal Amount

[ ]

Specified Denomination

[ ]

Number of Notes to be issued in each Specified Denomination

[ ]

Minimum Subscription

[ ]

Calculation Amount

[ ]

<sup>1</sup> (if fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).

<sup>2</sup> The minimum denomination of the Notes will be, if in Euro, €100, if in Pounds Sterling, £100, if in United States Dollars, \$100. The maximum denomination of Notes will be, if in Euro, €1,000, if in Pounds Sterling, £1,000, if in United States Dollars, \$1,000.





**9.3 INTEREST**

**A. Fixed Rate Note Provisions:**

**[Applicable/Not Applicable]**  
*(If not applicable, delete the remaining sections of this paragraph A)*  
**[• per cent per annum]**

Fixed Rate of Interest	[ ]
Interest Commencement Date	[ ]
Fixed Interest Date	[ ]
First Interest Payment Date	[ ]
Interest Payment Dates	[ ]
Day Count Fraction	[ ]

**B. Floating Rate Note Provisions:**

**[Applicable/Not Applicable]**  
*(If not applicable, delete the remaining sections of this paragraph B)*

Interest Period	[ ]
Specified Interest Payment Dates	[ ]
Screen Rate Determination	
Reference Rate	<b>[LIBOR]/[EURIBOR]<sup>3</sup></b>
Interest Determination Date	[ ] Business Days in <i>[specify city]</i> prior to each Interest Payment Date
Relevant Screen Page	[ ]
Relevant Time	[ ]
Margin	<b>[+/-][•] per cent per annum</b>
Minimum Rate of Interest	<b>[•] per cent per annum</b>
Maximum Rate of Interest	<b>[•] per cent per annum</b>
Day Count Fraction	[•]

**9.4 PAYMENTS**

Specified Currency	[ ]
Redemption Value	[ ]
Register Cut-Off	[ ]

**9.5 TRANSFERABILITY OF THE NOTES**

Transfer cut-off	[ ]
------------------	-----

**9.6 REDEMPTION**

Maturity Date	[ ]
---------------	-----

**9.7 NOTICES – PLACE AND MEDIUM OF PUBLICATION**

Website of the MSE	<div style="border: 1px solid black; width: 100%; height: 15px;"></div>
Website of the Issuer	<div style="border: 1px solid black; width: 100%; height: 15px;"></div>

<sup>3</sup> Information about the past and further performance of EURIBOR and LIBOR, including the volatility thereof, can be obtained from Reuters/Bloomberg.

## 10 PART II: ADDITIONAL DISCLOSURE REQUIREMENTS RELATING TO NOTES

### 10.1 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

### 10.2 ESTIMATED EXPENSES RELATING TO THE ISSUE

Expenses are estimated not to exceed [ ]

### 10.3 ISIN

ISIN [ ]

### 10.4 YIELD

Yield [ ]

Method of Calculating the yield:

### 10.5 SELLING RESTRICTION

The Selling Restrictions set out in section [ ] of the Prospectus shall apply

Additional Selling Restrictions (specify) [ ]

### 10.6 TAXATION

Information on taxes on the income from the Notes withheld at source in respect of countries where the offer is being made or admission to trading is being sought.<sup>4</sup>

<sup>4</sup> Unless specified in the Prospectus.



## 11 TERMS AND CONDITIONS OF THE ISSUE<sup>5</sup>

### 11.1 EXPECTED PRICE AND CONDITIONS

Expected price at which the Notes will be offered, the amount of any expenses and taxes charged to the applicant.

[insert details]

The issuance of the Notes under these Final Terms is subject to the following conditions - [insert details, if applicable and delete, if inapplicable]

### 11.2 METHOD OF DISTRIBUTION

[insert details including details of any selling agents]

### 11.3 FORM OF COMMITMENT

[underwriting]

### 11.4 COMMISSIONS

Selling Commission [ ]

Other [ ]

### 11.5 TIMETABLE

[insert details]

### 11.6 ADMISSION TO TRADING AND DEALING ARRANGEMENTS

Malta Stock Exchange [ ]

Regulated Market [ ]

Other (insert details) [ ]

Date of Admission [ ]

Commencement of Dealing [ ]

Regulated Markets or equivalent markets on which, to the knowledge of the Issuer, Notes of the same Series to be offered or admitted to trading are already admitted to trading. [ ]

### 11.7 ADDITIONAL INFORMATION

Manner and Date of Publication of Results of Offer of Notes [ ]

Process of Notification of Amounts Allotted<sup>6</sup>

Method and time limits for paying up, and for delivery of, Notes [ ]

Reduction of subscription & refunds [ ]

Other relevant terms and conditions [ ]

<sup>5</sup> In the case of a public offer of Notes, information regarding items 5.1.1, 5.1.3 – 5.1.8, 5.2 and 5.4.1 of Annex V of the Commission Regulation 809/2004 will be completed in the Final Terms.

<sup>6</sup> Dealings in the Notes may not commence prior to the said notification.

Information from a third party (insert details) [ ]

Source of Information [ ]

[The Issuer confirms that this information has been accurately reproduced] [ ]

**11.8 LISTING**

The above Final Terms comprise the details required to list this issue of Notes pursuant to the €[-] Debt Issuance Programme of Bank of Valletta p.l.c. (as from **[insert Issue Date of the Notes]**).

**11.9 RESPONSIBILITY**

The Directors of the Issuer accept responsibility for the information contained in these Final Terms as set out in the section "Responsibility Statement" in the Prospectus.

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Bank of Valletta p.l.c.  
[Name and Title of Signatories]



## TAXATION

**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 NOTES, INCLUDING THEIR ACQUISITION, HOLDING AND DISPOSAL AS WELL AS ANY INCOME/ GAINS DERIVED THEREFROM OR MADE ON THEIR DISPOSAL.**

The following is a summary of the anticipated tax treatment applicable to Note Holders in so far as taxation in Malta is concerned. This information does not constitute legal or tax advice and does not purport to be exhaustive. The information below is based on an interpretation of tax law and practice relative to the applicable legislation, as known to the Issuer at the date of the Prospectus, in respect of a subject on which no official guidelines exist. Investors are reminded that tax law and practice and their interpretation as well as the levels of tax on the subject matter referred to in the preceding paragraph, may change from time to time.

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

## 12 TAXATION - MALTA

### 12.1 MALTA TAX ON INTEREST

Since interest is payable in respect of a Note which is the subject of a public issue, unless the Issuer is otherwise instructed by a Note Holder or if the Note Holder does not fall within the definition of "recipient" in terms of article 41(c) of the Income Tax Act (Cap.123, laws of Malta), interest shall be paid to such person net of a final withholding tax, currently at the rate of 15% of the gross amount of the interest, pursuant to article 33 of the Income Tax Act. Note Holders who do not fall within the definition of a "recipient" do not qualify for the said rate and should seek advice on the taxation of such income as special rules may apply.

This withholding tax is considered as a final tax and a Maltese resident individual Note Holder need not declare the interest so received in his income tax return. No person shall be charged to further tax in respect of such income. However, tax withheld shall in no case be available to any person for a credit against that person's tax liability or for a refund as the case may be.

In the case of a valid election made by an eligible Note Holder resident in Malta to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his income tax return and be subject to tax on it at the standard rates applicable to that person at that time. Additionally, in this latter case the Issuer will advise the Malta Commissioner of Inland Revenue on an annual basis in respect of all interest paid gross and of the identity of all such recipients unless the beneficiary does not qualify as a "recipient" in terms of article 41(c) of the Income Tax Act. Any such election made by a resident Note Holder at the time of subscription may be subsequently changed by giving notice in writing to the Issuer. Such election or revocation will be effective within the time limit set out in the Income Tax Act.

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

### 12.2 EUROPEAN UNION SAVINGS DIRECTIVE

Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the Malta Commissioner of Inland Revenue who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the EU Savings Directive 2003/48/EC.

### 12.3 MALTA CAPITAL GAINS ON TRANSFER OF THE NOTES

On the assumption that the Notes would not fall within the definition of "securities" in terms of article 5(1)(b) of the Income Tax Act, that is, "*shares and stocks and such like instrument that participate in any way in the profits of the company and*



*whose return is not limited to a fixed rate of return*", no Malta tax on capital gains is chargeable in respect of transfer of the Notes held as capital assets at the time of disposal.

#### **12.4 DUTY ON DOCUMENTS AND TRANSFERS**

In terms of article 50 of the Financial Markets Act (Cap. 345, laws of Malta) as the Notes constitute financial instruments of a company quoted on a regulated market, as is the MSE, redemptions and transfers of the Notes are exempt from Maltese duty.

**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 NOTES AS WELL AS INTEREST PAYMENTS MADE BY THE ISSUER. THE ABOVE IS A SUMMARY OF THE ANTICIPATED TAX TREATMENT APPLICABLE TO THE NOTES AND TO NOTE HOLDERS. THIS INFORMATION, WHICH DOES NOT CONSTITUTE LEGAL OR TAX ADVICE, REFERS ONLY TO NOTE HOLDERS WHO DO NOT DEAL IN SECURITIES IN THE COURSE OF THEIR NORMAL TRADING ACTIVITY.**



## GENERAL INFORMATION

### 13 GENERAL

Unless otherwise stated in the Final Terms, there are no interests of natural and legal persons involved in potential issues under the Programme, including conflicting ones that are material to the issue of Notes under the Programme.

### 14 SELLING RESTRICTIONS

#### 14.1 UNITED STATES OF AMERICA

The Notes have not been and will not be registered under the Securities Act of 1933 of the United States of America and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.

#### 14.2 EUROPEAN ECONOMIC AREA

In relation to each Member State of the European Economic Area (other than Malta) which has implemented the Prospectus Directive when securities are offered to the public or admitted to trading or which, pending such implementation, applies article 3.2 of said directive, the securities can only be offered to “qualified investors” (as defined in said directive) as well as in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to article 3 of said directive.

### 15 USE OF PROCEEDS

The net proceeds of each issue of Notes will be used by the Issuer for its general corporate and funding purposes such as the provision of loans and advances. Additionally, these proceeds, besides serving as a means of diversifying the Issuer's funding sources, will also enable the Issuer to extend the duration of part of its funding.

### 16 LISTING ON THE OFFICIAL LIST AND ADMISSION TO TRADING INFORMATION

#### 16.1 MALTA STOCK EXCHANGE

Application will be made to list each Series of the Notes on the Official List of the MSE and to be admitted to trading on the Regulated Market of the MSE.

Each Final Terms relating to the Notes shall be available for inspection at the registered office of the Issuer.

#### 16.2 UNDERTAKING

The Issuer has undertaken, in connection with the listing of the Notes, that if, while Notes are outstanding and listed on the Regulated Market of the MSE, there shall occur any substantial adverse change in the business, financial position or otherwise of the Issuer that is material in the context of issuance under the Programme and which is not reflected in the Prospectus (or any of the Reference Documents) the Issuer, as the case may be, will prepare or produce the preparation of a supplement to the Prospectus, or as the case may be, publish a new Prospectus for use in connection with any subsequent offering by the Issuer of Notes to be listed on the Regulated Market of the Malta Stock Exchange.

If the Terms and Conditions of the Notes (as set out in the Prospectus) are modified or amended in a manner which would make the Prospectus, as supplemented, inaccurate or misleading, a new Prospectus will be prepared to the extent required by law.

The Issuer will make available a copy of any new Prospectus or a supplement thereof (or any Reference Documents) in printed form, free of charge, from the registered office of the Issuer.

### 16.3 AUTHORISATION

The establishment of the Programme was authorised by the Board of Directors of the Issuer on the 4 April 2011.





## Supplement to the Base Prospectus dated 31 May 2011



### Bank of Valletta p.l.c.

(a public limited liability company registered under the laws of Malta with company registration number C2833 and with registered office situated at 58, Zachary Street, Valletta VLT 1130)

### €125,000,000 Debt Issuance Programme

This supplement dated 18 July 2011 (“**Supplement**”) constitutes a supplement within the meaning of Listing Rule 4.26.

This Supplement is supplemental to, and should be read in conjunction with the base prospectus dated 31 May 2011 (“**Base Prospectus**”) prepared by the Issuer in connection with the €125,000,000 Debt Issuance Programme (the “**Programme**”). Defined words and phrases used in the Base Prospectus shall have the same meanings when used in this Supplement.

The Listing Authority approved the Base Prospectus and authorised the admissibility to listing of the Programme on the Official List of the Malta Stock Exchange on the 30 May 2011. Application has been made to list the first series/first tranche of Notes to be issued under the Programme on the Official List of the Malta Stock Exchange.

This Supplement contains information given in compliance with the Listing Rules of the Listing Authority for the purpose of giving information. The persons listed in Section 7.12.1 of the Base Prospectus accept responsibility for the information contained in this Supplement. To the best of their knowledge (having taken all reasonable care to ensure that such is the case), the information contained herein is in accordance with the facts and does not omit anything likely to affect the import of such information. A copy of this Supplement has been delivered to the Listing Authority.

#### 1. Legal Proceedings

##### *Imposition of administrative penalties on the Issuer and Valletta Fund Management Limited*

On the 15 June 2011, an administrative penalty of €197,995 was imposed by the MFSA on the Issuer in its capacity as custodian of the La Valette Multi Manager Property Fund (the “**Fund**”) in terms of article 16A of the Investment Services Act. The MFSA found the Issuer to be in breach of certain standard licence conditions (“**SLCs**”) of the investment services guidelines and rules (the “**Guidelines**”) and was considered to have failed:-

- a) *“to act with the level of care and diligence required of Licence Holders with regards to the conduct of their business. BOV is considered to have wrongly applied and wrongly monitored the application by others of investment restriction (v) which is laid down in the Supplementary Prospectus and which prohibits the Fund from investing in underlying funds that may be leveraged more than 100% of ‘net assets’ being ‘total assets less total liabilities’”*;
- b) *“to properly monitor compliance with investment restriction (v) described in the Supplementary Prospectus as limiting leverage risk of the underlying funds to 100% of ‘net assets’ being ‘total assets less total liabilities’ and to make accurate reporting in the Fund’s annual financial reports for the period ending 30th September 2006; and years ending 30th September 2007; 30th September 2008 and 30th September 2009”*; and
- c) *“to maintain sufficient records”*.

Furthermore, on the 15 June 2011, an administrative penalty of €149,821 was imposed by the MFSA on Valletta Fund Management Limited, a subsidiary of the Issuer (“**VFM**”) as manager of the Fund in terms of article 16A of the Investment Services Act. The MFSA found VFM to be in breach of certain SLCs of the Guidelines and was considered to have failed:-

- a) *“to act with the level of care and diligence required of Licence Holders with regards to the conduct of their business. VFM is considered as having wrongly applied investment restriction (v) which is laid down in the Supplementary Prospectus and which prohibits the Fund from investing in underlying funds that may be leveraged more than 100% of ‘net assets’ being ‘total assets less total liabilities’”*;

\* Extracted from the website of the Malta Financial Services Authority [www.mfsa.com.mt](http://www.mfsa.com.mt)



- b) “to properly monitor its delegates, Valletta Fund Services Ltd and Insight Investment Management (Global) Limited (licensed by the UK FSA), with regards to the proper application of investment restriction (v); and”;<sup>\*</sup> and
- c) “to maintain adequate records”<sup>\*</sup>.

The MFSA’s conclusions are based on the MFSA having taken a different view from that taken by BOV, VFM and Insight Investment Management (Global) Limited, on the proper interpretation and application of the gearing restriction (Investment Restriction (v)) contained in the Fund’s Supplementary Prospectus.

Both BOV and VFM remain of the view that the conclusions of the MFSA are wrong in fact and at law, and, in particular, that neither BOV nor VFM failed to act with the required level of care and diligence.

In view of the overwhelming acceptance rate to the Conditional Offer and the Bilateral Offers (below described), (together the “BOV Offer”), the Issuer and VFM have elected not to proceed with the intended appeal against the conclusions of the MFSA. This decision has been taken without prejudice to the views of both the Issuer and VFM that the MFSA conclusions were wrong and misconceived, both in fact and at law. In particular, the Issuer and VFM do not accept that their executives carried out their work without due diligence, professionalism and care. This decision not to appeal the MFSA conclusions is being taken because the Issuer and VFM see little practical merit in an extended adversarial dispute with the MFSA given the 98% response rate to the BOV Offer, and the desire of the parties to bring closure to this matter.

Finally, it is noted that the decision not to appeal is taken without prejudice to the Issuer and VFM in the event that any of the investors who have not accepted the BOV Offer (or otherwise disposed of their shares) elect to proceed to litigation.

#### *Results of Conditional Offer (as described in Section 7.17 of the Base Prospectus)*

On the 30 June 2011, the Issuer announced that its Conditional Offer to investors in the Fund closed as scheduled in the afternoon of the 30 June 2011. Acceptances of the Offer as at close of business thereof amounted to 94.4% of investors in the Fund, representing 95.2% of the shares in issue. The Issuer also announced that payments of the amounts due are being processed, and will reach those investors who accepted the Offer by not later than 6 July 2011.

#### *Bilateral Offers*

Following the close of the above described Conditional Offer, the Issuer has been approached by a number of investors in the Fund offering to sell their shares and rights related thereto in the Fund under similar conditions as those set out in the Conditional Offer. The Issuer has entertained such requests, and as a result has entered into a bilateral agreement with each such investor pursuant to which the Issuer purchased and acquired their shares in the Fund for a consideration of €0.75 per combined share in the Fund (including both the main pool shares and the side pocket shares) on similar terms and conditions as those contained in the Offer document dated 26 May 2011.

#### *Results of Conditional Offer & Bilateral Agreements*

As at the 11 July 2011, 97.8% of investors in the Fund have transferred their shareholding in the Fund to the Issuer, representing 97.8% of the shares in the Fund in issue. Accordingly, as at the 11 July 2011 and on the basis of the results of both the Conditional Offer and the said bilateral agreements, the gross cost thereof (that is before any recoveries from third parties) shall be approximately €14.7 million, and will be taken as a charge against profits before taxation in the second half of financial year 2011.

## **2. Further Updates to the Base Prospectus**

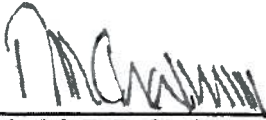
References in Sections 3.3, 7.7 and 7.9 of the Base Prospectus to Insight Investment Management (Global) Limited should read Insight Investment Management Limited.

Furthermore, in addition to the directorships held by Roderick E D Chalmers (Chairman and Non-Executive Director of the Issuer) and disclosed in Section 7.12.1 of the Base Prospectus, Roderick E D Chalmers was appointed a non executive director of Airmalta p.l.c.

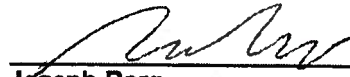
## **3. General**

Save as disclosed in this Supplement, as at the date of this Supplement, no significant change and no significant matter has arisen since the 31 May 2011, being the date of the Base Prospectus.





**Roderick E. D. Chalmers**  
Chairman



**Joseph Borg**  
Director



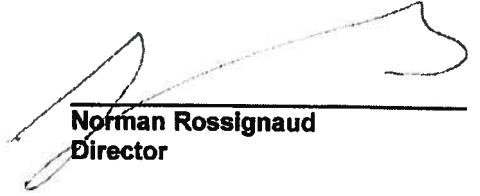
**Roberto Cassata**  
Director



**Gordon Cordina**  
Director



**George Portanier**  
Director



**Norman Rossignaud**  
Director



**Manuel Rizzo**  
Director



**Paul Testaferrata Moroni Viani**  
Director



**George Wells**  
Director



