



LOMBARD

REPORT OF THE ANNUAL GENERAL MEETING OF LOMBARD BANK MALTA P.L.C. (C1607)

In view of the ongoing health risks and concerns associated with the COVID-19 pandemic, the Annual General Meeting ('AGM') of Lombard Bank Malta p.l.c. (the 'Bank') was held remotely on Wednesday 2 December 2020 at 11am, in accordance with the Companies Act (Public Companies – Annual General Meetings) Regulations, 2020 (L.N. 288 of 2020) (the 'Regulations').

In attendance were:

1. Michael C. Bonello (Chairman & Non-Executive Director) - Chairman of the AGM
2. Joseph Said (Chief Executive Officer & Executive Director)
3. Graham A. Fairclough (Non-Executive Director)
4. Michael Zammit (Non-Executive Director)
5. Kimon Palamidis (Non-Executive Director)

6. Helena Said - Company Secretary

7. Simon Flynn (Partner - PricewaterhouseCoopers)
8. Michael Formosa (Senior Manager - PricewaterhouseCoopers)

9. David Attard (Chief Officer - Group Corporate Services)
10. Anthony Bezzina (Chief Officer – Credit)
11. Paul Debono (Chief Officer – Legal Services)
12. Eugenio Farrugia (Chief Operations Officer)
13. Anthony Zahra (Chief Information Officer)
14. Aurelio Theuma (Chief Financial Officer)
15. Sandro Baluci (Consultant Asset & Fund Management)
16. Martin Webster (Consultant Corporate Advisory)
17. Moira Balzan – (Deputy Chief Financial Officer)

Members representing 33,908,977 votes were present by proxy.

In accordance with the provisions of the Regulations and the Bank's Memorandum and Articles of Association, a quorum was established.

Chairman's Address

The Chairman opened the meeting and following a brief introduction, proceeded to deliver the Chairman's Statement attached hereto as 'Appendix A'.

The Chairman then explained how the AGM was to be conducted and proceeded to ask the Company Secretary to read the Notice to Shareholders convening the AGM.

Lombard Bank Malta p.l.c.

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Lombard Bank Malta p.l.c. is listed on the Malta Stock Exchange and is licensed and regulated by the Malta Financial Services Authority as a credit institution and as an investment service provider

Registered Office: 67 Republic Street Valletta Malta • Company Registration Number: C 1607



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Questions

In accordance with the relevant provisions set out in the Regulations, shareholders had been invited to submit in writing any pertinent questions related to the resolutions by not later than 48 hours before the AGM.

The following question was received, the answer to which is as follows:

Question

The 2017 Annual Report had explained that as part of the Bank's growth strategy and capital plans, "the Board is examining the possibility of an increase in Tier 1 capital by means of a rights issue". Could you provide an update in this respect, explaining whether this consideration is currently being actively pursued, and if yes, provide additional details/indications?

Reply

Ensuring an adequate level of capital is a high priority in the objectives of any company and banks are definitely no exception to this.

The banking regulatory climate is such that strong Capital Adequacy Ratios are considered to be of paramount importance.

Whereas Lombard Bank currently has in place Tier I capital ratios that are in excess of regulatory requirements, your Board of Directors however still considers it prudent to constantly monitor the Bank's capital buffer and possible routes for increasing it.

A healthy capital base, apart from satisfying regulatory requirements, allows the Bank to pursue further sustainable growth based on robust fundamentals.

Given the availability of a number of capital-raising options, a rights issue being just one of them, your Board will take its decision to proceed in the light of circumstances prevailing at the time.

Agenda

Insofar as the business and agenda of the AGM is concerned, the meeting proceeded to consider the following resolutions:

Ordinary Business

1. Accounts

"That the Audited Financial Statements for the financial year ended 31 December 2019 and the Directors' and Auditors' Reports thereon be hereby received and approved."

The Directors' Report found on pages 9 to 19 of the 2019 Annual Report which was sent to the shareholders as part of the Annual Report was taken as read.

Simon Flynn on behalf of PricewaterhouseCoopers, read the Independent Auditors' unqualified opinion found on page 33 of the 2019 Annual Report.

The following votes were received by proxy in relation to this Resolution:

- **33,578,100** votes in favour of this resolution received by proxy
- **0** votes against this resolution received by proxy
- **330,877** abstentions received by proxy

The resolution was approved.



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2. Reappointment & Remuneration of Auditors

“That the reappointment of PricewaterhouseCoopers of 78, Triq il-Mithna, Qormi as auditors be hereby approved and that the Board of Directors be authorised to fix their remuneration.”

It was explained that in terms of the Statutory Audit Regulation, the engagement of external auditors is subject to a maximum engagement period of ten years, which period may be extended for a further ten year period after a public tendering process is conducted. Given that upon the completion of the Financial Year 2019 audit, PricewaterhouseCoopers as external auditors would have been in office for a period of ten years, the Bank issued a tender for the engagement of external auditors. Following an assessment of the proposals received by a working group set up specifically for this purpose as well as by the Audit & Risk Committee and Board of Directors, it was decided that PricewaterhouseCoopers be recommended to the AGM for reappointment by the Bank.

The following votes were received by proxy in relation to this Resolution:

- **33,575,093** votes in favour of this resolution received by proxy
- **0** votes against this resolution received by proxy
- **333,884** abstentions received by proxy

The resolution was approved.

3. Appointment of Directors

“That the Directors be appointed in accordance with Articles 113 to 120 of the Bank’s Articles of Association.”

Michael C. Bonello and Joseph Said retired by rotation. Since no nominations were submitted following the publication of an advertisement by the Bank in terms of the Bank’s Articles of Association and since both Michael C. Bonello and Joseph Said intimated their willingness for reappointment, there was no need for an election and they were deemed to be reappointed.

This resolution was therefore taken as approved and the Board of Directors is composed of Michael C. Bonello, Joseph Said, Graham A. Fairclough, Michael Zammit and Kimon Palamidis.

4. Remuneration of Directors

“That the maximum annual aggregate Directors’ remuneration for the holding of their office be established at €70,000.”

The following votes were received by proxy in relation to this Resolution:

- **33,544,300** votes in favour of this resolution received by proxy
- **32,535** votes against this resolution received by proxy
- **332,142** abstentions received by proxy

The resolution was approved.

The meeting then proceeded to vote on the following resolutions, constituting Special Business as set out and explained in the Circular to Shareholders dated 30 October 2020 and which was distributed to Shareholders together with the Notice to Shareholders convening this Meeting:



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Special Business

Ordinary Resolution:

1. Remuneration Policy for Directors

“That the Remuneration Policy for Directors as set out in the Circular to Shareholders dated 30 October 2020 be hereby approved.”

The following votes were received by proxy in relation to this Resolution:

- **33,545,565** votes in favour of this resolution received by proxy
- **34,325** votes against this resolution received by proxy
- **329,087** abstentions received by proxy

The resolution was approved.

Extraordinary Resolution:

1. Amendment to the Memorandum & Articles of Association

“That an amendment to the Bank’s Memorandum and Articles of Association be hereby approved to allow for Article 147 of the Articles of Association to be deleted and replaced as follows, as explained in the Circular to Shareholders dated 30 October 2020:

147. A copy of the profit and loss account and balance sheet (including every document required by law to be comprised therein or annexed thereto) which are to be laid before the Company in General Meeting, together with a copy of the Auditors’ report and Directors’ report, (hereinafter all of the aforesaid to be collectively referred to as the ‘Annual Accounts’), shall, not less than twenty-one (21) days before the date of the General Meeting at which they are to be laid, be sent to every member, stockholder and/or debenture holder of the Company and any other person entitled to receive notices of General Meetings under the provisions of the Act, any other law, rule or regulation or these Articles.

Provided that this Article shall not require a copy of the aforesaid Annual Accounts to be sent to any person of whose address the Company is not aware or to more than one holder in the case of joint holders of shares.

Provided further that the Company shall not be required to send a printed copy of the Annual Accounts to: (i) Members of the Company who have been duly given notice of the General Meeting at which the Annual Accounts are to be laid, where the Company has made available to its Members an electronic copy of such Annual Accounts on its website or otherwise, and has notified such Members accordingly; and (ii) holders of debentures who are not entitled to receive notices of General Meetings of the Company.

Notwithstanding the aforesaid, the Company shall provide a printed copy of the Annual Accounts to any of its Members upon their written request.”

The following votes were received by proxy in relation to this Extraordinary Resolution:

- **33,562,158** votes in favour of this resolution received by proxy
*i.e. (98.98% of the shares represented and entitled to vote at the meeting
75.97% of all the shares entitled to vote at the meeting)*
- **15,942** votes against this resolution received by proxy
- **330,877** abstentions received by proxy



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Extraordinary Resolutions require the approval of not less than 75% in nominal value of the shares represented and entitled to vote at the meeting and at least 51% in nominal value of all the shares entitled to vote at the meeting. With both these majorities having been achieved, this Extraordinary Resolution was approved.

There being no further business to discuss, the Chairman thanked all the Shareholders for their continued support and trust in the Bank and closed the AGM at 11.30am.

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Appendix A

CHAIRMAN'S STATEMENT

The message contained in the Chairman's Statement carried in the 2019 Annual Report which was circulated to shareholders earlier this year has been superseded by recent events. The positive trends described in that statement have, in fact, been inevitably impacted by the COVID-19 pandemic. Apart from the tragic cost in human lives lost as a result, the pandemic is also exacting a high price in terms of economic growth worldwide, with both consumption and investment slowing down, creating a challenging environment for the banking sector in the process. The Bank's latest financial data suggest that profit before tax for the current year is likely to fall short of the original target as well as of that of the previous year. Low to negative interest rates, including on prime quality assets, are expected to continue exerting pressure on the interest margin. Commission income, too, has been negatively impacted by reduced volumes as business sentiment and activity continue to be affected by the economic slowdown. On the other hand, while operating costs remain under control, the Bank has incurred additional expenditure in ensuring that the health of its customers and staff continues to be fully protected during this difficult time. The overall financial position, however, remains strong and there are no indications of significant deterioration in the Bank's assets, while both the capital and liquidity ratios continue to be well in excess of regulatory requirements. Nevertheless, following the issuance of a recommendation by the ECB, the announced dividend in respect of 2019 cannot be paid out before at least January 2021.

With regard to the Bank's main source of income, it is to be noted that loans and advances to customers include facilities in respect of medium-term projects which should not be unduly affected by the current slowdown. Nonetheless, the Bank continues to review the levels of its impairment allowances in line with the evolving economic situation and regulatory requirements and it is anticipated that worsening economic forecasts may well give rise to an increase in these allowances for this year. The loan to deposit ratio meanwhile remains at a prudent level well within the Bank's risk appetite, with customer deposits tending to grow faster than lending. The Bank has also participated in the COVID-19 Guarantee Scheme introduced by the Malta Development Bank.

The Bank's main subsidiary, MaltaPost p.l.c., has continued its operations uninterrupted, with only minor disruptions mainly in deference to health and safety precautions. After significant logistical difficulties during the second quarter of the year due to unavailability of international transport facilities, delivery of postal items has since picked up in earnest so that activity, although not at full capacity, has reached an acceptable level.

In conclusion, I would like to reiterate my gratitude and that of the Board to the Bank's staff and management team for their steadfast contribution to the Bank's continued operations in the difficult working environment created by the pandemic. I would also like to thank you the Bank's shareholders for your support and all our customers for their continued loyalty.

Michael C. Bonello
Chairman
2 December 2020