



# LOMBARD

## 2021 ANNUAL GENERAL MEETING SHAREHOLDERS' QUESTIONS AND REPLIES

### MISTOQSIJA

*"Fid-dawl li fl'2019 kien ġie propost dividend tajjeb fuq ix-'shares' iżda ma ngħatax minħabba il-Covid-19, hemm xi ħsieb li jingħata xi kumpens għal dik is-sena, 2019?"*

*Il-'Bonus Shares' proposti biex jikaverjaw l-2020 huma mhux ħażin, iżda il-ħlas ta' 1.95 cent net fuq kull 'share' hija figura xejn ta' kuraġġ."*

### QUESTION

*"In view of the fact that the dividend payment proposed for 2019 was not distributed due to COVID-19, are there plans to compensate shareholders for that year? The allotment of Bonus Shares for 2020 is a positive move, however the payment of a net dividend of 1.95 cent per share is not encouraging."*

### Risposta

Ir-rakkomandazzjoni tal-Bord tad-Diretturi tat-23 ta' Marzu 2020 għall-ħlas ta' dividend għas-sena 2019 kienet ġiet irtirata f'Awissu 2020 wara l-ħruġ tar-Rakkomandazzjoni tal-Bank Ċentrali Ewropew dwar id-distribuzzjoni ta' dividendi waqt il-pandemija tal-COVID-19 u li tħassar ir-Rakkomandazzjoni BCE/2020/19 (BCE/2020/35). Din kienet tgħid li sal-1 ta' Jannar 2020 ma għandu jithallas ebda dividend u ma jingħata ebda impenn biex jithallsu dividendi għas-snin finanzjarji 2019 u 2020. Dwar dan il-Bank kien ħareġ Company Announcement (LOM 244) fis-27 ta' Awwissu 2020.

Ir-Rakkomandazzjoni kienet ġiet revokata b'Rakkomandazzjoni oħra tal-Bank Ċentrali Ewropew, ECB/2020/62 tal-15 ta' Diċembru 2020. Din ir-Rakkomandazzjoni avżat lill-istituzzjonijiet ta' kreditu biex ikunu prudenti ħafna meta jiġu biex jittieħdu deċiżjonijiet dwar il-ħlas ta' dividendi u biex jikkunsidraw li ma jaqgħamlux dan, jew li jillimitaw dawn il-ħlasijiet, sat-30 ta' Settembru 2021.

Fiċ-Ċirkolari tal-24 ta' Diċembru 2020 maħruġa mill-Awtorità għas-Servizzi Finanzjarji ta' Malta tħabbar li r-Rakkomandazzjoni ECB/2020/62 kienet tapplika interament għall-istituzzjonijiet ta' kreditu liċenzjati li jaqgħu taħt l-Att Dwar il-Kummerċ Bankarju (Kap 371 tal-Liġijiet ta' Malta) mid-data tal-ħruġ sa mill-inqas it-30 ta' Settembru 2021.

Wara li kien ikkunsidrat dan kollu kif ukoll il-profitt wara t-taxxa miksub mill-Grupp fl-2020, il-Bord tad-Diretturi jaħseb li d-dividend propost huwa prudenti. Huwa konformi mar-rekwiżiti imfassla mir-Rakkomandazzjoni tal-ECB u jippermettu li l-Bank ikompli jissodisfa r-rekwiżiti kapitali applikabbli, anke wara li jkun tħallas id-dividend fil-livell li qed jiġi propost.

Barra minn hekk, il-Bank talab u ingħata l-approvazzjoni regolatorja għad-dividend propost mill-Awtorità għas-Servizzi Finanzjarji ta' Malta.

Tajjeb ukoll li wieħed jinnota li illum qed ikun rakkomandat Bonus Share Issue għall-approvazzjoni mill-Laqgħa Generali Annwali. Bir-*retained earnings* b'saħħithom li għandu l-Bank, il-Bord tad-Diretturi jhoss li dan għandu jkun ta' benefiċċju għax ikompli jissahħaħ l-*issued share capital* filwaqt li jkun qed jissahħaħ l-impenn tal-Bank għall-*tkabbir fit-tul*. Ikun ukoll ta' benefiċċju għall-azzjonist individwali li se jirċievi iktar ishma, u b'hekk tiżdied il-likwidità tal-ishma. Il-Bank kiseb ukoll l-approvazzjoni regolatorja għal dan il-*Bonus Share Issue* u għall-*allokazzjoni tal-ishma* relatati.



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## REPLY

The Board's recommendation of 23 March 2020 for the payment of a 2019 final dividend was withdrawn in August 2020 following the issue on 27 July 2020 of the Recommendation of the European Central Bank on Dividend Distributions during the COVID-19 pandemic and repealing Recommendation ECB/2020/19 (ECB/2020/35). This stated that until 1 January 2021 no dividends be paid out and no irrevocable commitment to pay out dividends be undertaken by credit institutions for the financial years 2019 and 2020. On the 27 August 2020 a Company Announcement (LOM 244) was issued to this effect.

That Recommendation was repealed by another Recommendation of the European Central Bank ECB/2020/62 dated 15 December 2020. This Recommendation advised credit institutions to exercise extreme prudence when deciding on or paying out dividends and to consider refraining from doing so, or to limit such distributions, until 30 September 2021.

In terms of Circular dated 24th December 2020 issued by the Malta Financial Services Authority it was announced that the ECB Recommendation ECB/2020/62 applied in its entirety to all credit institutions licensed in terms of the Banking Act (Chapter 371 of the Laws of Malta) from the date of issuing and at least until 30 September 2021.

Following on the above, and taking into consideration the profit after tax achieved by the Group in 2020, the proposed dividend is considered to be prudent. It is in compliance with the requirements set out in the ECB Recommendation and will allow for the Bank to continue satisfying applicable capital requirements even after a dividend distribution at the level being proposed.

Furthermore, the Bank sought and obtained regulatory approval for the proposed dividend from the Malta Financial Services Authority.

A Bonus Share Issue is being recommended today for approval by the Annual General Meeting. Given the Bank's healthy retained earnings, the Board considers this issue to be of benefit as the issued share capital would be further strengthened while also confirming the Bank's commitment to long-term growth. It also benefits the individual shareholder who will receive further shares, thereby increasing the liquidity of the shares.

28 May 2021