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Securities Note

Dated 30 May 2011

This document is a Securities Note issued in accordance with the provisions of Chapter 4 of the Listing Rules issued by the Listing Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in a prospectus and dissemination of advertisements. This Securities Note is issued pursuant to the requirements of Listing Rule 4.14 of the Listing Rules and contains information about

€5,000,000 6.25% Bonds due 2015
to be issued by
Mediterranean Bank plc
(registered with limited liability in the Republic of Malta)

This Securities Note should be read in conjunction with the most updated Registration Document issued from time to time containing information about the Issuer.

Legal Counsel

CAMILLERI PREZIOSI
ADVOCATES

Joaquin Vicent

Sponsor


Calamatta Cuschieri
Investment Advisors & Stockbrokers

Approved by the Directors

Manager and Registrar


MALTA STOCK EXCHANGE plc

Joaquin Vicent on behalf of
Francis J. Vassallo, Finlay S. McFadyen,
Peter B. Cartwright, Mark A. Watson and Henry C. Schmeltzer

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1. IMPORTANT INFORMATION

THIS SECURITIES NOTE CONTAINS INFORMATION ABOUT THE ISSUER AND THE BONDS IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES, THE ACT, AND THE REGULATION.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS, TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE SALE OF BONDS OF THE ISSUER OTHER THAN THOSE CONTAINED IN THE PROSPECTUS AND IN THE DOCUMENTS REFERRED TO HEREIN IN CONNECTION, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS OR ADVISERS.

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

THIS PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR BONDS BY ANY PERSON IN ANY JURISDICTION (I) IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED OR (II) IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO OR (III) TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION.

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SAVE FOR THE ISSUE IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFERING OF THE BONDS OR THE DISTRIBUTION OF THE PROSPECTUS (OR ANY PART THEREOF) OR ANY OFFERING MATERIAL IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (OTHER THAN MALTA) WHICH HAS IMPLEMENTED DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 4 NOVEMBER 2003 ON THE PROSPECTUS TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING OR WHICH, PENDING SUCH IMPLEMENTATION, APPLIES ARTICLE 3.2 OF SAID DIRECTIVE, THE BONDS CAN ONLY BE OFFERED TO “**QUALIFIED INVESTORS**” (AS DEFINED IN SAID DIRECTIVE) AS WELL AS IN ANY OTHER CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION BY THE ISSUER OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF SAID DIRECTIVE.

THE BONDS 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 INVESTORS WILL NOT BE ENTITLED TO THE BENEFITS SET OUT THEREIN.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE LISTING AUTHORITY IN SATISFACTION OF THE LISTING RULES, THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES, IN ACCORDANCE WITH THE ACT.

STATEMENTS MADE IN THIS PROSPECTUS ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THEREIN.

THE CONTENTS OF THE ISSUER'S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER'S WEBSITE DO NOT FORM PART OF THIS PROSPECTUS. ACCORDINGLY NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN THE BONDS.

ALL THE ADVISERS TO THE ISSUER NAMED IN THE PROSPECTUS UNDER THE HEADING "**ADVISERS TO THE ISSUER**" OF THIS SECURITIES NOTE HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THIS ISSUE 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.

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL UPON MATURITY. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISERS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS.

2. DEFINITIONS

Words and expressions and capitalised terms used in this Securities Note shall, except where the context otherwise requires and except where otherwise defined herein, bear the same meaning as the meaning given to such words, expressed and capitalised terms as indicated in the Registration Document issued by the Issuer on 13 September 2010, as amended, supplemented and updated by the Supplement contained in this Securities Note.

2010 Bonds	The bonds issued by the Issuer pursuant to the securities note dated 13 September 2010, which bonds are fully fungible with the Bonds being issued pursuant to this Securities Note;
Bond(s)	The €5,000,000 bonds due 2015 of a face value of €100 per bond redeemable on the Redemption Date, bearing interest at the rate of 6.25% per annum and redeemable at their nominal value issued pursuant to this Securities Note dated 30 May 2011, and subject to the terms and conditions contained herein;
Bondholder	A holder of Bonds;
Bond Issue	The issue of the Bonds;
Bond Issue Price	The price of €100 per Bond;
Business Day	Any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
Interest Payment Date	30 October of each year from and including 2011 to and including 2015, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
Intermediaries	a) Charts Investment Management Service Limited, of Valletta Waterfront - Vault 17, Pinto Wharf, Floriana, FRN 1913, Malta; and b) Calamatta Cuschieri and Co. Limited of 5th Floor, Valletta Buildings, South Street, Valletta, VLT 1103, Malta;
Intermediaries' Offer Date	The 21 June 2011 on which date the Subscription Agreements shall be received by the Issuer;
Issue Date	Expected to be 27 June 2011;
Official List	The list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;
Redemption Date	30 October 2015;
Redemption Value	The nominal value of each Bond;

Registration Document	The registration document issued by the Issuer dated 13 September 2010, as amended, supplemented and updated by virtue of the Supplement contained in this Securities Note, forming part of the Prospectus;
Securities Note	This Securities Note in its entirety;
Subscription Agreement	The form of subscription agreement to be entered into between the Issuer and an Intermediary pursuant to which the Intermediary agrees to subscribe to the Bonds, subject to the terms and conditions contained therein;
Summary Note	The summary note issued by the Issuer dated 30 May 2011, forming part of the Prospectus;
Supplement	The supplement to the Registration Document dated 13 September 2010 contained in Annex 1 of this Securities Note;
Terms and Conditions	The terms and conditions of the Bonds contained in this Securities Note under the heading “ Terms and Conditions of the Bonds ”.

3. PERSONS RESPONSIBLE

This document includes information given in compliance with the Listing Rules for the purpose of giving information with regard to the Issuer and the Bonds. All of the Directors, whose names appear under the heading “**Board of Directors**” of the Registration Document, as the same has been amended pursuant to the Supplement, accept responsibility for the information contained herein. The current Directors of the Issuer are:

Francis J. Vassallo, Chairman & Non-Executive Director

Finlay S. McFadyen, Non-Executive Director

Peter B. Cartwright, Non-Executive Director

Mark A. Watson, Executive Director – Chief Executive Officer

Henry C. Schmeltzer, Executive Director - Chief Operating Officer

Joaquin Vicent, Executive Director - Head Credit & Investments

To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

4. ADVISERS TO THE ISSUER

Legal Counsel	Camilleri Preziosi Level 3, Valletta Buildings, South Street, Valletta, VLT 1103, Malta
Sponsor	Calamatta Cuschieri and Co. Limited 5th Floor, Valletta Buildings, South Street, Valletta, VLT 1103, Malta

5. RISK FACTORS

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds will be repayable in full upon maturity. An investment in the Bonds involves certain risks including those described below. Prospective investors should carefully consider, with their own independent financial and other professional advisers, the following risk factors and other investment considerations as well as all the other information contained in this Prospectus before deciding to make an investment in the Bonds. 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.

Neither this Securities Note, nor any other parts of the Prospectus or any other information supplied in connection with the Bonds: (i) is intended to provide the basis of any credit or other evaluation; or (ii) should be considered as a recommendation by the Issuer or the Sponsor or Intermediaries; that any recipient of this Securities Note (or any other part of the Prospectus or any other information supplied in connection with the Prospectus or any Bonds) should purchase any Bonds.

Accordingly prospective investors should make their own independent evaluation of all risk factors, and should consider all other sections in this document.

5.1 Forward Looking Statements

This Securities Note contains “forward looking statements” which include, among others, statements concerning matters that are not historical facts and which may involve projections of future circumstances. These forward looking statements are subject to a number of risks, uncertainties and assumptions and important factors that could cause actual risks to differ materially from the expectations of the Issuer’s Directors. No assurance is given that the future results or expectations will be achieved.

5.2 Risks Relating to the Bonds

- 5.2.1 The existence of an orderly and liquid market for the Bonds depends on a number of factors, including the presence of willing buyers and sellers of the Issuer’s Bonds 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 Bonds will develop, or, if it develops, that it will continue. Furthermore, there can be no assurance that an investor will be able to sell the Bonds at or above the Bond Issue Price or at all.
- 5.2.2 There can be no assurance that the Bond Issue Price will correspond to the price at which the Bonds will trade in the market subsequent to the Bond Issue.
- 5.2.3 Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.
- 5.2.4 A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the Bondholder’s currency of reference, if different.
- 5.2.5 No prediction can be made about the effect which any future public offerings of the Issuer’s securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time.
- 5.2.6 In the event that the Issuer wishes to amend any of the Terms and Conditions of the Bonds, it shall call a meeting of Bondholders. Defined majorities of Bondholders may bind all Bondholders including those that did not attend and vote at the relevant meeting and Bondholders who attended and voted in a manner contrary to the majority.
- 5.2.7 The Bonds are unsecured. The Bonds constitute the general, direct, unconditional, and unsecured obligations of the Issuer and shall at all times rank pari passu, without any priority or preference among themselves and with other unsecured debt. The Bonds shall rank junior and subsequent to any prior ranking security interest created for the purpose of securing the Issuer’s secured interbank funding lines and repurchase agreements. Such interbank funding lines and repurchase agreements are used to finance the Issuer’s investment portfolio.
- 5.2.8 The terms and conditions of this Bond Issue are based on Maltese law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of this Prospectus.

6. KEY INFORMATION

6.1 Interest of Natural and Legal Persons in the Bond Issue

Charts Investment Management Service Limited is a subsidiary company of Medifin Holding Limited (C 34111) and consequently under common control with the Issuer, is licensed in terms of the Investment Services Act (Cap. 370, laws of Malta) and is included as an Intermediary. Consequently, Charts Investment Management Service Limited shall act as one of the Intermediaries and may, on an “*execution-only*” basis, effect transactions for the account of their respective customers. Charts Investment Management Service Limited will not be providing any advice to their respective customers in relation to the Bonds.

6.2 Reasons for the Issue and Use of Proceeds

The Issuer shall use the proceeds of the Bond Issue for its general corporate and investment purposes and may include the following without any priority between the same:

- i. to grow its investment portfolio in accordance with its investment strategy (as described in section 11 of the Registration Document) by investing in additional investment grade securities;
- ii. to refinance the Issuer’s general liabilities as they become due;
- iii. to enhance the Issuer’s available liquidity; and
- iv. to diversify the funding available to the Issuer.

6.3 Expenses

Professional fees, costs related to publicity, advertising, printing, listing, registration, sponsorship, management, and registrar fees, a 1% selling commission, and other miscellaneous expenses in connection with this Bond Issue, are estimated not to exceed €150,000, and shall be borne by the Issuer.

The overall amount of the commission payable to Intermediaries will not exceed €50,000.

7. TERMS AND CONDITIONS OF THE BONDS

7.1 General

- 7.1.1 The terms of the Bonds being issued pursuant to this Securities Note are identical to those of the 2010 Bonds (other than the date of admissibility to listing and the Bond Issue Price). The Bonds are fully fungible with the 2010 Bonds.
- 7.1.2 It is expected that the Bonds and 2010 Bonds will trade separately up until 30 October 2011 – this in view of the limited first interest period of the Bonds.
- 7.1.3 Each Bond forms part of a duly authorised issue of 6.25% 2010 Bonds due 2015 of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €5,000,000 (except as otherwise provided under section “**Further Issues**”).
- 7.1.4 The Bonds are not underwritten. In the event that the principal amount of the Bonds amounting to €5,000,000 is not fully subscribed, the Issuer shall proceed to list the subscribed portion of the Bonds on the Official List, and the subscribed portion of the Bonds shall be allocated to the respective Intermediary in accordance with the terms of this Prospectus.
- 7.1.5 The Bonds have been assigned the following ISIN: MT0000551219.

7.2 Legislation under which the Bonds are Created

The issue of the Bonds is made in accordance with the requirements of the Listing Rules, the Act, and the Regulation.

7.3 Registration, Form, Denomination and Title

- 7.3.1 Certificates will not be delivered to Bondholders in respect of the Bonds pursuant to the fact that the entitlement to Bonds will be represented in an uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at CSD. 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 Bondholders and particulars of the Bonds held by them respectively and a copy of such register will, at all reasonable times during business hours, be open to the inspection of the Bondholders at the registered office of the Issuer.
- 7.3.2 Upon request by the Bondholder, the CSD will issue a statement of holdings to Bondholders evidencing their entitlement to Bonds held in the register kept by the CSD.
- 7.3.3 The Bonds will be issued in fully registered form, without interest coupons, in denominations of any integral multiple of €100.
- 7.3.4 Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments) as the absolute owner of such Bond. Title to the Bonds may be transferred as provided below under the heading “**Transferability of the Bonds**”.

7.4 Currency of the Bonds

The currency of the Bonds is euro (€).

7.5 Status of the Bonds

The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt. The Bonds shall rank junior and subsequent to any prior ranking security interest created for the purpose of securing the Issuer’s secured interbank funding lines and repurchase agreements. Such interbank funding lines and repurchase agreements are used to finance the Issuer’s investment portfolio.

7.6 Privileges and Hypothecs

The Issuer finances its investment portfolio in the interbank market using secured funding lines and repurchase agreements. Pursuant to such arrangements, investment securities being financed are pledged to the financing counterparty. Creditors of the Issuer providing such financing and benefiting from the related pledges would rank prior to bondholders in respect of the pledged assets.

7.7 Rights Attached to the Bonds

There are no special rights attached to the Bonds other than the right of the Bondholders to payment of capital and interest and in accordance with the ranking as provided in this Securities Note.

7.8 Interest

- 7.8.1 The Bonds shall bear interest from and including 22 June 2011 at the rate of 6.25% per annum on the nominal value thereof, payable annually in arrears on each “**Interest Payment Date**”, the first Interest Payment Date being on 30 October 2011. Provided that any Interest Payment Date which falls on a day other than a Business Day, will be carried over to the next following day that is a Business Day.

- 7.8.2 When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated on the basis of the actual number of days in such period divided by the actual number of days (365 or 366) in the respective year.

7.9 Payments of Redemption Value and Interest

- 7.9.1 Payment of the principal amount of a Bond will be made in euro by the Issuer to the person in whose name such Bonds are registered at the close of business on the Redemption Date, with interest accrued to the Redemption Date, by direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in euro and held with any licensed bank in Malta. The Issuer shall not be responsible for any loss or delay in transmission.
- 7.9.2 Upon payment of the Redemption Value the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Bonds at the CSD. Provided that where the Bondholder's bank account number is not known, the principal amount is retained by the Issuer for collection by the Bondholder or remittance when the bank account number of the said Bondholder is made known to the Issuer. In the case of Bonds held subject to usufruct, payment will be made against the joint instructions of all bare owners and usufructuaries. Before effecting payment the Issuer and/or the CSD 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 Bonds.
- 7.9.3 Payment of any instalment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business 15 days prior to the Interest Payment Date by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in euro and held with any licensed bank in Malta. The Issuer shall not be responsible for any loss or delay in transmission. Provided that where the Bondholder's bank account number is not known, the interest is retained by the Issuer for collection by the Bondholder entitled to such interest or remittance when the bank account number of the said Bondholder is made known to the Issuer.
- 7.9.4 All payments with respect to the Bonds are subject in all cases to any applicable fiscal or other laws and regulations prevailing in Malta. In particular, but without limitation, all payments of principal and interest by or on behalf of the Issuer in respect of the Bonds 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 by or within the Republic of Malta or any authority thereof or therein having power to tax.
- 7.9.5 No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments.
- 7.9.6 Unless previously purchased and cancelled as provided below, the Issuer will redeem the Bonds (together with payment of interest accrued thereon) at their nominal value on Redemption Date.
- 7.9.7 Subject to the provisions of section 7.9.8, the Issuer may at any time purchase Bonds in the open market or otherwise and at any price. If purchases are made by tender, tenders shall be made available to all Bondholders alike.
- 7.9.8 All Bonds purchased by the Issuer on its own account will be cancelled forthwith and may not be re-issued or resold.

7.10 Yield

The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at Redemption Date is six point two five per cent (6.25%).

7.11 Meetings of Bondholders

- 7.11.1 The Terms and Conditions contained herein may be amended with the approval of Bondholders at a meeting called for that purpose in accordance with the terms hereunder.
- 7.11.2 In the event that the Issuer wishes to amend any of the Terms and Conditions of Issue of the Bond it shall call a meeting of Bondholders by giving such Bondholders not less than 14 days' notice, in writing setting out in the notice the time, place and date set for the meeting and the matters to be discussed thereat.
- 7.11.3 A meeting of Bondholders 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 considered present if there are Bondholders present, in person or by proxy, accounting for at least 50% in nominal value of the Bonds then outstanding.
- 7.11.4 Once a quorum is declared present by the Chairman of the meeting (who shall be the person who in accordance with the regulations of the Issuer would chair a general meeting of shareholders), the meeting may then proceed to business and the Directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that the Terms and Conditions of Issue of the Bonds ought to be amended as proposed by the Issuer. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Issuer and the other Bondholders. The meeting shall then put the matter as proposed by the Issuer to a vote of the Bondholders present.
- 7.11.5 The voting process shall be managed by the Company Secretary under the supervision and scrutiny of the Auditors of the Issuer.
- 7.11.6 The proposal placed before a meeting of Bondholders shall only be considered approved if at least 75% in nominal value of the Bondholders present at the meeting shall have voted in favour of the proposal.
- 7.11.7 Save for the above, the rules generally applicable to the Issuer during general meetings of shareholders shall apply.

7.12 Authorisations and Approvals

- 7.12.1 The Board of Directors of the Issuer authorised the Bond Issue pursuant to a Board of Directors' resolution passed on 25 May 2011.
- 7.12.2 The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 30 May 2011.
- 7.12.3 Application has been made to the Malta Stock Exchange for the Bonds being issued pursuant to this Prospectus to be listed and traded on the Official List of the Malta Stock Exchange.
- 7.12.4 The Bonds are expected to be admitted to the Malta Stock Exchange with effect from 27 June 2011 and trading is expected to commence on 28 June 2011.

7.13 Issue Date

The Issue Date of the Bonds is expected to be 27 June 2011.

7.14 Transferability of the Bonds

- 7.14.1 The Bonds are freely transferable and once admitted to the Official List of the MSE, shall be transferable in whole in accordance with the rules and regulations of the MSE applicable from time to time.
- 7.14.2 Any person becoming entitled to a Bond in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may from time to time properly be required by the Issuer or the CSD, elect either to be registered himself as holder of the Bond or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the CSD, a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by transferring the Bond, or procuring the transfer of the Bond, in favour of that person.
- 7.14.3 All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.
- 7.14.4 The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the Issuer.
- 7.14.5 The Issuer will not register the transfer or transmission of Bonds for a period of 15 days preceding the due date for any payment of interest on the Bonds.

7.15 Taxation

7.15.1 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 Bonds, 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 Bondholders 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 Bonds from a Maltese tax perspective, and professional advice in this respect should be sought accordingly.

7.15.2 Interest

Since interest is payable in respect of a Bond which is the subject of a public issue, unless the Issuer is otherwise instructed by a Bondholder or if the Bondholder 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). Bondholders who do not fall within the definition of a “recipient” do not qualify for the said rate and should seek advice on the taxation of such income as special rules may apply.

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

In the case of a valid election made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his income tax return and be subject to tax on it at the standard rates applicable to that person at that time. Additionally in this latter case the Issuer will advise the Inland Revenue on an annual basis in respect of all interest paid gross and of the identity of all such recipients unless the beneficiary is a non-resident of Malta. Any such election made by a resident Bondholder at the time of subscription may be subsequently changed by giving notice in writing to the Issuer. Such election or revocation will be effective within the time limit set out in the Income Tax Act.

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

7.15.3 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 Malta Commissioner of Inland Revenue who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the EU Savings Directive 2003/48/EC.

7.15.4 Capital gains on transfer of the Bonds

On the assumption that the Bonds would not fall within the definition of "securities" in terms of article 5(1)(b) of the Income Tax Act, that is, "*shares and stocks and such like instrument that participate in any way in the profits of the company and whose return is not limited to a fixed rate of return*", no tax on capital gains is chargeable in respect of transfer of the Bonds.

7.15.5 Duty on documents and transfers

In terms of article 50 of the Financial Markets Act, (Cap. 345, laws of Malta) as the Bonds constitute financial instruments of a company quoted on a regulated market exchange, as is the MSE, redemptions and transfers of the Bonds is 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 BONDS AS WELL AS INTEREST PAYMENTS MADE BY THE ISSUER. THE ABOVE IS A SUMMARY OF THE ANTICIPATED TAX TREATMENT APPLICABLE TO THE BONDS AND TO BONDHOLDERS. THIS INFORMATION, WHICH DOES NOT CONSTITUTE LEGAL OR TAX ADVICE, REFERS ONLY TO BONDHOLDERS WHO DO NOT DEAL IN SECURITIES IN THE COURSE OF THEIR NORMAL TRADING ACTIVITY.

7.16 Further Issues

The Issuer may, from time to time, without the consent of the Bondholder, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities either having the same terms and conditions as any outstanding debt securities of any series (including the Bonds) and so that such further issue shall be consolidated and form a single series with the outstanding debt securities of the relevant series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue.

7.17 Events of Default

The Bonds shall become immediately due and repayable at their principal amount together with accrued interest if any of the following events (“Events of Default”) shall occur:

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

7.18 Distribution

The Bonds shall be issued and subscribed for by Intermediaries either for their own account or on behalf of investors represented by such Intermediaries. The Issuer shall not, unless due notice in writing is given to it, verify the relations existing between an Intermediary and its client and shall only and at all times recognise as a Bondholder the person registered as such in the register of Bondholders held for this purpose.

The Issuer intends to enter into Subscription Agreements with Intermediaries whereby the Issuer binds itself to allocate to such persons, who shall bind themselves to purchase Bonds, subject to the terms and conditions contained therein. Subscription Agreements shall be received by the Registrar up to 12:00 hours on 21 June 2011 at the Registrar’s office or by fax provided that in the event that the Subscription Agreements are transmitted by fax, an original copy thereof must be submitted by not later than 16:00 hours on 21 June 2011. In the event that the Intermediary fails to submit the completed Subscription Agreements as aforesaid, the Intermediary shall not be entitled to any Bonds.

As a condition subsequent to the submission of the completed Subscription Agreements, the Intermediary shall, by not later than 12:00 hours on 21 June 2011, effect the deposit of subscription proceeds in respect of the Bonds applied for. Satisfactory evidence of such payment shall be transmitted to the Registrar forthwith upon the deposit/s being effected to the Registrar’s office. Alternatively, a copy of the deposit slip evidencing payment may be transmitted by fax to the Registrar, provided that any such deposit slip submitted to the Registrar by fax is to be followed up by submission of the original to the Registrar by not later than 16.00 hours on 21 June 2011. The Registrar shall, immediately upon receipt of the necessary evidence of payment, acknowledge receipt thereof in writing.

In the event that the Intermediary fails to provide the Registrar with any evidence of payment, the respective Subscription Agreement shall not be taken into consideration by the Issuer for the purposes of the allocation of Bonds to the respective Intermediary.

Where such evidence of payment is submitted by the Intermediary, and, the amount/s shown in such evidence/s is/are not sufficient to cover the amount/s set out in the completed Subscription Agreement, the Issuer reserves the right not to take into consideration (for the purposes of the allocation of Bonds to the Intermediary) such part of the amount set out in the completed Subscription Agreement in respect of which the Intermediary has not submitted evidence of payment.

In the event that the total aggregate number of Bonds subscribed for pursuant to the Subscription Agreements exceeds the maximum amount being issued by the Issuer, the Issuer shall determine the basis of allocation of such applications and the Issuer reserves the right to allocate a fewer number of Bonds than those applied for by each Intermediary pursuant to the completed Subscription Agreement. In the event that the Intermediary has been allocated a lesser number of Bonds than the number indicated in the Subscription Agreement, the Intermediary shall receive a refund of the balance of the price of the Bonds applied for but not allocated, without interest, by direct credit into the Intermediary's bank account denominated in Euro as indicated by the Intermediary in the Subscription Agreement.

The intermediary offer is the only distribution channel that the Issuer has selected for the purpose of making the Bond Issue and accordingly there will be no direct retail distribution except through Intermediaries.

Intermediaries purchasing Bonds may do so for their own account or for the account of underlying customers, including retail customers and shall in addition be entitled to distribute any portion of the Bonds purchased upon commencement of trading.

7.19 Allotment Results

It is expected that an allotment advice to Intermediaries will be dispatched within 2 Business Days of the announcement of the allocation policy. The registration advice and other documents and any monies returnable to Intermediaries may be retained pending clearance of the remittance and any verification of identity as required by the Prevention of Money Laundering Act, 1994 (and regulations made thereunder). Such monies will not bear interest while retained as aforesaid. Dealings in the Bonds may not commence before the notification to Intermediaries of the amount allotted to them is made.

The Issuer shall make public the results of the offer by means of a company announcement issued on the website of the Malta Stock Exchange within 1 Business Day after the Intermediaries Offer Date.

8. EXPECTED TIMETABLE

Subscription Agreements available	6 June 2011
Intermediaries Offer date	21 June 2011
Announcement of basis of acceptance	22 June 2011
Commencement of interest on the Bonds	22 June 2011
Expected dispatch of allotment advices and refunds of unallocated monies	24 June 2011
Admission to trading	27 June 2011

9. ADMISSION TO TRADING

Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List. The Conditions contained herein shall be read in conjunction with the Bye-Laws of the MSE applicable from time to time.

The 2010 Bonds, which constitute debt securities of the same class as the Bonds, are already admitted to trading on the Official List of the Malta Stock Exchange.

ANNEX 1: SUPPLEMENT

This Supplement is being prepared in terms of Article 12(2) of the Prospectus Directive 2003/71/EC.

This Supplement is supplemental to, and should be read in conjunction with the Registration Document issued by the Issuer on the 13 September 2010. Terms defined in the Registration Document have the same meaning when used in this Supplement.

This Supplement contains information given in compliance with the Listing Rules of the Listing Authority for the purpose of giving information. The Board of Directors of Mediterranean Bank plc accept responsibility for the information contained in this Supplement. To the best of its knowledge (who has taken all reasonable care to ensure that such is the case), the information contained herein is in accordance with the facts and does not omit anything likely to affect the import of such information. A copy of this Supplement has been delivered to the Listing Authority.

Save as disclosed, there has been no significant change and no significant matter has arisen since the publication of the Prospectus dated 13 September 2010.

This Supplement has been produced for the following purpose:

- A. To incorporate by reference the consolidated Audited Financial Statements of the Issuer for the financial year ended 31 December 2010;
- B. To amend the Registration Document dated 13 September 2010 (the “Registration Document”) as follows:
 - i. To amend the definition of the term ‘Prospectus’, ‘Securities Note’ and ‘Summary Note’ as follows:

<i>“Summary Note</i>	<i>the summary note issued by the Issuer dated 30 May 2011, forming part of the Prospectus.</i>
<i>Securities Note</i>	<i>the securities note issued by the Issuer dated 30 May 2011, forming part of the Prospectus.</i>
<i>Prospectus</i>	<i>collectively the Registration Document, the Securities Note, the Summary Note, as such documents may be amended, updated, replaced and supplemented from time to time.”</i>
 - ii. To amend Section 4 and replace same with the following:

“4. Statutory Auditors
The annual statutory consolidated financial statements of the Issuer for the financial years ended 31 December 2009 and 31 December 2010 have been audited by KPMG, Certified Public Accountants of Portico Building, Marina Street, Pieta, PTA 9044, Malta. KPMG is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act, 1979 (Cap. 281, laws of Malta).”
 - iii. To delete Section 5.2.8 – this in view of the fact that the litigation referred to therein and instituted by Mediterranean Bank Network and its members (the “Network”) against the Issuer is expected to be settled and consequently withdrawn in the near future.

- iv. To delete Section 5.2.4 and replace the same with the following:

“5.2.2 Liquidity Risk

Liquidity risk is the risk that the Issuer will encounter difficulty in obtaining funds to meet its financial commitments. This risk may occur if the Issuer is unable to sell a financial asset quickly at its fair value. A significant portion of the Issuer’s financing is derived from international wholesale funding markets, including funding from the European Central Bank. In the event that funding from such markets were to become less available or more expensive, the Issuer may be adversely affected.”

- v. To delete Section 8 entitled “Selected Financial Information” and replace the same with the following:

“8. Selected Financial Information

The following are extracts from the consolidated audited financial information for the years ended 31 December 2009 and 31 December 2010.

<i>Summarised Income Statement</i>	AUDITED	
	<i>31 December 2010</i>	<i>31 December 2009</i>
	€’000	€’000
<i>Interest income</i>	41,834	4,544
<i>Interest expense</i>	(14,188)	(1,357)
<i>Net interest income</i>	27,646	3,187
<i>Fee and commission income</i>	124	114
<i>Fee and commission expense</i>	(1,154)	(176)
<i>Net fee and commission expense</i>	(1,030)	(62)
<i>Net trading income</i>	347	103
<i>Other operating income</i>	3,280	116
	3,627	219
<i>Operating income</i>	30,243	3,344
<i>Impairment loss on financial assets</i>	-	-
<i>Administrative and other expenses</i>	(5,675)	(3,256)
<i>Personnel expenses</i>	(5,137)	(723)
<i>Depreciation and amortisation</i>	(365)	(227)
<i>Operating expenses</i>	(11,177)	(4,206)
<i>Profit/(Loss) before income tax</i>	19,066	(862)
<i>Tax expense</i>	(3,955)	-
<i>Profit/(Loss) for the year</i>	15,111	(862)
<i>Basic earnings / (loss) per share (cents)</i>	37	(4)

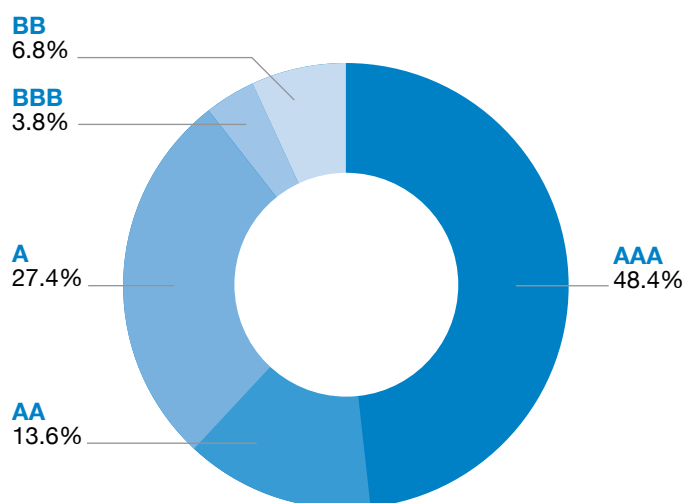
Summarised Balance Sheet	AUDITED	
	31 December 2010	31 December 2009
	€'000	€'000
ASSETS		
<i>Balances with Central Bank of Malta and cash</i>	10,526	39,757
<i>Loans and advances to banks</i>	35,801	14,045
<i>Loans and advances to customers</i>	1,295	9
<i>Investment securities</i>	1,324,114	636,323
<i>Other assets</i>	19,827	7,313
Total assets	1,391,563	697,447
LIABILITIES		
<i>Amounts owed to banks</i>	1,134,986	578,698
<i>Amounts owed to customers</i>	172,847	72,078
<i>Debt securities issued</i>	14,735	-
<i>Other liabilities</i>	9,524	2,411
Total liabilities	1,332,092	653,187
EQUITY		
Total equity	59,471	44,260
Total equity and liabilities	1,391,563	697,447

Since its acquisition and recapitalisation in July 2009 by AnaCap and the Issuer's senior management, the Issuer adopted a new business plan, with the aim of positioning the Bank as a savings and wealth management institution, focused both domestically in Malta and internationally. Management has implemented and continues to implement a business plan which is built to sustain the Issuer's long-term profitability and allow it to develop its customer base in the mass affluent and high net worth market sectors.

Profitability has been achieved through the creation of a high quality, liquid investment portfolio. All investments in the portfolio carry an assigned rating by at least one of the internationally recognised statistical rating agencies (such as Standard & Poor's, Moody's Investor Service and Fitch Ratings).

The aggregate breakdown of the portfolio as at 31 March 2011, categorised by the highest assigned rating, is as follows*:

Issuer Rating Distribution



AAA rated - 'AAA' rating is the highest rating assigned by credit rating agencies and is indicative that the issuer or the investment with exceptionally strong protection for the timely repayment of principal and interest.

AA rated - 'AA' ratings are of superior credit quality, and protection of interest and principal is considered high.

A rated - 'A' ratings are of satisfactory credit quality. Protection of interest and principal is still substantial, but the degree of strength is less than with AA rated entities.

BBB 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.

BB rated - 'BB' ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists which supports the servicing of financial commitments.

There have been no material changes in the Issuer's investment portfolio between 31 December 2010 and 31 March 2011. The Issuer has experienced downwards ratings migration within the portfolio resulting in the ratings distribution described above.

The above are ratings applicable to the instruments in which the Issuer has invested. The Issuer thereof may itself have a different rating to that ascribed to the said instrument issued by it.

* The definition of each of the ratings provided has been extracted from www.fitchratings.com. This information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information published by www.fitchratings.com, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The above described portfolio has been funded largely in the international wholesale banking markets. Simultaneous with this activity, the Issuer has sought to broaden its funding sources by developing its deposit base in both the local and international markets, enabling it to broaden its product offering and nurture its client base.

The fair value of the Issuer's financial assets and liabilities, which are measured at amortised cost and have a short re-pricing maturity, is not materially different from their carrying value in the balance sheet, except for held-to-maturity investments with an amortised cost of €1.24 billion as of 31 December 2010. The fair market value of such held-to-maturity investments at year end amounted to €1.14 billion.

The fair value of debt instruments represents the closing bid price quoted in an active market and is classified as level 1 under the fair value hierarchy in accordance with IFRS7.

As a result of the new business plan, as of 31 December 2010, the Issuer had built a portfolio of €1.32 billion of investment securities primarily comprised of senior financial instruments, bank covered bonds, public sector bonds and mortgage bonds. During the year ended 31 December 2010, the Issuer's portfolio generated net interest income of €27.65 million (compared with €3.19 million for the year ended 31 December 2009).

For the year ended 31 December 2010, the Issuer's operating income was €30.24 million (compared with €3.34 million for the year ended 31 December 2009). For the year ended 31 December 2010, the Issuer had a net profit before tax of €19.07 million (compared with a net loss of €0.86 million for the year ended 31 December 2009) and its net profit after tax for the year ended 31 December 2010 was €15.11 million (compared with a net loss after tax of €0.86 million for the year ended 31 December 2009). In furtherance of its goal of building a deposit base, the Issuer increased amounts due to customers from €72.08 million as of 31 December 2009 to €172.85 million as of 31 December 2010."

- vi. To delete Section 8.1 entitled "Capital Adequacy and Liquidity Ratios" and replace the same with the following:

"8.1 Capital Adequacy and Liquidity Ratios

The following provides the capital adequacy ratios and liquidity ratios with respect to the Issuer as at 31 December 2009 and 31 December 2010.

	As at 31 December 2010	As at 31 December 2009
Capital Adequacy Ratio*	37.29%	80.58%
Liquidity Ratio**	70.26%	137.02%

* The minimum capital adequacy ratio imposed by the Malta Financial Services Authority on credit institutions licensed under the Banking Act, Cap. 371 of the laws of Malta is 8%. The capital adequacy ratio for the financial year ended 31 December 2009 reflected the effect of a capital injection by AnaCap through its indirect acquisition of the Issuer (through Medifin Holding Limited).

** The minimum liquid-asset ratio imposed by the Malta Financial Services Authority on credit institutions licensed under the Banking Act, Cap. 371 of the laws of Malta is 30%.

- vii. To amend the Trend Information contained in Section 10 thereby replacing such section with the below:

“10. Trend Information

2010 saw continued volatility especially in the European debt market. The European authorities have taken several steps towards strengthening the surveillance of imbalances within the union and towards increasing financial integration. These initiatives, together with the widespread fiscal austerity driven within Europe and the UK, were major influences in both the financial markets and the real economies within Europe. In addition, certain actions were taken by European authorities in respect of Greece and Ireland. In addition to the €110 billion Greek rescue package of May 2010, the Irish government agreed an €85 billion rescue package jointly from EFSF and IMF. In early 2011, there was strong expectation that Portugal would also require financial assistance.

Notwithstanding the factors and economic and market challenges described above, Europe overall has shown a strong economic performance mainly driven by the core countries. In particular, the performance of the German and French economies in 2010 was strong, thereby lifting the overall economic performance of Europe during the year. Ongoing performance of the European economy is uncertain particularly given the volatility described above.

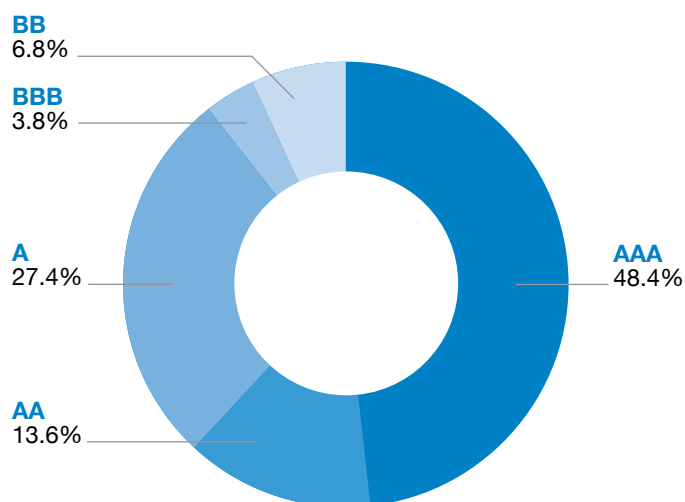
The central banks continued to mull over rates normalisation and the withdrawal of emergency measures; however only preparatory work was done on both fields.

The acquisition by AnaCap of the Issuer, through Medifin Holding Limited, was concluded during July 2009, subsequent to the worst of the financial crisis. Accordingly, following the acquisition, the bank has implemented policies, procedures and operations designed to address the issues raised by the financial crisis and to address as robustly as possible the risks and potential risks that have become more apparent since the advent of the global financial crisis.

The investment policy of the Issuer focuses primarily on investment in highly-rated securities traded on major exchanges. All investments in the portfolio carry an assigned rating by at least one of the internationally recognised statistical rating agencies (such as Standard & Poor's, Moody's Investor Service and Fitch Ratings). The below are ratings applicable to the instruments in which the Issuer has invested. The issuer thereof may itself have a different rating to that ascribed to the said instrument issued by it. There have been no material changes in the Issuer's investment portfolio between 31 December 2010 and 31 March 2011. The Issuer has experienced downwards ratings migration within the portfolio resulting in the ratings distribution described below.

The aggregate breakdown of the portfolio as at 31 March 2011, categorised by the highest assigned rating, is as follows:

Issuer Rating Distribution



These securities include, among others, senior financial instruments, bank covered bonds, public sector bonds and mortgage bonds. All such securities are denominated in euro and are eligible for financing through facilities provided to European Union banks by the European Central Bank. Most such securities are issued by EU entities. In addition, the deposit base of the Issuer primarily consists of customers located in Malta and other European Union countries, including both retail and corporate clients. As a result of the composition of the Issuer's investment portfolio and deposit base, any broadly negative economic trends affecting the European Union may have an adverse effect on the Issuer. The Directors believe that certain sectors of the European financial markets will continue to experience volatility, including particularly peripheral markets such as Greece, Ireland and Portugal. However, notwithstanding the foregoing, the Directors do not expect negative market and economic trends that would overall have a material adverse effect on the financial performance of the Issuer during the current financial year.

The Issuer manages the risks to its financial position through, amongst other things, diversification of its portfolio on an Issuer and geographic basis, maintenance of robust liquidity buffers, management and hedging of interest rate risks and maintenance and ongoing growth of a diversified funding base.

There has been no material adverse change in the prospects of the Issuer since the date of the last published audited financial statements, that is, 31 December 2010."

- viii. To amend Section 12.1 to remove the reference to Mr Frederic Villa – this as a result of Mr Villa's resignation as executive director on 15 February 2011 and head of private banking of the Bank on 1 March 2011.

- ix. Section 12.1.1 shall be deleted and replaced by the following:

“12.1.1 Conflicts of Interest

Francis J. Vassallo, who is the Non-Executive Chairman of Mediterranean Bank plc, occupies various positions in the financial industry in Malta. He is a member of the Board of directors of FIMBank plc, a credit institution licensed in terms of the Banking Act, Cap. 371 of the laws of Malta and is the President and Managing Partner of Francis J. Vassallo & Associates Limited and Chairman of FJV Fiduciary Limited and FJV Management Limited. Francis J. Vassallo & Associates has entered into a referral agreement with the Bank. Pursuant to the introducer agreement, the Issuer reserves the right, in its sole discretion and without providing a reason, not to accept customers introduced by Vassallo Associates. Francis J. Vassallo has declared that he will comply to the fullest extent with applicable rules of the Bank in not voting (or abstaining) at any meeting of the Board of Directors should a discussion with regard to such agreements or their contents be undertaken by the Board.

The memorandum and articles of association of the Bank provides that in the event that a director has a material interest, either directly or indirectly, in any contract or arrangement with the Bank, such director is not entitled to vote on any decisions taken in connection therewith. The Companies Act, Cap. 386 of the laws of Malta provides that directors are obliged, in addition to complying with their general fiduciary obligations as directors, to ensure that their personal interests do not conflict with the interests of the Issuer.

Other than as disclosed in this Section 12.1.1, to the extent known to the Issuer as at the date of this Prospectus, there are no potential conflicts of interest between the duties to the Issuer and their private duties or other duties of the Directors and members of senior management of the Issuer.”

- x. Section 12.2 shall be deleted and replaced by the following:

“12.2 Board Committees

12.2.1 Audit & Risk Committee

The Audit & Risk Committee is primarily responsible for reviewing and approving specific matters relating to the audit of the Issuer, internal control and risk management systems. The members of the Audit & Risk Committee are:

Peter B. Cartwright, Committee Chairman & Non-Executive Director

Francis J. Vassallo, Member & Independent Non-Executive Director

Finlay S. McFadyen, Member & Non-Executive Director

12.2.2 Nomination & Remuneration Committee

The primary purpose of the Nomination & Remuneration Committee is to review the setting of remuneration levels within the Issuer, to approve or otherwise performance related bonus awards and long term incentive plan awards and to identify and nominate for board approval, candidates for appointment as directors, members of board committees and as members of the executive management committee and other senior management positions. The members of the committee are:

Francis J. Vassallo, Committee Chairman & Non-Executive Director

Peter B. Cartwright, Member & Non-Executive Director

Mark A. Watson, Member & Executive Director

12.2.3 Executive Committee

The Executive Committee of the Board was established in order to facilitate the day to day activities of the Bank including approval of asset purchases, approval of the establishment and modification of bank accounts/banking relationships, waiver of specific provisions of compliance requirements, limitation of signatory authorisation, dealing with investment portfolio/trading/operational matters and issuance of certified extracts of Board resolutions.

The members of the committee are **Mark A. Watson** (Committee Chairman & Non-Executive Chairman) and **Henry C. Schmeltzer** (Executive Director & Chief Operating Officer).

12.2.4 Executive Management Committee (“Exco”)

The Exco represents the principal forum for conducting the business of the Issuer and takes day to day responsibility for the efficient running of the business. In addition, the Exco is responsible for the formulation and implementation of Board approved strategies and plan and is responsible for ensuring the performance of the business in accordance with plans. The members of the committee are:

Mark A. Watson Committee Chairman & Non-Executive Chairman
Edward Jaccarini, Member & Chief Financial Officer
Henry C. Schmeltzer, Executive Director & Chief Operating Officer
Joaquin Vicent, Member & Head of Credit & Investment

Whilst retaining the ultimate responsibility for actions taken, the Executive Management Committee may at its discretion delegate its responsibility to the following sub-committees:

a. *Management Credit Committee*

The Management Credit Committee is responsible for approving credit recommendations and making other credit decisions under its delegated authority. The Committee also reviews provisions and lending policies, monitors the health of the Issuer’s portfolio and reviews management information reports. The members of the committee are:

Mark A. Watson, Committee Chairman & Executive Director
Xavier De Pauw, Head of International Strategy
Joaquin Vicent, Member & Head of Credit & Investment

b. *Management Assets & Liabilities Committee*

The Management Asset & Liability Committee sets and reviews overall policies and objectives for asset and liability management, capital management and allocation, capital usage and efficiency, transfer pricing, risk management, and underwriting, dealing and trading activities in various instruments according to the risk appetite set by the board of directors. The members of the committee are:

Deo Catania, Committee Chairman & Head of Treasury
Mark A. Watson, Executive Director
Edward Jaccarini, Member & Chief Financial Officer
Joaquin Vicent, Member & Head of Credit & Investment

12.2.5 Operations Committee

The Operations Committee considers and discusses the day to day operating procedures of the Issuer and constitutes a forum at which issues relating to the Issuer's procedures can be discussed. The Operations Committee meet fortnightly. The following persons are members of the Operations Committee:

Henry C. Schmeltzer, Executive Director & Chief Operating Officer
Domenic Degiorgio, Committee Secretary & Head of Bank Office & Settlements
Edward Jaccarini, Member & Chief Financial Officer
Deo Catania, Head of Treasury
Jonathan James, Head of IT
Paula Galea Farrugia, General Counsel and Head of Compliance
Charles Cini, Head of Corporate Banking
Lorraine Bonello Ghio, Head of Administration
Ray Calleja, Head of Consumer Banking
Fleur Mawdsley, Head of Client Service Group
Keith Huber, Head of Risk

12.2.6 Internal Controls Working Group

The Internal Controls Working Group reviews Issuer's policies and procedures specifically and internal controls in general, with the aim of recommending changes to the Operations Committee and/or Executive Committee of the Board. The group may also review and assess internal audit functions and procedures and discuss means of strengthening internal controls. The group meet fortnightly and is composed of the following persons:

Henry C. Schmeltzer, Executive Director & Chief Operating Officer
Paula Galea Farrugia, Committee Secretary & General Counsel & Head of Compliance
Edward Jaccarini, Member & Chief Financial Officer
Deo Catania, Head of Treasury
Domenic Degiorgio, Head of Bank Office & Settlements
Charles Cini, Head of Corporate Banking
Joanne Dimech, Product Controller
Keith Huber, Head of Risk

12.2.7 New Products Committee

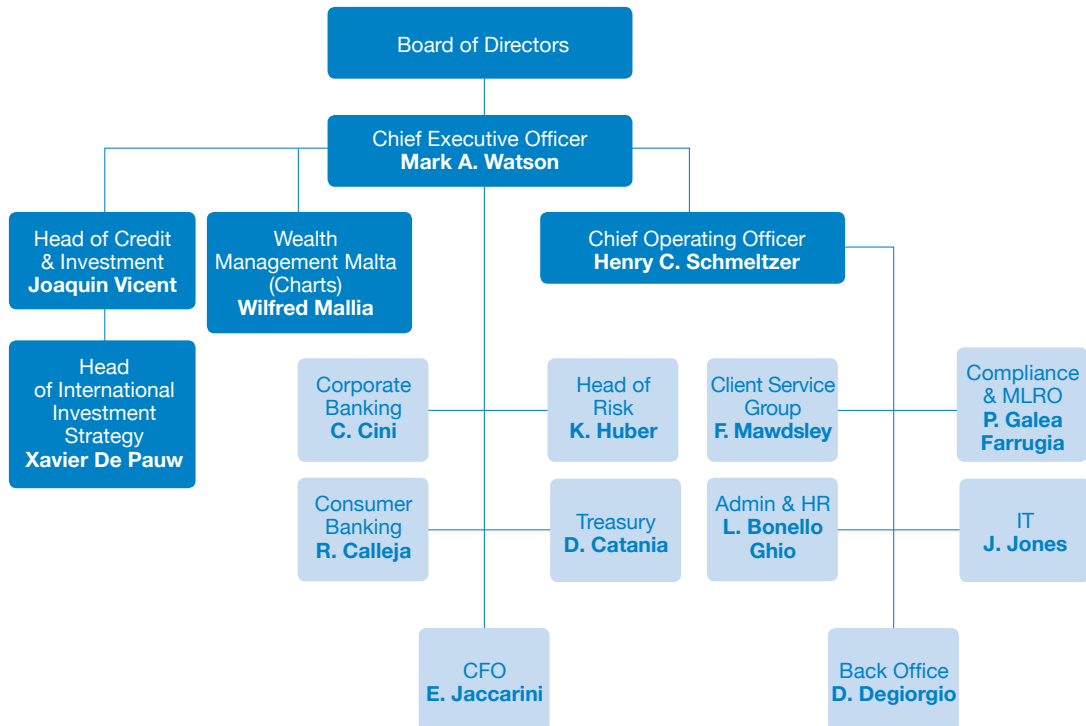
The New Products Committee has been established to analyse potential new products to be offered by the Issuer from a risk, operations, reputation and legal/compliance perspective. The committee, in respect of any new product it considers, provides recommendations to the Management Committee as to whether a new product ought to be introduced by the Issuer and as to appropriate policies, procedures and controls that should be adopted. The committee is made up of the following persons:

Joaquin Vicent, Member & Head of Credit & Investment
Domenic Degiorgio, Committee Secretary & Head of Bank Office & Settlements
Edward Jaccarini, Member & Chief Financial Officer
Deo Catania, Head of Treasury
Henry C. Schmeltzer, Executive Director & Chief Operating Officer
Keith Huber, Head of Risk
Paula Galea Farrugia, General Counsel and Head of Compliance"

- xi. To amend Section 12.4 thereby replacing such section with the below:

“12.4 Management Team

The day-to-day operation of the Issuer is managed by a management team who report to the Chief Executive Officer of the Issuer and is organised as follows:



- xii. To amend Section 14.1 thereby replacing such section with the below:

“14.1 Historical Financial Information

Full historical financial information for the two financial years ended 31 December 2009 and 31 December 2010 are set out in the consolidated financial statements of the Issuer as audited by KPMG and are available for public inspection.

The latest audited financial information available in respect of the Issuer relates to the financial year ended on 31 December 2010.”

- xiii. To delete Section 14.2 thereby replacing such section with the below:

“14.2 Legal and Arbitration Proceedings

On 25 October 2006, civil proceedings were filed by Kevin-James Fenech on behalf of the Mediterranean Bank Network and of its members (the “Network”) against the Issuer whereby a number of judicial demands were made by the Network against the Issuer requesting the cancellation of trademark numbers 44231 and 44232 and request the Court to order the Issuer to desist from any further use of the trademark. In March 2011, the parties ceded the law suit.

There are, and in the previous 12 months there have been, no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), which may have, or have had in the recent past, significant effects on the Issuer and/or the Group’s financial position or profitability.”

- xiv. To amend Section 14.3 thereby replacing such section with the below:

“14.3 Significant Change in the Issuer’s Financial or Trading Position

There has been no significant change in the financial or trading position of the Issuer or the Group which has occurred since 31 December 2010.”

- xv. To amend Section 16 thereby replacing such section with the below:

“16. Documents on Display

The following documents (or copies thereof) may be inspected at the registered office of the Issuer:

- *The memorandum and articles of association of the Issuer; and*
- *The audited consolidated and individual financial statements of the Issuer for each of the financial years ended 31 December 2009 and 31 December 2010.”*