Bank of Valletta p.l.c.
58, Triq San Żakkarija,
Il-Belt Valletta VLT 1130 - Malta
Co Reg No. C 2322

SHAREHOLDERS' CIRCULAR

DATED 16 APRIL 2018

This circular issued by Bank of Valletta p.l.c. (the "Bank") having its registered office at 58, Triq San Żakkarija, Il-Belt Valletta VLT 1130, Malta

THIS CIRCULAR IS BEING ISSUED FOR THE PURPOSE OF LISTING RULE 6.1.4 AND CONTAINS THE INFORMATION REQUIRED BY LISTING RULES 6.10 AND 6.11 IN CONNECTION WITH THE OFFER TO SHAREHOLDERS OF THE OPTION TO RECEIVE DIVIDENDS IN THE FORM OF ADDITIONAL SHARES IN THE BANK INSTEAD OF CASH (THE "SCRIP DIVIDEND") AND TO PROVIDE SHAREHOLDERS WITH THE NECESSARY INFORMATION TO ASSIST SHAREHOLDERS TO MAKE AN INFORMED DECISION AS TO WHETHER THEY SHOULD AVAIL THEMSELVES OF THE OPTION OR OTHERWISE (THE "CIRCULAR").

IMPORTANT INFORMATION

This Circular contains information about a scrip dividend programme (the "Scrip Dividend Programme") being launched by the Bank pursuant to which shareholders of the Bank may elect to receive future dividends in the form of new ordinary shares (the "New Shares") to be issued by the Bank to shareholders electing to receive dividends in this form. It is being dispatched to shareholders registered as at 10 April 2018 with last trading session of 6 April 2018 (the "Record Date") in order to explain how the Scrip Dividend Programme is expected to work, to enable them to understand better the nature of the election they are required to make, and to provide them with such information about the resolutions as may be necessary to assist them in taking a properly informed decision.

SHAREHOLDERS RECEIVING THIS CIRCULAR ARE URGED TO CONSULT INDEPENDENT PROFESSIONAL ADVISERS OF THEIR CHOICE BEFORE MAKING AN ELECTION ON THE MATTERS DESCRIBED HEREIN.

This Circular is being dispatched in compliance with the Listing Rules of the Listing Authority and particularly, in compliance with the requirements for such a circular in terms of Listing Rules 6.10 and 6.11 for the purpose of explaining to shareholders the Scrip Dividend Programme. In addition, since all the matters referred to in this Circular fall within the scope of Listing Rules 6.10 and 6.11 and there are no unusual features to the transaction or matter to which this Circular relates, in line with Listing Rule 6.4 no prior approval of the Listing Authority is required. This Circular was notified to Listing Authority on 4 April 2018.

THIS IS AN IMPORTANT DOCUMENT AND SHAREHOLDERS WILL BE REQUESTED TO MAKE AN ELECTION ON THE MATTERS DESCRIBED HEREIN. IN THE EVENT THAT SHAREHOLDERS RECEIVING THIS DOCUMENT ARE IN ANY DOUBT AS TO THE IMPORTANCE OF THIS DOCUMENT OR AS TO ANY ACTION REQUIRED OF THEM, THEY ARE URGED TO CONSULT INDEPENDENT PROFESSIONAL ADVISERS.

THE SCRIP DIVIDEND PROGRAMME

General

The Scrip Dividend Programme is designed to enable the Bank's ordinary shareholders to elect to receive New Shares instead of cash dividends. This should provide shareholders with the opportunity to increase their shareholding in the Bank without incurring any trading costs. Whether a shareholder elects to receive New Shares under the Scrip Dividend Programme, should depend on that shareholder's own personal circumstances.

A shareholder may elect to join the Scrip Dividend Programme by completing and signing a Scrip Dividend election notice (that may be amended from time to time) which is being mailed to shareholders appearing on the shareholder register as at the record date of the respective dividend payment (the "Scrip Dividend Election Notice"). A Scrip Dividend Election Notice is being sent to shareholders together with this document, and if completed, such election shall be effective as of the next dividend payment. Completed Scrip Dividend Election Notices can either be sent by post in the business reply envelope provided or alternatively by lodging it at any Bank of Valletta p.l.c. branch by the 27 April 2018. Failure to submit a Scrip Dividend Election Notice by the above deadline, will be deemed to be an election to receive the dividend payment in cash. Scrip Dividend Election Notices received after that date will become applicable on the next dividend payment.

Enclosed with this Circular to shareholders, is a shareholder scrip dividend letter addressed to each individual shareholder including details regarding dividend entitlement as at the Record Date as well as the relative entitlement of New Shares in lieu of the net dividend payment (the "Shareholder Scrip Dividend Letter"). Shareholders eligible for the Scrip Dividend who would like to receive New Shares in lieu of a cash dividend, must elect to do so by completing the Scrip Dividend Election Notice included at the back of the Shareholder Scrip Dividend Letter.

Shareholders electing to form part of the Scrip Dividend Programme

Shareholders who elect to join the Scrip Dividend Programme by completing and returning the Scrip Dividend Election Notice to the Bank shall, as of the date of the first dividend payment and until the election to receive Scrip Dividends is revoked, receive all their dividends in the form of New Shares at the applicable attribution price. A shareholder can only complete the Scrip Dividend Election Notice in relation to his entire shareholding with respect to a particular Malta Stock Exchange ("MSE") account. Accordingly, a shareholder who holds shares in more than one MSE account, has the option to elect to receive dividends in a combination of Scrip Dividends and cash dividends, provided that such election is made with respect to all shares held in an MSE account.

The right of shareholders to be issued with New Shares as part of the Scrip Dividend Programme is non-transferable; accordingly, New Shares will only be issued to the shareholder registered on the register of members on the Record Date.

It is the responsibility of any person resident outside of Malta wishing to elect to receive New Shares to satisfy and observe the laws of the relevant territory, including obtaining any government or other consents which may be required and observing any other formalities in such territories. **The Bank shall not accept any responsibility for the non-compliance by any person of any applicable laws or regulations of foreign jurisdictions.**

Having considered the circumstances, the Bank has formed the view not to send any communication with respect to the Scrip Dividend Programme to overseas shareholders, except where, *inter alia*, in the absolute discretion of the Bank, it is satisfied that such action would not result in a contravention of any applicable legal or regulatory requirement in the relevant jurisdiction.

Completed Scrip Dividend Election Notices will apply for all future dividends unless the Board of Directors decides not to offer a Scrip Dividend in respect of any particular dividend declaration. The Board of Directors reserves the right, when declaring a dividend, whether interim or final, to pay such dividend in cash only.

Revocation or cancellation of Scrip Dividend instructions

A Scrip Dividend Election Notice may be cancelled by a shareholder at any time.

Notice of cancellation must be given in writing to the office of the Company Secretary before the record date of any upcoming dividend payment date for it to be effective for that particular dividend and future dividends.

The mandate given by a shareholder when making an election to join the Scrip Dividend Programme shall be deemed to be cancelled upon the sale or other transfer of all of the ordinary shares held by such shareholder to another person, but only with effect from the registration of the relevant transfer (that being the settlement date on the MSE).

Such mandate shall also terminate immediately on receipt of notice of death, notice of insolvency or inability to maintain one's financial affairs due to mental incapacity. Other situations may well arise when at law a mandate may have to be considered as revoked.

Modification, amendment or suspension

The Scrip Dividend Programme may be modified, suspended, terminated or cancelled at any time at the discretion of the Bank, which decision shall be communicated by the Bank by way of a company announcement. In the case of any modification, existing mandates (unless otherwise specified by the Bank) will be deemed to remain valid under the modified arrangements unless and until the office of the Company Secretary receives a cancellation in writing from the shareholder.

If the Bank revokes a mandate, shareholders will receive forthwith their dividends in cash on the dividend payment date.

Board recommendation

The Board of Directors shall be recommending to shareholders a resolution for the payment of Scrip Dividends to those shareholders electing to form part of the Scrip Dividend Programme at the forthcoming Annual General Meeting scheduled for the 10 May 2018.

Establishment of the Attribution Price

The price to be used as a basis for calculating the Scrip Dividend entitlement for the forthcoming dividend payment has been established at €1.667 (the "Attribution Price"). The Attribution Price for the forthcoming dividend payment has been calculated using the average of the three trade weighted average prices based on trading effected on the 9, 10, and 11 April 2018, and a discount of 5% has been applied to the said average of the three prices.

The attribution price for future dividend payments will be calculated on the trade weighted average price for the Bank's ordinary shares over a three-day period commencing on the relevant ex-dividend date, and the Board of Directors may elect to apply a discount to the resultant trade weighted average price.

Scrip Dividend entitlements

Scrip Dividend entitlement in respect of individual holdings has been calculated on the basis of the number of shares held as at the Record Date multiplied by the net cash dividend rate and divided by the Attribution Price of €1.667. Resultant fractional shares will not be allotted and any residual cash balance will be forfeited. Fractional shares shall be rounded up to the nearest whole share whenever the mathematical result of the allocation formula contains a fractional entitlement which is of 0.5 of a share or more, and rounded down to the nearest whole share in the event that the mathematical result of the allocation formula contains a fractional entitlement which is of less than 0.5 of a share.

Shareholders entitled to receive less than one New Share shall not be eligible to participate in the Scrip Dividend and will receive their respective dividend in cash.

Future dividend payments

For future dividend payments, shareholders will be receiving a notification of the details of the New Shares being allocated in terms of the Scrip Dividend. New Shares under the Scrip Dividend Programme will be allocated to the MSE account of the shareholder on the dividend payment date as communicated by the Bank.

The first dividend payment eligible to be received as a Scrip Dividend

At the forthcoming Annual General Meeting, the Board of Directors shall be recommending the payment of a total gross dividend of €42,000,000, which will be paid from the Bank's Immovable Property Account 2014 (Year of Assessment 2015) and from the Immovable Property Account 2015 (Year of Assessment 2016). 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.

In the event that all eligible shareholders elect to receive New Shares in respect of their entire shareholdings, the total number of New Shares that would be issued at the Attribution Price of €1.667 would amount to 16,376,725.

The New Shares to be issued pursuant to the Scrip Dividend Programme shall be issued in the same class of shares that creates the entitlement to the Scrip Dividend.

Based on the number of shares in issue as at the date of this Circular to shareholders, being 525,000,000 ordinary shares, the maximum number of New Shares that may be issued under the Scrip Dividend Programme amounting to 16,376,725 shares, would represent 3.12% of the total shares in issue as at the date of this Circular.

An application will be made for the listing of the New Shares in terms of the Scrip Dividend on the Official List of the MSE. 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 18 May 2018, with dealings expected to commence on 21 May 2018, being the next trading day. Upon admission to the Official List of the MSE, the New Shares shall be traded on the same regulated market as the shares giving rise to the entitlement to the New Shares.

This Circular to shareholders does not constitute an invitation to shareholders to complete a mandate in respect of future dividends.

The Board of Directors shall have full discretion, when declaring and paying a dividend, to declare and pay such dividend either wholly in cash or to pay the shareholders electing to receive Scrip Dividends in New Shares. Shareholders ought to be aware that by electing to join the Scrip Dividend Programme, there is no assurance that the Board of Directors shall use its discretion to pay dividends in the form of New Shares in the future, and nothing in the foregoing ought to be construed as a guarantee that in the event of future dividend payments, the Board of Directors will use their discretion to issue New Shares instead of cash dividends.

Declaration by Directors

All the Directors of the Bank accept responsibility for the information contained in this Circular. 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 Circular is in accordance with the facts and does not omit anything likely to effect the import of such information.

List of the incumbent Directors

Taddeo Scerri, Stephen Agius, Alan Attard, Paul V. Azzopardi, Miguel Borg, James Grech, Alfred Lupi, Mario Mallia, Anita Mangion, Antonio Piras and Joseph M. Zrinzo.

Documents available for inspection

The following documents or certified copies thereof will be available for inspection at the Bank's registered office at 58, Triq San Żakkarija, Il-Belt Valletta VLT 1130, Malta, for at least 14 days from the date of publication of this Circular:

a. the Bank's Memorandum and Articles of Association;
b. the Bank's last Annual Financial Report for the year ended 31 December 2017; and
c. the Bank's Interim Reports for the period 1 October 2016 to 31 March 2017 and for the period 1 October 2016 to 30 September 2017.