



LOMBARD

CIRCULAR TO SHAREHOLDERS

The 2016 Annual General Meeting ('AGM') of Lombard Bank Malta p.l.c. (the 'Bank') will be held on Thursday 28 April 2016 at 5.30pm at the Chamber of Commerce, Republic Street, Valletta, Malta.

The ordinary resolutions to be put before the Shareholders at the AGM include the resolution recommending a dividend distribution in the form of cash or new shares at the option of each individual Shareholder (Scrip dividend).

This Circular to Shareholders is being issued pursuant to Chapter 6 of the Malta Financial Services Authority Listing Rules.

NOTICE TO SHAREHOLDERS

This Circular to Shareholders is **important** and requires your immediate attention. Please do not hesitate to consult an appropriate independent advisor should you remain in doubt as to what action to take.

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

PROPOSED ORDINARY RESOLUTION

Resolution 2

The Board of Directors is proposing a final gross dividend of 4 cent (net dividend of 2.6 cent) per share, representing a final gross payment of €1,750,863, to be distributed either in cash or by the issue of new shares at the option of each individual Shareholder appearing on the Bank's Share Register at the Central Securities Depository of the Malta Stock Exchange as at close of trading on 29 March 2016 (the 'Record Date'). The Share Register as at the Record Date included trading undertaken up to and including Wednesday 23 March 2016.

In this regard, please note the following:

- The attribution price to be used as a basis for calculating the Scrip dividend entitlement has been established at €2.18, being the price as at close of trading on 9 March 2016.
- Enclosed with this Circular to Shareholders together with other documentation relating to the AGM, is a Shareholder Scrip Dividend Letter specific to each individual Shareholder including details regarding dividend entitlement. Shareholders eligible for the Scrip dividend who would like to receive shares in lieu of a cash dividend must elect positively in this regard on the Scrip Dividend Election Notice included with the Shareholder Scrip Dividend Letter and send the same, completed and signed, to the Office of Company Secretary by close of business on 21 April 2016 using the enclosed self-addressed envelope. Failure to submit such Scrip Dividend Election Notice by the above deadline will be deemed to be an election to receive dividend in cash.
- The total gross dividend of €1,750,863 which is being recommended for distribution, as stated above, will be paid from the Company's Immovable Property Account 2015. The gross dividend is subject to a 35% Income Tax Rate. Each individual Shareholder's tax position may vary according to his/her applicable tax band, and a Shareholder may wish to seek advice as to whether he/she qualifies for a tax refund, as the case may be.
- Scrip dividend entitlement in respect of individual holding will be calculated based on the net dividend per share and the attribution price of €2.18. Fractional shares shall be rounded off according to the following criteria: from 0.01 to 0.49 of a share rounded down; from 0.50 to 0.99 of a share rounded up.

- In the event that all eligible Shareholders elect to receive shares in lieu of their cash dividend, the total number of shares that would be issued at the attribution price of €2.18 would amount to 522,046.
- Based on the number of shares in issue as at the date of this Circular to Shareholders, being 43,771,573 ordinary shares, the above-mentioned maximum number of Scrip shares that may be issued (i.e. 522,046 shares) would represent 1.19% of the shares in issue.
- An application will be made for the listing on the Malta Stock Exchange of the new shares issued in terms of this Scrip dividend. These new shares will be registered in uncertificated form, will rank pari passu with the existing listed shares in issue and are expected to be issued and admitted to listing on 6 May 2016, with dealings expected to commence on the same day.
- The right of Shareholders entitled to the issue of the new shares is non-transferable.
- The present decision by the Board of Directors to recommend an option to be given in terms of Resolution 2 as quoted below does not extend to any future decisions regarding dividend recommendations. This Circular to Shareholders or any documentation relating to the AGM do not constitute an invitation to Shareholders to complete a mandate in respect of future dividends.

Therefore, Resolution 2 to be put before the Shareholders at the forthcoming AGM will propose:

To declare a final gross dividend of 4 cent (net dividend of 2.6 cent) per share, representing a final gross payment of €1,750,863, to be distributed either in cash or by the issue of new shares at the option of each individual shareholder.

DECLARATION BY DIRECTORS

Michael C. Bonello, Joseph Said, Graham A. Fairclough, Michael Zammit, Kimon Palamidis and Christos Stylianides, being Directors of the Bank, accept responsibility for the information contained in this Circular to Shareholders. 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 to Shareholders 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 to Shareholders are the following:-
Michael C. Bonello, Joseph Said, Graham A. Fairclough, Michael Zammit, Kimon Palamidis and Christos Stylianides.

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, Malta for at least fourteen (14) days from the date of publication of this Circular to Shareholders:

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

DIRECTORS' RECOMMENDATION

The Directors declare that the above proposed resolution is in the best interest of the Bank and of its Shareholders. While Shareholders are being given an option to take their dividend in the form of new shares, and thereby increase their investment with the Bank, the Bank will, as a result of increased issued shares, have a stronger capital base for further enhancement of its business opportunities. Therefore, the Board recommends that the Shareholders vote in favour of the resolution at the forthcoming AGM.

4 April 2016

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