



## Subordinated Debt Issuance Programme

Dated 16 October 2015

### 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 the

### Subordinated Debt Issuance Programme of a maximum of €150,000,000

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

Potential investors should read the section entitled "Risk Factors" for a discussion of certain factors which should be considered in connection with an investment in any of the Notes. This Prospectus has been filed with the Listing Authority and will be published in electronic form on the website of the Listing Authority and of the Issuer. A printed form of the Prospectus is also available, free of charge, from the registered office of the Issuer.

The Listing Authority has authorised the admissibility of the Notes under the Programme as a listed financial instrument. This means that the said instruments are in compliance with the requirements and conditions set out in the Listing Rules. In providing this authorisation, the Listing Authority does not give any certification regarding the potential risks in investing in the Notes, and such authorisation should not be deemed or be construed as a representation or warranty as to the safety of investing in the Notes.

The Listing Authority accepts no responsibility for the contents of the Prospectus, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in relation upon the whole or any part of the contents of the Prospectus including any losses incurred by investing in the Notes.

A potential investor should always seek independent financial advice before deciding to invest in the Notes. A potential investor should be aware of the potential risks of investing in the Notes and should make the decision to invest only after careful consideration and consultation with his or her own independent investment advisor.

The Notes are complex financial instruments and may not be suitable for all types of retail investors. A potential investor should not invest in the Notes unless:

- i. He/She has the necessary knowledge and experience to understand the risks relating to this type of financial instrument;
- ii. The Notes meet the investment objectives of the potential investor; and
- iii. Such potential investor is able to bear the investment and financial risks which result from investment in these Notes.



**John Cassar White**

*(signing in his capacity as Chairman and Director of the Issuer and as a duly appointed agent of all the other Directors of the Issuer)*

Joint Sponsors

Legal Advisor

Manager & Registrar



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## 1. RESPONSIBILITY STATEMENT

The Board of Directors of the Issuer, with its registered office in Malta, is solely responsible for the information given in this Prospectus. The Directors, whose names appear in section 9.7 of this Prospectus, hereby declare that, having taken all 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.

## 2. NOTICE

This Prospectus should be read and construed in conjunction with the Reference Documents. Full information on the Issuer and the Notes is only available on the basis of the Prospectus, together with the Reference Documents, and the relevant Final Terms.

The Issuer confirms that: (i) this Prospectus contains all information with respect to the Issuer and the Notes which is material in the context of the Programme; (ii) the information contained herein in respect of the Issuer and the Notes is accurate in all material respects and is not misleading; (iii) any opinions and intentions expressed herein are honestly held and based on reasonable assumptions; (iv) there are no other facts, the omission of which would make any statement, whether fact or opinion, in this Prospectus misleading in any material respect; and (v) all reasonable enquiries have been made to ascertain all facts and to verify the accuracy of all statements contained herein.

No person has been authorised to give any information 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 persons mentioned in this Prospectus, other than the Issuer, are responsible for the information contained in this Prospectus, any Reference Document or any Final Terms, 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.

The Joint Sponsors and the Legal Advisor 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 approval and this Prospectus and any supplement thereto as well as any Final Terms reflect their status as at their respective dates of issue. The Prospectus, any supplement and any/or Final Terms and the offering, sale or delivery of any Notes may not be taken: (a) as an implication that the information contained in such documents is accurate and complete subsequent to their respective dates of issue; and/or (b) that there has been no adverse change in the financial condition of the Issuer since such dates; and/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 contained 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 prospective 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 have not been nor will they be registered under the United States Securities Act, 1933 as amended, or under any federal or state securities law and may not be offered, sold or otherwise transferred, directly or indirectly, in the United States of America, its territories or possessions, or any area subject to its jurisdiction (the "U.S.") or to or for the benefit of, directly or indirectly, any U.S. person (as defined in regulation "S" of the said Act). Furthermore, the Issuer will not be registered under the United States Investment Company Act, 1940 as amended, and Note Holders will not be entitled to the benefits set out therein.

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 of Notes under the Programme where the prevailing language will be specified in the relevant Final Terms.

The Notes issued under the Programme will be listed on the Official List of the MSE and admitted to trading on the Regulated Market of the MSE. The MSE'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.**

Subject to the restrictions and conditions set out in this Prospectus, the categories of prospective investors to which the Notes are intended to be offered are retail and/or non-retail investors in Malta. A percentage of any Tranche may be reserved for specific retail and/or non-retail investors, or categories of either, details of which shall be included in the relevant Final Terms.

The Notes are complex instruments and accordingly are only suitable for investors who have the knowledge and experience to understand the risks relating to this type of financial instrument.

### 3. DIRECTORY

<b>Name and registered office of Issuer</b>	Bank of Valletta p.l.c. 58, Zachary Street, Valletta VLT 1130, Malta
<b>Board of Directors of the Issuer</b>	John Cassar White ( <i>Chairman and non-executive director</i> ) Alicia Agius Gatt ( <i>Non-executive director</i> ) Joseph Borg ( <i>Non-executive director</i> ) Roberto Cassata ( <i>Non-executive director</i> ) James Grech ( <i>Non-executive director</i> ) Mario Grima ( <i>Non-executive director</i> ) George Anthony Portanier ( <i>Non-executive director</i> ) Taddeo Scerri ( <i>Non-executive director</i> ) Joseph M Zrinzo ( <i>Non-executive director</i> )
<b>Joint Sponsors</b>	Rizzo, Farrugia & Co. (Stockbrokers) Ltd. Airways House, Third Floor, High Street, Sliema SLM 1549, Malta  Jesmond Mizzi Financial Advisors Limited 67, Level 3, South Street, Valletta VLT 1105, Malta
<b>Manager &amp; Registrar</b>	Bank of Valletta p.l.c. 58, Zachary Street, Valletta VLT 1130, Malta
<b>Reporting Accountants &amp; Auditors</b>	KPMG Portico Building, Marina Street, Pieta' PTA 9044, Malta
<b>Legal Advisor to the Issuer</b>	Camilleri Preziosi Level 3, Valletta Buildings, South Street, Valletta VLT 1103, Malta

## 4. DEFINITIONS

All terms not otherwise defined in this Prospectus shall have the meaning as set out in the “*Terms and Conditions*” of the Notes. 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>Applicant</b>	An applicant for the subscription of Notes;
<b>Associated Companies</b>	Each of Mapfre Middlesea p.l.c. (C5553) and MSV Life p.l.c. (C15722);
<b>Authorised Financial Intermediary/ies</b>	The list of investment services providers whose names appear in annex II to the Final Terms;
<b>BOV Group</b>	The Issuer and its Subsidiaries;
<b>CSD</b>	The central securities depository of the MSE 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>Directors or Board of Directors or Board</b>	The directors of the Issuer;
<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>Interest Commencement Date</b>	The Issue Date or such other date as may be specified in the relevant Final Terms;
<b>Issue Date/s</b>	The date on which each Tranche of Notes will be issued, details of which will be specified in the relevant Final Terms;
<b>Issue Price/s</b>	The price at which each Tranche of Notes is issued, details of which will be specified in the relevant Final Terms;
<b>Issuer or Bank</b>	Bank of Valletta p.l.c.;
<b>Listing Authority</b>	The MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act (Cap. 345, laws of Malta) by virtue of Legal Notice 1 of 2003;
<b>MFSA</b>	The Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330, laws of Malta);
<b>MSE</b>	The Malta Stock Exchange;
<b>Notes</b>	The subordinated and unsecured notes issued or to be issued in terms of the Programme;
<b>Note Holder/s</b>	The holder/s of Notes issued under the Programme;
<b>Offer Period</b>	The period during which each Tranche of Notes will be on offer, details of which will be specified in the relevant Final Terms;
<b>Official List</b>	The list prepared and published by the MSE as its official list in accordance with the MSE Bye-Laws;
<b>Programme or Subordinated Debt Issuance Programme</b>	The subordinated debt issuance programme of a maximum of €150,000,000 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 and all amendments thereto;



<b>Reference Document/s</b>	Any supplement to the Prospectus, together with any document incorporated by reference;
<b>Regulated Market</b>	A multilateral system operated 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 within the meaning of the Directive 2004/39/EC. For the purposes of this definition, "buying and selling interests" includes orders, quotes and indications of interest;
<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); and
<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 or supplemented from time to time and the relevant Final Terms.

## 5. SUMMARY

This summary (“**Summary**”) is made up of disclosure requirements known as elements. These elements are numbered in sections A – E (A.1 – E.7).

This Summary contains all the elements required to be included in a summary for this type of financial instrument and issuer. Because some elements are not required to be addressed, there may be gaps in the numbering sequence of the elements.

Even though an element may be required to be inserted in the Summary because of the type of financial instrument and issuer, it is possible that no relevant information can be given regarding the element. In this case a short description of the element is included in the Summary after the words 'not applicable'.

### Section A – Introduction & Warnings

#### A.1 Introduction & Warnings

This Summary should be read as an introduction to the Prospectus. Any decision to invest in the Notes should be based on consideration of the Prospectus, any Reference Documents and the relevant Final Terms.

Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff might, under the national legislation of the relevant Member State of the European Economic Area, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

No civil liability shall attach to any responsible person solely on the basis of this Summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Notes.

#### A.2 Consent by the Issuer to the use of prospectus in subsequent resale or final placement of securities, indication of offer period and conditions to consent for subsequent resale or final placement, and warning

Not applicable. There will be no subsequent resale or final placement of Notes and accordingly no such consent is required.

### Section B – Issuer

#### B.1 Legal & commercial name of Issuer

Bank of Valletta p.l.c.

#### B.2 Domicile and legal form of the Issuer, legislation under which the Issuer operates and country of incorporation of the Issuer

The Issuer is a public limited liability company registered in Malta in terms of the Companies Act (Cap. 386, laws of Malta).

<b>B.4(b)</b>	<b>Known trends affecting the Issuer and industries in which the Issuer operates</b>	As at the date of the Prospectus there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's business for at least up to the end of the current financial year save as may arise from changes in the laws and regulations applicable to the Issuer and changes in the economy and the financial markets in general.
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### **Global and Local Economic Outlook**

From a global perspective, the current financial year has been characterised by political tension and record low interest rates. Although the Issuer is not directly exposed to conflict regions, volatility in the financial markets could impact its proprietary investment portfolio. Interest rates are expected to remain low and this could impact the Issuer's net interest margin. Despite subdued global economic growth, the Maltese economy is registering higher growth rates when compared to its Eurozone peers and this is considered positive for the Issuer which is dependent on the local economy.

### **Regulatory Reforms**

Regulatory reforms in response to weaknesses in the global financial sector have had, and are expected to continue to have, a substantial impact on financial institutions, including the Issuer. The reforms that have been or may be adopted include, amongst others, more stringent capital and liquidity requirements, recovery and resolution measures (including the creation of a resolution fund) and the creation of new and strengthened regulatory bodies.

### **Financial Performance of the Issuer**

Despite operating in a challenging environment, the Issuer continued to perform well in all areas of its operations. Balance sheet growth was sustained and the Issuer continued to register positive increases in all areas of commission and fee income generating business.

### **Strategic Priorities of the Issuer**

The Issuer's strategic priority is to safeguard the stability and sustainability of the Bank as Malta's largest financial institution, for the long-term. The Issuer has, during FY 2015, embarked on a reform of its governance structures to assist it in achieving this end. Other major reforms include the restructuring of the credit function and IT developments. Human resources, processes and data management are also other strategic objectives of the Issuer.

<b>B.5</b>	<b>Description of the group and the Issuer's position within the group</b>	The Issuer is the parent company of the BOV Group comprising Valletta Fund Management Limited (C18603), BOV Investments Limited (C38876) and Valletta Fund Services Limited (C39623).
<b>B.9</b>	<b>Profit forecast or estimate</b>	Not applicable. The Issuer has chosen not to include a profit forecast or estimate.
<b>B.10</b>	<b>Nature of any qualifications in audit report on historical financial information</b>	Not applicable. The audit report on the historical financial information of the Issuer contains no such qualifications.

**B.12 Selected historical key financial information. No material adverse change and no significant change statements:**

The following table depicts key financial information extracted from the audited consolidated annual financial statements of the BOV Group for the financial years ended 30 September 2014 and 30 September 2013 and unaudited consolidated interim financial statements of the BOV Group for the six months ended 31 March 2015 and 31 March 2014.

	31 March 2015	30 September 2014	31 March 2014	30 September 2013
Authorised share capital (ordinary shares of €1.00 each) ('000)	500,000	500,000	500,000	500,000
Ordinary shares in issue of €1.00 each ('000)	360,000	330,000	330,000	300,000
Total assets (€'000)	9,042,441	8,296,791	7,734,102	7,257,958
Total liabilities (€'000)	8,401,521	7,682,322	7,148,690	6,680,953
Total equity (€'000)	640,920	614,469	585,412	577,005
Common Equity Tier 1 ratio (CRD IV basis for 30 September 2014 and 31 March 2015 and CRD III basis for 30 September 2013 and 31 March 2014)	11.8%	11.7%	11.3%	11.7%
Total Capital Ratio (CRD IV basis for 30 September 2014 and 31 March 2015 and CRD III basis for 30 September 2013 and 31 March 2014)	14.3%	14.5%	16.0%*	16.5%

There has been no material adverse change in the prospects of the Issuer since 30 September 2014 (date of the Issuer's last published audited financial statements).

There has been no significant change in the financial or trading position of the Issuer subsequent to the period covered by the historical financial information.

*\* This ratio does not feature in the unaudited consolidated interim financial statements of the BOV Group for the six months ended March 2014 but has been included in this table for completeness purposes.*

- B.13 Recent events particular to the Issuer which are materially relevant to the evaluation of Issuer's solvency** Not applicable. There are no recent events particular to the Issuer which are materially relevant to the evaluation of the Issuer's solvency.
- B.14 Dependency of the Issuer on other entities within the group** Not applicable. The financial position of the Issuer is not dependent on the financial position of other entities within the BOV Group.

- B.15 Description of the Issuer's principal activities**
- The Issuer provides a wide range of banking and other financial services. The principal activities of the Issuer comprise the following:
- i. 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; and
  - ii. The provision of advances to a wide array of customers, ranging from the private individual, businesses and industries. Advances include short-term and longer-term loans and overdrafts.

The Issuer also provides a number of other services including: (i) trade finance services; (ii) stockbroking, advisory and discretionary portfolio management services; (iii) bancassurance and wealth management services; (iv) investment banking, including underwriting, manager and registrar services for capital market transactions in the domestic market; (v) trustee and custody services; and (vi) 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.

- B.16 Description of whether the Issuer is directly or indirectly owned or controlled and by whom and nature of such controls**
- 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% |

Neither of the said major shareholders, alone, controls the Issuer.

- B.17 Credit ratings assigned to the Issuer or its debt securities**
- The Issuer is currently rated by Fitch Ratings ("Fitch"). The Issuer's long-term credit rating assigned by Fitch is BBB+ with a stable outlook.
- The Notes will not be rated.

### Section C – Securities

- C.1 Type and class of securities being offered and/or admitted to trading including any security identification number**
- Up to €150,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time pursuant to the Programme.

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 or as a new Series.

Notes shall be 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.

Notes will be issued in such denominations as may be determined by the Issuer and as indicated in the relevant Final Terms.

Notes will be issued bearing a fixed rate of interest throughout the entire term of the Notes and will be payable on that basis (as specified in the relevant Final Terms). 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 Tranche of the Notes on the Official List of the MSE and to be admitted to trading on the Regulated Market of the MSE.

The Notes will be governed by the laws of Malta.

The ISIN will be specified in the relevant Final Terms.

**Issue Specific Summary**

The Notes are [specify currency of Notes being issued] [specify fixed interest rate of Notes being issued] per cent, due [●]

Series:	[●]
Tranche:	[●]
Aggregate nominal amount:	[●]
ISIN code:	[●]
Issue Price:	[●]
Specified Denomination:	[●]

**C.2 Currency**

The Notes may be issued in any currency.

**Issue Specific Summary**

The currency of the Notes is: [●].

**C.5 Description of restrictions on free transferability**

There are no restrictions on the free transferability of the Notes.

**C.8 Description of rights attached to the securities and limitations to those rights; ranking of the securities**

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 below described ranking.

Ranking: The Notes are debt obligations of the Issuer and constitute the Issuer's subordinated and unsecured obligations and shall at all times rank *pari passu*, without any priority or preference among themselves and with other subordinated debt. Thus the Notes rank after other outstanding, unsubordinated and unsecured obligations of the Issuer, present and future.

**C.9 Interest/Redemption/ Representative**

The applicable interest rate in respect of each Tranche will be set out in the respective Final Terms. Each Tranche will bear a fixed interest and will be payable in arrears on each Interest Payment Date. The Interest Commencement Date for each Tranche will be specified in the relevant Final Terms. The Maturity Date for each Tranche will be set out in the relevant Final Terms.

The Final Terms issued in respect of each Tranche will set out an indication of the Yield of the Notes.

Name of representative of debt security holders: Not applicable.

**Issue Specific Summary:**

Rate of Interest:	[•]
Interest Commencement Date:	[•]
Maturity Date:	[•]
Yield:	[•]

**C.10 Explanation of any derivative component in the interest payment**

Not applicable. There will be no derivative component in the interest payment.

**C.11 Listing and admission to trading**

The Notes issued under the Programme will be listed on the Official List of the MSE and admitted to trading on the Regulated Market of the MSE.

**Section D – Risks**

**D.2 Key information on the key risks that are specific to the Issuer**

The Issuer is engaged in the business of banking and other financial services. As a result, the following are the key risks that may arise in the normal course of business, which risks may affect the Issuer's ability to fulfil its obligations under the Notes issued under the Programme:

**Credit Risk:** This risk relates to 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. Credit risk arises primarily from the Issuer's lending activities.

**Liquidity Risk:** This is the risk that the Issuer will encounter difficulty in raising funds to meet its financial commitments. 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 margin calls.

**Operational Risk:** This is the risk of loss arising from inadequate or failed internal processes, people and systems or from unforeseen external events.

**Concentration Risk:** This risk arises 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 Issuer operates mainly in the Maltese market, the latter being a relatively small market when compared to other larger markets, exposes the Issuer to higher levels of concentration risk.

**Bail-in:** In the context of a *bail-in*, the Notes may be written down or converted to common equity tier 1 capital instruments (such as ordinary shares) of the Issuer before any non-subordinated liabilities of the Issuer are affected by such measures.

<b>D.3</b>	<b>Key information on the key risks that are specific to the securities</b>	<p>The following are the key risks associated with an investment in the Notes:</p> <p><b>Orderly and Liquid Market:</b> A liquid market depends, amongst others, on the presence of willing buyers and sellers. The Issuer cannot guarantee that such a liquid market will develop for the Notes and that the Note Holders will be able to sell the Notes at or above the Issue Price.</p> <p><b>Ranking:</b> The Notes are unsecured and subordinated to the claims of all holders of senior indebtedness.</p> <p><b>Limited Recourse:</b> By purchasing the Notes, the Note Holder agrees to waive his right of enforcement against the Issuer in the case of non-performance of the Issuer's obligations under the Notes, including the non-payment of interest and principal. The only remedy available to the Note Holder in the event of a default by the Issuer shall be the petitioning for the winding up of the Issuer, which shall constitute an Acceleration Event.</p> <p><b>Specific Nature of the Notes:</b> In view that the Notes will bear a fixed interest rate, investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the relevant Tranche.</p> <p><b>Value of the Notes:</b> The value of the Notes may increase or decrease and past performance is not necessarily indicative of future performance.</p> <p><b>Suitability:</b> An investment in the Notes may not be suitable for all recipients of this Prospectus and prospective investors are urged to consult an investment advisor as to the suitability or otherwise of an investment in any of the Notes before making an investment decision.</p> <p><b>Note Holder's Currency of Reference:</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.</p>
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**Section E – Offer**

<b>E.2b</b>	<b>Reasons for offer and use of proceeds when different from making profit and/or hedging certain risks</b>	<p>The Notes to be issued under the Programme constitute an integral part of the Issuer's capital plan. Consequently, the Programme which will consist of the issue of a maximum of €150,000,000 of subordinated debt, is aimed at further strengthening the Issuer's tier 2 capital requirements as required by European banking regulations. The net proceeds from the issue of the Notes will also be used by the Issuer to meet part of its general financing requirements.</p>
<b>E.3</b>	<b>Description of the terms and conditions of the offer</b>	<p>Notes will be offered to both retail and/or non-retail investors in Malta through Authorised Financial Intermediaries, details of which will be available in the relevant Final Terms.</p> <p>A description of the terms and conditions of the offer will be contained in the relevant Final Terms.</p>



**Issue Specific Summary:**

Offer Period:	[•]
Conditions to which the offer is subject:	[Not applicable]/[•]
Description of the application process:	[•]
Details of the minimum and/or maximum amount of application:	[•]
Manner in and date on which results of the offer are to be made public:	[Not applicable]/[•]

**E.4 Description of any interest material to the issue/offer, including conflicting interests**

The Issuer acknowledges that, where it acts in its capacity as an Authorised Financial Intermediary, as issuer of the Notes it has an interest in the offer being subscribed to by prospective investors. In this respect, the Issuer has in place a 'Conflict of Interest Policy' and procedures and controls designed to identify, prevent or manage conflicts of interest. Where a conflict of interest is considered to arise, the Issuer will endeavour, where possible, to manage such conflict in the best interest of Note Holders, in line with the said internal policy, procedures and controls.

Consequently, before selling the Notes to prospective investors, the Bank's representative will draw the attention of the Applicant to the said conflict of interest. The Bank's representative will also explain to the Applicant that the 'Conflict of Interest Policy' will be made available upon request and may also be accessed on the Issuer's website [www.bov.com](http://www.bov.com)

The Issuer, apart from disclosing such conflict of interest in the Prospectus and the relevant Final Terms, will also clearly disclose, in a durable medium, the nature of the conflict of interest specified above by disclosing such interest in the relevant application form.

Save for the aforesaid and for the Sponsors' entitlement to fees payable in connection with the offer of the Notes, so far as the Issuer is aware, no person involved in the offer of the Notes has any other interest that is material to the offer.

**E.7 Estimated expenses charged to investor by Issuer**

Not applicable. No expenses will be charged to the investor by the Issuer.

## 6. RISK FACTORS

### 6.1 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 investment and other professional advisors, 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 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, 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. In addition, prospective investors should consider all other sections of the Prospectus before investing in the Notes. Prospective investors should be aware that risk may be amplified due to a combination of risk factors.

#### 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.

### 6.2 RISKS RELATING TO THE ISSUER

The Issuer 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.

#### 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.

#### 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 margin calls.

#### 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.

#### 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.

## 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.

## 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:

### 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.

### 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).

### 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.

### Reputational Risk

Reputational risk is the risk that negative public opinion regarding the Issuer's and/or the BOV Group's business practices or internal controls, whether true or not, may 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.

### Bank Resolution and Recovery Directive

Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No. 1093/2010 and (EU) No. 648/2012, of the European Parliament and of the Council (known as the Bank Recovery and Resolution Directive and hereinafter referred to as the "BRRD") entered into force on 2 July 2014. ACT No. XXI of 2015, amending (*inter alia*), the Malta Financial Services Authority Act (Cap. 345, laws of Malta), the Investment Services Act (Cap. 370, laws of Malta) and the Banking Act (Cap. 371, laws of Malta), establishes the Resolution Authority and the Resolution Committee ("the Resolution Authorities") in accordance with the requirements of the BRRD as well as provides for matters ancillary or incidental to the establishment thereof.

The BRRD is designed to provide the Resolution Authorities with a set of tools to intervene early and quickly in the affairs of an unsound or failing bank so as to ensure the continuity of the bank's critical financial and economic functions, whilst minimising the impact of a bank's failure on the economy and financial system.

Pursuant to the BRRD, the Resolution Authorities may intervene using one or more resolution tools in the event that all of the following conditions are met: (a) a bank is failing or likely to fail; (b) there is no reasonable prospect that alternative private sector measures would prevent the failure of a bank; and (c) a resolution action is in the public interest.

One of the resolution tools is the *bail-in* tool whereby Resolution Authorities are, amongst others, empowered to write down or convert into common equity certain liabilities of a failing bank (including tier 2 capital instruments such as the Notes). The *bail-in* tool ensures that not only shareholders but also creditors of the failing institution suffer appropriate losses and bear an appropriate part of the costs arising from the failure of the institution.

The Resolution Authorities will have to exercise their *bail-in* powers in a way that results in: (i) common equity tier 1 capital instruments (such as ordinary shares of the Issuer) being written down first in proportion to the relevant losses; (ii) thereafter, the principal amount of other capital instruments (additional tier 1 capital instruments and tier 2 capital instruments such as the Notes) being written down on a permanent basis or converted into common equity tier 1 capital instruments in accordance with their order of priority; and (iii) thereafter, other eligible liabilities being written down on a permanent basis or converted into common equity tier 1 capital instruments in accordance with a set order of priority.

The extent to which the Notes may become subject to a *bail-in* will depend on a number of factors, and it will be difficult to predict when, if at all, a *bail-in* will occur particularly since, as at the date of this Prospectus, none of the conditions prescribed in (a)-(c) above subsist within the Issuer.

Prospective investors should, nonetheless, consider the risk that in the event that the Issuer becomes subject to a *bail-in*, the principal amount of the Notes including any accrued but unpaid interest, may be: (i) partially or fully lost in the case of a write down to absorb the Issuer's losses; or (ii) if a conversion takes place, their investment in the Notes may be partially or fully converted into tier 1 capital to recapitalise the Issuer.

In the event that the Issuer becomes subject to a *bail-in*, this shall not constitute an Acceleration Event and Note Holders will have no further claims in respect of any amounts so written off or converted into tier 1 capital as aforesaid.

#### Other Regulatory Matters

The Issuer is subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure their compliance with economic and other objectives and limit their exposure to risk.

The Issuer is also required to comply with applicable know-your-customer, anti-money laundering and counter-terrorism financing laws and regulations. To the extent that the Issuer fails or is perceived to fail to comply with these and other applicable laws and regulations, its reputation could be materially damaged, with consequent adverse effects on its business, financial condition, results of operations and prospects.

Any failure or delay in receiving any required regulatory approvals or changes in the regulatory environment could ultimately place increased regulatory pressure on the Issuer, and could have a material adverse effect on its business, financial condition, results of operation and cash flow, particularly in the case of an adverse impact resulting from regulatory developments which could expose its business to a number of risks as well as limit growth, curtail revenues and impact the Issuer's service offerings. Moreover, there is a risk of non-compliance associated with the complexity of regulation. Failure to comply with current or future regulation could expose the Issuer's business to various sanctions, including fines or the withdrawal of authority to conduct certain lines of business.

#### Supervision by the European Central Bank

Since 4 November 2014, the Issuer along with other significant institutions in the Eurozone, has become subject to direct supervision by the European Central Bank ("ECB"), which assumed the supervisory functions previously performed by the MFSA. While the ECB will implement substantially the same supervisory framework as the former regulator, the supervisory practices and procedures of the ECB may prove to be more onerous or costly than those applied to the Issuer in the past.

## 6.3 RISKS RELATING TO THE NOTES

### Orderly & Liquid Market

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 Issue Price or at all.

### Future Public Offers

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

### Subordinated Notes

The Notes are unsecured and subordinated to the claims of all holders of senior indebtedness. The Notes constitute the general, direct, unconditional, subordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and with other subordinated obligations of the Issuer. Thus the Notes rank after other present and future outstanding, unsubordinated and unsecured obligations of the Issuer. Subordination means that the rights and claims of Note Holders in respect of the payment of capital and interest on the Notes will, in the event of dissolution and winding up of the Issuer, rank after the claims of all senior indebtedness and will not be repaid until all other senior indebtedness outstanding at the time has been settled.

### Limited Recourse

By purchasing the Notes, the Note Holder agrees to waive his right of enforcement against the Issuer in the case of non-performance of the Issuer's obligations under the Notes, including the non-payment of interest and principal. The only remedy available to the Note Holder in the event of a default by the Issuer shall be the petitioning for the winding up of the Issuer, which shall constitute an Acceleration Event.

### Specific Nature of the Notes

The Notes which the Issuer may issue shall be issued at fixed interest rates. Consequently, investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect their market value. 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, their prices decline and 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.

### 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.

### Discontinuation of Listing

Even after the Notes are admitted to trading 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 if, *inter alia*, it is satisfied that there are special circumstances that no longer permit normal dealings in the Notes to take place. Any such trading suspensions or listing revocations/discontinuations described above could have a material adverse effect on the liquidity and value of the Notes.

## Value of the Notes

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

## Suitability

An investment in the Issuer and the Notes may not be suitable for all recipients of this Prospectus and prospective investors are urged to consult an investment advisor 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 risk profile.

## 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.

## Minimum Application and Holding

Notes may be issued with a minimum application of €25,000 per Applicant and subject to a minimum holding of €25,000 throughout the lifetime thereof. This could affect the ability of Note Holders to sell the Notes on the secondary market.

## 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 effect on the "*Terms and Conditions*" of the Notes. No assurance can be given as to the impact thereof after the date of this Prospectus.

## 7. INCORPORATION BY REFERENCE/DOCUMENTS ON DISPLAY

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

- a) The memorandum and articles of association of the Issuer;
- b) The audited consolidated annual financial statements of the BOV Group for each of the financial years ended 30 September 2014 and 30 September 2013;
- c) The audited financial statements of each of the Subsidiaries for each of the financial years ended 30 September 2014 and 30 September 2013; and
- d) The unaudited consolidated interim financial statements of the BOV Group for the six months ended 31 March 2015 and 31 March 2014.

The following documents are available for inspection at the registered office of the Issuer for the life of this Prospectus:

- a) The documents above described as being Reference Documents; and
- b) The Prospectus and each set of Final Terms issued thereunder.

The audited consolidated annual financial statements and the unaudited consolidated interim financial statements of the BOV Group may also be inspected on the Issuer's website: [www.bov.com](http://www.bov.com)

## 8. GENERAL DESCRIPTION OF THE PROGRAMME

Under this 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 €150,000,000 (or its equivalent in any other currency).

The Notes may be issued on a continuing basis and may be offered for a period of up to twelve (12) months from date of approval of the Prospectus. The method of distribution of each Tranche will be stated in the relevant Final Terms.

Subject to the restrictions and conditions set out in this Prospectus, the categories of prospective investors to which the Notes are intended to be offered are retail and/or non-retail investors in Malta. A percentage of any Tranche may be reserved for specific retail and/or non-retail investors, and/or categories of either, details of which will be included in the relevant Final Terms.

The Notes are complex instruments and accordingly are only suitable for investors who have the knowledge and experience to understand the risks relating to this type of financial instrument.

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 or as a new Series.

The specific terms governing each Tranche will be set forth in the relevant 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 MSE ([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.

Notes will be issued in such denominations as may be determined by the Issuer and as indicated in the relevant Final Terms.

Notes will be issued bearing a fixed rate of interest throughout the entire term of the Notes and will be payable on that basis (as specified in the relevant Final Terms). Notes may be issued at an Issue Price which is at par or at a discount to, or a premium over, par.

There are no restrictions on the free transferability of the Notes.

The Notes are unsecured and subordinated to the claims of all holders of senior indebtedness. The Notes constitute the subordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and with other subordinated debt. Thus, the Notes rank after other outstanding, unsubordinated and unsecured obligations of the Issuer, present and future.

Subordination means that the rights and claims of Note Holders in respect of the payment of capital and interest on the Notes will, in the event of dissolution and winding up of the Issuer, rank after the claims of all senior indebtedness and will not be repaid until all other senior indebtedness outstanding at the time has been settled. Subordination only comes into effect in the event of a dissolution and winding up of the Issuer where the assets of the Issuer are not sufficient to meet the claims of all the creditors of the Issuer and a ranking of the creditors' claims becomes necessary.

The Notes to be issued under the Programme constitute an integral part of the Issuer's capital plan. Consequently, the Programme which will consist of the issue of a maximum of €150,000,000 of subordinated debt, is aimed at further strengthening the Issuer's tier 2 capital requirements as required by European banking regulations. The net proceeds from the issue of the Notes will also be used by the Issuer to meet part of its general financing requirements.

Application will be made to list each Tranche on the Official List of the MSE and to be admitted to trading on the Regulated Market of the MSE. The Notes shall be issued in terms of applicable Maltese law, including the Companies Act (Cap. 386, laws of Malta).

## 9. INFORMATION ABOUT THE ISSUER

### 9.1 STATUTORY AUDITORS

The Issuer's consolidated audited financial statements for the financial years ended 30 September 2014 and 30 September 2013 have been audited by Deloitte Audit Ltd, of Deloitte Place, Mriehel Bypass, Mriehel BKR 3000, Malta. Deloitte Audit Ltd 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). During the annual general meeting of the 17 December 2014, the shareholders of the Issuer resolved to appoint KPMG as auditors of the Issuer to audit the financial statements for the year ending 30 September 2015. This change in auditors was the result of a decision of the Board of Directors to carry out a tender process for the external audit contract.

### 9.2 HISTORY AND DEVELOPMENT OF THE ISSUER

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 a 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 MSE on the 26 August 1992.

### 9.3 ADDITIONAL INFORMATION ABOUT THE ISSUER

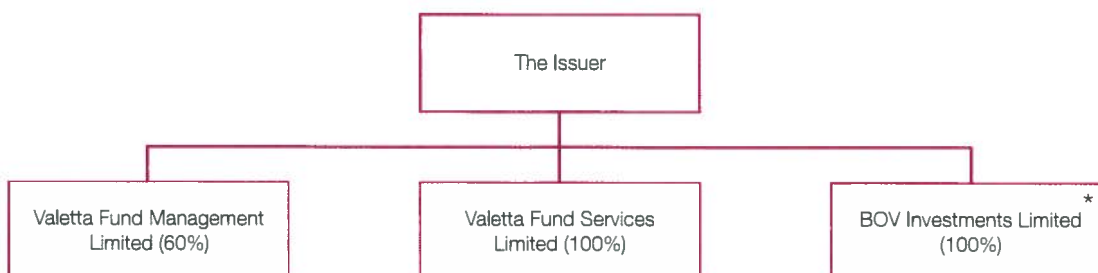
Full legal and commercial name:	Bank of Valletta p.l.c.
Registered address:	58, Zachary Street, Valletta VLT 1130
Place of registration and domicile:	Malta
Telephone number:	+356 2131 2020
Fax number:	+356 2275 3730
Email:	customer@bov.com
Website:	www.bov.com

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's long-term credit rating assigned by Fitch is BBB+ with a stable outlook. The Notes will not be rated.

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

### 9.4 ORGANISATIONAL STRUCTURE

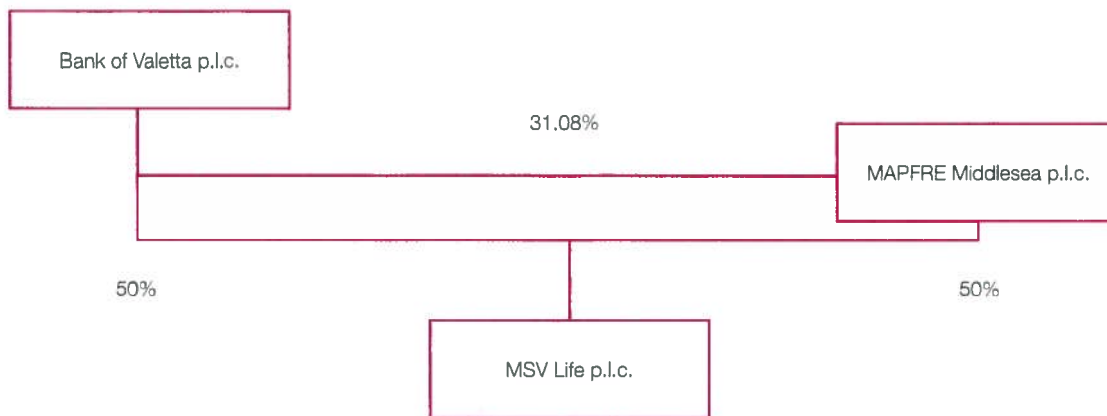
The following is an organisation chart of the Issuer and includes the Issuer's percentage shareholding in the Subsidiaries



\* BOV Investments Limited is currently in the process of being amalgamated into the Issuer



The following organisation chart depicts the relationship between the Issuer and the Associated Companies:



## 9.5 PRINCIPAL ACTIVITIES AND MARKETS

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; and
- The provision of advances to a wide array of customers, ranging from the private individual, businesses and industries. Advances include: (i) short-term and longer-term loans; and (ii) overdrafts.

The Issuer also provides a number of other services, including:

- Trade finance services to exporters, importers and traders including the provision of loans and overdrafts, documentary collections and negotiation of bills of exchange and bank guarantees;
- 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; and
- 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 worldwide 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, Belgium 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); and
- 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 Mapfre Middlesea p.l.c. Due to its classification as a significant credit institution in terms of the single supervisory mechanism, the Issuer has, as of the 4 November 2014, also come under the direct supervision of the European Central Bank.

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 Mapfre Middlesea p.l.c. and MSV Life p.l.c.

### **The Subsidiaries**

Valletta Fund Management Limited ("**VFM**") is a joint venture between the Issuer (holding 60% of the share capital) 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. VFM also qualifies as a 'Maltese Management Company' pursuant to the Undertakings for Collective Investment in Transferable Securities and Management Companies Regulations, 2004, as amended which transpose Council Directive 85/611/EEC, as amended. VFM has also been granted recognition status as a fund administrator by the MFSA in terms of the Investment Services Act (Cap. 370, laws of Malta).

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). VFS is also registered to act as company service provider in terms of the Company Service Providers Act (Cap. 529, laws of Malta).

BOV Investments Limited acts as an investment holding company. The Issuer holds 100% of the share capital thereof. BOV Investments Limited is currently in the process of being amalgamated into the Issuer.

### **The Associated Companies**

MSV Life p.l.c. is a joint venture between Mapfre Middlesea 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).

Mapfre Middlesea 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.

## **9.6. TREND INFORMATION**

There has been no material adverse change in the prospects of the Issuer since the date of publication of its latest audited financial statements.

At the date of publication of the Prospectus, with the exception of the macroeconomic conditions and market conditions generally, as well as the impact of legislation and regulations applicable to the Issuer and to other financial institutions within the Eurozone, the Issuer does not anticipate any trends, uncertainties, demands, commitments or events outside the ordinary course of business that could be deemed likely to have a material effect on the upcoming prospects of the Issuer's business for at least up to the end of the current financial year.

### **Global and Local Economic Outlook**

From a global perspective, the current financial year has been characterised by geo-political tensions, record low interest rates resulting from actual and perceived low inflation data and subdued economic growth. The conflict between Russia and Ukraine, the nuclear stand-off between the United States and Iran and the threat of ISIS in North Africa and the Middle East have created a certain amount of volatility in financial markets, and will continue to do so if no long-term peaceful solution is provided. Although the Issuer is not directly exposed to these conflict regions, the resultant volatility created in the financial markets can impact its proprietary investment portfolio.

Global inflation remains low, and although some analysts are arguing that it has bottomed out, the recent weakness in the commodity markets and the devaluation of the Chinese renminbi due to fears of economic slowdown have rekindled downside risks. We are also experiencing new yearly lows in the price of oil and this will continue to underscore mounting fears of disinflation. Against this scenario, interest rates are expected to remain low, especially for the Eurozone. Within this scenario, the Issuer will continue to experience interest rate compression, which may negatively impact its net interest margin.

In terms of economic growth, the Eurozone is undergoing a cyclical upswing. Having averted a Grexit after months of brinkmanship, Eurozone growth momentum is expected to be maintained in the coming months, supported by improved credit conditions as a result of the European Central Bank's ("ECB") quantitative easing programme and the strengthening of banks' balance sheets. The Maltese economy itself is registering higher growth rates when compared to its Eurozone peers, and this is considered positive for the Issuer who is dependent on the local economy.

## Regulatory Reforms

Regulatory reforms in response to the weaknesses in the global financial sector, together with increased regulatory scrutiny, have had and are expected to continue to have a substantial impact on financial institutions, including the Issuer. The reforms that have been or may be adopted include, amongst others, more stringent capital and liquidity requirements, recovery and resolution measures (including the creation of a resolution fund) and the creation of new and strengthened regulatory bodies, including the transfer of certain supervisory functions to the ECB, which became effective on 4 November 2014.

One of the most significant regulations to impact the Issuer is the Capital Requirements Regulation ("CRR") and Capital Requirements Directive ("CRD IV") which entered into force on 1 January 2014 and will be fully implemented as of 1 January 2022. Under these rules, while the total capital that a financial institution, such as the Issuer, will need to hold remains at 8%, the proportion that has to be of the highest quality, that is, common equity tier 1 ("CET1"), increases from 2% to 4.5%. In line with the new regulations, the Issuer is placing much of its emphasis and monitoring on CET1 capital. In fact, during the last years, the Issuer sought to further strengthen its CET1 ratio. The Issuer's CET1 ratio stood at 11.7% on a CRD IV basis with the total capital ratio reaching 14.5% as at end of FY 2014.

Furthermore, the new capital rules harmonise the adjustments made to capital in order to determine the amount of regulatory capital that it is prudent to recognise for regulatory purposes. As a result, these harmonisation rules increase the effective level of regulatory capital that a financial institution, such as the Issuer, is required to hold. In addition, the Issuer may be subjected to an additional capital buffer in view of its standing as a domestically significant bank.

The CRR introduces liquidity requirements from 2015, namely the liquidity coverage ratio ("LCR") whereby financial institutions, such as the Issuer, will be required to hold liquid assets, the total value of which would cover the net liquidity outflows that might be experienced under severe stressed conditions over a period of 30 days. The LCR is being phased-in gradually, starting at 60% in 2015 and reaching 100% in 2018. Whilst the Issuer is a highly liquid credit institution, and exceeds all levels of liquidity required by regulatory ratios, the Issuer has to ensure that it maintains a minimum stock of unencumbered, high quality liquid assets which have to be available to cover the net outflow expected to occur in a severe stress scenario.

As from the first week of November 2014, the ECB took over the responsibility for European banking supervision as part of the Single Supervisory Mechanism ("SSM"). The ECB, in liaison with the national competent authorities of participating EU countries, will directly supervise 120 banks deemed as significant credit institutions, including the Issuer due to its standing as the largest credit institution in Malta. Before assuming its new supervisory responsibilities, the ECB conducted a "Comprehensive Assessment" of the euro area banking system. The Assessment which consisted of two pillars, namely a point-in-time Asset Quality Review ("AQR") that assessed the quality and the value of the banks' exposure to counterparties and a forward-looking stress test that examined the resilience of banks' balance sheets to adverse stress scenarios, re-affirmed that the BOV Group's capital base exceeds the regulatory capital requirement, even under a hypothetical high stress scenario. The Comprehensive Assessment was, and will continue to be, a costly exercise for credit institutions, including the Issuer, both in financial terms as well as the human resource required to carry out this exercise.

The EU Bank Recovery and Resolution Directive ("BRRD") defines the means by which a failing bank can be resolved. Among the resolution tools, the BRRD enables the resolution authority to impose losses on shareholders and unsecured creditors *via* a write down or conversion to CET1 capital instruments of *bail-in* liabilities. In conjunction with the BRRD, the EU issued the Single Resolution Mechanism which established the Single Resolution Board and the Single Resolution Fund ("SRF"). The SRF kicks in if, exceptionally, the contributions by shareholders and creditors are not sufficient to finance resolution. The SRF would, however, only finance support measures for the resolution tools and would not directly absorb any losses or recapitalise a bank. Most financial institutions within the EU, including the Issuer, are required to contribute to the SRF by way of making *ex ante* contributions to the SRF so that within eight years the SRF would amount to 1% of the protected deposits of all banks within the Banking Union (approximately €55 billion). Extraordinary *ex post* contributions become due if the financial means of the SRF are not sufficient to cover support measures.

## Financial Performance of the Issuer

Despite operating in a challenging environment characterised by low interest rates, sweeping changes in banking regulation which are resulting in increasing regulatory and supervisory costs for the Issuer and severe geo-political tensions, the Issuer continued to perform well in all areas of its operations. Balance sheet growth was sustained and the Issuer continued to register positive increases in all areas of commission and fee income generating business. Notwithstanding the persisting low interest rate scenario which is resulting in lower returns earned on both the retail and treasury investments despite the higher volumes, net interest margin remains the key revenue generator of the Issuer.

Net loans and advances to customers continued to increase with home loans being the primary driver. Customer deposits also experienced strong growth across all segments. In line with the Issuer's conservative treasury management policy, the excess of incoming deposits which were not deployed towards lending were invested in good quality short-dated securities and liquid assets.

*(The above financial information was extracted from the audited consolidated financial statements of the BOV Group for the financial year ended 30 September 2014 and the unaudited consolidated interim financial statements of the BOV Group for the six months ended 31 March 2015).*

## Strategic Priorities of the Issuer

The Issuer's strategic priority is to safeguard the stability and sustainability of the Bank, as Malta's largest financial institution, for the long-term. A major requisite in this regard is the development and maintenance of a robust governance structure. As a result, the BOV Group has, during the FY 2015, embarked on the reform of its governance structure to align it with best international practices with the aim of developing a more focused governance structure as well as to ensure greater efficiency in dealing with the various major challenges that the BOV Group will be facing over the coming years.

Another major reform that has taken place within the Issuer was the restructuring of the credit function. The aim here is to draw a clear line between the origination of credit, and the sanctioning thereof. The Issuer is also in the process of developing a robust IT architecture, built around a new core banking solution, which will enable organic development of IT systems in response to the ever-changing needs of business.

Other strategic objectives concern human resources, processes and data management. The Issuer will continue to build up and retain a professional and motivated workforce with the right mix of skills and experiences. Priority will also be given to process management and to the constant re-engineering of those processes through which products and services are distributed to the Issuer's customers, while identifying and mitigating operational risks within those processes. The Issuer is also intent on strengthening its data governance framework, with the twin aims of improving data quality and ensuring ready accessibility of relevant and accurate data to business users.

## 9.7 BOARD OF DIRECTORS AND BOARD COMMITTEES

The Board of Directors consists of a minimum of seven (7) and a maximum of ten (10) persons. Such maximum number may be increased to eleven (11) 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 of the Issuer. 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. 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 is composed of the following persons:

### **John Cassar White (Chairman and Non-Executive Director)**

John Cassar White was appointed as Chairman to the Board of the BOV Group in April 2013. He also chairs the boards of MSV Life p.l.c., Valletta Fund Management Limited and Valletta Fund Services Limited, and is a member of the board of Mapfre Middlesea p.l.c. Mr. Cassar White worked with the Issuer for thirty-seven (37) years until 2008. He also served on the boards of various state-owned enterprises and was a director of various investment companies. Until recently he was a lecturer at the Institute of Business and Commerce of MCAST. He holds a BA in Humanities Studies from the University of Malta and is an Associate of the Institute of Financial Services (UK). He has a special interest in business education and financial journalism.

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

Appointed to the Board in December 1998. Mr. Borg currently chairs the Board's Risk Management Committee. He is also a member of the Issuer's compliance committee. For a number of years, he chaired the Issuer's audit committee and was a member of the Issuer's remuneration committee. Mr. Borg is the managing director of FXB Group of Companies. He served on the Council and the Gozo Committee of the Malta Federation of Industries and is presently the vice-president of the Gozo Business Chamber. He has also been a director of the Oasi Foundation since its inception.

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

Appointed to the Board in September 2003. Dr. Cassata is an auditor and accountant by profession and also studied economics at the Palermo State University. Throughout his career Dr. Cassata held various senior positions within the UniCredit Group where he is presently Head of Public Sector Sicilia of UniCredit S.p.A. Dr. Cassata has also worked with PricewaterhouseCoopers where he was, amongst others, responsible for the Sicilian operational department.

**Mario Grima (Non-Executive Director)**

Appointed to the Board in December 2013. Mr. Grima chairs the Issuers' compliance committee and is also a member of the Issuer's risk management committee. He had served on the Board between 1996 and 2001 and was employed with the Issuer for thirty-seven (37) years. He retired from the Bank in 2011 and his last post was that of executive head of operations. He also served on the boards of Middlesea Insurance p.l.c., Middlesea Valletta Life Assurance Co. Limited and Malta Freeport Corporation. During his employment with the Issuer, Mr. Grima chaired various committees and was a Trustee Founder Member of the BOV Employees' Foundation for several years. His academic qualifications include a Masters Degree in Business Management from Henley Management College, UK.

**Taddeo Scerri (Non-Executive Director)**

Appointed to the Board in April 2013. Mr. Scerri currently chairs the Issuer's audit committee and is a member of the Issuer's remuneration and nominations committee and of the Issuer's asset and liability management committee. Mr. Scerri is a qualified accountant and is the managing partner of RSM Malta. He is chairman of the Malta Football Association Members Club Licencing Board and is also a member of the Malta Football Association's finance committee.

**Joseph M Zrinzo (Non-Executive Director)**

Appointed to the Board in December 2013. Mr. Zrinzo is currently a member of the Issuer's audit committee and a member of the Issuer's remuneration and nominations committee. Mr. Zrinzo was a Board member between 1996 and 1998 and was founder member of The Malta Shareholders Association. Mr. Zrinzo at present serves as managing director of a group of family companies, as board director of other local companies, committee member of The Cultural Heritage Advisory Committee and as an active member of philanthropic associations. Mr. Zrinzo has a vast experience of international trade having operated businesses with European, North African and Middle East companies.

**Alicia Agius Gatt (Non-Executive Director)**

Appointed to the Board in 2014. Dr. Agius Gatt graduated with a Bachelor of Arts in Legal and Humanistic Studies in 2005 and obtained a diploma in notarial studies in 2006. She started practicing as a trainee notary, and in May 2008, obtained her warrant to practice the notarial profession in Malta. Dr. Agius Gatt was awarded a doctorate in laws in December 2008. Since May 2008, Dr. Agius Gatt has been running her own notarial practice and has dealt with contracts, wills, inheritances, property law, loans and other related legal advice. Dr. Agius Gatt is a member of the Issuer's risk management committee and the Issuer's compliance committee.

**James Grech (Non-Executive Director)**

Appointed to the Board in 2014. Mr. Grech's career commenced as a management accountant with a local accounting firm. He joined the Bank in 1998 and was a member of the Board between January 2004 and December 2008. During this period he was a member of the Issuer's operational risk management committee and compliance committee. Within the Bank, he occupied managerial positions at various branches and senior managerial positions within various departments. He is currently head of foreign bank relationships. Since August 2010, he has also been a member of the board of trustees of the BOV Employees' Foundation. Mr. Grech is currently a member of the risk management committee and the compliance committee of the Issuer. Mr. Grech is also secretary and committee member of the ACI Malta and treasurer of the PTA committee of De La Salle College. James Grech lectured in financial services at the Malta College of Arts, Science and Technology and on corporate governance at the University of Malta. He also served as a consultant for local companies. Mr. Grech is a graduate with honours in management and also holds a masters in business administration from Henley Management College, UK.

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

Appointed to the Board in 2014. Mr. Portanier also served as a member of the Board between 1992 and 2013. For a number of years, Mr Portanier chaired the Issuer's compliance committee. He was a member of the Issuer's executive committee for a number of years as well as a member of the Issuer's risk management, compliance and remuneration and nominations committees. 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.

**Catherine Formosa (Group 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, MSV's and Valletta Fund Management'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. She is also a visiting lecturer at the faculty of laws at the University of Malta.

The business address of the Directors and the Company Secretary is that of the Issuer.

**Board Committees**

The Board of Directors has established the following committees:

<i>Audit Committee</i>	The audit committee's terms of reference reflect the provisions of the relative listing rules issued by the Listing Authority. The main role and responsibilities of the committee include the monitoring of the financial reporting process, the effectiveness of the Bank's internal control, internal audit and risk management systems 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 and Nominations Committee</i>	The remuneration and nominations committee is charged with overseeing the development and implementation of the remuneration and related policies of the BOV Group.
<i>Risk Management Committee</i>	The risk management committee assists the Board in assessing the different types of risks to which the BOV Group 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.
<i>Compliance Committee</i>	The primary objective of the compliance committee is to assist and guide the Board of Directors in the discharge of their obligations imposed from time to time by regulation in the area of financial services and in the light of the Bank acting as a credit and financial institution licensed to provide services under different laws and within the framework of the compliance function as defined in the Bank's compliance charter and as approved by the Board of Directors.

## Management Committees

The Board of Directors has established the following management committees:

<i>Management Board</i>	<p>The management board 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 and making recommendations to the Board on matters which are beyond its remit.</p> <p>As at the date of this Prospectus the management board of the Issuer is composed of the following persons:</p> <table data-bbox="616 680 1289 831"><tr><td>Charles Borg</td><td>Chief Executive Officer</td></tr><tr><td>Mario Mallia</td><td>Chief Operating Officer</td></tr><tr><td>Miguel Borg</td><td>Chief Risk Officer</td></tr><tr><td>Elvia George</td><td>Chief Finance Officer</td></tr><tr><td>Kenneth Farrugia</td><td>Chief Business Development Officer</td></tr></table>	Charles Borg	Chief Executive Officer	Mario Mallia	Chief Operating Officer	Miguel Borg	Chief Risk Officer	Elvia George	Chief Finance Officer	Kenneth Farrugia	Chief Business Development Officer
Charles Borg	Chief Executive Officer										
Mario Mallia	Chief Operating Officer										
Miguel Borg	Chief Risk Officer										
Elvia George	Chief Finance Officer										
Kenneth Farrugia	Chief Business Development Officer										
<i>Credit Committee</i>	<p>The credit committee is composed of representatives from the Issuer's business and risk functions, and sanctions credit proposals within a sanctioning limit approved by the Board of Directors in the area of trade finance and e-commerce as well as requests for credit limits arising from the Issuer's treasury department. Proposals falling outside this limit are referred, with the committee's recommendations, to the Board for consideration and determination. The credit committee meets on a weekly basis unless further meetings are required.</p>										
<i>Asset and Liability Management Committee</i>	<p>The asset and liability management committee ("<b>ALCO</b>") 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 BOV 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 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 provides 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 deposit products. 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>										
<i>Provisions Committee</i>	<p>The provisions committee is responsible for the provisioning methodology. The committee meets on a monthly basis unless further meetings are required.</p>										

#### *IT Steering Committee*

The IT steering committee is responsible for the effective and cost-efficient application of information technologies, related personnel resources and funding in support of the objectives and needs of the Bank. The committee meets on a monthly basis unless further meetings are required.

#### *Procurement Committee*

The procurement committee is responsible for the approval of procurement of goods and services that exceed limits afforded to management and to make recommendations to the Board of Directors on the award of contracts that exceed a defined value. The committee meets at such frequency as considered necessary by the chairperson.

### **9.8 CONFLICTS OF INTEREST**

As at the date of this Prospectus, there are no conflicts of interest between the duties of the Directors towards the Issuer and their private interests and/or other duties. Conflicts of interest may, however, arise in respect of certain future transactions, such as the granting of credit facilities by the Issuer to any of the Directors and/or any companies in which they may be involved. In such instances, such conflicts will be managed in the best interests of the Issuer in accordance with the procedures set out in the Issuer's articles of association. These provide that any director who is, in any way, whether directly or indirectly, interested in a contract or proposed contract or in any transaction or arrangement (whether or not constituting a contract) with the Issuer must: (i) declare to the other directors the nature of such interest pursuant to the provisions of the Companies Act (Cap. 386, laws of Malta); and (ii) not vote at a meeting of Directors in respect of any transaction, contract or arrangement in which he has a material interest, whether direct or indirect.

### **9.9 MAJOR SHAREHOLDERS**

To the extent known by the Issuer, direct or indirect control of the Issuer is not vested in any one single entity. As at the date of the Prospectus, the Issuer is not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Issuer. 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%

### **9.10 FINANCIAL INFORMATION**

The Issuer's consolidated financial statements for the financial years ended 30 September 2013 and 2014 and the interim financial statements for the six months ended 30 March 2014 and 2015 are incorporated by reference in, and form part of, this Prospectus (see section 7 "*Incorporation by Reference / Documents on Display*"). There has been no significant change in the financial or trading position of the Issuer subsequent to the period covered by the unaudited consolidated interim financial statements of the BOV Group for the six months ended 31 March 2015 referred to in section 7(d) hereof.

Pursuant to Regulation (EC) No. 1606/2002, the consolidated financial statements for the financial years ended 30 September 2013 and 2014, and the interim consolidated financial statements for the six-month periods ended 30 March 2014 and 2015 were prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and endorsed by the European Union.

### **9.11 LEGAL AND ARBITRATION PROCEEDINGS**

As announced by the Issuer on the 2 April 2015, legal proceedings have been instituted against it before an Italian Court in terms of which the Issuer is being requested to pay an amount equivalent to €363,000,000. On the basis of a legal opinion received in respect of this matter, the Board of Directors, having given the matter due consideration, has resolved to reject the claims made against it and has also decided that in the circumstances there is no justifiable reason for the Issuer to make any provisions against the claim.

Save for the above, the Issuer does not consider there to be any other legal or arbitration proceedings which may have a significant effect on the financial position or profitability of the Issuer and/or any member of the BOV Group.



## 9.12 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.

## 10. TERMS AND CONDITIONS

The following is the text of the terms and conditions ("**Terms and Conditions**") that, subject to completion and as supplemented in accordance with the provisions of the relevant Final Terms, shall be applicable to the Notes.

All capitalised terms that are not defined in these Terms and Conditions will have the meanings given to them in the relevant Final Terms.

The Notes are issued by Bank of Valletta p.l.c. (the "**Issuer**"). References below to **Terms and Conditions** are, unless the context requires otherwise, to the numbered paragraphs below.

### 1. DENOMINATION AND ISSUE PRICE, MINIMUM APPLICATION AMOUNT, CURRENCY, FORM, APPLICABILITY OF APPROPRIATENESS AND SUITABILITY TESTS, MEETINGS OF NOTE HOLDERS

#### a) *Denomination and Issue Price*

Notes shall be issued at the Issue Price in the specified denomination as set out in the relevant Final Terms (the "**Specified Denomination**").

#### b) *Minimum Application Amount*

Applications for the Notes during any Offer Period will be subject to a minimum subscription amount of not less than €5,000 (nominal).

#### c) *Currency*

Notes shall be issued in the specified currency/ies as set out in the relevant Final Terms (the "**Specified Currency/ies**").

#### d) *Form*

Notes shall be 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 together with particulars of the Notes held by them. A copy of a Note Holder's entry in the CSD's electronic register will, at all reasonable times during business hours, be available for inspection by the Note Holder at the registered office of the Issuer. Title to the Notes shall be evidenced by an entry in the electronic register of Notes maintained by the CSD.

The CSD will issue, upon a request by a Note Holder, a statement of holdings evidencing his/her entitlement to Notes held in the electronic register at the CSD.

#### e) *Applicability of Appropriateness and Suitability Tests*

In the event that the Notes are issued with a minimum application threshold of €25,000 per Applicant and subject to a minimum holding of €25,000 throughout the lifetime thereof, the Issuer (in its capacity as an Authorised Financial Intermediary) or any of the other Authorised Financial Intermediaries, shall be required to conduct an Appropriateness Test prior to selling Notes to an Applicant. To the extent that the Applicant requests the Issuer to provide investment advice or has arrangements in place with the Issuer for the provision of portfolio management services, such applications will not be entertained by the Issuer. Such applications for the subscription of Notes may be made through any of the other Authorised Financial Intermediaries. In these cases, such other Authorised Financial Intermediaries shall, if they agree to provide investment advice or portfolio management services to the Applicant in respect of the Notes, be required to conduct a Suitability Test in respect of the Applicant in order to assess whether an investment in the Notes is suitable for the Applicant.

In the event that the Notes are issued with a minimum application threshold of less than €25,000 per Applicant, Notes will be available for subscription from any of the Authorised Financial Intermediaries, excluding the Issuer. In such cases, the Authorised Financial Intermediaries (excluding the Issuer as aforesaid) will be required to conduct a Suitability Test in respect of each Applicant in order to assess whether an investment in the Notes is suitable for the Applicant.

The above will also apply when transfers of Notes are effected on the secondary market.

For the purpose of this Prospectus and the relevant Final Terms, the term "Appropriateness Test" means the test conducted by the Issuer (in its capacity as Authorised Financial Intermediary) or the other Authorised Financial Intermediaries (as the case may be) for the purpose of determining whether an investment in the Notes is appropriate for the Applicant or a prospective transferee. In carrying out the Appropriateness Test, the Issuer (in its capacity as Authorised Financial Intermediary) or the other Authorised Financial Intermediaries (as the case may be) shall ask the Applicant or the prospective transferee to provide information regarding the Applicant or prospective transferee's knowledge and experience so as to determine whether the Applicant or prospective transferee has the necessary experience and knowledge to understand the risks involved in relation to an investment in the Notes. The Appropriateness Test shall be carried out by the Issuer (in its capacity as Authorised Financial Intermediary) or the other Authorised Financial Intermediaries (as the case may be) in accordance with Part BI of the Investment Services Rules for Investment Services Providers, and in accordance with any rules requiring such tests which the MFSA may issue from time to time.

For the purpose of this Prospectus and the relevant Final Terms, the term "Suitability Test" means the process through which the Authorised Financial Intermediaries (excluding the Issuer) obtain information from the Applicant or a prospective transferee in order to determine whether an investment in the Notes is suitable for him/her. The information obtained pursuant to the Suitability Test must be such as to enable the Authorised Financial Intermediaries (excluding the Issuer) to understand the essential facts about the Applicant or prospective transferee and to have a reasonable basis for believing that an investment in the Notes: (i) meets the investment objectives of the Applicant or prospective transferee in question; (ii) is such that the Applicant or prospective transferee is able financially to bear any related investment risks consistent with their investment objectives; and (iii) is such that the Applicant or prospective transferee has the necessary experience and knowledge in order to understand the risks involved. The Suitability Test shall be carried out by the Authorised Financial Intermediaries (excluding the Issuer) in accordance with Part BI of the Investment Services Rules for Investment Services Providers, and in accordance with any rules requiring such tests which the MFSA may issue from time to time.

#### **f) Meetings of Note Holders**

The Issuer may, from time to time, call meetings of Note Holders for the purpose of consulting Note Holders on particular issues and/or for the purpose of obtaining the consent thereof to effect amendments to the terms of the Prospectus and/or the relevant Final Terms in respect of one or more Tranches. In the event that the Issuer is desirous of amending the Final Terms of one particular Tranche, it is only Note Holders of that particular Tranche (the "**Affected Note Holders**") who shall be entitled to attend and vote at a meeting summoned for this purpose. Meetings of Note Holders and Affected Note Holders shall be summoned and conducted in the manner prescribed hereunder.

The Issuer may call a meeting of Note Holders or Affected Note Holders (as the case may be) by giving notice to all Note Holders or Affected Note Holders (as the case may be) listed on the register of Note Holders at a date being not more than thirty (30) days preceding the date scheduled for the meeting, by giving not less than fourteen (14) days' notice in writing.

Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or decided thereat. Following a meeting held in accordance with the provisions contained hereunder, the Issuer shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Note Holders or Affected Note Holders (as the case may be) whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval, any such decision shall subsequently be given effect to by the Issuer.

A meeting of Note Holders or Affected Note Holders (as the case may be) shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose, a quorum shall be constituted by at least two (2) Note Holders or Affected Note Holders (as the case may be) present, in person or by proxy, representing not less than:

- (a) 50% in nominal value of the Notes then outstanding, in the case of a meeting of all Note Holders; or
- (b) 50% in nominal value of the Notes in a particular Tranche held by the Affected Note Holders, in the case of a meeting of Affected Note Holders.

If a quorum is not present within thirty (30) minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Issuer to the Note Holders or Affected Note Holders (as the case may be) which are present at that meeting. The Issuer shall within two (2) days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven (7) days, and not later than fifteen (15) days, following the original meeting. At an adjourned meeting, the number of Note Holders or Affected Note Holders present, in person or by proxy, shall constitute a quorum and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.

Any person who in accordance with the memorandum and articles of association of the Issuer is to chair the annual general meetings of shareholders, shall also chair meetings of Note Holders or Affected Note Holders (as the case may be).

Once a quorum is declared present by the chairman of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions to be taken at the meeting, the Directors or their representative/s shall present to the Note Holders or the Affected Note Holders (as the case may be) the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall then put the matter as proposed by the Issuer to a vote of the Note Holders or Affected Note Holders (as the case may be) present at the time at which the vote is taken, and any Note Holders or Affected Note Holders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote, shall not be taken into account for the purpose of such vote. The voting process shall be managed by the Issuer's Company Secretary under the supervision and scrutiny of the auditors of the Issuer.

The proposal placed before a meeting of Note Holders or Affected Note Holders (as the case may be) shall only be considered approved if at least 75% in nominal value of the Note Holders or Affected Note Holders (as the case may be) present at the meeting at the time when the vote is being taken, in person or by proxy, shall have voted in favour of the proposal.

Save for the above, the rules generally applicable to proceedings at general meetings of shareholders of the Issuer shall *mutatis mutandis* apply to meetings of Note Holders and Affected Note Holders.

## 2. RANKING AND RIGHTS

### a) Ranking

The Notes are unsecured and subordinated to the claims of all holders of senior indebtedness. The Notes constitute the subordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and with other subordinated debt. Thus the Notes rank after other outstanding, unsubordinated and unsecured obligations of the Issuer, present and future.

Subordination means that the rights and claims of Note Holders in respect of the payment of capital and interest on the Notes will, in the event of dissolution and winding up of the Issuer, rank after the claims of all senior indebtedness of the Issuer and will not be repaid until all other senior indebtedness outstanding at the time has been settled. Subordination only comes into effect in the event of a dissolution and winding up of the Issuer where the assets of the Issuer are not sufficient to meet the claims of all the creditors of the Issuer and a ranking of the creditors' claims becomes necessary.

### b) Rights

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

## 3. INTEREST

### Definitions:

In these Terms and Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

**“Business Day”**

means:

(i) in the case of Euro, any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business; and/or

(ii) in the case of a Specified Currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for that currency subject that it is also a Business Day in Malta in terms of (i) above;

**“Day Count Fraction”**

means, in respect of the calculation of an amount of interest on any 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**”), and is calculated by applying the actual/actual methodology, that is 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;

**“Interest Payment Date/s”**

means the date/s specified in the relevant Final Terms for when interest on the Notes falls due;

**“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. In the event that an Interest Period will end on a day which is not a Business Day, such Interest Period shall end on the first following day which is a Business Day (the “**Following Business Day Convention**”);

**“Maturity Date”**

means the redemption date as specified in the relevant Final Terms;

**“Rate of Interest”**

means the rate of interest payable in respect of the Notes as specified in the relevant Final Terms; and

**“Redemption Value”**

means the nominal amount to be paid on Maturity Date.

**Payment of Interest:**

Each Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrears on each Interest Payment Date.

**Accruals:**

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.

**Rounding:**

For the purposes of any calculations required pursuant to these Terms and 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.

## 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.

## 4. 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 the Specified Currency and held with any licensed bank in Malta. Such payment shall be effected on the Maturity Date. The Issuer shall not be responsible for any loss or delay in transmission. Upon payment of the Redemption Value, the Notes shall be redeemed and the appropriate entry made in the electronic register of the Notes at the CSD.

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 interest on the Notes will be made to the person in whose name such Notes are registered on the cut-off date prescribed in the Final Terms (the **"Register Cut-Off 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 the 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.

Except for any charges arising out of electronic transmission of payments as these appear in the Issuer's official 'tariff of charges' (which are published on the Issuer's website and which may be amended from time to time), no charges or commissions shall be charged by the Issuer to Note Holders in respect of such payments. The Issuer shall not be liable for charges, expenses and commissions levied by parties other than the Issuer.

## 5. YIELD

The gross yield in respect of each Tranche, which shall be calculated on the basis of the interest per annum, the Issue Price and the Redemption Value of the Notes at Maturity Date, shall be specified in the Final Terms.

## 6. REDEMPTION AT MATURITY

The Issuer will redeem the Notes (together with payment of interest accrued thereon) at their Redemption Value on such date indicated in the Final Terms as being the Maturity Date.

## 7. TAXATION

Where the Issuer is compelled by a law or other regulation to deduct or withhold such taxes, duties or governmental charges, 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. The Issuer will not be obliged to make any additional payments in respect of any such withholding or deduction imposed.

## 8. ACCELERATION

In the event that 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 (an **"Acceleration Event"**), the Notes shall immediately fall due and payable at the Redemption Value, together with interest accrued up to the date of repayment, if any. Upon the occurrence of such an Acceleration Event, all rights available to the Note Holders shall rank after all other unsubordinated and unsecured obligations of the Issuer.

## **9. LIMITED RECOURSE**

Each Note Holder agrees to waive his rights of enforcement against the Issuer in the case of non-payment of interest or other breach of the Terms and Conditions of the Notes. The only remedy available to the Note Holders shall be the petitioning for the winding up of the Issuer, which shall constitute an Acceleration Event.

## **10. FORM OF NOTICE**

Any notice, including any notice declaring Notes due and payable, shall be made by means of a written declaration delivered by hand or registered mail to the registered office of the Issuer.

## **11. 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.

## **12. FURTHER ISSUES IN TRANCHES, PURCHASES AND CANCELLATION**

The Issuer may, from time to time, without the consent of the Note Holders, issue further Tranches, so as to: (i) form a single Series with the existing Notes; or (ii) to constitute a new Series.

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.

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

## **13. FINAL TERMS**

These Terms and Conditions shall be completed in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.

## **14. NOTICES**

All notices concerning the Notes will be made by means of electronic publication on the website of the MSE ([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.

## **15. METHOD OF PUBLICATION OF THE PROSPECTUS AND OF THE FINAL TERMS**

This Prospectus will be published on the websites of: (a) the Listing Authority ([www.mfsa.com.mt](http://www.mfsa.com.mt)) during a period of twelve (12) months from the date of this Prospectus; and (b) the Issuer ([www.bov.com](http://www.bov.com)). The Final Terms related to Notes admitted to trading on the Regulated Market of the MSE will be published on the websites of: (a) the Listing Authority ([www.mfsa.com.mt](http://www.mfsa.com.mt)); and (b) the Issuer ([www.bov.com](http://www.bov.com)).

## **16. APPLICABLE LAW, PLACE OF PERFORMANCE, PLACE OF JURISDICTION AND ENFORCEMENT**

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.

## **17. SUBMISSION TO JURISDICTION**

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

## 11. FORM OF FINAL TERMS

Final Terms dated [•]



### Subordinated Debt Issuance Programme

Series No: [•]  
Tranche No: [•]

[Brief description and amount of Notes]  
Issued by: Bank of Valletta p.l.c. (the "Issuer")

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Prospectus dated 16 October 2015 which was approved by the Listing Authority in Malta on the 16 October 2015 [and the Supplement to the Prospectus dated [•] which [together]<sup>1</sup> constitute[s] a base prospectus for the purposes of the Prospectus Directive.

This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5(4) of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]<sup>1</sup>. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus.

The Prospectus [and the Supplement to the Prospectus]<sup>1</sup>[is] [are]<sup>1</sup> available for viewing at the office of the Issuer and on the websites of: (a) the Listing Authority during a period of twelve months from the date of approval of the Prospectus; and (b) the Issuer ([www.bov.com](http://www.bov.com)) and copies may be obtained free of charge from the registered office of the Issuer (58, Zachary Street, Valletta, VLT 1130, Malta).

The Notes are complex financial instruments and may not be suitable for all types of retail investors. A potential investor should not invest in the Notes unless:

- i. He/She has the necessary knowledge and experience to understand the risks relating to this type of financial instrument;
- ii. The Notes meet the investment objectives of the potential investor; and
- iii. Such potential investor is able to bear the investment and financial risks which result from investment in these Notes.

<sup>1</sup>Delete if no Supplement has been published

1.	Issuer	Bank of Valletta p.l.c.
2.	Series Number	[•]
3.	Tranche Number	[•] <i>(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).</i>
4.	Specified Currency/ies	[•]
5.	Aggregate nominal amount: (i) Series (ii) Tranche	[•] [•]
6.	(i) Issue Price of Tranche (ii) Net proceeds	[•] [•]
7.	Specified Denomination	[•]
8.	(i) Issue Date (ii) Interest Commencement Date	[•] <i>[specify/Issue Date]</i>
9.	Maturity Date	<i>[specify date]</i>
10.	Redemption Value	Redemption at par
11.	Register Cut-Off Date	[•]
12.	Dates of the corporate authorisations for issuance of the Notes	Resolution of the Board of Directors dated [•]



## INTEREST

13.	Rate of Interest	[•] per cent per annum payable [•] in arrears
14.	Interest Payment Date/s	[•] in each year up to and including the Maturity Date

## GENERAL PROVISIONS

15.	Taxation	As per " <i>Taxation</i> " section of the Prospectus
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## PURPOSE OF FINAL TERMS

These Final Terms comprise the Final Terms required for the offer for subscription, issue and admission to trading on the Official List of the MSE of the Notes described herein pursuant to the Subordinated Debt Issuance Programme of the Issuer dated 16 October 2015.

## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms.

Signed on behalf of Bank of Valletta p.l.c.

Duly represented by:

[•]

## PART B – OTHER INFORMATION

### 1. ADMISSION TO TRADING AND LISTING

(i) Listing	MSE
(ii) Admission to trading	[Application has been made for the Notes to be admitted to trading on [•] with effect from [•]] / [Not applicable]
(iii) Previous admission to trading	[The Notes have already been admitted to trading on [•] with effect from [•]] / [Not applicable]
(iv) Estimate of total expenses related to admission to trading	[•]

### 2. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

*[A description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest.]*

*In the event that Notes are issued with a minimum application amount of €25,000, the following will be inserted:*

*"The Issuer acknowledges that, where it acts in its capacity as an Authorised Financial Intermediary, as issuer of the Notes it has an interest in the offer being subscribed to by prospective investors. In this respect, the Issuer has in place a 'Conflict of Interest Policy' and procedures and controls designed to identify, prevent or manage conflicts of interest. Where a conflict of interest is considered to arise, the Issuer will endeavour, where possible, to manage such conflict in the best interest of Note Holders, in line with the said internal policy, procedures and controls.*

*Consequently, before selling Notes to prospective investors, the Bank's representative will draw the attention of the Applicant to the said conflict of interest. The Bank's representative will also explain to the Applicant that the 'Conflict of Interest Policy' will be made available upon request and may also be accessed on the Issuer's website [www.bov.com](http://www.bov.com)*

*The Issuer, apart from disclosing such conflict of interest in the Prospectus and relevant Final Terms, will also clearly disclose, in a durable medium, the nature of the conflict of interest specified above by disclosing such interest in the relevant application form.*

*Save for the aforesaid and for the Sponsors' entitlement to fees payable in connection with the offer of Notes, so far as the Issuer is aware, no person involved in the offer of the Notes has any other interest that is material the offer."*

*In the event that Notes are issued with a minimum application amount of less than €25,000, the following will be inserted:*

*"Except for the Sponsors' entitlement to fees payable in connection with the said offer, the Issuer is not aware of any interest that is material to the offer."*

### 3. THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

*[Where a statement or report attributed to a person as an expert is included in these Final Terms in respect of the Issuer or the Notes, provide such person's name, business address, qualifications and material interest if any in the Issuer. If the report has been produced at the Issuer's request a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part in respect of the Issuer or the Notes.*

*Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.*

*In addition, the Issuer shall identify the source(s) of the information.]*

### 4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i) Reasons for the offer	[•]
(ii) Estimated net proceeds	[•] <i>(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding).</i>
(iii) Estimated total expenses	[•] <i>[Include breakdown of expenses.]</i>
(iv) Conditions to which the offer is subject	[•]

### 5. YIELD

(i) Indication of Yield	[•]
(ii) Method of calculating the Yield	[•]

### 6. OPERATIONAL INFORMATION

(i) ISIN code	[•]
(ii) Delivery	Delivery against payment
(iii) Names and addresses of paying agent/s (if any):	[Not applicable]

## 7. DISTRIBUTION

<p>(i) <b>Method of distribution – Public offer</b></p>	<p><i>[In the event that Notes are issued with a minimum application amount of €25,000, the following will be inserted:</i></p> <p><i>To the extent that investment advice or portfolio management services are not required by the Applicant in respect of the Notes, applications for subscription may be made through the Issuer (acting in its capacity as Authorised Financial Intermediary) or any of the other Authorised Financial Intermediaries. To the extent that the Applicant requests the Issuer to provide investment advice or has arrangements in place with the Issuer for the provision of portfolio management services, such applications will not be entertained by the Issuer. Such applications for the subscription of Notes may be made through any of the other Authorised Financial Intermediaries, which shall have absolute discretion to decide whether to entertain such requests.</i></p> <p><i>Applications for the subscription of Notes will be available from [specify date] until [specify date].</i></p> <p><i>Or</i></p> <p><i>In the event that Notes are issued with a minimum application amount of less than €25,000, the following will be inserted:</i></p> <p><i>Applications for subscription of the Notes may be made through any of the Authorised Financial Intermediaries, excluding the Issuer, during the period from [specify date] until [specify date].]</i></p>
<p>(ii) <b>Other conditions for use of the Prospectus by the Authorised Financial Intermediary/ies</b></p>	<p>Not applicable</p>
<p>(iii) <b>Coordinator/s of global offer</b></p>	<p>Not applicable</p>
<p>(iv) <b>Coordinator/s of single parts of the offer</b></p>	<p>[•]/[Not applicable]</p>
<p>(v) <b>Placing agent/s</b></p>	<p>Not applicable</p>
<p>(vi) <b>Depositary agent/s</b></p>	<p>[•]/[Not applicable]</p>
<p>(vii) <b>Underwriting</b></p>	<p>Not applicable</p>
<p>(viii) <b>Intermediaries giving firm commitment to act as intermediaries in secondary market providing liquidity through bid and offer rates</b></p>	<p>Not applicable</p>
<p>(ix) <b>Selling commission</b></p>	<p>[•]%</p>

(x) Reservation of Tranche in the event that the offer is made in the markets of two or more countries	Not applicable
(xi) Expected timetable	[•]
(xii) Credit rating	Not applicable

## 8. ADDITIONAL INFORMATION

(i) Reservation of a Tranche, or part thereof, in favour of specific retail and/or non-retail investors or categories of either:	<i>[Not applicable]/[Applicable, if applicable, insert details of the percentage being reserved and the details of the persons in whose favour the reservation is made]</i>
(ii) Time period, including any possible amendments, during which the offer will be open:	[•]
(iii) Arrangements for publication of final size of issue/offer:	[•]
(iv) Description of the application process:	[•]
(v) Details of the minimum/maximum amount of application (whether in numbers of securities or aggregate amount to invest):	[•]
(vi) Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	[•]
(vii) Method and time limits for paying up the securities and for delivery of the securities:	[•]
(viii) Full description of the manner and date in which results of the offer are to be made to public:	[•]
(ix) Procedure for the exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	Not applicable
(x) Indication of the expected price at which the securities will be offered or the method of determining the price and the process for its disclosure:	[•]
(xi) Amount of any expenses and taxes specifically charged to the subscriber:	[•]
(xii) Process for notification to applicants of the amount of Notes allotted and indication whether dealing may begin before notification is made:	[•]

**[ANNEX I – ISSUE SPECIFIC SUMMARY]**

*[Issue specific summary to be inserted]*

**[ANNEX II – LIST OF AUTHORISED FINANCIAL INTERMEDIARIES]**

## 12. TAXATION

### 12.1 GENERAL

Investors and prospective investors are urged to seek professional advice as regards both Maltese and any foreign tax legislation which may be applicable to them in respect of the 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. Professional advice in this respect should be sought accordingly.

### 12.2 MALTA TAX ON INTEREST

Since interest is payable in respect of the Notes which are 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 (Cap. 123, laws of Malta). 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. For the purpose of the above, a "recipient" is generally a person who is resident in Malta during the year in which investment income is payable to him or other persons or entities acting on behalf of such resident person or a trustee or foundation pursuant to or by virtue of which any money or other property whatsoever shall be paid or applied to or for the benefit of such resident persons.

The withholding tax is considered 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 further tax in respect of such income. 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 progressive rate/s applicable to that person at that time. Additionally, in this latter case, the Issuer will advise the 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 (Cap. 123, laws of Malta). 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 (Cap. 123, laws of Malta).

In terms of article 12(1)(c) of the Income Tax Act (Cap. 123, laws of Malta) Note Holders who are not resident in Malta satisfying the applicable conditions set out in the Income Tax Act (Cap. 123, laws of Malta) 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.

### 12.3 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 Commissioner for 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 as amended by Council Directive 2014/48/EU of 24 March 2014.



## 12.4 FOREIGN ACCOUNT TAX COMPLIANCE ACT ("FATCA")

FATCA is contained within the U.S. Hiring Incentives to Restore Employment (HIRE) Act of 2010. Subsequent to the intergovernmental agreement signed between the U.S. Government and the Maltese Government on the 16 December 2013, FATCA was transposed into Maltese law by way of Legal Notice 78 of 2014 as amended by Legal Notice 30 of 2015.

Investors and prospective investors in the Notes should note that the Issuer is classified under FATCA as a Reporting Malta Financial Institution. As a result, the Issuer is required to report any financial accounts (as this term is defined under FATCA) held with it by specified U.S. persons (as this term is defined under FATCA) to the Maltese tax authorities.

Consequently, if at any point in time a Note Holder, whose investment in the Notes is held under nominee by the Issuer, is classified by the Issuer as a specified U.S. person, the Issuer is required, in terms of FATCA, to report details of the Note Holder as well as details of the Note Holder's investment in the Notes to the Maltese tax authorities.

In terms of FATCA, the Issuer may request certain information in order to be in a position to determine if the Note Holder is a specified U.S. person or not. In the event that the Note Holder does not provide the required details to the Issuer, the Issuer may, in terms of FATCA, report such Note Holder to the Maltese tax authorities as recalcitrant or alternatively the Issuer may close all financial accounts of the Note Holder held with it.

Any details of the Note Holders which are reported by the Issuer to the Maltese tax authorities will, subsequently, be forwarded by the Maltese tax authorities to the U.S. tax authorities.

## 12.5 MALTA CAPITAL GAINS ON TRANSFER OF THE NOTES

As the Notes do not fall within the definition of "securities" in terms of article 5(1)(b) of the Income Tax Act (Cap. 123, laws of Malta) that is, "*shares and stocks and such like instruments 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.

## 12.6 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.**

## 13 GENERAL INFORMATION

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

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.

### 13.2 AUTHORISATION

The establishment of the Programme was authorised by the Board of Directors on the 24 July 2015.





