



LOMBARD

CIRCULAR TO SHAREHOLDERS

The 2017 Annual General Meeting ('**AGM**') of Lombard Bank Malta p.l.c. (the '**Bank**') will be held on Thursday 27 April 2017 at 5.30pm at the Chamber of Commerce, Republic Street, Valletta, Malta.

This *Circular to Shareholders* ('**Circular**') is being issued pursuant to Chapter 6 of the Malta Financial Services Authority ('**MFSA**') Listing Rules. It is being sent to all shareholders entitled to attend and vote at the forthcoming AGM so as to enable them to understand better the nature of the extraordinary resolutions and ordinary resolutions concerning special business that are to be considered at the AGM and to provide the necessary information about the resolutions to assist shareholders to make informed decisions.

NOTE TO SHAREHOLDERS

This Circular is important and requires your immediate attention. Please consult an appropriate independent professional advisor should you be in doubt as to the import of this document and/or any action required of you.

This Circular is to be considered as complementary to the *Notice to Shareholders* and should be read in conjunction with the same.

If you sell or transfer any or all of the shares held, please ensure that you pass on this Circular to the person through whom the sale or transfer was effected for onward transmission to the purchaser or transferee of the shares.

As shown in the, apart from the five (5) ordinary resolutions concerning ordinary business to be considered at the forthcoming AGM, the shareholders are being requested to consider, and if deemed fit, approve a further four (4) resolutions constituting special business, two (2) being extraordinary resolutions, and the other two (2) being ordinary resolutions.

SPECIAL BUSINESS - EXTRAORDINARY RESOLUTION: ACQUISITION OF OWN SHARES

Resolution:

That pursuant to Article 19 of the Bank's Articles of Association and Article 106 of the Companies Act, the Bank be and is hereby authorised to acquire in its own name such number of the Bank's own ordinary shares subject to the following terms and conditions:

- (i) The maximum number of shares that the Bank is authorised to acquire shall not exceed 50% of the Bank's issued share capital;
- (ii) The authority for the Bank to acquire its own shares shall be valid for eighteen (18) months from the date of this resolution; and
- (iii) The Bank shall be authorised to pay a minimum of €1.54 and a maximum of €3.09 per ordinary share.

Investment Bank of Greece in its capacity as financial advisor of Cyprus Popular Bank Public Co. Limited ('**CPB**'), a shareholder holding 49.01% of the Bank's shares, has recently launched a sale process for the disposal of CPB's shareholding (the '**Disposal Shares**'). In this regard, the Board of Directors, following close consideration of all relevant factors, resolved that it would be in the interest of the Bank and its remaining shareholders to participate in the process with a view to retaining the possibility of purchasing the Disposal Shares.

Lombard Bank Malta p.l.c.

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Licensed to conduct Investment Services Business by the Malta Financial Services Authority • Regulated by the Malta Financial Services Authority & listed on the Malta Stock Exchange
Registered Office: 67 Republic Street Valletta Malta • Company Registration Number: C 1607

In this respect the Board of Directors submitted an expression of interest for the acquisition of such shareholding. Therefore, authority of the shareholders to allow for the possibility of the Bank to acquire its own shares (in this case, the Disposal Shares) is required.

In terms of Article 19 of the Bank's Articles of Association, the Bank "*...is authorised to acquire and hold, other than by subscription, any of its own fully paid up shares, subject to all the relevant provisions of the Act and of all applicable laws.*"

Article 106 of the Companies Act allows for the acquisition of its own shares by a company subject to a number of conditions, including that authorisation is given by an extraordinary resolution, which resolution will need to determine the terms and conditions of such acquisition and in particular the maximum number of shares to be acquired, the duration of the period for which the authorisation is given and the maximum and minimum consideration. The range for the minimum and maximum consideration is being proposed at €1.54 and €3.09 respectively. This range has been determined by taking the average trading price of the shares for the last six (6) months (€2.315) and adjusting it upwards and downwards by 33.333%. The Board is of the view that this range should allow for sufficient flexibility for the Bank to achieve its strategic objectives.

The Board of Directors believes that the Disposal Shares constitute a significant and influential shareholding and wishes to keep all options open to ensure that the Bank and its remaining shareholders have the option of maintaining current strategies and a business model that will not be subjected to the strategies of a prospective new significant shareholder and this to offer to current shareholders the possibility of increasing their respective shareholding in the Bank by subscribing for further shares in the Bank equivalent to their proportionate share of the Disposal Shares, and to authorise the Board of Directors to acquire the Disposal Shares.

This proposal is part of a wider strategy whereby the Bank will first give the opportunity to its existing shareholders to increase their shareholding in the Bank. To give effect to this, a number of alternatives are being considered including the launch of a rights issue to existing shareholders (to the exclusion of CPB) to subscribe for further shares in the Bank. This would enable the Bank to raise additional capital from existing shareholders, the proceeds of which will be applied to purchase the Disposal Shares. In the event that the Bank is successful in the acquisition of the Disposal Shares it will proceed with a reduction of capital to the extent of the shares so purchased and held by the Bank in accordance with the provisions of the Companies Act, thus re-establishing the original capital levels of the Bank. Alternatively, the repurchased Disposal Shares could be resold by first offering them to existing shareholders (to the exclusion of CPB) and the price applied to settle the purchase price for the acquisition by the Bank of the Disposal Shares.

Given that the acquisition of the Disposal Shares is expected to be funded by new share capital, the acquisition of its own shares should have a neutral effect on the balance sheet of the Bank as effectively the proceeds from the rights issue will substitute the share capital which will be cancelled following the buy-back.

The underlying basis for this proposal is that the current shareholders of the Bank would, indirectly through the Bank itself be able to participate in the acquisition process of the Disposal Shares. It is expected that the buy-back should be completed by not later than eighteen (18) months from the date of the resolution.

SPECIAL BUSINESS - EXTRAORDINARY RESOLUTION: RESTRICTION / WITHDRAWAL OF STATUTORY PRE-EMPTION RIGHTS

Resolution:

That pursuant to Article 88 of the Companies Act, the right of pre-emption of the Bank's shareholders be restricted or withdrawn for as long as the Board of Directors remains authorised to issue and allot shares in terms of Article 85 of the Companies Act.

In terms of Article 3(iv) of the Bank's Articles of Association, "*whenever shares are proposed to be allotted for a consideration in cash they shall be offered to the existing members of the Company in accordance with their pre-emption rights as laid down in subsections (1) to (4) of section 88 of the Act.*"

Article 88 of the Companies Act, however, permits for authorisation to be granted by virtue of an extraordinary resolution for the restriction or withdrawal of pre-emption rights of the Bank's shareholders. This would allow the Bank flexibility to issue shares to a strategic investor/s upon the acquisition of its own shares.

SPECIAL BUSINESS - ORDINARY RESOLUTION: AUTHORITY TO ISSUE SHARES

Resolution:

That in terms of Article 3(ii) of the Bank's Articles of Association and Article 85 of the Companies Act, all of the shares for the time being unissued be issued subject to such rights, restrictions and terms as may have been determined in accordance with the provisions of Article 3(i) of the Bank's Articles of Association. This authorisation shall be valid for a maximum period of five (5) years from the date of the adoption of this Ordinary Resolution, renewable for further periods of five (5) years each.

It is being proposed that the Board of Directors be granted the authority to be able to increase the Bank's Issued Share Capital up to the maximum value of the Bank's Authorised Share Capital.

The Bank's Authorised Share Capital is currently set at €20,000,000 (made up of 80,000,000 Ordinary Shares of a nominal value of 25 Euro cents each).

The total Ordinary Share Capital in issue is of €11,044,478.50 divided into 44,177,914 Ordinary Shares of a nominal value of 25 Euro cents each, all of one (1) class.

The authority to issue and allot shares pursuant to this resolution would relate to 81.09% of the current issued share capital (represented by 35,822,086 Ordinary Shares of 25 Euro cents each).

The Board would exercise the authority granted to it, if it considers it in the best interests of the Bank to do so as part of the overall strategy as better described in this Circular, including to give effect to the rights issue aimed at raising sufficient capital to enable the Bank to participate in the acquisition of the Disposal Shares as explained above.

SPECIAL BUSINESS - ORDINARY RESOLUTION: AUTHORITY TO DISCLOSE INFORMATION (INCLUDING PRICE SENSITIVE INFORMATION) TO A PROSPECTIVE BONA FIDE OFFEROR(S) AND CYPRUS POPULAR BANK PUBLIC CO. LIMITED (THE PROSPECTIVE TRANSFEROR) IN THE DISPOSAL OF A SUBSTANTIAL SHAREHOLDING IN LOMBARD BANK MALTA P.L.C.

Resolution:

That the Board of Directors of Lombard Bank Malta p.l.c. be authorised to make such disclosures, including disclosure of unpublished price sensitive information, to a prospective *bona fide* offeror(s) and Cyprus Popular Bank Public Co. Limited (the prospective transferor) in order to enable the prospective *bona fide* offeror(s), Cyprus Popular Bank Public Co. Limited and their advisers to make, confirm, withdraw or modify any *bona fide* offer for shares in Lombard Bank Malta p.l.c. subject to the requirements of the Listing Rules in this regard being satisfied including L.R. 5.174.3.2, L.R. 5.174.3.3 and L.R. 5.174.3.4 prior to such disclosure being made.

This resolution was requested to be put before the shareholders by CPB in terms of the Bank's Memorandum and Articles of Association and the MFSA Listing Rules.

Reference is made to the Bank's Company Announcement dated 22 March 2016 by virtue of which the Company announced, *inter alia*, that it had been notified that the Special Administrator of CPB had approved the disposal of CPB's shareholding in the Bank.

In terms of Listing Rule 5.174 considering '*Transactions Involving Substantial Shareholdings*', '*Substantial Shareholding shall for the purposes of this Rule mean the entitlement to exercise or control the exercise of ten percent (10%) or more of the votes able to be cast at general meetings or the entitlement to appoint a majority of Directors on the board of Directors of an Issuer.*'

As stated above, CPB holds 49.01% of the Bank's total issued ordinary shares and therefore this qualifies as a 'Substantial Shareholding' in the Bank.

Should the shareholders vote in favour of the resolution, such information will only be furnished subject to the following conditions:

1. The disclosures will be made only to the prospective offeror(s) and CPB if *bona fide*;
2. The passing of such resolution is subject to all regulatory requirements including, but not limited to the following:

- (i) The extent of the disclosure is still subject to applicable privacy or secrecy obligations in terms of law;
- (ii) CPB and the prospective offeror(s) shall sign a confidentiality agreement so as to prevent the disclosure and use of the information furnished, other than for the purpose of the acquisition of the Substantial Shareholding in the Bank;
- (iii) An undertaking from the prospective offeror(s) will be taken whereby they bind themselves not to deal in the Bank's shares or any derivative instrument relating thereto, whether directly or indirectly, for a period of one (1) year following completion of the transaction or termination thereof or discontinuance or withdrawal, other than to complete the transaction that prompted the disclosure of information hereunder;
- (iv) An undertaking from CPB that it acknowledges that the information received from the Bank cannot be used or communicated other than for the purposes of a transaction in the shares that are the subject of the offer, whether wholly or in part, whether with the prospective offeror(s) or otherwise, and that it cannot deal in other shares of the Bank for a period of one (1) year following completion of the transaction or termination thereof or discontinuance or withdrawal;
- (v) An undertaking from the Bank to keep the market informed about the outcome of any negotiations between the *bona fide* offeror(s) and CPB.

The resolution is aimed at providing information about the Bank to prospective *bona fide* offerors wishing to acquire the Disposal Shares in the Bank and therefore to facilitate that process by allowing access to such prospective offerors to documents and other information about the Bank that would allow them to conduct a proper evaluation of the Bank and therefore to make, confirm or withdraw an offer for the Disposal Shares to be disposed of. It is envisaged that the process will be conducted in accordance with standard market practice and with agreed protocols for access to confidential and price-sensitive information that will ensure the integrity of the information and the Bank.

DECLARATION BY DIRECTORS

Michael C. Bonello, Joseph Said, Graham A. Fairclough, Michael Zammit and Kimon Palamidis, being Directors of the Bank, accept responsibility for the information contained in this Circular. To the best knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Circular is in accordance with the facts and does not omit anything which is likely to affect the import of such information.

LIST OF INCUMBENT DIRECTORS

The Directors of the Bank as at the date of this Circular are the following:-
Michael C. Bonello, Joseph Said, Graham A. Fairclough, Michael Zammit and Kimon Palamidis.

DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or certified copies thereof, will be available for inspection at the Bank's registered office at 67, Republic Street, Valletta, VLT 1117, Malta for at least fourteen (14) days from the date of publication of this Circular:

- (a) The Bank's Memorandum and Articles of Association; and
- (b) The Bank's last Annual Financial Report.

DIRECTORS' RECOMMENDATION

To the best of their knowledge and belief and to the extent of the circumstances and facts known to them, the Directors express the view that the above proposed resolutions are in the best interest of the Bank and of its shareholders. Therefore, the Board recommends that the shareholders vote in favour of the resolutions at the forthcoming AGM.

3 April 2017

Approved and issued by Lombard Bank Malta p.l.c., 67, Republic Street, Valletta, VLT 1117, Malta.