

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





- 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”;^{*} and
- c) “to maintain adequate records”^{*}.

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.