
BASE PROSPECTUS

dated 24 October 2023



a public limited liability company registered under the laws of Malta
with company registration number C 2192 and with its registered office at
APS Centre, Tower Street, Birkirkara BKR 4012, Malta.

This Base Prospectus is issued in respect of an:

Unsecured Subordinated Bond Programme of up to €150,000,000

THIS BASE PROSPECTUS HAS BEEN APPROVED BY THE MFSA, WHICH IS THE COMPETENT AUTHORITY IN MALTA FOR THE PURPOSES OF THE PROSPECTUS REGULATION. THE MFSA HAS ONLY APPROVED THIS BASE PROSPECTUS AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY IMPOSED BY THE PROSPECTUS REGULATION AND SUCH APPROVAL SHOULD NOT BE CONSIDERED AS AN ENDORSEMENT OF THE BANK OR OF THE QUALITY OF THE BONDS.

THE MFSA ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THIS BASE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM, OR IN RELIANCE UPON, THE WHOLE OR ANY PART OF THE CONTENTS OF THIS BASE PROSPECTUS, INCLUDING ANY LOSSES INCURRED BY INVESTING IN THE BONDS.

PROSPECTIVE INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN THE BONDS. ACCORDINGLY, PROSPECTIVE INVESTORS SHOULD ALWAYS SEEK FINANCIAL ADVICE BEFORE INVESTING IN THE BONDS. THE BONDS ARE COMPLEX FINANCIAL INSTRUMENTS AND MAY NOT BE SUITABLE FOR ALL TYPES OF INVESTORS. AUTHORISED INTERMEDIARIES MAY ONLY DISTRIBUTE THE BONDS TO RETAIL CLIENTS SUBJECT TO A SUITABILITY TEST TO BE PERFORMED IN RESPECT OF SUCH APPLICANTS, IRRESPECTIVE OF THE INVESTMENT SERVICE BEING PROVIDED. AN AUTHORISED INTERMEDIARY SHALL NOT ACCEPT AN APPLICATION FROM A RETAIL CLIENT UNLESS IT IS SATISFIED, BASED ON THE RESULTS OF SUCH SUITABILITY TEST, THAT AN INVESTMENT IN THE BONDS IS SUITABLE FOR THE APPLICANT.

**Sponsor
& Manager**



**Legal
Counsel**



Registrar



Approved by the Directors of the Bank:

A handwritten signature in blue ink, appearing to read "Martin Scicluna", written over a horizontal line.

Martin Scicluna

as Chairman and Director of the Bank and on behalf of each of Victor E. Agius, Joseph C. Attard, Juanito Camilleri, Laragh Cassar, Noel Mizzi, Joseph Rapa, Michael Pace Ross and Marisa Xuereb.

Important Information

THIS BASE PROSPECTUS CONTAINS INFORMATION ON THE BANK AND THE PROGRAMME IN ACCORDANCE WITH THE REQUIREMENTS OF THE CAPITAL MARKETS RULES, THE COMPANIES ACT AND THE PROSPECTUS REGULATION.

THIS BASE PROSPECTUS HAS BEEN FILED WITH THE MFSA, AS COMPETENT AUTHORITY, IN SATISFACTION OF THE CAPITAL MARKETS RULES; WITH THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS; AND WITH THE MALTA BUSINESS REGISTRY IN ACCORDANCE WITH THE COMPANIES ACT. THIS BASE PROSPECTUS IS PUBLISHED IN ELECTRONIC FORM ON THE WEBSITE OF THE COMPETENT AUTHORITY, ON THE BANK'S WEBSITE AND IS ALSO AVAILABLE, IN PRINTED FORM, FREE OF CHARGE, FROM THE REGISTERED OFFICE OF THE BANK AND THE AUTHORISED INTERMEDIARIES.

THE COMPETENT AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THE BONDS TO BE ISSUED UNDER THE PROGRAMME TO BE ADMITTED TO LISTING ON THE OFFICIAL LIST OF THE MALTA STOCK EXCHANGE. THE COMPETENT AUTHORITY'S AUTHORISATION FOR THE BONDS TO BE ADMITTED TO LISTING MEANS THAT THE BONDS ARE IN COMPLIANCE WITH THE CAPITAL MARKETS RULES. IN PROVIDING THIS AUTHORISATION, THE COMPETENT AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS OF INVESTING IN THE BONDS AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN THE BONDS.

INVESTING IN THE BONDS INVOLVES CERTAIN RISKS AND SPECIAL CONSIDERATIONS. A NUMBER OF RISK FACTORS RELATING TO THE BANK AND THE BONDS ARE SET OUT IN SECTION 1 BELOW, AND PROSPECTIVE INVESTORS ARE ENCOURAGED TO READ THEM CAREFULLY. PROSPECTIVE INVESTORS ARE ENCOURAGED TO SEEK ADVICE FROM A LICENSED STOCKBROKER OR AN INVESTMENT ADVISOR LICENSED UNDER THE INVESTMENT SERVICES ACT.

AUTHORISED INTERMEDIARIES MAY ONLY DISTRIBUTE THE BONDS TO RETAIL CLIENTS SUBJECT TO A SUITABILITY TEST TO BE PERFORMED IN RESPECT OF SUCH APPLICANTS, IRRESPECTIVE OF THE INVESTMENT SERVICE BEING PROVIDED. AN AUTHORISED INTERMEDIARY SHALL NOT ACCEPT AN APPLICATION FROM A RETAIL CLIENT UNLESS IT IS SATISFIED, BASED ON THE RESULTS OF SUCH SUITABILITY TEST, THAT AN INVESTMENT IN THE BONDS IS SUITABLE FOR THE APPLICANT.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET – THE FINAL TERMS IN RESPECT OF ANY BONDS WILL INCLUDE A LEGEND ENTITLED "MIFID II PRODUCT GOVERNANCE" WHICH WILL OUTLINE THE TARGET MARKET ASSESSMENT IN RESPECT OF THE BONDS AND WHICH CHANNELS FOR DISTRIBUTION OF THE BONDS ARE APPROPRIATE. ANY PERSON SUBSEQUENTLY OFFERING, SELLING OR RECOMMENDING THE BONDS (A "DISTRIBUTOR") SHOULD TAKE INTO CONSIDERATION THE TARGET MARKET ASSESSMENT. HOWEVER, A DISTRIBUTOR, SUBJECT TO MIFID II, IS RESPONSIBLE FOR UNDERTAKING ITS OWN TARGET MARKET ASSESSMENT IN RESPECT OF THE BONDS (BY EITHER ADOPTING OR REFINING THE MANUFACTURER'S TARGET MARKET ASSESSMENT) AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS. THE TARGET MARKET ASSESSMENT IS WITHOUT PREJUDICE TO THE REQUIREMENTS OF ANY CONTRACTUAL, LEGAL OR REGULATORY SELLING RESTRICTIONS IN RELATION TO THE OFFERING. FOR THE AVOIDANCE OF DOUBT, THE TARGET MARKET ASSESSMENT DOES NOT CONSTITUTE: (A) AN ASSESSMENT OF SUITABILITY OR APPROPRIATENESS FOR THE PURPOSES OF MIFID II; OR (B) A RECOMMENDATION TO ANY INVESTOR OR GROUP OF INVESTORS TO INVEST IN, OR PURCHASE, OR TAKE ANY OTHER ACTION WHATSOEVER WITH RESPECT TO THE NOTES OR ANY OTHER SECURITIES.

THE BANK CONFIRMS THAT, (I) THIS BASE PROSPECTUS CONTAINS ALL MATERIAL INFORMATION WITH RESPECT TO THE BANK AND THE PROGRAMME; (II) THE INFORMATION CONTAINED HEREIN IN RESPECT OF THE BANK AND THE PROGRAMME IS ACCURATE IN ALL MATERIAL RESPECTS AND IS NOT MISLEADING; (III) ANY OPINIONS AND INTENTIONS EXPRESSED HEREIN ARE HONESTLY HELD AND BASED ON REASONABLE ASSUMPTIONS; (IV) THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT, WHETHER FACT OR OPINION, IN THIS BASE PROSPECTUS MISLEADING IN ANY MATERIAL RESPECT; AND (V) ALL REASONABLE ENQUIRIES HAVE BEEN MADE TO ASCERTAIN ALL FACTS AND TO VERIFY THE ACCURACY OF ALL STATEMENTS CONTAINED HEREIN.

NO PERSON HAS BEEN AUTHORISED TO GIVE ANY INFORMATION, ISSUE ANY ADVERTISEMENT OR MAKE ANY REPRESENTATION WHICH IS NOT CONTAINED OR CONSISTENT WITH THIS BASE PROSPECTUS OR THE APPLICABLE FINAL TERMS OR ANY OTHER DOCUMENT PRODUCED IN RELATION TO THE BANK AND/OR THE PROGRAMME AND, IF GIVEN OR MADE, SUCH INFORMATION, ADVERTISEMENT OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE BANK.

ALL THE ADVISORS TO THE BANK HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE BANK IN RELATION TO THIS BASE PROSPECTUS AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION OR RESPONSIBILITY TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY, NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE CONTENTS OF, AND ANY INFORMATION CONTAINED IN, THE BASE PROSPECTUS OR APPLICABLE FINAL TERMS OR ANY OTHER DOCUMENT ENTERED INTO IN RELATION TO THE PROGRAMME, THEIR COMPLETENESS OR ACCURACY OR ANY OTHER STATEMENT MADE IN CONNECTION THEREWITH. ACCORDINGLY, NONE OF THE ADVISORS OR ANY PERSON MENTIONED IN THIS BASE PROSPECTUS, OTHER THAN THE BANK, SHALL BE RESPONSIBLE FOR THE INFORMATION CONTAINED

IN THIS BASE PROSPECTUS, IN ANY APPLICABLE FINAL TERMS, IN ANY SUPPLEMENT, IN ANY DOCUMENTS INCORPORATED BY REFERENCE, OR ANY OTHER DOCUMENT ENTERED INTO IN RELATION TO THE PROGRAMME AND ACCORDINGLY, TO THE EXTENT PERMITTED BY THE LAWS OF ANY RELEVANT JURISDICTION, NONE OF THESE PERSONS ACCEPT ANY RESPONSIBILITY AS TO THE ACCURACY AND COMPLETENESS OF THE INFORMATION CONTAINED IN ANY OF THESE DOCUMENTS.

EACH PERSON RECEIVING THIS BASE PROSPECTUS OR ANY APPLICABLE FINAL TERMS ACKNOWLEDGES THAT SUCH PERSON HAS NOT RELIED ON ANY OF THE ADVISORS IN CONNECTION WITH ITS INVESTIGATION OF THE ACCURACY OF SUCH INFORMATION OR ITS INVESTMENT DECISION AND EACH PERSON MUST RELY ON (A) ITS OWN EVALUATION OF THE BANK AND THE BONDS AND THE MERITS AND RISKS INVOLVED IN INVESTING IN THE BONDS AND (B) THEIR OWN PROFESSIONAL ADVISORS, AS TO LEGAL, TAX, INVESTMENT OR ANY OTHER RELATED MATTERS CONCERNING THE BANK AND WHETHER TO ACQUIRE THE BONDS.

PROSPECTIVE INVESTORS SHOULD NOT TREAT THE CONTENTS OF THE BASE PROSPECTUS OR ANY APPLICABLE FINAL TERMS AS ADVICE RELATING TO LEGAL, TAXATION, INVESTMENT OR ANY OTHER MATTERS AND SHOULD INFORM THEMSELVES, IN CONSULTATION WITH THEIR INDEPENDENT PROFESSIONAL ADVISORS ON: (A) THE LEGAL, TAX, FINANCIAL AND OTHER REQUIREMENTS FOR THE PURCHASE, HOLDING, TRANSFER OR OTHER DISPOSAL OF BONDS IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE OR DOMICILE; (B) ANY FOREIGN EXCHANGE RESTRICTIONS APPLICABLE TO THE PURCHASE, HOLDING, TRANSFER OR OTHER DISPOSAL OF BONDS WHICH THEY MIGHT ENCOUNTER; AND (C) THE INCOME AND OTHER TAX CONSEQUENCES WHICH MAY APPLY IN THEIR OWN COUNTRIES AS A RESULT OF THE PURCHASE, HOLDING, TRANSFER OR OTHER DISPOSAL OF BONDS.

THE BASE PROSPECTUS AND/OR ANY APPLICABLE FINAL TERMS AND/OR ANY OTHER DOCUMENT PRODUCED IN RELATION TO THE BANK, AND/OR THE BONDS AND/OR THE PROGRAMME AND/OR THE DELIVERY OF ANY BONDS MAY NOT BE TAKEN AS AN IMPLICATION THAT: (I) THE INFORMATION CONTAINED IN SUCH DOCUMENTS IS ACCURATE AND COMPLETE SUBSEQUENT TO THEIR RESPECTIVE DATES OF ISSUE; (II) THERE HAS BEEN NO ADVERSE CHANGE IN THE FINANCIAL CONDITION OF THE BANK SINCE SUCH DATES; OR (III) ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE MATTERS CONTAINED IN THE AFOREMENTIONED DOCUMENTS IS ACCURATE AT ANY TIME SUBSEQUENT TO THE DATE ON WHICH IT IS SUPPLIED OR, IF DIFFERENT, THE DATE INDICATED IN THE DOCUMENT CONTAINING THE SAME.

THIS BASE PROSPECTUS AND ANY APPLICABLE FINAL TERMS DO NOT CONSTITUTE, AND MAY NOT BE USED FOR THE PURPOSES OF AN OFFER, INVITATION OR SOLICITATION TO ANY PERSON: (I) IN ANY JURISDICTION IN WHICH SUCH OFFER, INVITATION OR SOLICITATION IS NOT AUTHORISED; (II) IN ANY JURISDICTION IN WHICH ANY PERSON MAKING SUCH OFFER, INVITATION OR SOLICITATION IS NOT QUALIFIED TO DO SO; OR (III) TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER, INVITATION OR SOLICITATION. THE DISTRIBUTION OF THIS BASE PROSPECTUS OR APPLICABLE FINAL TERMS IN CERTAIN JURISDICTIONS MAY BE RESTRICTED AND ACCORDINGLY, PERSONS INTO WHOSE POSSESSION IT IS RECEIVED ARE REQUIRED TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, SUCH RESTRICTIONS.

THE BONDS, ALL THE RIGHTS AND OBLIGATIONS OF THE BONDHOLDERS AND THE BANK, AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF, OR IN CONNECTION WITH, THE BONDS SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH MALTESE LAW. THE COURTS OF MALTA SHALL HAVE EXCLUSIVE JURISDICTION TO SETTLE ANY DISPUTES THAT MAY ARISE OUT OF OR IN CONNECTION WITH THE BONDS, ALL THE RIGHTS AND OBLIGATIONS OF THE BONDHOLDERS AND/OR THE BANK, AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH THE BONDS.

THIS BASE PROSPECTUS, TOGETHER WITH ANY APPLICABLE FINAL TERMS, MUST BE READ IN THEIR ENTIRETY, AND CONSTRUED IN CONJUNCTION WITH ANY SUPPLEMENT THERETO AND ANY DOCUMENTS THAT ARE INCORPORATED THEREIN BY REFERENCE.

STATEMENTS MADE IN THIS DOCUMENT ARE (EXCEPT WHERE OTHERWISE STATED) BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THERETO.

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE BASE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN FINANCIAL AND OTHER PROFESSIONAL ADVISORS.

THIS BASE PROSPECTUS IS VALID FOR A PERIOD OF 12 MONTHS FROM THE DATE HEREOF. THE MFSA IS NOT REQUIRED TO APPROVE THE INDIVIDUAL FINAL TERMS (AND SUMMARIES THEREOF) THAT MAY BE ISSUED PURSUANT TO THIS BASE PROSPECTUS FROM TIME TO TIME IN RESPECT OF ONE OR MORE TRANCHES OF BONDS. THE OBLIGATION TO SUPPLEMENT THE BASE PROSPECTUS IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES OR MATERIAL INACCURACIES WILL NO LONGER APPLY WHEN THE BASE PROSPECTUS IS NO LONGER VALID.

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Definitions

The following words and expressions shall bear the following meanings, except where the context otherwise requires:

Additional Tier 1 Capital	the term used in the CRD IV and in the CRR to denote capital of the Bank maintained in terms of article 61 of the CRR and consisting of Additional Tier 1 items in terms of article 51 of the CRR, or, if such term is no longer used, any equivalent or successor term, whether in the same law or regulations or in any other law or regulation applicable to the Bank from time to time;
Additional Tier 1 Instruments	Additional Tier 1 instruments for the purposes of the Ranking Legislation and/or the Recovery & Resolution Regulations;
Applicant/s	an applicant for the Bonds pursuant to the relevant Final Terms, being an Authorised Intermediary (applying for its own account and/or for its underlying clients) and/or underlying clients of an Authorised Intermediary that are applying through the Authorised Intermediary;
Application	any application/s to subscribe for Bonds made by an Applicant/s;
APS Funds SICAV	APS Funds SICAV plc, a multi-fund investment company with variable share capital registered under the laws of Malta with company registration number SV 78, with its registered office at APS Centre, Tower Street, Birkirkara BKR 4012, Malta, and licensed by the MFSA as a UCITS (an 'Undertaking for the Collective Investment in Transferable Securities') Collective Investment Scheme in terms of the Investment Services Act;
AROM Holdings Limited	AROM Holdings Limited, a private limited liability company registered under the laws of Malta with company registration number C 40389, with its registered office at Archbishop's Curia, St. Calcedonius Square, Floriana FRN 1535, Malta;
Authorised Intermediary	each of the licensed stockbrokers and financial intermediaries whose details shall be included in Annex 2 of the applicable Final Terms;
Bank	APS Bank plc, a public limited liability company registered under the laws of Malta with company registration number C 2192, with its registered office at APS Centre, Tower Street, Birkirkara BKR 4012, Malta and licensed by the MFSA as a credit institution in terms of the Banking Act;
Banking Act	the Banking Act, Chapter 371 of the laws of Malta, as may be amended from time to time;
Base Prospectus	this document in its entirety together with any Supplement/s;
Board	the board of directors of the Bank;
Bond/s	any bond/s issued in terms of the Programme;
Bondholder/s	any holder/s of the Bonds from time to time, as evidenced by an electronic entry in the CSD Register;
Bond Issue	the issue of Bonds pursuant to the Programme;

BRRD	Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council, as may be amended from time to time;
BRRD II	Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC, as may be amended from time to time;
Business Day	any day from Monday to Friday, on which commercial banks in Malta settle payments and are open for normal banking business (with the exclusion of Saturdays);
Capital Markets Rules	the capital markets rules issued by the Competent Authority in terms of the Financial Markets Act, as may be amended from time to time;
CET 1	the term used in the CRD IV and in the CRR to denote capital of the Bank maintained in terms of article 50 of the CRR and consisting of Common Equity Tier 1 items in terms of article 26 of the CRR, or, if such term is no longer used, any equivalent or successor term, whether in the same law or regulations or in any other law or regulation applicable to the Bank from time to time;
CET 1 Instruments	CET 1 instruments for the purposes of the Ranking Legislation and/or the Recovery & Resolution Regulations;
Companies Act	the Companies Act, Chapter 386 of the laws of Malta, as may be amended from time to time;
Competent Authority	the MFSA in its capacity as the competent authority in terms of the Financial Markets Act, whereby it is authorised to approve prospectuses, admissibility to listing and to monitor and supervise local regulated markets and participants thereof falling within the regulatory and supervisory remit of the MFSA;
Conduct of Business Rulebook	the Conduct of Business Rulebook issued by the MFSA in terms of Article 16 of the MFSA Act;
Corporate Governance Code	the Code of Principles of Good Corporate Governance set out as Appendix 5.1 to Chapter 5 of the Capital Markets Rules;
CRD IV	Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as may be amended from time to time (including by CRD V);
CRD IV Package	the CRD IV and the CRR;
CRD Packages	the CRD IV Package and the CRD V Package;

CRD V	Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures, as may be amended from time to time;
CRD V Package	the CRD V and the CRR II;
CRR	Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, as may be amended from time to time (including by CRR II);
CRR II	Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012, as may be amended from time to time;
CSD	the central registration system for dematerialised financial instruments in Malta operated by the MSE and authorised in terms of the Financial Markets Act;
CSD Register	the register of Bondholders held and maintained by the CSD on behalf of the Bank;
Daisy Chain Regulation	Regulation (EU) 2022/2036 of the European Parliament and of the Council of 19 October 2022 amending Regulation (EU) No 575/2013 and Directive 2014/59/EU as regards the prudential treatment of global systemically important institutions with a multiple-point-of-entry resolution strategy and methods for the indirect subscription of instruments eligible for meeting the minimum requirement for own funds and eligible liabilities, as may be amended from time to time;
Data Protection Act	the Data Protection Act, Chapter 586 of the laws of Malta, as may be amended from time to time;
Directors	the directors of the Bank;
Duty on Documents and Transfers Act	the Duty on Documents and Transfers Act, Chapter 364 of the laws of Malta, as may be amended from time to time;
Early Redemption Date	such date, if any, as may be set out in respect of one or more Tranches in the relevant Final Terms, on which the Bonds may be redeemed following the fifth anniversary of the Issue Date but prior to the Maturity Date in terms of section 10.10.2;
Early Redemption (Exceptional Event) Date	such date, if any, as may be set out in respect of one or more Tranches in the relevant Final Terms, on which the Bonds may be redeemed prior to the fifth anniversary of the Issue Date in terms of section 10.10.3;
ECB	the European Central Bank;

Eligible Counterparty	an investor recognised as an 'eligible counterparty' in terms of article 30 of MiFID II, which includes investment firms, credit institutions, insurance companies, UCITS and their management companies, pension funds and their management companies and other financial institutions authorised or regulated under EU law or under the national law of an EU member state, national governments and their corresponding offices including public bodies that deal with public debt at national level, central banks and supranational organisations;
Euro or €	the lawful currency of the Eurozone, being the region comprised of Member States of the European Union that have and continue to adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and by the Treaty of Amsterdam;
Existing Bonds	the 3.25% unsecured subordinated bonds due 2025-2030 (ISIN: MT0002501204) issued by the Bank in terms of a prospectus dated 2 November 2020;
Final Terms	the final terms to be published by the Bank in respect of each Tranche, in the form set out in section 11 of this Base Prospectus;
Financial Markets Act	the Financial Markets Act, Chapter 345 of the laws of Malta, as may be amended from time to time;
Fixed Rate Bonds	any Bonds issued with a fixed rate of interest in accordance with section 10.7.1 of this Base Prospectus;
Floating Rate Bonds	any Bonds issued with a floating rate of interest in accordance with section 10.7.2 of this Base Prospectus;
GDPR	Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC, as may be amended from time to time;
Group	the group of companies of which the Bank is the parent company, including all of its subsidiaries;
Income Tax Act	the Income Tax Act, Chapter 123 of the laws of Malta, as may be amended from time to time;
Insurance Business Act	the Insurance Business Act, Chapter 403 of the laws of Malta, as may be amended from time to time;
Insurance Distribution Act	the Insurance Distribution Act, Chapter 487 of the laws of Malta, as may be amended from time to time;
Interest Commencement Date	the Issue Date of the Bonds or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;
Interest Payment Date	the date or dates specified in the relevant Final Terms when interest on the Bonds falls due and in the event that the date so specified is not a Business Day, the Interest Payment Date shall be the Business Day following the date specified in the relevant Final Terms;

Investment Services Act	the Investment Services Act, Chapter 370 of the laws of Malta, as may be amended from time to time;
IPO	the offer of 110,000,000 Shares to the public in terms of a prospectus dated 24 May 2022;
Issue Date	the date on which each Tranche of Bonds will be issued, which will be specified in the relevant Final Terms;
Issue Price	the price at which each Tranche of Bonds will be issued, which will be specified in the relevant Final Terms;
IVALIFE	IVALIFE Insurance Limited, a private limited liability company registered under the laws of Malta with company registration number C 94404, with its registered address at Gaba Buildings, Level 2, Naxxar Road, Iklin IKL 9026, Malta, and licensed by the MFSA as an insurance undertaking in terms of the Insurance Business Act;
Market Abuse Regulation	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, as may be amended from time to time;
Maturity Date	will have the meaning given in the relevant Final Terms;
Memorandum and Articles of Association	the memorandum and articles of association of the Bank in force at the time of publication of this Base Prospectus, and the terms “ Memorandum of Association ” and “ Articles of Association ” shall be construed accordingly;
MFSA	Malta Financial Services Authority as established in terms of article 3 of the MFSA Act, provided that in the event that the Bank is at any time classified as a ‘significant supervised entity’ within the meaning of the SSM Framework Regulation and becomes subject to direct prudential supervision by the ECB in respect of the functions granted to the ECB by the SSM Regulation and the SSM Framework Regulation, any references to the “MFSA” in this Base Prospectus shall be understood as the ECB in conjunction with the MFSA and/or any successor thereto or such other authority or authorities having primary responsibility for the prudential supervision of the Bank at the relevant time;
MFSA Act	the Malta Financial Services Authority Act, Chapter 330 of the laws of Malta, as may be amended from time to time;
MiFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directives 2002/92/EC and 2011/61/EU (recast), as may be amended from time to time;
MiFIR	Regulation (EU) 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments, as may be amended from time to time;
MREL	minimum requirement for own funds and eligible liabilities in terms of BRRD;
MSE	Malta Stock Exchange plc, as originally constituted by the Financial Markets Act, a public limited liability company registered under the laws of Malta with company registration number C 42525, with its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;

MSE Bye-Laws	the bye-laws of and issued by the MSE, as may be amended from time to time;
Nominal Value	the denomination of each Tranche of Bonds, which unless otherwise specified in the relevant Final Terms will be €100 (in respect of each Bond);
Official List	the list prepared and published by the MSE as its official list in accordance with the MSE Bye-Laws;
Ordinary Unsecured Claims	any ordinary unsecured claims of creditors of the Bank from time to time outstanding;
PMLA	Prevention of Money Laundering Act, Chapter 373 of the laws of Malta and all regulations issued thereunder, as may be amended from time to time;
PMLFTR	Prevention of Money Laundering and Funding of Terrorism Regulations, Subsidiary Legislation 373.01, as may be amended from time to time;
Preferred Claims	claims in respect of obligations of the Bank which enjoy a lawful cause of preference pursuant to the Ranking Legislation to rank above Ordinary Unsecured Claims;
Professional Client	<p>a 'professional client' as defined under MiFID II, which means a client falls within at least one of the following categories is:</p> <p>(i) entities required to be authorised or regulated to operate in the financial markets including banks, investment firms, other authorised or regulated financial institutions, insurance companies, collective investment schemes and management companies of such schemes, pension funds and management companies of such funds, commodity and commodity derivatives dealers, local firms and other institutional investors;</p> <p>(ii) a large undertaking meeting two of the following size requirements on a company basis: (a) balance sheet total of €20 million or more, (b) net turnover of €40 million or more, and (c) own funds of €2 million or more;</p> <p>(iii) a national or regional government, a public body that manage public debt, a central bank, an international or supranational institution such as the World Bank, the IMF, the ECB, the EIB and other similar international organisations;</p> <p>(iv) another institutional investor whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions; or</p> <p>(v) a client that has requested to be treated as a Professional Client (and has been appropriately categorised as such by an Authorised Intermediary) in terms of the procedure, and that meets the relevant criteria, set out in terms of Part II of Annex II of MiFID II;</p>
Programme	the unsecured subordinated bond programme being made by the Bank pursuant to this Base Prospectus;
Prospectus Regulation	Regulation (EU) No 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as may be amended from time to time;

Ranking Legislation	Regulation 108 of the Recovery & Resolution Regulations, as may be amended from time to time or any other law or provision of Maltese law which may replace such provision from time to time;
ReAPS	ReAPS Asset Management Limited, a private limited liability company registered under the laws of Malta with company registration number C 77747, with its registered address at APS Centre, Tower Street, Birkirkara BKR 4012, Malta and licensed by the MFSA as an Investment Manager and a UCITS Manager in terms of the Investment Services Act;
Recovery & Resolution Regulations	the Recovery and Resolution Regulations (Subsidiary Legislation 330.09 of the laws of Malta), as may be amended from time to time;
Recovery & Resolution (Amendment) Regulations	the Recovery and Resolution (Amendment) Regulations, 2021 as published via Legal Notice 6 of 2021 in the Supplement of the Maltese Government Gazette Number 20,2551 which Recovery and Resolution (Amendment) Regulations shall be read and construed as one with the Recovery and Resolution Regulations, as may be amended from time to time;
Registrar	the MSE;
Retail Client	a client that is not a Professional Client or an Eligible Counterparty;
Rizzo, Farrugia & Co.	Rizzo, Farrugia & Co. (Stockbrokers) Ltd., an MFSA authorised investment services firm (in terms of the Investment Services Act) registered under the laws of Malta with company registration number C 13102 and having its registered office at Airways House, Fourth Floor, High Street, Sliema SLM 1551, Malta;
Senior Subordinated Claims	any unsecured claims resulting from debt instruments of the Bank from time to time outstanding that meet the relevant requirements of the Ranking Legislation so as to rank below Ordinary Unsecured Claims and in priority to Senior Subordinated Claims;
Secondary Unsecured Claims	the claims in respect of any subordinated debt of the Bank from time to time outstanding that is not in respect of Additional Tier 1 Instruments of the Bank or Tier 2 Instruments of the Bank;
Series	one or more Tranches, which are expressed to be consolidated and forming a single series and the Terms and Conditions of which (as completed by the relevant Final Terms) are identical in all respects, except for the Issue Date, Interest Commencement Date, first Interest Payment Date, and/or Issue Price;
Share/s	a share or shares forming part of the issued share capital of the Bank of whatever class;
Shareholder Rights Directive	Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies, as may be amended from time to time;
Sponsor & Manager	Rizzo, Farrugia & Co. acting as the Bank's sponsor and manager in respect of the Programme;

SRMR	Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism (SRM) and a Single Resolution Fund and amending Regulation (EU) No.1093/2010, as may be amended from time to time;
SRMR II	Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 806/2014 as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms, as may be amended from time to time;
SSM Framework Regulation	Regulation (EU) No. 468/2014 of the ECB of 16 April 2014 establishing the framework for co-operation within the Single Supervisory Mechanism between the ECB and each national competent authority and with national designated authorities;
SSM Regulation	Council Regulation (EU) No. 1024/2013 granting specific tasks to the ECB as per prudential supervision policies of credit institutions;
Supplementq	any supplement to this Base Prospectus that may be issued from time to time by the Bank;
Terms and Conditions	the terms and conditions applicable to all Bonds under the Programme as set out in section 10;
Tier 1 Capital	consists of the sum of CET 1 and Additional Tier 1 Capital in terms of article 25 of the CRR;
Tier 2 Capital	the term used in the CRD IV and in the CRR to denote capital of the Bank maintained in terms of article 71 of the CRR and consisting of Tier 2 items in terms of article 62 of the CRR, or, if such term is no longer used, any equivalent or successor term, whether in the same law or regulations or in any other law or regulation applicable to the Bank from time to time;
Tier 2 Claims	claims in respect of any Tier 2 Instruments of the Bank from time to time outstanding;
Tier 2 Instruments	Tier 2 instruments for the purposes of the Ranking Legislation and/or the Recovery & Resolution Regulations;
Tranche	each tranche of Bonds issued in accordance with the provisions of this Base Prospectus (as may be amended or supplemented from time to time) and the relevant Final Terms; and
Transparency Directive	Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, as may be amended from time to time.

Any reference in the Base Prospectus to "Malta" is to the "Republic of Malta".

Unless it otherwise required by the context:

- (a) words in this Base Prospectus importing the singular shall include the plural and *vice versa*;
- (b) the word "may" in this Base Prospectus shall be construed as permissive and the word "shall" in this Base Prospectus shall be construed as imperative; and
- (c) the word "person" shall refer to both natural and legal persons.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Programme Overview

Each Tranche that may be issued under the Programme will be issued on the terms set out under the Terms and Conditions as completed by the Final Terms specific to such Tranche. Copies of Final Terms will be published on both the Bank's and the Competent Authority's websites.

The following is an overview of the Programme and does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Bonds, the applicable Final Terms.

This overview constitutes a general description of the Programme for the purposes of article 25(1) of Commission Delegated Regulation (EU) No 2019/980. Words and expressions defined in the Terms and Conditions below or elsewhere in this Base Prospectus have the same meanings in this overview.

Issuer:	APS Bank plc
Description:	Unsecured Subordinated Bond Programme
Programme Size:	Up to €150,000,000 (or its equivalent in other currencies).
Sponsor & Manager:	Rizzo, Farrugia & Co.
Registrar:	MSE
Risk Factors:	Investing in the Bonds involves risks. See section 1 below.
Certain Restrictions:	Each issue of Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time.
Issuance in Series:	Bonds may be issued in Series. Each Series may comprise one or more Tranches issued on different Issue Dates. The Bonds of each Series will all be subject to identical terms, except that the Issue Date, Interest Commencement Date, first Interest Payment Date, and/or Issue Price may be different in respect of different Tranches within the Series.
Final Terms:	Each Tranche will be issued on the terms set out in the Terms and Conditions as completed by the relevant Final Terms.
Distribution:	<p>Bonds may be distributed by way of private or public placement or a combination thereof as set out in the Final Terms.</p> <p>Authorised Intermediaries may only distribute the Bonds to Retail Clients subject to a Suitability Test to be performed in respect of such Applicants, irrespective of the investment service being provided. An Authorised Intermediary shall not accept an Application from a Retail Client unless it is satisfied, based on the results of such Suitability Test, that an investment in the Bonds is suitable for the Applicant.</p>

Status of the Bonds:	<p>The Bonds (their repayment and the payment of interest thereon) shall constitute the general, direct, subordinated, unsecured and unconditional obligations of the Bank to the Bondholders as set out in the Terms and Conditions.</p> <p>Claims in respect of the Bonds will, so long as such Bonds qualify as Tier 2 Instruments, constitute Tier 2 Claims under the Ranking Legislation.</p> <p>Accordingly, subject to the Ranking Legislation, the claims in respect of the principal and interest in respect of the Bonds will, in the event of the dissolution and winding-up of the Bank and provided such Bonds qualify as Tier 2 Instruments:</p> <p>(a) be subordinated in right of payment in the manner provided in the Ranking Legislation to:</p> <ul style="list-style-type: none"> i) all Preferred Claims, ii) all Ordinary Unsecured Claims; iii) all Secondary Unsecured Claims; and iv) all Senior Subordinated Claims; <p>(b) rank <i>pari passu</i> with all other Tier 2 Claims (including claims in respect of other Bonds that qualify as Tier 2 Instruments); and</p> <p>(c) rank in priority to (1) the claims in respect of all Additional Tier 1 Instruments of the Bank and (2) the claims in respect of all Common Equity Tier 1 Instruments of the Bank.</p> <p>If any Bonds cease to qualify as Tier 2 Instruments, the claims in respect of such Bonds will, in the event of the dissolution and winding-up of the Bank, rank <i>pari passu</i> with all Senior Subordinated Claims, subject to Ranking Legislation.</p>
No set-off:	<p>Claims in respect of any Bonds may not be set-off or netted by the Bondholder against or in respect of any of its obligations to the Bank or any other person and every Bondholder waives any right that it might otherwise have to set-off or netting.</p>
Form:	<p>The Bonds will be issued in fully registered and dematerialised form and represented in uncertificated form by the appropriate entry in the CSD Register.</p>
Denomination:	<p>All Bonds issued under the Programme will, unless otherwise specified in the relevant Final Terms, have a denomination of €100 (or, if the Bonds are denominated in a currency other than Euro, the equivalent amount in such currency at the date of issue).</p>
Currencies:	<p>Bonds may be denominated in any currency or currencies, subject to any applicable legal or regulatory restrictions.</p>
Maturities:	<p>The Bonds will have such maturities as may be determined by the Bank, subject to a minimum original maturity of five years and such other minimum or maximum maturities as may be allowed or required from time to time by the CRR or other applicable laws and regulations.</p>
Issue Price:	<p>Bonds may be issued at an issue price which is at par or at a discount to, or premium over, par.</p>
Interest:	<p>Interest on the Bonds shall accrue at a fixed rate or at a floating rate.</p>

Early Redemption:	<p>The applicable Final Terms will indicate either that the Bonds cannot be redeemed prior to their Maturity Date or that the Bonds will be redeemable prior to their Maturity Date on an Early Redemption Date (subject to obtaining the prior permission of the MFSA and meeting the conditions set out in article 78 of the CRR), at the option of the Bank upon giving prior notice to Bondholders.</p> <p>Provided that the Bank may in terms of article 78(4) of the CRR, at any time prior to the fifth anniversary of the Issue Date, redeem the Bonds on an Early Redemption (Exceptional Event) Date, subject to obtaining the prior permission of the MFSA, the satisfaction of the conditions set out in section 10.10.2 below, and the satisfaction of one of the conditions set out in article 78(4) of the CRR.</p>
Taxation:	<p>Unless the Bank is instructed by a Bondholder to receive the interest gross of any withholding tax, or if the Bondholder does not fall within the definition of “recipient” in terms of article 41(c) of the Income Tax Act, interest shall be paid to such person net of a final withholding tax, currently at the rate of 15% (10% in the case of certain types of collective investment schemes – in this case there is no option to receive the interest gross of the withholding tax) of the gross amount of the interest, pursuant to article 33 of the Income Tax Act. Bondholders who do not fall within the definition of a “recipient” do not qualify for the said rate and should seek advice on the taxation of such income as special rules may apply.</p> <p>In the case of a valid election in writing made by an eligible Maltese resident Bondholder at the time of subscription to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his Maltese income tax return and be subject to tax on such interest at the standard rates applicable to such Bondholder at that time.</p>
Limited Remedy:	<p>The sole remedy against the Bank available for recovery of amounts owing in respect of any non-payment of any amount that has become due and payable by the Bank is, in those instances set out by law, for the relevant Bondholder to institute proceedings for the dissolution and winding-up of the Bank.</p>
Listing and admission to trading:	<p>The Competent Authority has authorised the admissibility of the Bonds to be issued under the Programme to be admitted to listing and trading on the Official List.</p>
Rating:	<p>Tranches of Bonds issued under the Programme will be unrated.</p>
Governing Law:	<p>The Bonds, all the rights and obligations of the Bondholder and the Bank, and any non-contractual obligations arising out of or in connection with the Bonds, shall be governed by and construed in accordance with Maltese law.</p>
Use of proceeds:	<p>The net proceeds from each issue of Bonds will constitute an integral part of the Bank’s capital plan to further strengthen its Tier 2 Capital requirements in terms of the CRR (and, as a result, its MREL and other regulatory requirements), and will be used by the Bank to meet part of its general financing requirements. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.</p>

1. RISK FACTORS

1.1. General

AN INVESTMENT IN THE BONDS ISSUED BY THE BANK INVOLVES CERTAIN RISKS INCLUDING, BUT NOT LIMITED TO, THOSE RISKS DESCRIBED IN THIS SECTION. THE FOLLOWING RISKS ARE THOSE IDENTIFIED BY THE BANK AS AT THE DATE OF THIS BASE PROSPECTUS. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER, TOGETHER WITH THEIR FINANCIAL AND OTHER PROFESSIONAL ADVISORS, THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE BASE PROSPECTUS, THE RELEVANT FINAL TERMS AND ANY OTHER DOCUMENT RELATING TO THE PROGRAMME, BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BANK AND THE BONDS.

THE RISK FACTORS BELOW HAVE BEEN CATEGORISED UNDER TWO MAIN CATEGORIES, ACCORDING TO WHETHER THE RISKS UNDER REVIEW RELATE TO THE: (I) BANK; AND (II) SECURITIES.

THE RISK FACTOR APPEARING FIRST UNDER EACH SUB-CATEGORY CONSTITUTES THAT RISK FACTOR THAT THE BOARD HAS ASSESSED TO BE THE MOST MATERIAL RISK FACTOR UNDER SUCH CATEGORY AS AT THE DATE OF THIS BASE PROSPECTUS. IN MAKING THEIR ASSESSMENT OF MATERIALITY, THE BOARD HAS EVALUATED THE COMBINATION OF: (I) THE PROBABILITY THAT THE RISK FACTOR OCCURS; AND (II) THE EXPECTED MAGNITUDE OF THE ADVERSE EFFECT ON THE FINANCIAL CONDITION AND PERFORMANCE OF THE BANK, IF THE RISK FACTOR WERE TO MATERIALISE.

SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES THAT MAY OR MAY NOT OCCUR AND THE BANK IS NOT IN A POSITION TO EXPRESS A VIEW ON THE LIKELIHOOD OF ANY SUCH CONTINGENCIES OCCURRING.

SHOULD ANY OF THE RISKS DESCRIBED BELOW MATERIALISE, THEY COULD HAVE A SERIOUS ADVERSE EFFECT ON THE BANK'S FINANCIAL RESULTS AND TRADING PROSPECTS.

THE RISKS AND UNCERTAINTIES DISCUSSED BELOW MAY NOT BE THE ONLY ONES THAT THE BANK FACES. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE THE DIRECTORS OF THE BANK MAY NOT CURRENTLY BE AWARE OF, COULD WELL RESULT IN A MATERIAL IMPACT ON THE FINANCIAL CONDITION AND OPERATIONAL PERFORMANCE OF THE BANK. ACCORDINGLY, PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION, IF NECESSARY, WITH THE ASSISTANCE OF THEIR OWN FINANCIAL ADVISORS, OF ALL RISK FACTORS, AND SHOULD CAREFULLY READ, CONSIDER AND UNDERSTAND THE BASE PROSPECTUS AS A WHOLE BEFORE INVESTING IN THE BONDS. IN ADDITION, PROSPECTIVE INVESTORS OUGHT TO BE AWARE THAT RISK MAY BE AMPLIFIED DUE TO A COMBINATION OF RISK FACTORS.

1.2 Forward-Looking Statements

This document includes statements that are or may be deemed to be "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including but not limited to the terms "*believes*", "*estimates*", "*anticipates*", "*expects*", "*intends*", "*may*", "*will*", or "*should*" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements are based purely on the intentions, beliefs or current expectations of the Bank and/or the Directors. There can be no assurance that the results and events contemplated by the forward-looking statements contained in this Base Prospectus will occur.

Forward-looking statements, by their very nature, involve substantial uncertainties because they relate to events and depend on circumstances that may or may not occur in the future, many of which are beyond the Bank's control. Forward-looking statements are not guarantees of future performance and should therefore not be construed as such. The Bank's actual results of operations and financial condition may, as a result of many different factors, differ materially from the expectation created by the forward-looking statements contained in this document. In addition, even if the results of operations and financial condition of the Bank are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Subject to its legal and regulatory obligations (including those under the Capital Markets Rules), the Bank and its Directors expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

1.3. Risks Relating to the Bank and the Group

Note: wherever the term "Group" is used, the risk factor would apply also to the Bank.

1.3.1. Information and Communication Technology, Cyber-Security Risk and Third-Party Providers related Risks

The activities of the Group are reliant on the continuous and proper functioning of its operating systems, including its information technology and communication ("ICT") systems and other technological arrangements. The Group is susceptible to a variety of risks relating to the functioning of these systems, including, but not limited to, the risk of cyber-attacks (such as malware attacks, ransomware, phishing, hacking, or any other form or type of cyber-attack), data theft or other unauthorised use of data, errors, bugs, malfunctions, inadequate maintenance service levels, or other malicious interference with or disruptions to the Group systems. A cyber-attack which would affect the Group, either directly or through a third-party provider, could adversely affect the Group's ability to provide services, reputation, financial performance and financial position.

In addition, to the extent that the Group is reliant upon technological solutions acquired from and developed by third-party providers for the efficient running of its business, it will be exposed to the risk of supply chain attacks, failures, errors or other interruptions in such systems. There is no assurance that the services or systems run by the Group will not be disrupted. Furthermore, advancements to the Bank's ICT infrastructure which are required in order to maintain secure posture and remain competitive, may be associated with substantial capital expenditures.

1.3.2. Reputational Risk

Reputational risk is the current or future risk of a loss or decline in profits as a result of a negative perception of the Group's image by relevant stakeholders. Reputation is considered by the Group to be a valuable corporate asset as it is a source of competitive advantage and customers' confidence and reflects the Group's level of professionalism, integrity and proper conduct of business. The Group recognises the increasing importance of this critical component of its brand value due to rapid changes in the business environment, development of media and communication channels, increased scrutiny from regulators and evolving competition and rising customer expectations.

In the event that the Bank were to suffer any loss in reputation, whether for the reasons described above or otherwise, relevant stakeholders may become unwilling to do business with the Bank, which could in turn have a material adverse effect on the operations and performance of the Bank.

1.3.3. Credit risk

Credit risk is the possibility that a borrower or counterparty fails to meet its obligations in accordance with agreed terms, causing a financial loss. Credit risk arises mainly from interbank, commercial and consumer loans and advances, trade finance, syndicated facilities and forfaiting, but can also arise from credit enhancement provided, such as financial guarantees, letters of credit, endorsements and acceptances. The Group is also exposed to credit risk arising from investments in debt securities and other financial instruments purchased as part of its trading, investment activities and liquidity management including derivatives as well as settlement balances with market counterparties, reverse repurchase agreements and balances with the Central Bank of Malta.

The Bank is subject to inherent risks concerning the credit quality of borrowers and counterparties, which could affect the value of the Group's assets. Changes in the credit quality of the Bank's customers, counterparties, and investments arising from systemic risks and macroeconomic factors in the Maltese and global financial system, can also negatively affect the value of the Bank's assets. Any failure by the Group to manage the credit quality of its borrowers or counterparties within prudent risk parameters or to monitor and regulate the adequacy of its provisioning levels could have a material adverse effect on the Group's business, financial condition, prospects and/or results of operations.

1.3.4. Liquidity and Funding Risk

Liquidity risk is the risk that the Bank cannot meet its financial obligations as they fall due in the short and medium term, either at all or without incurring unacceptable losses. Funding risk is the risk that the Bank cannot meet its financial obligations as they fall due in the medium to long term, either at all or without increasing funding costs at an unacceptable level. Funding risk can be seen as the risk that its assets are not stably funded in the medium and long term. The Bank is mainly funded through customer deposits and has only a small portion of wholesale funding.

The management of liquidity and funding is central to the Bank's operations, just as the ability to fund asset growth and meet obligations as they come due is crucial to the on-going viability of the Bank. While the Bank's liquidity contingency plans can assist the Bank in mitigating unexpected liquidity situations after the fact, they are not intended to, nor can they eliminate, the Bank's liquidity and funding risk. Nor can the plans guarantee that unexpected liquidity events will be managed successfully if they were to occur.

Retail funding is highly correlated to the public's perception of the Bank's trustworthiness and reputation. Given this feature of retail funding, a significant negative impact on the Bank's reputation could bring about a run on the Bank. If, for some reason, the Bank is unable to access the necessary liquidity to conduct its operations and/or meet its obligations, this could negatively impact the Bank's financial condition and performance.

1.3.5. Information Security and Data Protection Risk

This risk relates to the risk of loss caused by deliberate or accidental loss, alteration, falsification or leakage of information, or by destruction, disruption, errors or misuse of information systems. Loss or leakage of confidential information could have a material adverse effect on the operations and performance of the Group.

The Group is also subject to comprehensive regulation regarding the use of personal customer data. Compliance with the GDPR creates significant regulatory obligations for the Group and it will continue to have an ongoing impact on the acceptance, processing and storage of personal sensitive data. The possible damage, loss, unauthorised processing or disclosure of personal data could have a negative impact on the activity of the Group, in reputational terms too, and could lead to the imposition of fines. In addition, any changes to the applicable laws and/or regulations, including at European Union level, could have a negative impact on the Group's activities, including the need to incur costs for adapting to the new regulations.

1.3.6. Risks Connected with the Performance of the Property Market

The Group is exposed to the risks of the property market, as a result of, among other things: (i) loans granted to clients where the collateral securing the loan is immovable property; and (ii) loans granted by the Bank to companies operating in the property sector where the cash flow is generated mainly by the rental or sale of properties (commercial real estate).

With regard to (i) above, poor market conditions and/or, more generally, a protracted economic or financial downturn could lead to a fall in value of the collateral properties as well as create significant difficulties in terms of monetisation of the said collateral under the scope of enforcement procedures, with possible negative effects in terms of realisation times and values.

With respect to (ii) above, any downturn in the real estate market could lead to a fall in market prices and a consequent fall in the demand for commercial real estate. As a result, the Bank's customers operating in the property sector may face a decrease in transaction volumes and margins, an increase in commitments resulting from financial expenses, as well as greater difficulties in refinancing, with negative consequences on the profitability of their activities, which could have a negative impact on their ability to repay the loans granted by the Bank.

The significant increase in real estate prices in recent years is a result of both demand and supply factors. Although the Group has a diversified lending portfolio, the Group is substantially exposed to real estate, which implies a heightened sensitivity to a potential correction in property prices.

1.3.7. Risks Related to Competition in the Banking Industry

The banking industry is particularly competitive and competitive pressures could increase due to several aspects including shifts in customer demand, competitors' strategies, regulatory changes, technological developments and general economic trends. The Group is exposed to competition in the markets in which it operates, including from competitors that may have greater financial and other resources. In addition, the Bank may experience increased competition from new entrants in certain products.

The banking sector is also experiencing significant technology related trends impacting the competitive landscape, which include competition from entities such as non-bank technology companies that provide digital-only products and services. As technology continues to disrupt the way traditional banking services are carried out, the Group is subject to the risk of adapting to this form of potential competition. At the same time, banks are operating in a highly volatile and uncertain environment. Such technology driven financial institutions may benefit from process digitisation, lower operating costs, and favourable product pricing, compared to traditional banks including the Group. If the Bank does not respond appropriately to such competitive pressures, including by the introduction of innovative products and services, it may lose market share which in turn may have a negative impact on the Group's financial performance and prospects.

1.3.8. Financial Crime Compliance Risk

Financial crime risks refer to the potential exposure the Bank faces from illegal activities that may impact the integrity and stability of its financial operations. These risks include:

(i) **Money laundering:** Money laundering is the process of concealing the proceeds of criminal activity in order to make them appear legitimate. Criminals may use the Bank as a conduit for money laundering which increases the risk of incurring financial losses and regulatory fines;

(ii) **Terrorist Financing:** This refers to the provision of financial support or resources to individuals or groups engaged in terrorism. The Bank may be targeted by terrorists seeking to launder funds or move money to finance their operations;

(iii) **Sanctions violations:** The Bank must comply with international sanctions regimes designed to restrict trade and financial transactions with designated individuals and countries. Failure to comply with sanctions regulations may result in significant penalties and reputational damage for the Bank;

(iv) **Bribery and corruption:** The Bank may be exposed to risks related to bribery and corruption, such as when Bank employees or customers engage in bribery or other corrupt practices to secure financial gain; and

(v) **Fraud:** Fraudulent activities, such as identity theft, credit card fraud, internal (corporate) fraud may cause significant financial harm to the Bank and its customers. The Bank may face reputational damage and legal liability if it fails to implement adequate fraud prevention measures.

Financial crime compliance risks may materialise from: (i) lack of adherence to the appropriate regulatory environment and/or market practice; (ii) failures arising from the lack of implementation of updated directives, rules, regulations, and/or internal operating procedures; and/or (iii) inadequate internal controls to monitor level of adherence to the required standards inclusive of illegal practices such as bribery and corruption. The materialisation of such risks could have a detrimental impact on customers and expose the Bank to financial sanctions and regulatory reprimands, reputational risks and regulatory censure.

1.3.9. Resolution Risk

The Recovery & Resolution Regulations provide for the application of resolution tools by the Resolution Committee to credit institutions at risk of failure, as an alternative to liquidation proceedings. These resolution tools include: (i) the sale of business tool; (ii) the bridge institution tool; (iii) the asset separation tool; and (iv) the bail-in tool (described in further detail in section 4.6 below). In addition, the Resolution Committee has the power to write-down and/or convert capital instruments and eligible liabilities pursuant to the Recovery & Resolution Regulations immediately before or together with the application of a resolution tool. A write-down may result in the reduction (including to zero) of the nominal value of the Bonds. Furthermore, the Resolution Committee is empowered by the Recovery & Resolution Regulations to take control of a credit institution under resolution and exercise all the rights and powers conferred upon shareholders, other owners, and the board of directors of the institution under resolution.

The exercise by the Resolution Committee of any of these powers may have a material effect on the business and prospects of the Bank.

1.3.10. Climate and Environmental related Risks

Transitioning to a low-carbon and circular economy entails both risks and opportunities for the economy at large and for financial institutions operating in it, while physical damage caused by climate change and environmental degradation can also have a significant impact on the real economy and the financial system.

Climate and environmental risk drivers can result – in terms of monetary and other impacts – into traditional financial risk categories, rather than representing a new type of risk, thereby climate-related financial risk is integrated into the Group's risk management framework through the management of the various risk types, including credit risk, market risk, liquidity risk, operational risk and reputational risk. Climate risk drivers can affect the Bank's credit risk through its counterparties, its market risk through the value of financial assets, and its liquidity risk through its deposits, funding costs and withdrawal of credit or liquidity lines.

1.3.11. Bank Regulatory Risk and Risks Associated with Capital Adequacy

The Bank is subject to a number of prudential and regulatory controls, designed to maintain the safety and soundness of banks, ensure their compliance with economic and other objectives and limit their exposure to risk, including but not limited to CRD IV / CRD V, CRR / CRR II and BRRD / BRRD II. Furthermore, on 27 October 2021, the European Commission published a proposed review of the Capital Requirements Regulation, the Capital Requirements Directive VI and the Bank Recovery and Resolution Directive. Part of this package, particularly that introducing amendments to the CRR and the BRRD in relation to the resolution of banks (known as the Daisy Chain Regulation) is already in force. Refer to section 4.6 below for further detail on the Daisy Chain Regulation.

In this regard, the Bank faces risks associated with a rapidly evolving prudential regulatory environment pursuant to which it is required, amongst other things, to maintain adequate capital and liquidity resources and to satisfy specified capital and liquidity ratios at all times. The interpretation and application by regulators of existing laws and regulations to which the Bank is subject

may also change from time to time. Such changes either individually and/or in aggregate, may lead to further unexpected, enhanced requirements in relation to the Bank's capital, leverage, liquidity and funding ratios or alter the way such ratios are calculated. A perceived or actual shortage of capital held by the Bank could result in actions by regulatory authorities, including public censure and the imposition of quantitative and qualitative sanctions. This may also affect the Bank's capacity to continue or grow its business operations, generate a sufficient return on capital or pursue acquisitions or other strategic opportunities, affecting future growth potential. If, in response to any such shortage, the Bank raises additional capital through the issuance of share capital or capital instruments, existing shareholders or holders of debt of a capital nature may experience a dilution of their investment.

The BRRD (as amended by the BRRD II) establishes a framework for the recovery and resolution of credit institutions and certain investment firms. The BRRD establishes a legal regime which, amongst others, provides authorities with a set of powers and tools to intervene sufficiently early and quickly in an unsound or failing institution to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system. More detail regarding the BRRD and its implementation in Malta as well as the powers and tools available to the authorities is provided under section 4.6. Should the Bank become subject to a write-down, conversion, or resolution powers under the BRRD, this may adversely affect the Bank's business, financial condition, ability to pay dividends, results of operations and/or prospects. Moreover, any bail-in of bonds will mean that bondholders might have some or all of their holdings cancelled without compensation.

1.3.12. **Market Risk**

Market risk relates to the risk that the income from, and fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and the prices of equities, bonds, and commodities. The Group's exposure to market risk is mainly in the form of interest rate risk and foreign exchange risk. Movements in interest rates are driven by factors that are outside of the Group's control, including central bank actions, monetary and fiscal policies, and economic conditions. Foreign exchange risk arises from the fluctuation of different exchange rates in relation to the Euro, as the Group's principal currency, due to factors that are also outside of the Group's control. Any significant fluctuations in interest rates or foreign exchange rates could therefore have a material adverse effect on the income from, and fair value or future cash flows of financial instruments held by the Group (including derivative contracts entered into by the Group to hedge against movement in certain cash flows on financial liabilities having embedded derivatives), which would in turn have a material adverse effect on the Group's financial position and performance.

1.3.13. **Operational Risk**

Operational risk relates to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. An operational risk event is an incident or experience that has caused or has the potential to cause material loss to the Group either directly or indirectly with other incidents. In line with the Basel Committee on Banking Supervision's definitions, the following types of operational risk events are considered as having the potential to result in material operational losses: (i) internal fraud; (ii) external fraud; (iii) employment practices and workplace safety; (iv) clients, products and business practices; (v) damage to physical assets; (vi) business disruption and system failure; and (vii) execution, delivery and process management.

Losses from the failure of the Group's system of internal controls to discover and rectify such matters could have a material adverse effect on the Group's business, financial condition and/or results of operations.

1.3.14. **Recruitment and Retention of Key Personnel**

The Group is dependent to a significant degree on the skills, experience, and efforts of its senior management team and upon their continued availability and commitment, whose contributions to immediate and future operations are of significant importance. The loss of any of its senior management team could negatively affect the Group's business operations. From time to time, the Group also needs to identify and retain additional skilled management and specialised technical personnel to efficiently operate the business. Recruiting and retaining qualified personnel is critical to the success of the Group's business and there can be no assurance of the Group's ability to attract and retain such personnel. The Group does not maintain 'key person' insurance in relation to any employees. If not successful in attracting and retaining qualified personnel (or effectively outsourcing certain functions or projects execution to external parties), the Group's ability to effectively conduct its business could be affected, which could have a material adverse impact on the financial performance and condition of the Group.

1.3.15. **Concentration Risk**

Concentration risk is an exposure or group of exposures with the potential to produce losses large enough to threaten the Bank's health or its ability to maintain its core business. This risk may arise from large individual exposure or significant exposures to groups of counterparties whose likelihood of default is driven by common underlying factors. While the Bank adopts a prudent view on asset quality and maintains a diversified portfolio, and attempts to diversify its credit risk in terms of geography, tenor and economic sector through various measures, there can be no assurance that this will successfully reduce or eliminate the

Bank's exposure to concentration risk. Accordingly, any impairment in the ability of one or more counterparties or borrowers in the categories described above to service or repay their obligations to the Group could have a material adverse effect on the Group's financial condition and results of operations.

1.3.16. Systemic Risk

Due to the high level of interdependence between financial institutions, the Bank is subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of other financial services institutions and of the wider financial services sector. A default of any one institution could lead to defaults by other institutions. Concerns relating to a potential default, bail-out, or bail-in of, one institution, or even just the perceived lack of creditworthiness of such institution, could lead to significant liquidity problems, losses or defaults by other institutions. This risk is often referred to as systemic risk, and such risk can be driven by contagion (whereby financial distress of a financial institution can have an adverse impact on the financial stability of another financial institution, including the Bank) or a severe loss of confidence of the general public in the banking system.

1.4. Risks Relating to the Bonds

1.4.1. Subordinated Status

The Bonds (their redemption and the payment of interest thereon) shall constitute the general, direct, subordinated, unsecured and unconditional obligations of the Bank to the Bondholders, and shall at all times rank *pari passu*, without any priority or preference among themselves and with all other Tier 2 Claims. In the event of the dissolution and winding up of the Bank, the claims of Bondholders in respect of the payment of capital and interest on the Bonds will have the ranking set out in the Ranking Legislation and will be subordinated to Preferred Claims, all Ordinary Unsecured Claims and Secondary Unsecured Claims. In addition, as per the said Ranking Legislation, to the extent that the Bonds qualify as Tier 2 instruments, they shall also rank below Senior Subordinated Claims. All claims of Bondholders will therefore not be repaid until Preferred Claims, Ordinary Unsecured Claims, Secondary Unsecured Claims and Senior Subordinated Claims have been settled in full. If any Bonds cease to qualify as Tier 2 Instruments, the claims in respect of such Bonds will, in the event of the dissolution and winding up of the Bank, rank *pari passu* with all Senior Subordinated Claims, subject to the Ranking Legislation.

If, on a dissolution and winding-up of the Bank, the assets of the Bank are insufficient to enable the Bank to repay the claims of more senior-ranking creditors in full, the Bondholders will lose their entire investment in the Bonds. If there are sufficient assets to enable the Bank to pay the claims of senior-ranking creditors in full but insufficient assets to enable it to pay claims in respect of the Bonds and all other claims that rank *pari passu* with the Bonds, Bondholders may lose some (or all) of their investment in the Bonds.

The same principles would apply to the Bank where the relevant resolution authority applies the appropriate powers of write-down or conversion of capital (the Bonds) (whether in the event of a resolution of the Bank or in any other instances under applicable law), in which case it must respect the *pari passu* treatment of creditors and the statutory ranking of claims under the applicable insolvency law.

Moreover, pursuant to the Recovery & Resolution Regulations, all claims resulting from own funds items of relevant institutions (such as the Bank) are to rank lower than any claim that does not result from an own funds item. Therefore, this may affect the amount of recovery (if any) a Bondholder may expect to receive in a winding-up or resolution of the Bank. It is expected that, in certain circumstances, this may have an impact on the effective ranking of own funds instruments, such as the Bonds. For example, if any own funds instruments issued by the Bank, including the Bonds, cease to be eligible to qualify as own funds instruments of the Bank, the ranking of such disqualified instruments is likely to be adjusted so that such disqualified instruments would rank ahead of any instruments which continue to qualify as own funds in (such as any Bonds, as the case may be). In such circumstances, if the Bank is wound-up or resolved, the claims of Bondholders which qualify as Tier 2 Capital of the Bank may be subordinated to claims of holders of such disqualified instruments (if any), and accordingly any recovery of amounts in respect of such qualifying Bonds in a winding-up or resolution of the Bank may be adversely affected.

1.4.2. Bail-In Risk

As described in section 4.6, the Recovery & Resolution Regulations provide for various powers and tools of the Resolution Committee in the event that the Resolution Committee considers that all of the relevant conditions are met. Resolution occurs at the point where the applicable authority determines that a bank is failing or likely to fail, that there is no other private sector intervention or supervisory action, including early intervention measures or the write-down or conversion of relevant capital instruments, that would prevent the failure of the institution within a reasonable timeframe and that a resolution action is necessary in the public interest. The Resolution Committee may exercise the bail-in tool in respect of the Bank if the Bank is under resolution pursuant to which the Bonds may be subject to a write-down and/or conversion into equity. Such a development would have a direct adverse impact on the Bondholders, including a cancellation and complete loss in value of the Bonds.

1.4.3. Limited Remedies of Bondholders

The Bonds are the obligations of the Bank only and do not establish any liability or other obligation of any other person mentioned in this Base Prospectus. Payment of principal and accrued but unpaid interest on the Bonds may be accelerated only in the event of (i) an extraordinary resolution passed at a general meeting for the dissolution, winding-up or liquidation of the Bank or (ii) an order by the applicable judicial authorities is made for the dissolution, liquidation, winding-up of the Bank or (iii) an order for liquidation is made by the competent authority in respect of the Bank under the Controlled Companies (Procedure for Liquidation) Act (Chapter 383 of the laws of Malta) or (iv) the dissolution, winding-up or liquidation of the Bank carried out in terms of any other law that may come into force from time to time. The right of acceleration will not be triggered solely by any resolution carried out under the Recovery & Resolution Regulations or any moratorium provided for thereunder. Furthermore, there is no right of acceleration that arises merely as a result of non-payment of principal or interest on the Bonds or of the Bank's failure to perform any of its obligations under or in respect of the Bonds. The only remedy available to the Bondholders in the case of non-performance by the Bank of any of its obligations or any other breach by the Bank of the Terms and Conditions (including the non-payment of interest and principal) shall be the ability to institute court proceedings for the dissolution and winding-up of the Bank in those instances set out by law. The Bondholders are not entitled to any other remedy in such cases and are not able to call an event of default or otherwise bring any enforcement action in respect of the Bank or its assets. The remedies under the Bonds are, therefore, more limited than those typically available to the Bank's unsubordinated creditors.

1.4.4. Waiver of Set-Off

Bondholders waive any right of set-off in relation to the Bonds. Therefore, the Bondholders will not be entitled to set-off the Bank's obligations under the Bonds against obligations owed by them to the Bank.

1.4.5. Complex Financial Instrument and Suitability Risk

The Bonds are complex financial instruments and may not be suitable for all prospective investors. Subject to the overarching requirement that Applicants who are Retail Clients may only subscribe for Bonds after passing a Suitability Test (as described in section 9.3 below), all prospective investors are urged to consult an independent investment advisor licensed under the Investment Services Act as to the suitability or otherwise of an investment in the Bonds before making an investment decision. In particular, such advice should be sought with a view to ascertaining that each prospective investor: (a) has sufficient knowledge and experience to make a meaningful evaluation of the Bonds and understand the merits and risks of investing in the Bonds and the information contained, or incorporated by reference, in the Base Prospectus or in the relevant Financial Terms, or any Supplement; (b) has sufficient financial resources and liquidity to bear all the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the prospective investor's currency; (c) understands thoroughly the terms of the Bonds and is familiar with the behaviour of any relevant indices and financial markets; and (d) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

1.4.6. Bonds are Redeemable at the Option of the Bank

Any or all of the Bonds may be redeemed by the Bank (subject to obtaining the prior permission of the MFSA and provided that the Bank meets the conditions set out in article 78 of the CRR) on an Early Redemption (Exceptional Event) Date; and/or, if provided for in the applicable Final Terms, on an Early Redemption Date, in each case on at least 30 days' prior written notice to the relevant Bondholders. Bondholders will be entitled to, in respect of the Bonds being redeemed, repayment of all principal together with interest accrued until the date of redemption but once the Bonds are redeemed the relevant Bondholders will no longer be entitled to any interest or other rights in relation to those Bonds. If Bonds are redeemed prior to the Maturity Date a Bondholder would not receive the same return on its investment that it would have received if those Bonds were redeemed on the Maturity Date. In addition, the Bondholder may not be able to re-invest the proceeds from the early redemption at yields that would have been received on the Bonds had they not been redeemed early. This optional redemption feature may also have a negative impact on the market value of the Bonds. During a period when the Bank may opt to redeem the Bonds, it is unlikely that the market value will rise above the price at which the Bond will be redeemed.

1.4.7. Interest Rate Risk of the Bonds

The Bonds may carry fixed or variable interest rates. Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the market value of the Bonds.

Fixed Rate Bonds

Investors should be aware that the way yield is typically calculated by market participants, the price of fixed income securities tends to move in a way that is inversely proportional to changes in interest rates. Accordingly, when prevailing market interest rates are rising, the prices that market participants will generally be willing to pay for Fixed Rate Bonds can be expected to decline. Conversely, if market interest rates are declining, secondary market prices for Fixed Rate Bonds will tend to rise. Moreover, fixed

rate debt securities with a longer period to maturity will tend to reflect a greater degree of secondary market price volatility relative to movements in market interest rates when compared to fixed rate debt securities with a shorter remaining life.

Floating Rate Bonds

The variable interest return of Floating Rate Bonds comprises (i) a base or reference rate and (ii) a margin to be added or subtracted, as the case may be, from such base rate. Typically, the relevant margin will not change throughout the life of the Bonds but there may be a periodic adjustment (as specified in the relevant Final Terms) of the reference rate (e.g., every three months or six months) which itself will change in accordance with general market conditions. Accordingly, the market value of Floating Rate Bonds may slightly move if changes, particularly short-term changes, to market interest rates evidenced by the relevant reference rate can only be reflected in the interest rate of these Bonds upon the next periodic adjustment of the relevant reference rate. These price movements can be amplified if the Floating Rate Bonds include a multiplying coefficient. A key difference between Floating Rate Bonds and Fixed Rate Bonds is that interest income on Floating Rate Bonds cannot be predicted. Due to varying interest income, Bondholders are not able to determine a definite yield for Floating Rate Bonds at the time they purchase them, so that their return on investment cannot be compared with that of investments having fixed interest periods. If the relevant Final Terms provide for frequent interest payment dates, Bondholders are exposed to reinvestment risk if market interest rates decline. That is, Bondholders may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing. In addition, the Bank's ability to also issue fixed rate Bonds may affect the market value and the secondary market (if any) of the Floating Rate Bonds (and vice versa). Reference rates are not pre-defined for the lifespan of the Bonds. Higher reference rates mean a higher interest received and lower reference rates mean a lower interest received under the Floating Rate Bonds. The degree to which the reference rates may vary is uncertain. The interest amount payable on any Interest Payment Date may be different from the amount payable on the initial or previous Interest Payment Date and may negatively impact the return under the Bonds and result in a reduced market value of the Bonds if a Bondholder were to dispose of his/her Bonds.

1.4.8. No Assurance of Active Secondary Market for the Bonds

The existence of an orderly and liquid market for the Bonds will depend on a number of factors, including the presence of willing buyers and sellers of the Bonds at any given time and over whom the Bank has no control. Moreover, certain regulatory requirements applicable to the sale of Bonds (and similar instruments) to Retail Clients could have an impact on the level of activity in the secondary market. Accordingly, it is impossible to guarantee a liquid or any secondary market for the Bonds after their admission to trading or that such a market, should it develop, will subsist. Illiquidity can have a severe adverse effect on the market value of the Bonds and the price quoted by Bondholders for Bonds already admitted to trading on the Official List may be at a significant discount to the original purchase price of those Bonds. There can be no assurance that Bondholders will be able to sell the Bonds at or above the price at which the Bank issued the Bonds or at all.

1.4.9. No Restriction on the Bank Incurring Additional Indebtedness

The Bonds do not restrict the Bank's ability to incur additional debt (including through the issuance of bonds or other debt securities) or securing that indebtedness in the future, which actions may negatively affect the Bank's financial position and its ability to make payments on the Bonds when due. Moreover, such indebtedness may have a prior ranking than the Bonds, in which case it could rank ahead of the Bonds in the event of a dissolution and winding up of the Bank. See also section 1.4.1 (*Subordinated Status*) above.

1.4.10. Suspension of Trading or Discontinuation of Listing

Even after the Bonds are admitted to trading on the Official List, the Bank is required to remain in compliance with certain requirements relating, *inter alia*, to the free transferability, clearance and settlement of the Bonds in order to remain a listed company in good standing. Moreover, the Competent Authority has the authority to suspend trading or listing of the Bonds if, among other things, it determines that such action is required for the protection of investors or of the integrity or reputation of the market. The Competent Authority may also discontinue the listing of the Bonds on the Official List. Any trading suspension or listing discontinuation described above could have a material adverse effect on the liquidity and value of the Bonds.

1.4.11. Changes to the Terms and Conditions

In the event that the Bank wishes to amend any of the Terms and Conditions and/or the relevant Final Terms it shall call a meeting of Bondholders in accordance with the provisions of section 10.14 below. These provisions permit defined majorities to bind all Bondholders (in certain cases also subject to notifying or obtaining the prior permission of the MFSA in terms of the CRR or applicable law) including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

1.4.12. **Currency risk**

Bonds may be denominated in any currency or currencies, subject to any applicable legal or regulatory restrictions. If a Bondholder holds Bonds which are not denominated in the Bondholder's home currency, it will be exposed to movements in exchange rates adversely affecting the value of its holding.

Moreover, the Bank will pay principal and interest on the Bonds in the currency specified in the applicable Final Terms. This presents certain risks relating to currency conversions if a Bondholder's financial activities are denominated principally in a currency or currency unit other than the specified currency of the Bonds. These include the risk that exchange rates may significantly change (including changes due to devaluation of the specified currency or revaluation of the Bondholder's Currency). An appreciation in the value of the Bondholder's currency relative to the specified currency would decrease: (1) the Bondholder's currency equivalent yield on the Bonds; (2) the Bondholder's currency equivalent value of the principal payable on the Bonds; and (3) the Bondholder's currency equivalent market value of the Bonds. As a result, Bondholders may receive less interest or principal than expected, or no interest or principal.

1.4.13. **Volatility risk**

The market for debt securities issued by the Bank (including the Bonds) is influenced by economic, political and market conditions and, to varying degrees, market conditions, interest rates, currency exchange rates and inflation rates. There can be no assurance that events in Malta or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of Bonds or that economic and market conditions will not have any other adverse effect on the Bonds.

THE FOREGOING RISK FACTORS ARE NOT EXHAUSTIVE AND DO NOT PURPORT TO BE A COMPLETE LIST OF ALL OF THE RISKS AND CONSIDERATIONS INVOLVED IN INVESTING IN THE BONDS. IN PARTICULAR, THE BANK'S PERFORMANCE MAY BE AFFECTED BY CHANGES IN MARKET OR ECONOMIC CONDITIONS AS WELL AS LEGAL, REGULATORY AND TAX REQUIREMENTS APPLICABLE TO THE BANK AND/OR THE BONDS.

2. PERSONS RESPONSIBLE, AUTHORISATION OF BASE PROSPECTUS AND CONSENT FOR USE

2.1. Persons Responsible

All of the Directors whose names appear under section 6.1 of this Base Prospectus are the persons responsible for the information contained in this Base Prospectus. To the best of the knowledge and belief of the Directors, the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect its import. The Directors have taken all reasonable care to ensure that this is the case and accept responsibility accordingly.

2.2. Authorisation Statement

This Base Prospectus has been approved by the Competent Authority as the competent authority in Malta for the purposes of the Prospectus Regulation. The Competent Authority has only approved this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of the Bank or the quality of the Bonds (that are the subject of this Base Prospectus). Investors should make their own assessment as to the suitability of investing in the Bonds.

2.3. Consent for Use of Base Prospectus

For the purposes of any Application for Bonds in terms of this Base Prospectus and the relevant Final Terms, and any subsequent resale, placement or other offering of Bonds by Authorised Intermediaries in circumstances where there is no exemption from the requirement to publish a prospectus under the Prospectus Regulation, the Bank consents to the use of this Base Prospectus and the relevant Final Terms (and accepts responsibility for the information contained therein) with respect to any such subsequent resale, placement or other offering of Bonds, provided this is limited only:

- (a) in respect of Bonds subscribed through Authorised Intermediaries pursuant to the relevant Final Terms; and
- (b) to any resale or placement of Bonds taking place in Malta within the period of 60 days from the date of the relevant Final Terms.

There are no other conditions attached to the consent given by the Bank hereby which are relevant for the use of the Base Prospectus and/or the relevant Final Terms.

Neither the Bank, the Sponsor & Manager, the Registrar, nor any of their respective advisors, takes any responsibility for any of the actions of any Authorised Intermediary, including their compliance with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to a resale or placement of Bonds.

Other than as set out above, neither the Bank, the Sponsor & Manager, nor the Registrar have authorised (nor do they authorise or consent to the use of this Base Prospectus or the relevant Final Terms in connection with) the making of any public offer of the Bonds by any person in any circumstances. Any such unauthorised offers are not made on behalf of the Bank, the Sponsor & Manager or the Registrar and neither the Bank, the Sponsor & Manager, nor the Registrar has any responsibility or liability for the actions of any person making such offers.

Investors should enquire whether an intermediary is considered to be an Authorised Intermediary in terms of the relevant Final Terms. If the investor is in doubt as to whether it can rely on the Base Prospectus or the relevant Final Terms, and/or who is responsible for the contents thereof, it should obtain legal advice. No person has been authorised to give any information or to make any representation not contained in or inconsistent with this Base Prospectus or the relevant Final Terms or any other document entered into in relation to the Programme. If given or made, it must not be relied upon as having been authorised by the Bank, Sponsor & Manager, or Registrar. The Bank does not accept responsibility for any information not contained in this Base Prospectus or the relevant Final Terms.

In the event of a resale, placement or other offering of Bonds by an Authorised Intermediary, the Authorised Intermediary will provide information to investors on the terms and conditions of the resale, placement or other offering at the time such is made.

Any resale, placement or other offering of Bonds to an investor by an Authorised Intermediary will be made in accordance with any terms and other arrangements in place between such Authorised Intermediary and such investor including as to price, allocations and settlement arrangements. Where such information is not contained in the Base Prospectus or relevant Final Terms, it will be the responsibility of the applicable Authorised Intermediary at the time of such resale, placement or other offering to provide the investor with that information and neither the Bank, the Sponsor & Manager, nor the Registrar, has, or shall have, any responsibility or liability for such information.

Any Authorised Intermediary using this Base Prospectus and the relevant Final Terms in connection with a resale, placement or other offering of Bonds subsequent to a Bond Issue shall, limitedly for the period of 60 days from the date of the relevant Final Terms, publish on its website a notice to the effect that it is using this Base Prospectus and the relevant Final Terms for such resale, placement or other offering in accordance with the consent of the Bank and the conditions attached thereto. The consent provided herein shall no longer apply following the lapse of such period.

Any new information with respect to any Authorised Intermediary unknown at the time of approval of this Base Prospectus or the relevant Final Terms will be made available through a company announcement published on the Bank's website (<https://www.apsbank.com.mt/company-announcements>).

3. ADVISORS AND STATUTORY AUDITORS

3.1. Advisors

Legal Counsel

Ganado Advocates
171, Old Bakery Street
Valletta VLT 1455
Malta

Sponsor & Manager

Rizzo, Farrugia & Co (Stockbrokers) Ltd
Airways House, Fourth Floor
High Street,
Sliema SLM 1551
Malta

Registrar

Malta Stock Exchange plc
Garrison Chapel
Castille Place
Valletta VLT 1063
Malta

The services of the Bank's legal counsel and other advisors in respect of this Base Prospectus are limited to the specific matters upon which they have been consulted. There may be other matters that would have a bearing on the Bank or an investment in the Bonds upon which the Bank's legal counsel and other advisors have not been consulted. The Bank's legal counsel and the other advisors do not undertake to monitor the compliance by the Bank with its obligations as described in this Base Prospectus, nor do they monitor the Bank's activities for compliance with applicable laws. Additionally, the Bank's legal counsel and other advisors have relied and continue to rely upon information furnished to them by the Bank and the Directors, and have not investigated or verified, nor will they investigate or verify the accuracy and completeness of information set out herein concerning the Bank, the Bank's service providers or any other parties involved in the Programme (including all of their respective affiliates, directors, officers, employees and agents). The Bank's legal counsel and the other advisors do not accept any liability in relation to the information contained or incorporated by reference in this Base Prospectus or Final Terms, as and when published, or any other information provided by the Bank in connection with the Programme.

3.2. Statutory Auditors

Deloitte Audit Limited (C 51312), of Deloitte Place, Triq l-Intornjatur, Zone 3, Central Business District, Birkirkara CBD 3050, Malta, were the auditors of the Bank for the period covered by the historical financial information incorporated by reference into this Base Prospectus, and have been appointed as the Bank's statutory auditors until the end of the next annual general meeting of the Bank. Deloitte Audit Limited is a registered audit firm with the Accountancy Board of Malta in terms of the Accountancy Profession Act [Chapter 281 of the laws of Malta] with registration number AB/26/84/81.

4. THE BANK

4.1. General Information

Legal & Commercial Name:	APS Bank plc
Company Registration Number:	C 2192
Legal Form:	Public limited liability company in terms of the Companies Act
Place of Registration & Domicile:	Malta
Date of Registration:	1 June 1970
Registered Office Address:	APS Centre, Tower Street, Birkirkara, BKR 4012, Malta
LEI:	213800A10379I6DMCU10
Telephone Number:	+356 2560 3000
E-mail Address:	investor.relations@apsbank.com.mt
Website:	www.apsbank.com.mt

Unless specifically stated herein that particular information is incorporated by reference into this Base Prospectus, the contents of the Bank's website, any other website directly or indirectly linked to the Bank's website, or any other website referred to herein, do not form part of the Base Prospectus. Accordingly, no reliance ought to be made by any investor on any information or other data contained in such website as a basis for a decision to invest in the Bonds.

4.2. Capital Overview

The Bank's CET 1 ratio as at 30 June 2023 stood at 15.8%. Capital planning is an integral part of the Bank's business strategy. In 2019, the Bank prepared a 'Capital Development Plan' which was aimed at expanding the Bank's capital base in phases. One of the main tenets of the Capital Development Plan is that a broader capital base would support the Bank's growth trajectory, regulatory requirements and overall long-term strategy.

Phase 1 of the plan was concluded during the second quarter of 2019 through a rights issue of €13 million, which, coupled with the 2018 retained earnings of €12 million, saw CET 1 increase by a total of €25 million. Phase 2 was concluded in 2020 through the issue of the Existing Bonds. This was the first time that the Bank resorted to Tier 2 funding to satisfy its capital requirements and support its growth strategy. Phase 3 of the Capital Development Plan was achieved through the IPO, the net proceeds of which amounted to approximately €65 million, which strengthened the Bank's CET 1 and its level of capital buffers as required under relevant European Banking regulation.

The Capital Development Plan, together with the payment of a scrip dividend in May 2023, an interim scrip dividend paid in October 2023, and the retention of annual profits, have enhanced the Bank's capital base.

4.3. Borrowing Requirements and Funding Structure

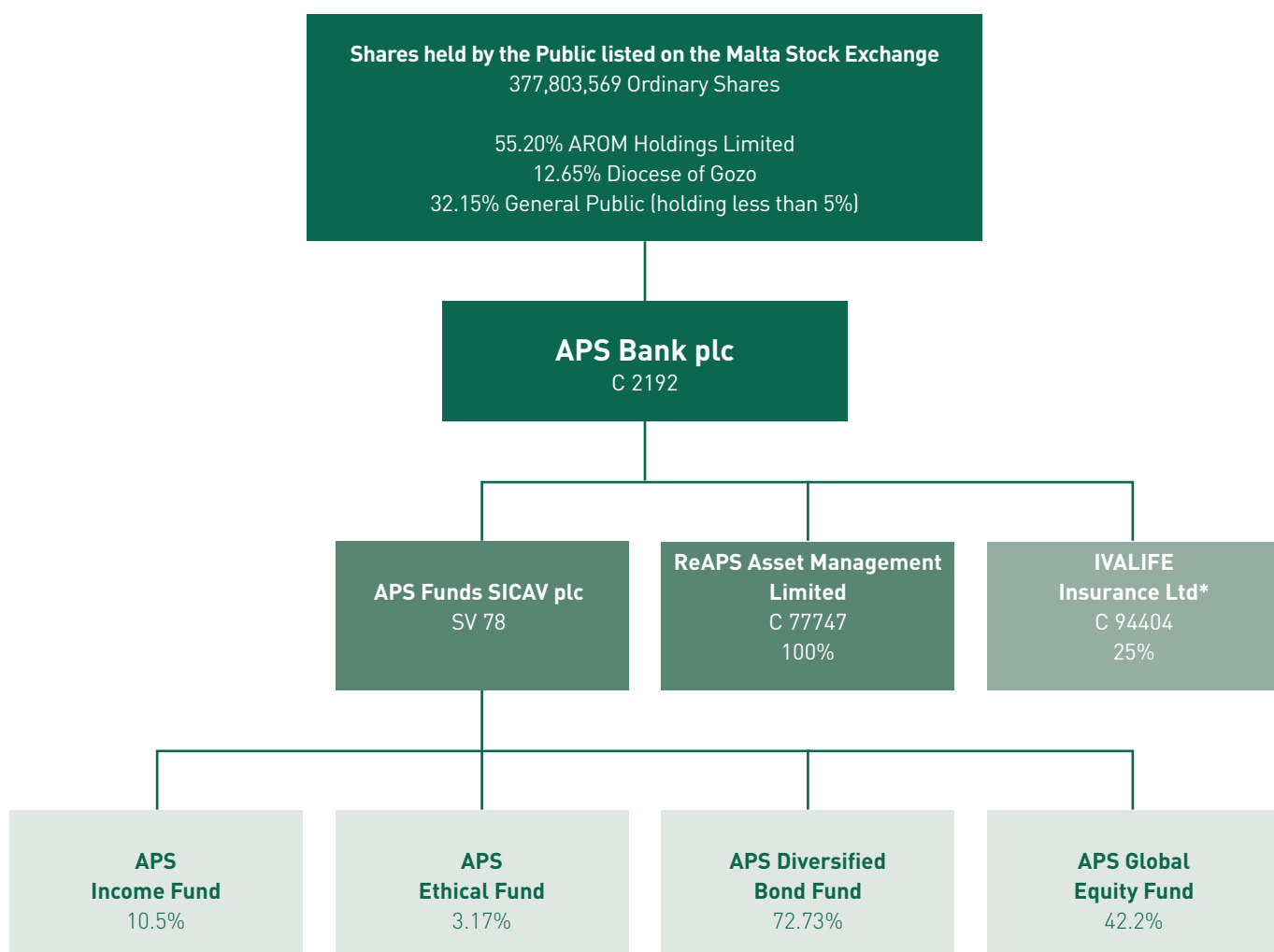
Most of the Bank’s funding is derived from local customer deposits. The Bank has been successful in its drive to build and maintain a large and stable customer deposit base, helping to eliminate any reliance on wholesale funding. The Bank accesses the international retail deposit market to strengthen the diversity of its funding base. The Bank has also raised funds from the local capital market through the issuance of the Existing Bonds and the IPO.

The Bank funds its activities primarily through retail deposits. There have been no material changes in the borrowing and funding structure of the Bank since the financial year ended 31st December 2022.

The Bank’s business activities are all expected to be financed through customers’ deposits. The Programme will be used to strengthen and provide further buffers to the Bank’s capital requirements ratios (and, as a result, its MREL and other regulatory requirements), and to support the Bank’s future growth.

4.4. Group Organisational Structure

The following diagram illustrates the corporate structure of the Group as at the date of this Base Prospectus:



*an associate company

Note: The Bank holds 99.99% of the founder shares in APS Funds SICAV. The percentage indicated in each of the four sub-funds of APS Funds SICAV – APS Income Fund, APS Ethical Fund, APS Diversified Bond Fund and APS Global Equity Fund – represents the percentage of ‘investor shares’ issued in respect of each sub-fund that are held by the Bank as at 30 June 2023. As a result of its significant holding in the investor shares issued in respect of the APS Diversified Bond Fund, this sub-fund is considered to be a subsidiary of the Bank for financial reporting purposes. The APS Income Fund, the APS Regular Income Ethical Fund and the APS Global Equity Fund are not considered to be subsidiaries of the Bank but are included in the above diagram for illustrative purposes.

The principal activities of the Bank and its subsidiaries are described in further detail in section 4.5.3 below. The Bank is not dependent on any of the other entities in the Group.

4.5. Business Overview of the Bank

4.5.1 Historical Development and Recent Events

The Bank was established in October 1910 as the *'Cassa di Risparmio dell'Apostolato della Preghiera'* (or Apostleship of Prayer Savings Bank) by the *'Unione Cattolica San Giuseppe'*, led by Jesuit Fr. Michael Vella, with the intention of instilling saving habits amongst the working classes of the Maltese population. The Apostleship of Prayer Savings Bank was subsequently utilised to fund numerous projects of a social nature.

In November 1947, the Apostleship of Prayer Savings Bank was transferred to the Archdiocese of Malta which appointed a Committee of Administration entrusted with the running of the institution. The Bank was incorporated and registered as a private limited company on 1 June 1970. It was granted a banking licence in terms of the Banking Act in March 1977. In 1990, the name of the Bank was changed from Apostleship of Prayer Savings Bank to APS Bank Ltd. The Bank's commercial banking licence was issued in November 1990 and commercial banking operations commenced in September 1991.

In November 2006, the Bank became a member of the 'European Federation of Ethical and Alternative Banks' (FEBEA) which is composed of European financial institutions which aim at supporting – through co-operation and the creation of refinancing tools – economic actors that place major emphasis on the joint-principles of 'subsidiarity and solidarity'.

In November 2007, the Bank was also granted a licence by the MFSA to carry out the business of investment services in terms of the Investment Services Act. In January 2008 the Bank established APS Funds SICAV, which is currently managed by ReAPS in an effort to diversify the Bank's services and in 2012 launched the first ethical fund in Malta. The Bank has also been enrolled in the Tied Insurance Intermediaries List in terms of the Insurance Distribution Act.

In 2010, the Bank became the first Maltese bank to celebrate one hundred years of community banking.

On 1 April 2019, the Bank was converted to a public limited company, becoming 'APS Bank p.l.c.'.

As part of its capital development plan, the Bank completed a fully subscribed rights issue (by its current shareholders) of €13 million in 2019 and in November 2020, the Bank raised an additional €55 million through the fully subscribed issue of the Existing Bonds. Furthermore, in May 2022, the Bank successfully completed its IPO, the net proceeds of which amounted to approximately €65 million.

In January 2020, the Bank was classified as an Other Systemically Important Institution ("**O-SII**") by the Central Bank of Malta and by the MFSA under the auspices of the Joint Financial Stability Board and following consultation with the European Central Bank. O-SIIs are institutions which are systemically important to the domestic economy or to the economy of the EU. An institution's systemic importance is assessed based on the following criteria: (i) size; (ii) substitutability; (iii) cross-border activities; and (iv) resident interconnectedness and on supplementary absolute indicators. The definition and criteria for O-SIIs are set out in article 131 of CRD IV. An O-SII is required to maintain an O-SII capital buffer, a macroprudential instrument that consists of a capital surcharge applied to them in view of their considerable impact on the financial system and the real economy in the event of failure or impairment. The objective of requiring O-SIIs to maintain the O-SII capital buffer is to reduce both the probability and impact of a systemically important institution's failure.

4.5.2. Objects and Purposes of the Bank

The objects of the Bank are set out in clause 4 of its Memorandum of Association. The principal object of the Bank is, in summary, to carry on the business of banking in all its aspects, including the transaction of all financial, monetary and other business which is usually or commonly carried out by banks and/or banking institutions, including but not restricted to any transaction of a financial or monetary nature. Clause 4 of the Memorandum of Association further provides that: "*whether in the pursuit of its objects or the exercise of its powers, the Bank shall always be guided by the observance of principles and values that promote social justice, sustainable investment and the highest ethical standards in all its dealings, operations and activities*". A copy of the Memorandum of Association is available for inspection as set out in section 14 of this Base Prospectus.

4.5.3. Principal Activities and Markets of the Bank

Background

As one of Malta's oldest banks, which has been at the forefront of community banking for over a century, the Bank is a leading local provider of financial services, offering personal, business and investment solutions. Its distribution channels consist of a network of 11 branches and automated teller machines ("ATMs") and bulk deposit machines complemented by a versatile electronic banking platform which serves its retail and commercial customer base. The Bank is an enterprising organisation with an agenda of modernisation and growth, supported in no small way by its young, qualified and highly talented workforce of over 600 employees.

Further details on the Bank can be found at: <http://www.apsbank.com.mt>.

Values

The Bank is committed to the economic, environmental and social development of its marketplace. The Bank's key principles of caring and connectedness have endured the test of time and have been its key guiding principles throughout its history. As a matter of fact, the Bank continues to be major supporter of the arts, culture, education, as well as any projects which seek to protect Maltese heritage and address the challenges created by climate change. Moreover, the Bank has always been a leader, in its own way, in supporting projects of a social nature and initiatives to help those in need or excluded from society, such as providing basic social assistance, medical care and education.

The interests of the Bank's customers are at the heart of the decisions that are taken day-in and day-out about running the business and shaping it for the future. Proximity, accessibility and preference, in terms of products and services, distribution channels and communications are key considerations of the Bank in this regard. The function of the 'Voice of the Customer' - solely dedicated to enhancing customer experience through work on handling and addressing customer complaints, feedback and research initiatives - further demonstrates the Bank's commitment to this ideal.

The Bank has a set of core values which are relevant to today's realities and which form the fabric that keeps the Bank's many teams together. These values are:

- EXCELLENCE: Get it right first time;
- AUTHENTICITY: Always do the right thing;
- PASSION: Do what you love, care about the others;
- INCLUSIVENESS: Build on differences and break the silos; and
- CONTEMPORARY: Be relevant to today's world.

Moreover, sustained by its belief that fostering meaningful partnerships with other like-minded individuals and organisations can result in opportunities for growth; the Bank constantly seeks to build and maintain collaborations with the community and other organisations. In fact, the Bank is a member of the European Federation of Ethical and Alternative Banks and Financiers (FEBEA) which gathers 33 financial institutions from 15 countries in Europe, with the aim of developing and promoting ethical finance principles.

Products and services

The Bank predominantly operates within the Maltese market with some diversification on the international scene mainly relating to retail deposits raised through European online platforms, syndicated loan participations, trade finance facilities, debt securities and other financial instruments. The Bank offers a comprehensive suite of products and services, covering retail, commercial lending, sustainable finance, transactional banking and investment services, serving a wide range of customers from retail clients and small businesses to mid-sized enterprises and larger local corporates.

The main products and services offered by the Bank are:

i) Lending

Over the years, the Bank has developed core expertise in the lending sphere. This is particularly true for retail products, where the Bank's home loan products have been very successful in recent years, growing at a fast pace and allowing the Bank to gain significant market share in this product category. On the commercial and corporate lending side, the Bank has capitalised on its dynamic, albeit selective, risk approach, together with the provision of a high-quality service to increase the size of its commercial customer base. The Bank has also developed a portfolio of trade finance deals and selected participations in syndicated lending. The Bank has a growing ESG lending portfolio and has publicly committed to facilitating €250 million of sustainable finance by 2030.

The Bank, in partnership with the Government of Malta, has co-designed and co-created a number of social products targeted to different segments of the society, thus promoting financial inclusiveness. A case in point was the launch of the 'Home Deposit Scheme', a home loan that offers low-income families with the possibility of buying their home without having to put forward the standard 10% front-financed deposit, which is supported by favourable interest rates and a risk-sharing guarantee scheme.

Also, the 'Equity Sharing Scheme' was developed to facilitate access to property for families with a limited pool of assets that find difficulty accessing the homeownership market but who do not qualify for social accommodation. This exclusive product offers a very competitive rate on part of the financing whilst charging no fee for the administration of the loan. In early 2022, this scheme was revised in order to ensure that more families in need of financial assistance are made eligible for this product.

Other products in the sphere of social innovation are the 'New Hope Guarantee Scheme' and the 'Social Loan'. The former product was specifically developed for aspiring homeowners who wish to acquire their primary residence but are unable to obtain a life insurance policy because of a disability, medical condition or history. The latter was designed in collaboration with the Foundation for Social Welfare Services as well as the Housing Authority and aims to allow affordable methods for acquiring and furnishing residential properties, making them habitable and suitable to client needs.

Similarly, in June 2023, the Bank became the first accredited intermediary partner to offer the Malta Development Bank ("MDB") SME Guarantee Scheme ("SGS") business loan. This loan offers small and medium sized enterprises that are registered and operating in Malta, including start-ups, highly preferential terms on their lending that are made possible through the provision of a risk-sharing guarantee by the MDB.

On the environmental and sustainability front, the Bank has brought to the market the 'Green Home Loan' product, the first of its kind locally, whereby individuals purchasing properties, which are sustainable and energy efficient, will benefit from a discounted interest rate.

The Bank also offers 'ECO Loans', available for individuals wishing to purchase products that have a positive impact on the environment, as well as a 'Green Finance' product offering for both its retail and commercial customer base. This latter product range was launched in partnership with the European Investment Fund and offers those customers wishing to invest in energy-efficient solutions favourable interest rates and reduced fees, as well as an interest rate subsidy and a risk-sharing guarantee scheme.

These many initiatives confirm the Bank's commitment to the development of a sustainable economy that takes also into account the various needs of the members of the community and the protection of the environment.

ii) *Transactional Banking*

Over the years, the Bank has developed a range of services and products which are intended to provide its customers with the necessary tools to transact their daily banking needs. In this respect, the Bank provides:

(a) a number of demand deposit products which address various customer needs and segments. In addition to the traditional current and savings accounts, the Bank also offers the Online account and student Online account which are accessible through digital channels such as 'myAPS' and its network of ATMs. Payment services, such as SEPA and SWIFT transfers, are also available to the Bank's customers through their demand deposit accounts. Such services are provided through the Bank's branch network and 'myAPS';

(b) fixed term deposit accounts for customers who wish to bind their funds for a specified term while earning a higher interest rate. Such accounts may be renewed for additional term on an ongoing basis, as per customer instructions. In this regard, in February 2023, the Bank brought to the market another first with the introduction of the 'APS Green Term Deposit'. This fixed term deposit product is aimed at creating a portfolio of green deposits that may be measured against the Banks existing and ever-growing portfolio of green loans, thus creating a self-funded green asset-liability book;

(c) overdraft facilities to commercial entities and individuals alike. Overdrafts are granted in line with the Bank's credit policies; and

(d) credit cards available to individuals seeking to make use of a revolving credit line that will enable them to transact while maintaining a very competitive benefits package, such as purchase protection and travel insurance, and while earning rewards through a cash-back loyalty reward based on their card's transactional activity. APS credit cards are available in standard or gold variants, which each offer a separate tier of benefits that are dependent on the credit limit that is applicable.

iii) Investment Services

Throughout the years, the Bank expanded its services to provide investment services to its customers, both through the provision of investment advice as well as through specific investment products.

Through this business line, the Bank also offers its own private pension product which allows individuals to save on a periodic basis with the aim of having additional monthly supplements, upon retirement, over and above the state-provided contribution.

The Bank's range of investment products are classified across all risk profiles, thus making them suitable for every investor.

iv) Distribution Channels

The Bank's ultimate objective remains that of enabling customers to access its range of financial products and services from a variety of distribution channels, both physical and digital—through the Bank's branch network and online platform 'myAPS'—while preserving the safety, security and integrity of its customer relationships.

To this end, the Bank embarked on a network transformation programme, which is aimed at the modernisation of the Bank's premises in order to offer a more contemporary retail environment with enhanced accessibility, increased transparency and suitable privacy to conduct meetings, amongst other things.

With a dedicated contact centre, the Bank provides support to its customers, serving as one of the first line of contact for many customers. Such channel provides convenience when customers are unable to visit the Bank's branches to address their difficulties.

Furthermore, the Bank's ATMs and bulk deposit machines provide the facility of cash withdrawal and deposit on a 24-hour basis.

4.5.4. Trend Information

The strategy defined by the Bank over recent years has resulted in robust balance sheet growth, yielding positive returns, year after year. This strategy is mainly driven by good business planning practices and a lean operation, allowing the Bank to be more efficient and responsive to trends and fluctuations in the economy. The overall strategy, underlying the principles and supporting initiatives of the Bank are revisited on an annual basis. Input from different levels of the Bank is sought, including that of the Board of Directors. Such a methodology ensures that the Bank operates a sustainable forward-looking strategy and financial plan for a minimum period of three years. This translates into clear guidance, with a particular focus on priorities.

In the latter half of 2020 and almost the entirety of 2021, the COVID-19 pandemic caused an unprecedented contraction in economic activity in Malta and abroad, although the Bank continued to pursue further growth in an effort to attain its long-term strategy. In early 2022, the advent of the Russian invasion of Ukraine resulted in a further shock to the global economy which started following the end of the pandemic. The global supply shortages and the subsequent energy crises that resulted from this conflict left ripple effects that were felt across all European jurisdictions and globally. While the Maltese market was sheltered from the brunt of the energy prices rises, through the introduction of local government subsidies, core inflation was nonetheless impacted by a number of other factors and proportionately rose in line with EU27 averages.

During the latter half of 2022 and through the first quarter of 2023, a monetary policy shift was witnessed in major markets around the world, driven primarily by interest rate hikes from central banks across Europe, and the Federal Reserve Bank in America. In Malta, the increases marked by the European Central Bank have led to an increased yield being offered to customer deposits held, while the yield attributed to lending activities also increased, resulting in an improved net interest margin. Through the Bank's effort in gathering more deposits to significantly increase its capital position, while also continuing to increase its market share through its retail and commercial lending activities, and with net interest income generated from lending activities being the main contributor to the Bank's total income, it is anticipated that these geopolitical and fiscal factors will not significantly affect the Bank's net interest income growth, which will continue to increase at the same rate as that of 2022 and the initial part of 2023.

To support its long-term strategy, the Bank is planning to launch an array of new products to continue strengthening the Group's investment services offering and increasing its fee income.

For a number of years, the Bank has invested heavily in human resources and technology while at the same time reinforcing its cybersecurity and risk management infrastructure. This strategy will be applied by the Bank in future years, with operating expenses and depreciation expected to increase albeit at a lower rate than the increase in total operating income. The Bank is striving to be more efficient with its expenditure strategy. Thus, it expects its cost to operating income to remain at an acceptable level.

The performance of the Maltese economy in the months ahead will depend on a number of factors, including the final stages of the recovery from the COVID-19 pandemic and tapering off of subsidy measures, the evolving nature of the conflict in Ukraine, and the speed of the recovery of the tourism industry and other key economic sectors. The outlook may become less certain

during the course of 2023 and through 2024, with core inflation expected to ease as European wholesale energy prices begin to settle. The short-term impact of this easing on the Maltese economy remains to be seen, as Government intervention through the introduction of subsidised energy prices have shielded local businesses and consumers from the brunt of rising core inflation through 2023. It is unlikely that similar measures will be reintroduced during 2024.

4.5.5. Business Strategy

In order to achieve the Bank's long-term vision of being "*the Community Bank in Malta*", the Bank has built its strategy on three key pillars. These pillars guide the definition and focus of the initiatives and, to a larger extent, serve as a framework for the implementation of the Bank's business plan. The three pillars are the following:

- to engage with the communities (the shareholders, employees, business partners and the community at large) where the Bank operates in a simpler and more personal way in line with its mission, while developing mutually beneficial relationships that will see all parties develop and achieve growth;
- to consolidate its backbone, from an improved governance and organisational structure, including capital development planning, reinforcement of control functions and better monitoring through to the IT infrastructure and platforms; and
- to innovate at all levels of the Bank, both through the use of technology and in the products and services offered, including in relation to communication, recruitment, training, employee engagement, customer experience and way of working.

The Bank's primary strategic objective is to continue building on the foundations laid by the above three key pillars. The Bank will continue focusing on better understanding its customer base in order to provide an enhanced service, which will contribute to the strengthening of the profitability of the business.

Moreover, by strengthening these core pillars, the Bank aims to achieve a return on equity which is above the median of market peers by building an extensive knowledge of its customers, developing and continually refining a comprehensive and attractive suite of product offerings, embracing digital and technological innovation, and reinforcing its brand positioning and corporate culture. All of which will enable the Bank to deliver a simpler and more personal experience to its customers.

As part of the implementation of its long-term vision, the Bank has successfully implemented the following initiatives:

Corporate Governance and Organisational Change

The Bank is committed to sound corporate governance and best practice. Over the years, the Bank has undergone an organisational restructuring process, through which it sought to strengthen its senior management team, with the appointment of individuals having a diverse range of technical expertise and international industry experience. In this respect, the Bank maintains a '*Succession and Talent Planning Policy*' which ensures that the Bank has the right people in the right place at the right time and aims to mitigate the risk set out in section 1.3.14 regarding the risks faced by the Bank on the recruitment and retention of key personnel.

Sustainable Banking

The Bank's commitment to sustainability and its sense of purpose have guided its actions throughout its trajectory.

In its 2023 annual general meeting, the Group presented the following commitments:

- facilitating a quarter of a billion Euros of sustainable finance by 2030;
- reducing the impact of its operational emissions by 30% by 2030; and
- establish a baseline for its financed emissions in order to align the Bank's lending activity to reach carbon neutrality by 2050.

The Bank considers principal adverse impacts of its investment decisions on sustainability factors and will continue to monitor its exposure to adverse sustainability indicators and assess its strategy in line with developments. This includes the provision of financial services with an indirect impact through the activities of its investment services.

The Bank's investment management decisions and distribution of investment products to clients can result in negative effects on environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. As a result, the Bank's Investment Distribution Unit adopted a Principal Adverse Impact ("**PAI**") Integration Framework to assess its principal adverse impact. The PAI Integration Framework comprises the availability of ESG data and ESG rating scores for investment managers and advisors. The integration of PAI safeguards include breaches screening and a common exclusion list. The Bank will continue further enhancing its ESG products to its clients.

It is with no surprise that the Bank decided to take the lead on promoting the debate and discussion of one of the most contemporary topics of the century. The active participation and organisation of the Malta Sustainability Forum supports the Bank's objective of raising awareness on the topic of sustainability and the need to empower citizens to make conscious decisions towards a more sustainable style of living.

The Bank continues to organise several online 'APS Talks' which have seen strong participation by the general public. The aim of these talks is to bring in leading experts in their field to share their knowledge and build awareness on various prevailing issues, for the benefit of the broader community. Previous talks covered topics such as the gender pay gap, emotional intelligence in the workplace, artificial intelligence within the context of climate change, the sustainable regeneration of built heritage, the concept of circular economy, mental health wellbeing and several others. Events are free of charge and allow for networking with the various participants.

The Bank also launched a number of Environmental, Social and Governance (ESG) products which include the 'Social Loan', the 'Equity Sharing Scheme', the 'Home Deposit Scheme', the 'New Hope Guarantee Scheme', the 'Green Finance', the 'Eco Loan' product, the 'APS Green Home Loan' and the 'APS Green Term Deposit' (described in section 4.5.3 above). Further product developments in this respect are planned for the future.

A dedicated Board committee has also been formed in order to ensure proper governance with the Bank's assessment and strategic implementation of its ESG values into its regular operations, both internally and within the community. The Bank also has a number of working groups across its various business lines working to implement the ESG strategy and in 2022 the ESG Unit was formed within the Bank, housed within the Strategy and Propositions Department.

Development and Improvement of the Digital Offering

During 2022, the Bank also launched the new APS Visa Credit Card, which provides a host of beneficial and market leading features to its users. The 'myAPS' application is also available to customers to manage their finances entirely online with 24/7 accessibility. Looking ahead, the Bank's objective is to cater for the evolving lifestyle of its customers who value convenience, by offering them a choice of channels for their banking relationship. The Bank will continue to complement its network of branches by offering a modern and versatile digital banking solution (desktop and mobile applications) that will increase its reach in the Maltese market.

The Bank has further identified a number of strategic initiatives, which will enable it to achieve its corporate goals. The principal initiatives are:

i) Proposition Reviews and New Launches

More intense focus on the launching of new services and products based on customer needs and requirements. Ongoing reviews of the Bank's business lines and the customer base which also provides the Bank with enhanced scope for its operations and prospective growth.

During such periods of review and change, the Bank also seeks to revise its existing product suite in order to ensure relevance and structure, in line with the latest market regulations and demands.

ii) Business Transformation

In recent years, the Bank has embarked on a business transformation programme that aims at offering a simpler and more personal customer journey. During the same time, the programme has delivered incremental improvements and optimal operational efficiencies that have benefitted departments and employees throughout the organisation. To achieve this long-term goal, the Bank's Business Process Re-engineering programme has continued in its efforts, with a dual focus on the on-boarding process (that is, the process of becoming a customer of the Bank) and the home loan application process (the most important product line of the Bank). The Bank's dedicated Programme Management Office continues to support this transformation, with the responsibility of providing governance and leading the implementation of a portfolio of projects that are expected to improve the customer experience, increase revenue, reduce expenses and enhance business efficiency.

iii) Corporate Culture Change Management Programme

The Bank acknowledges the important role that corporate culture plays in the Bank's transformational journey. The Bank believes that a fundamental element of its continued success as a banking institution is the existence of this corporate culture that brings together its ethos, and that encourages innovation, team spirit, openness, ownership, customer centricity, respect, collaboration and an agile mind-set.

The Bank's 'Corporate Culture Change Management Programme' provides a set of tools to ensure the definition and development of such a culture (communication of the strategy, vision, mission & values, employees' engagement). The delivery of the programme is done through internal communication initiatives (townhall meetings, a Values aide-memoire, the Bank's internal

newsletter) but also during the performance evaluation cycle. Occasions where the Bank's corporate culture is promoted and nurtured include training, recruitment, interaction with senior management and Directors, project management and customers / communities' engagement. On each of these occasions, the Bank's values and culture guide the decisions that are taken, and the way things are done.

As part of this programme, the Bank has developed an 'APS Culture Deck' that presents the Bank's corporate culture as "the way we work at APS Bank" and this has been rolled out across the organisation.

iv) *Training Programme*

The Bank is on an ongoing basis designing training programmes with the objective of aligning the Bank's culture to better embrace an agile mind-set. This programme is designed to improve the way things are done at the Bank, focusing primarily on improving customer experience, driving process and procedural efficiencies, and reducing time to market for new products and services, all the while reflecting the Bank's core values of excellence, authenticity, passion, inclusivity and being contemporary.

Financial objectives

In executing its strategy over a rolling three-year period, the Group embarks on a number of projects and initiatives to achieve its objectives and generate adequate returns to shareholders. Throughout the forthcoming three-year period (2023-2025) the Group is aiming to:

- grow the Bank's loan book by an average 11% to 14% annually;
- grow revenue from interest and non-interest sources by an average 10% to 29% annually;
- maintain operating cost growth within a range of 8% to 13% annually; and
- generate annual return on average equity between 6% to 14%.

4.6. Regulatory Environment

The Bank operates in a complex regulatory environment. It is subject to various laws and regulations, a number of which are described below, including a number of prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure their compliance with economic and other objectives and limit their exposure to risk. Recent and future changes in the laws and regulations applicable to the Bank and its operations, including those applicable to credit institutions, may have a significant impact on the Bank and its operations.

Banking Regulatory Framework

The CRD Packages

In 2013, the European Union adopted the CRD IV Package, the third set of amendments to the original capital requirements directive (CRD), following two earlier sets of revisions adopted in 2009 (CRD II) and 2010 (CRD III). The CRD IV Package was intended to implement into EU law the majority of the international standards agreed by the Basel Committee on Banking Supervision (BCBS) in 2010, known as Basel III framework. The CRD IV Package is comprised of an EU Directive (CRD IV) governing the access to banking activities and an EU Regulation (CRR) establishing the prudential requirements that institutions need to respect.

The CRD IV Package impacted the prudential regulatory regime applicable to banks with effect from 1 January 2014, including through: (i) increased minimum levels of capital and additional minimum capital buffers; (ii) enhanced quality standards for qualifying capital; (iii) increased risk weighting of assets, particularly in relation to market risk and counterparty credit risk; and (iv) the future introduction of a minimum leverage ratio.

The CRD IV Package has been amended through the CRD V Package, which was published in the Official Journal of the European Union on 7 June 2019. The CRD V Package consists of an additional EU Regulation (CRR II amending the CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements) and an EU Directive (CRD V amending the CRD IV as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures). The CRD V Package was adopted with the aim of addressing those elements of the Basel III framework which were still to be fully implemented as well as introducing EU-specific amendments that are not driven by Basel III framework or other international standards.

The majority of CRR II provisions were applicable as from 28 June 2021, with certain provisions applicable both before and after that date. The deadline for the transposition of CRD V into local legislation was 28 December 2020 with staggered implementation dates: certain provisions were to be applied from 29 December 2020, others were to be applied from 28 June 2021 and others are to apply from 1 January 2022 respectively. The CRD V was largely transposed into Maltese law on 28 December 2021 through the enactment of Act LXXI of 2021 and Act LXXII of 2021 and through subsidiary legislation and banking rules.

On the 27 October 2021, the European Commission published a proposed review of the CRR and the CRDIV (Banking Package 2021). The proposed revisions are aimed towards EU banks becoming more resilient to potential future economic shocks, while contributing to Europe's recovery from the COVID-19 pandemic and the transition to climate neutrality. While the Banking Package 2021 finalises the implementation of the revised Basel III agreement in the EU, it also includes additional regulatory changes, including (i) further environmental, social and governance (ESG) requirements, (ii) stronger tools for supervisors overseeing EU banks and (iii) amendments to the bank crisis management framework. The Banking Package 2021 includes a legislative proposal to amend CRDIV and CRR and a separate legislative proposal to amend the CRR and the BRRD in the area of resolution (the so-called Daisy Chain Regulation). The Banking Package 2021 has been subject to extensive negotiations. The Daisy Chain Regulation was adopted by the European Council and published on the Official Journal on 25 October 2022 (see below). The European Council reached its position on the Banking Package 2021 on 8 November 2022, whereas the European Parliament's Economics and Monetary Affairs Committee adopted the proposed amendments on 24 January 2023. The Committee's decision to enter into interinstitutional negotiations was announced in plenary on the 13 February 2023. Trialogues (European Parliament, European Commission and European Council) started on 9 March 2023 and ended in a provisional agreement reached on 27 June 2023.

BRRD and SRMR

The BRRD was published in the Official Journal of the European Union on 12 June 2014 and came into force on 2 July 2014. The SRMR, which complements the BRRD, subsequently entered into force on the 19 August 2016. The BRRD establishes a framework for the recovery and resolution of credit institutions and certain investment firms. It establishes a legal regime which requires entities to prepare recovery plans and resolution authorities to prepare resolution plans and provides competent authorities with early intervention powers to intervene sufficiently early and quickly in an unsound or failing institution.

In addition, once it is determined that an institution is failing or likely to fail, the BRRD gives resolution authorities powers and tools intended to ensure the continuity of critical functions, to safeguard the resolution objectives and to manage the failure of an institution in an orderly manner if deemed to be in the public interest.

The Single Resolution Board ("**SRB**") is the central resolution authority within the banking union. Together with the National Resolution Authorities ("**NRAs**"), it forms the SRM. The NRAs are the resolution authorities of the participating Member States of the banking union, which are empowered to exercise resolution powers over banks within their own remit and, implementing the resolution scheme adopted by the SRB, in relation to banks within the SRB's remit. The SRB and the NRAs cooperate closely with each other within the SRM and exercise their respective powers and tasks in terms of the provisions of the SRMR.

Normal insolvency proceedings are the default outcome in the event of a bank failure, unless the resolution authorities consider that resolution action is feasible and credible in the circumstances. Before deciding whether or not to take resolution action, a Public Interest Assessment ("**PIA**") needs to be carried out by the resolution authorities in order to analyse the feasibility of winding up a bank under normal insolvency proceedings as well as to assess the feasibility of any foreseen resolution action. The PIA builds on the preliminary public interest assessment carried out during the resolution planning phase and is specific to each case, as it considers the national insolvency proceedings and the preferred resolution strategy that would be applied to the bank should it be resolved.

The resolution powers provided to the SRB and the NRAs include write-down powers to ensure relevant capital instruments absorb losses upon, amongst other events, the occurrence of the non-viability of the relevant institution or its parent company, as well as a bail-in tool comprising a more general power for resolution authorities to write down the claims of unsecured creditors of a failing institution and to convert unsecured debt claims to equity. The BRRD also requires banks to meet its MREL requirements so as to be able to absorb losses and restore their capital position, allowing banks to continuously perform their critical economic functions during and after a crisis.

On 23 November 2016, the European Commission released proposals to revise both the SRMR and the BRRD, which proposals resulted in the SRMR II and BRRD II being published in the Official Journal of the European Union on 7 June 2019. SRMR II entered into force on 28 December 2020 and BRRD II had to be transposed by European Union Member States into national law by no later than 28 December 2020. SRMR II incorporates the amendments to the BRRD at the level of the SRM. BRRD II aims to enhance the framework for bank resolution by, among other things, adjusting the MREL requirements of resolution entities and subsidiaries to align it with the Total loss Absorbing Capacity ("**TLAC**") standard. The more stringent new rules aim to increase the bail-inable capital available in case of a bank resolution, thus improving resolvability and consequently reducing the risk of public funds being used for bank resolutions and therefore creating a closer balance between liability and control. Furthermore, the BRRD II includes

other reforms unrelated to TLAC or MREL requirements such as amendments to requirements on the contractual recognition of bail-in, the introduction of a new moratorium power for resolution authorities and the introduction of requirements on the contractual recognition of resolution stay powers.

The Recovery & Resolution Regulations transpose into Maltese law the provisions of the BRRD. The Recovery & Resolution (Amendment) Regulations transpose the BRRD II into local legislation by amending the Recovery & Resolution Regulations. Pursuant to article 7B of the MFSA Act, the Board of Governors of the MFSA acts as the Resolution Authority for the purposes of article 3 of the BRRD. The Resolution Authority has appointed a Resolution Committee which shall have all the powers assigned to the Resolution Authority under the BRRD and whose composition, powers and functions are governed by provisions set out in the First Schedule to the MFSA Act and the Recovery & Resolution Regulations. The Recovery & Resolution Regulations provide for various powers and tools of the Resolution Committee in the event that the Resolution Committee considers that all of the conditions set out in Regulation 32 of the Recovery & Resolution Regulations are met. In certain instances, the Resolution Committee needs to work hand in hand with the SRB. The SRB assesses, in cooperation with the NRAs, the resolvability of banks and drafts resolution plans for banks falling under its direct supervision. The SRB also has an oversight function on the resolution plans drafted by the respective NRA for banks falling within the NRA's remit.

The SRB is responsible for the resolution of systemically important institutions and the relative NRA would be entrusted with the implementation of the resolution scheme adopted by the SRB. In the case of banks falling under the direct supervision of the NRAs, the latter would be responsible for the resolution of the bank in question. In the case of credit institutions that meet the applicable conditions for resolution, the SRB or the Resolution Committee, as the case may be, has the following tools available at its disposal:

- i) the sale of business tool: enabling the SRB or the Resolution Committee, as the case may be, to affect a sale of the whole or part of the business;
- ii) the bridge institution tool: providing for a temporary bridge institution to continue to provide essential services to clients of the institution under resolution;
- iii) the asset separation tool: enabling the transfer of 'bad' assets to a separate asset management vehicle. This tool can only be used in conjunction with any other tool; and
- iv) the bail-in tool: ensuring that most unsecured creditors bear losses and bail-in the institution under resolution.

The BRRD, as amended by BRRD II, specifies that where the SRB or the Resolution Committee, as the case may be, determines that a credit institution meets the relevant conditions for resolution, but a resolution action would not be in the public interest, then such credit institution shall be wound up in an orderly manner in accordance with the applicable national insolvency proceedings.

The SRB or the Resolution Committee, as the case may be, must exercise the power to write down and convert shares and other capital instruments and eligible liabilities immediately before or together with the application of a resolution tool if such resolution tool would result in losses being borne by creditors or their claims being converted. The power to write down or convert capital instruments and eligible liabilities may be exercised by the SRB or the Resolution Committee, as the case may be, either: (i) independently of resolution action; or (ii) in combination with a resolution action, where the conditions for resolution are met. Regulation 34 of the Recovery & Resolution Regulations sets out a number of general principles which are applicable when applying such resolution tools and exercising such resolution powers, including that (i) the shareholders of the institution under resolution bear first losses and (ii) the creditors of the institution under resolution bear losses after the shareholders in accordance with the order of priority of their claims under normal insolvency proceedings, save as expressly provided otherwise in the Recovery & Resolution Regulations.

The SRB or the Resolution Committee, as the case may be, has very wide powers as necessary to apply the resolution tools (which include the sale of business tool, the bridge institution tool, the asset separation tool and the bail-in tool described above), including, but not limited to: (i) the power to take control of an institution under resolution and exercise all the rights and powers conferred upon the shareholders, other owners and the board of directors of the institution under resolution; (ii) the power to transfer shares or other instruments of ownership issued by an institution under resolution; (iii) the power to transfer to another entity, rights, assets or liabilities of an institution under resolution; and (iv) the power to reduce, including to zero, the nominal amount of shares or other instruments of ownership of an institution under resolution and to cancel such shares or other instruments of ownership.

The European Commission presented further amendments to the BRRD and the CRR through its Daisy Chain Regulation proposal on 28 October 2021. The Daisy Chain Regulation was adopted by the Council of the EU and published on the Official Journal on 25 October 2022, introducing targeted adjustments that aim to improve the resolvability of banks. In addition to amendments to the treatment of global systemically important institution groups, such adjustments include the incorporation of a dedicated treatment for the indirect subscription of instruments eligible for internal MREL requirements, and clarifications in respect of the eligibility of instruments in the context of the internal TLAC. The amendments to the CRR relating to the indirect subscription of internal MREL eligible instruments will apply as from 1 January 2024, whereas other CRR amendments within the Daisy Chain Regulation

are already applicable. The amendments to the BRRD within the Daisy Chain Regulation in relation to MREL instruments are yet to be transposed into Maltese law, as Member States have until 15 November 2023 to transpose the relevant provisions.

Furthermore, on 18 April 2023, the European Commission published another set of legislative proposals to amend the EU framework on credit institutions' crisis management and deposit insurance (CMDI), including proposals to amend the BRRD and the SRMR. This package focuses on improving the effectiveness of the resolution tools for the purposes of managing small and medium-sized credit institutions that are failing or likely to fail so as to ensure that resolution is a viable solution and an easily accessible alternative to national insolvency proceedings. The CMDI package remains at proposal stage as at the date of this Prospectus.

Depositor Compensation

The Depositor Compensation Scheme Regulations (Subsidiary Legislation 371.09 of the laws of Malta, "**DCSR**") require that each Maltese credit institution participates in the Depositor Compensation Scheme (the "**DCS**"), which collects and administers the contributions of the member credit institutions, such as the Bank, and settles any compensation claims of depositors in accordance with the DCSR.

Under the DCSR, the DCS is liable for obligations resulting from deposits denominated in any currency in an amount of up to €100,000 per depositor and credit institution, subject to such deposits being classified as 'eligible deposits' under the DCSR. Contributions and commitments made to the DCS by Maltese credit institutions are also governed by Banking Rule 18 of 2016, 'Risk-Based Method' and the 'Compensation Contribution Method' under the Depositor Compensation Scheme Regulations, and Banking Rule 19 of 2016, Banking Rule on 'Payment Commitment' under the Depositor Compensation Scheme Regulations.

On 24 November 2015, the European Commission proposed a regulation to establish a European Deposit Insurance Scheme (EDIS) for deposits of all credit institutions which are members of any of the current national statutory depositor compensation schemes of EU Member States participating in the Banking Union. The EDIS remains at proposal stage as at the date of this Prospectus.

The European Commission's CMDI package proposing amendments relating to banks' crisis management also amends the framework relating to depositor compensation by proposing amendments to Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes (recast), which is transposed locally through the DCSR. The Commission's proposal incorporates a number of changes, including amendments relating to the manner in and priority with which a failed bank's creditors and depositors are repaid their assets in case the bank is insolvent and subsequently wound up.

Payment Services Directive

Directive (EU) 2015/2366 on payment services in the internal market (known as PSD II) entered into force in January 2016 and this was transposed into local legislation on 13 January 2018 by means of CBM Directive no 1 (repealing the previous CBM Directive no. 1). PSD II seeks to enhance consumer protection when effecting online payments, whilst at the same time promoting the use of innovative online and mobile payment solutions. One of the main changes brought about by the PSD II is the regulation of "account information services" and "payment initiation services", thus obliging banks to provide third party payment service providers of these services with access to customers' payments accounts which are accessible online. The regulation of payment services continues to generally evolve through the issuing of specific Regulatory Technical Standards in this area by the European Banking Authority and any payment services initiatives undertaken by the Bank will need to be undertaken within this regulatory context. On 28 June 2023, a proposal for a new Payment Services and Electronic Money Services Directive (PSD III) and a proposal for a new Payment Services Regulation (PSR) were published, revising PSD II.

On 28 June 2023, the European Commission published a number of proposals related to financial data and digital payments. Amongst other proposals, the Commission presented a Payment Services package which is aimed at replacing PSD II through a new Payment Services Directive (which would become "**PSD III**") and the introduction of a Payment Services Regulation (which would become the "**PSR**"). The proposed Payment Services package is targeted at updating and modernising legislation on payment services, addressing the safe and secure access to electronic payment transactions by consumers within the EU, whilst also aiming to provide a greater choice of payment service providers on the market. The Commission *inter alia* proposes to amend the rules on strong customer authentication to strengthen this feature and ensure it is widely accessible, increase transparency regarding certain payments, in particular ATM withdrawal charges and charges for payments to institutions established outside of the EU, and changes to consumer refund rights in the event of fraud and scams. The Payment Services package remains at proposal stage as at the date of this Prospectus.

Consumer Credit and Credit Agreements relating to Residential Immovable Property

In the offering of any consumer credit products, the Bank is required to comply with the Consumer Credit Regulations, S.L. 378.12 which, amongst others, implement the provisions of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers. In addition, other credit agreements may be subject to the Credit Agreements for Consumers Relating to Residential Immovable Property Regulations, S.L.378.10. The purpose of the latter regulations is to implement Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010. Both sets of regulations include, amongst others, obligations relating to making available pre-contractual information to prospective borrowers, mandatory information to be included in the credit agreement and the rights of borrowers during the subsistence of a credit agreement.

Investment Services Regulation

The Bank is also authorised under the Investment Services Act to provide certain investment services (primarily receipt and transmissions of orders, investment advisory, management and nominee services) to all types of clients. As an investment services licence holder, the Bank is also subject to extensive Maltese and European legislation (notably MiFID II and MiFIR) and regulatory rules and guidance in relation to such services, which regulate (among other things), the authorisation and operating conditions for investment firms as well as conduct of business and investor protection obligations.

The Bank is also a participant in the Investor Compensation Scheme established under the Investor Compensation Scheme Regulations (S.L.370.09 of the Laws of Malta) (the “ICS”) and is required to contribute to same periodically. Subject to relevant eligibility criteria and limits, the ICS covers claims by investors of investment services licence holders who, as a result of insolvency or otherwise, are unable to repay monies owed to investors, return investments held on behalf of those investors, or settle any compensation awarded by the Financial Arbitrator.

Insurance Distribution

The Bank is enrolled as a Tied Insurance Intermediary under the Insurance Distribution Act 2018 as follows: (a) Class 1 – ‘Life and Annuity’ for IVALIFE; and (b) Class 3 – ‘Linked Long Term’ for Mapfre MSV Life plc [C 15722].

As a result, the Bank is subject to Directive (EU) 2016/97 (the Insurance Distribution Directive, transposed locally through the Insurance Distribution Act), which regulates the taking-up and pursuit of (re)insurance distribution activities in the European Union. The Insurance Distribution Directive lays down the framework within which insurance intermediaries (including *inter alia* tied insurance intermediaries) are allowed to operate, and is generally geared towards protecting consumers by ensuring that insurance products meet the needs of the specific market targeted for distribution. This is largely achieved by subjecting the manufacturers of insurance products to rigorous product oversight and governance requirements, thereby mitigating the risk of mis-selling of insurance products in the market.

Financial Markets Regulation

As a listed entity, the Bank is also subject to an array of financial markets legislation, such as the Capital Markets Rules, the Transparency Directive (which is mainly transposed in the Capital Markets Rules), and Market Abuse Regulation. All these laws are designed to ensure transparency on the financial markets and enhance investor confidence.

The Competent Authority supervises the Bank in relation to its compliance with the Capital Markets Rules and all other financial markets legislation to which the Bank is subject. The Competent Authority has extensive supervisory and investigatory powers, including the ability to issue requests for information, to conduct regulatory investigations and on-site inspections, to impose monetary and other sanctions, or to suspend the trading of the securities of the Bank. The Bank, in relation to all European securities laws applicable to it, is also subject to various technical standards, guidelines and recommendations developed by the European Securities and Markets Authority (ESMA) and which are also followed and enforced by the Competent Authority in its supervision of the Bank and other listed entities.

Capital Markets Rules and Transparency Directive

As an issuer of securities listed on the Official List, the Bank is already subject to the Capital Markets Rules which, apart from setting out various rules regarding applications for admissions to listing, also set out various continuing obligations which issuers such as the Bank must observe for as long as their securities remain listed on the Official List. These continuing obligations are set out in chapter 5 of the Capital Markets Rules, which chapter transposes the relevant provisions of the Transparency Directive as well as Commission Directive 2007/14/EC.

The principle continuing obligations to which the Bank is subject in terms of the Capital Markets Rules, as well as the Transparency Directive, are (i) the obligation to publish annual and half-yearly financial statements, together with the necessary directors' and/or auditors' reports, and (ii) the obligation to publicly disclose certain key information relating to the Bank and its listed securities, as and when such information arises.

Shareholder Rights Directive

The Shareholder Rights Directive (as transposed into the Capital Markets Rules) establishes certain transparency, participation and other requirements designed to encourage and facilitate shareholder engagement and the exercise of certain shareholder rights at general meetings. Among other things, it also requires the Bank to establish a remuneration policy for Directors that must be approved by shareholders in general meetings and to prepare an annual remuneration report.

Market Abuse Regulation

Given that the Bank has both bonds and Shares listed on a regulated market, the Bank and its officers, as well as anybody who deals in the Bank's securities is already subject to the prohibitions and obligations set out in the Market Abuse Regulation. In this respect, the Market Abuse Regulation prohibits (i) insider dealing, (ii) the unlawful disclosure of inside information, and (iii) market manipulation, which collectively constitute 'market abuse'. Furthermore, the Market Abuse Regulation requires the Bank to (a) publicly disclose inside information as soon as possible, and (b) draw up a list of all persons who have access to inside information and who are working for it under a contract of employment, or otherwise performing tasks through which they have access to inside information. Furthermore, certain categories of the Bank's employees who are considered to be persons discharging managerial responsibility (e.g., the Board and other senior officials) as well as persons connected to them (such as their spouses), are required to notify the Bank, as well as the MFSA, of any transaction/s in the Bank's listed securities within three business days of the transaction.

Benchmark Regulation

The Euro Interbank Offered Rate ("**EURIBOR**"), other interest rates and other types of indices and reference items used as benchmarks have recently been the subject of national and international regulation and reform proposals. Some of these reforms are already effective whereas others are still to be implemented.

In particular, Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (the "**Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU.

Among other things, the Benchmarks Regulation (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities (including the Bank) of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed), unless such benchmark administrators are exempt from the application of the Benchmarks Regulation, such as, for example, central banks and certain public authorities.

It is not possible to predict whether, and to what extent, benchmarks (including EURIBOR) will continue to be published going forwards or will continue to be calculated and published based on their current methodology.

On 13 September 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate ("**€STR**") as the new risk-free rate for the euro area, which rate was published for the first time on 2 October 2019. Although EURIBOR has been reformed to comply with the terms of the Benchmarks Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

As a result, the Bank has introduced fallback provisions in contracts that reference EURIBOR establishing the process to identify a replacement rate to EURIBOR so that in the event that EURIBOR is discontinued, ceases to be made available or generally may no longer be used, the €STR rate (inclusive of any spreads or adjustments) shall apply instead of EURIBOR.

The Benchmarks Regulation was further amended by Regulation (EU) 2021/168 of the European Parliament and of the Council of 10 February 2021 which introduces a harmonised approach to deal with the cessation or wind-down of certain benchmarks by conferring the power to designate a statutory replacement for certain benchmarks on the Commission or the relevant national authority, such replacement being limited to contracts and financial instruments which contain no fallback provision or no suitable fallback provisions before the date of cessation of the benchmark concerned.

Other Regulation

Prevention of Money Laundering and Funding of Terrorism

The Bank is subject to the money laundering regime aimed at preventing money laundering and the funding of terrorism, contained mainly in the PMLA, the PMLFTR, the Criminal Code (Chapter 9 of the laws of Malta), the Implementing Procedures issued by the FIAU in terms of the PMLFTR and the National Interest (Enabling Powers) Act (Chapter 365 of the laws of Malta). Collectively, these rules and regulations aim to implement the EU Directives on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing.

These rules and regulations require, among others, the Bank to adequately identify and verify customers and ultimate beneficial owners where applicable, through rigorous identification and verification procedures, subject to adopting a risk-based approach, conduct customer due diligence (including sanctions and politically exposed persons screening), maintaining up-to-date customer records, and to design, implement and review internal controls, processes, procedures and policies for the ongoing monitoring and evaluation of customers and the risks associated with establishing and maintaining relations with its customers. In addition, the Bank is required to comply with its obligation to detect and report suspicious transactions and other activities to the relevant competent authority.

Data Protection

The GDPR came into full effect from 25 May 2018 and replaced the previous EU Directive 95/46 EC. The GDPR applies to all banks established in the European Union or who otherwise provide services to European citizens. As an EU Regulation, the GDPR is directly applicable into Maltese law without the need for any local transposition.

On 28 May 2018, Malta enacted the Data Protection Act (Chapter 586 of the laws of Malta), which replaced the previous Data Protection Act (Chapter 440 of the laws of Malta) and was used to further specify certain provisions of the GDPR.

The GDPR introduced increased obligations on data controllers and enhanced rights for data subjects. The requirements of these laws affect the Bank's ability to collect, handle, store, retain, process, and use personal data as well as transfers of personal data to countries that do not have adequate data protection laws. The GDPR also requires data controllers to demonstrate and record compliance with the GDPR as well as report breaches to the Data Protection Commissioner (Malta's supervisory authority for GDPR purposes) without undue delay (within 72 hours, where feasible) and, in certain cases, to the individuals whose data has been implicated by the breach. Other various obligations arise from the GDPR, including in relation to data protection impact assessments, data subject rights, the use of adequate technical and organisational measures, the conditions on which processors may be engaged, ensuring data protection by design and by default within their organisation.

The GDPR, as supplemented by the revised Maltese Data Protection Act, also provide for separate tiers of administrative fines in the event of an infringement. The amounts that are contemplated by these tiers are significant and sizeable, but they also represent maximum limits, and the imposition of a fine is not an automatic consequence for non-compliance. The Data Protection Commissioner may at its discretion utilise other corrective measures, if considered by it to be more proportionate in the circumstances. Furthermore, the GDPR also identifies a list of points to consider when investigating an alleged infringement, including the nature, the risk, severity and the duration of the infringement. Criminal penalties are also envisaged in certain exceptional and particularly severe cases set out at law, such as where a person does not comply with any lawful request pursuant to an investigation by the Data Protection Commissioner.

4.7. Material Contracts

The Bank has not entered into any material contract that was not entered into in the ordinary course of the Bank's business, which could result in any member of the Group being under an obligation or an entitlement that is material to the Bank's ability to meet its obligations to Bondholders in respect of the Bonds.

4.8. Legal and arbitration proceedings

There have not been any governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Bank is aware) during the 12 months prior to the date of this Base Prospectus, which may have or have had significant effects on the Bank's and/or the Group's financial position or profitability.

This notwithstanding, the Bank however wishes to disclose that in February 2023, the Financial Intelligence Agency Unit ("FIAU"), imposed an administrative penalty on the Bank for certain shortcomings which the FIAU identified in the Bank's adherence with certain regulatory obligations. Notwithstanding the imposition of the penalty, the FIAU recognised the Bank's ongoing commitment to enhancing and updating its anti-money laundering/counter financing of terrorism systems and processes. The FIAU also commended the proactive identification of weaknesses and shortcomings by the Bank, as well as its efforts to implement necessary remedial actions. The administrative penalty imposed by the FIAU did not have any significant impact on the Bank's and/or the Group's financial position or profitability.

5. FINANCIAL INFORMATION

5.1. Historical Financial Information

The Bank's consolidated audited financial statements for financial years ended 31 December 2020 (FY2020), 31 December 2021 (FY2021) and 31 December 2022 (FY2022) shall be deemed to be incorporated by reference in, and form part of, this Base Prospectus. These financial statements have been drawn up in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and endorsed by the European Union.

The Bank's condensed interim financial statements regarding the six-month period ended 30 June 2022 and 30 June 2023 are also deemed to be incorporated by reference in, and form part of, this Base Prospectus. These interim financial statements were prepared in accordance with IAS34 - *Interim Financial Reporting*, as adopted by the EU and are reviewed by the Bank's auditors in terms of ISRE2410 - *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

The Bank's consolidated audited financial statements as well as its condensed interim financial statements, each as referred to above are available for inspection at the Bank's registered office and on the Bank's website (<https://www.apsbank.com.mt/financial-information>) as set out in section 14 of this Base Prospectus

The Bank also publishes quarterly financial updates, in the form of brief extracts from the Group's quarterly unaudited financial statements presented to the Board. The quarterly updates published by the Bank are available on the Bank's website (<https://www.apsbank.com.mt/company-announcements>).

As at the date of this Base Prospectus there has been no material adverse change in the prospects of the Bank since 31 December 2022 (being the date of the Bank's last published audited financial statements), nor has there been a significant change in the financial position or performance of the Bank or the Group since 30 June 2023 (being the end of the last financial period in respect of which the Bank has published interim financial information).

Key References

The following table provides a list of cross-references to specific items of information in the Bank's consolidated audited financial statements for financial years ended 31 December 2022, 31 December 2021 and 31 December 2020 and the Bank's condensed interim financial statements regarding the six-month periods ended 30 June 2023 and 30 June 2022 respectively.

Information incorporated by reference in the Base Prospectus	Page Number in annual consolidated financial statements				
	Six-month period ended 30 June 2023	Six-month period ended 30 June 2022	Financial year ended 31 December 2022	Financial year ended 31 December 2021	Financial year ended 31 December 2020
Directors' Report	3	3	16	16	2
Consolidated Statements of Profit or Loss	6	7	61	58	25
Consolidated Statements of Financial Position	8	9	63	60	27
Consolidated Statements of Cash Flows	11	12	66	63	30
Notes to the Consolidated Financial Statements	12	13	67	64	31
Independent Auditors' Reports	27	29	182	181	20

5.1.1. Key Financial Figures

The following table depicts key financial information extracted from the audited consolidated annual financial statements of the Group for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 and independently reviewed in accordance with International Standard on Review Engagements 2410 consolidated interim financial statements of the Group for the six months ended 30 June 2023.

The Group's consolidated financial information includes the consolidation of the Bank and its subsidiaries – APS Diversified Bond Fund and ReAPS – and the result from its associate ventures. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The below tables show the main financial information and relevant ratios of the Bank and/or the Group:

Income Statement

Group data	Six-month period ended 30 June 2023	Six-month period ended 30 June 2022	Financial year ended 31 December 2022	Financial year ended 31 December 2021	Financial year ended 31 December 2020
	€000	€000	€000	€000	€000
Net Interest Income	37,121	29,783	65,093	55,362	48,846
Net fee and commission income	3,966	3,788	6,862	7,001	5,214
Net impairment loss on financial assets	117	(59)	254	1,488	(5,538)
Net gains/(losses) on foreign exchange, financial instruments and derecognition of financial assets at amortised cost	1,156	(6,835)	(7,979)	824	589
Operating profit	16,180	3,972	17,873	24,047	16,055
Net profit or loss attributable to equity holders of the Bank	10,816	(496)	8,003	14,638	9,853
Earnings per share	€0.0029	(€0.0009)	€0.0018	€0.0059	€0.0148

Statement of Financial Position

Group data	Six-month period ended 30 June 2023	Six-month period ended 30 June 2022	Financial year ended 31 December 2022	Financial year ended 31 December 2021	Financial year ended 31 December 2020
	€000	€000	€000	€000	€000
Total assets	3,433,701	3,054,267	3,112,152	2,795,004	2,420,983
Senior debt	0	0	0	0	0
Subordinated debt	54,665	54,619	54,642	54,597	54,558
Loans and receivables from customers (net)	2,438,943	2,060,908	2,224,694	1,932,044	1,689,003
Deposits from customers	2,962,553	2,618,698	2,710,633	2,431,757	2,123,446
Total equity	274,630	258,840	261,458	220,822	206,219
Non-performing loans (based on net carrying amount / Loans and receivables)	58,252	81,130	80,424	78,110	45,486

Capital ratios

Bank data	Six-month period ended 30 June 2023	Six-month period ended 30 June 2022	Financial year ended 31 December 2022	Financial year ended 31 December 2021	Financial year ended 31 December 2020
Common Equity Tier 1 capital (CET 1) ratio	15.83%	16.40%	15.17%	12.81%	14.17%
Total Capital Ratio	19.32%	20.30%	18.78%	16.76%	18.59%
Leverage Ratio	6.92%	7.42%	7.14%	6.25%	7.56%

Performance ratios

Group data	Six-month period ended 30 June 2023	Six-month period ended 30 June 2022	Financial year ended 31 December 2022	Financial year ended 31 December 2021	Financial year ended 31 December 2020
Net interest income to interest bearing assets ¹	2.31%	2.10%	2.30%	1.80%	2.08%
Net Operating Income to average equity ²	15.88%	11.45%	26.81%	29.57%	28.50%
Net Operating Income to average own funds ³	14.34%	10.39%	25.09%	26.17%	26.82%
Net Operating Income to average total assets ⁴	1.31%	0.95%	2.19%	2.42%	2.47%
Profit after tax to average equity	8.20%	(2.20%)	2.30%	7.07%	5.07%
Profit after tax to average own fund	3.73%	(0.96%)	2.24%	6.26%	4.77%
Cost to operating income ratio	62.10%	85.10%	72.70%	65.40%	61.95%
Funds under APS SICAV plc management (€000)	159,309	166,552	158,226	195,600	180,800
Full Time Equivalent (FTE) employees	584	534	548	508	447

5.1.2. Financial Review – FY2021 – FY2022

In the financial year ending 31 December 2022, the Group posted €5.8 million profit after tax, a drop of 61.81% over FY2021 and yielding a return on average equity of 2.3%. It is important to note that FY2022 was heavily impacted by an unprecedented financial market volatility which heavily impacted the returns of investments held by the Group. Having seen a post-COVID-19 recovery, 2022 started with promising prospects for the Maltese economy. However, this has been tainted by the Russia-Ukraine war, hitting the economy of the European Union (“EU”) through high inflationary pressures. Against these strong headwinds, the Maltese economy performed well in 2022, with gross domestic product (“GDP”) growing by 6.9%, according to the provisional estimates of the National Statistics Office. Factors which contributed to such robust performance include strong domestic demand – also supported by price-mitigating fiscal measures, which however added to the public debt burden, and dynamic net exports – aided by a stronger-than-expected rebound in tourism. The removal of Malta from the grey list of the Financial Action Task Force in June 2022 should also help supporting financial services and other international business activities, particularly inward foreign investments.

¹ Interest bearing assets comprises cash and balances with banks, loans and advances to banks and customers and debt securities.

² Average equity is the average of the opening equity and the closing equity.

³ Average own funds is the average of the opening own funds and the closing own funds.

⁴ Average total assets is the average of the opening total assets and the closing total assets.

Net interest income remained the largest driver in the Group's revenue mix throughout FY2022. Total net interest income for 2022 was €65.1 million, €9.7 million or 17.6% higher than 2021. Amid the challenging economic and interest-rate environment experienced in FY2022, the continued growth in the Group's lending book created opportunities for wider spread. Efficient management of cost of funds remains key to the Group, which is further affirmed through the marginal increase in total interest payable which as at end December 2022 amounted to €14.8 million, being only 7.2% higher over the €13.8 million registered as at end December 2021.

In FY2022 fee and commission income increased by 1.5% on 2021, however this was offset by higher related expenses on the roll-out of new products - mainly card charges, pension scheme fees and payment fees - amounting to €2.3 million (2021: €2.0 million). As a result, net fee and commission income during FY2022 amounted to €6.9 million compared to €7.0 million in FY2021.

By the end of 2022, the Group's all other operating income (comprising dividend income, net gains on foreign exchange, net gains from derecognition of financial assets at amortised cost, net losses on financial instruments and other operating income) remained in red territory of €7.3 million (2021: €0.8million) as financial markets performance deteriorated on heightened macro-economic and geo-political uncertainty which negatively impacted the investment in the Group's sub funds. Excluding such net losses, other operating income from business activities during FY2022 amounted to €3.0 million (2021: €0.9 million), mainly attributable to foreign exchange results of €1.3 million, net gains of €1.0 million from derecognition of financial assets and €0.5 million from other operating income.

In FY2022, impairment against expected credit losses consisted of a writeback of €0.3 million (2021: €1.5 million). This reflects the performance of the Group's loans and advances book, and its credit quality, even in such challenging times, further asserting the management's prudent approach towards risk.

Operating expenditure for FY2022 was €47.0 million, up by €6.4 million or 15.9% on 2021. Employee compensation and benefits remained a key contributor to such increase which was brought about by higher labour costs, as the Group remained committed, as it still does, in attracting and retaining highly skilled resources whilst investing in their training and wellbeing. In addition, the Group increased its contribution to the Deposit Compensation Scheme and incurred higher technology costs - the latter in line with various initiatives undertaken to improve the customer experience and achieve greater efficiency through automation, digitisation of records, centralisation of processes and use of robotics and new technologies.

The cost-to-income ratio for FY2022 was distorted by the impact of the negative performance of the sub funds of APS Funds SICAV. Eliminating this, cost-to-income ratio related to ongoing business activities was of 62.8%, down by 1.3% over the ratio of 2021.

ReAPS, as the investment manager of APS Funds SICAV and other investment portfolios, generated €0.3 million profit before tax in FY2022 (2021: €0.7 million). Largely due to the financial market instability, total net assets managed by APS Funds SICAV as at end of December 2022 stood at €158.2 million, retracting by 19.1% from the end of December 2021.

5.1.3. Interim Financial Reporting – Six Months ended 30 June 2023

In the first half of 2023, conditions for the world economy to move towards a soft landing receded amid stubbornly high inflation and financial sector turmoil. Inflation started to decline as central banks raised interest rates and food and energy prices came down, underlying price pressures are proving sticky, with labour markets tight in several economies, including Malta.

During the first half of 2023, the Bank delivered a pre-tax profit of €16.8 million (1H2022: €1.9 million) at Group level and €16.1 million (1H2022: €13.6 million) at Bank level. The improved performance reflects the business strategy which navigated its way through persistent economic challenges and uncertainties. Further supporting the Group's actions was a calming of financial markets from last year's instability as sentiment generally improved. The Group's business model continues to be underpinned by strong operating fundamentals and strategic priorities that place emphasis on digital transformation and maintaining asset quality, all centred around the customer.

The following is a list of key figures for the six-month period ended 30 June 2023:

- a. The Group generated interest income of €49.6 million during 1H2023, 35.3% or €13.0 million higher than 1H2022 attributable to a mix of a) growth across the Bank's credit portfolio which during the period expanded across all segments, and b) increased interest revenues on commercial and syndicated loans, cash balances and bond book.
- b. Interest expense amounted to €12.5 million increasing by €5.6 million over 1H2022 as local deposits and non-EUR fund-raising repriced higher in line with rising interest rates. Notwithstanding this, net interest margins remained strong and higher than last year as the increase in costs of funds was offset by higher interest on repriced loans.

- c. Net fee and commission income for the period went up by 4.7% to €4.0 million (1H2022: €3.8 million). This reflects the growth in the customer base and results from increased commission income on advances, card related transactions, investments and local and foreign transaction banking.
- d. Other operating income and net gains/(losses) on foreign exchange and financial instruments amounted to €1.3 million, recovering from last years' negative results of €6.6 million (comprised of dividend income, net gains on foreign exchange, net gains from derecognition of financial assets at amortised cost, net losses on other financial instruments and other operating income). Key contributor to this recovery were fair value changes on financial instruments which over 1H2023 reported a net gain of €0.8 million against the loss of €8.2 million over the same period last year. Compared to the severe market turbulence that negatively impacted the Group's investments portfolio valuations in 2022, the period under review saw some of the unrealised losses coming back, with anticipation that this trend may continue in the coming financial periods.
- e. Net impairment writeback of €0.1 million compared to the €0.1 million charge posted in 1H2022. This was largely due to the improved performance of previously classified stage-3 loans, resulting in a lower Expected Credit Loss (ECL) charge, once more attesting to the Bank's prudent credit underwriting standards and risk appetite.
- f. Operating expenses increased by 14.5% to €26.3 million. Staff costs are again a key contributor as the need to attract and retain the best human resources remains a key strategic priority. Other cost increases came on the back of new technologies, regulatory and compliance requirements, security, insurance and general inflationary rises.
- g. Cost-to-income ratio from business operations for the period was 63.3%. Supported by the positive recovery in net operating income, the ratio improved by 2.1% as the Bank continues to monitor and search for opportunities to improve efficiency without compromising quality or the customer experience.

6. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

6.1. The Board of Directors

The Memorandum of Association of the Bank provides that the business and affairs of the Bank shall be managed and administered by a Board of not less than five (5) and not more than nine (9) Directors. Directors of the Bank are appointed by letter by the members holding a qualifying shareholding (as is defined in the Memorandum and Articles of Association), or members who among them hold (in the aggregate) a qualifying shareholding, or where these are not appointed by the qualifying shareholders, they are appointed by election.

As at the date of this Base Prospectus, the Board is composed of nine (9) Directors who are responsible for the overall direction, management and strategy of the Bank, each of whom is listed below:

Name & Surname	Designation	Date of appointment
Mr Martin Scicluna	Non-Executive Independent Director & Chairman	5 November 2013*
Mr Victor E. Agius	Non-Executive Independent Director	15 October 2018
Dr Ing. Joseph C. Attard	Non-Executive Independent Director	26 July 2018
Dr Laragh Cassar	Non-Executive Senior Independent Director	28 April 2016
Prof. Juanito Camilleri	Non-Executive Independent Director	20 September 2021
Mr Joseph Rapa	Non-Executive Director	01 January 2023
Mr Michael Pace Ross	Non-Executive Director	23 November 2015
Mr Noel Mizzi	Non-Executive Independent Director	16 May 2023
Ms Marisa Xuereb	Non-Executive Independent Director	16 May 2023

*Mr Scicluna was appointed as Chairman on 1 September 2021.

The Board is composed exclusively of non-executive Directors, the majority of whom are also independent of the Bank and the Group.

The business address of the Directors is that of the Bank. The *curriculum vitae* of each the Directors is set out in section 6.2 below.

The company secretary of the Bank is Dr Graziella Bray.

6.2. Curriculum Vitae of the Directors

Mr Martin Scicluna

Committee Memberships: Nominations and Remuneration Committee (Chair)

Mr Martin Scicluna is an Associate of the Chartered Institute of Bankers, holds a Diploma in Financial Studies and was elected fellow of the Institute of Financial Services in 1999. Mr Scicluna held a number of managerial appointments in Mid-Med Bank between 1976 and 1996, following which he joined Midland Bank plc which later become HSBC Bank Malta plc. From 2006 to 2012, he served on several boards for HSBC Malta regulated subsidiaries and on its Audit Committee. Since 2012, he has held directorships in asset management and insurance companies licensed in Malta. Mr Scicluna has also been actively engaged in various areas of voluntary work for the last 40 years, including Scouting, the preservation of the built and natural environment and financial services education. He has served on the Boards of Administration, in a voluntary capacity, of Non-Governmental Organisations such as Din l-Art Helwa (LPA 19) (Malta's 'National Trust') and the HSBC Malta Foundation (LPF 138).

Mr Victor E Agius Board Credit Committee (Chair)

Committee Memberships: Environment, Social and Governance Committee (Chair)

Mr Victor E Agius has an extensive career in financial services and investment banking, which includes 23 years at the World Bank Group in Washington DC, three years at the European Bank for Reconstruction and Development in London and seventeen years with the Council of Europe Development Bank in Paris. Past appointments consist of extensive field missions in leadership responsibilities to over 60 countries in Africa, East Asia, Middle East & North Africa, Europe and in Former Soviet Republics. Mr Agius graduated with a BA(Hons) in Economics from the University of Malta, holds an MBA from the Manchester Business School and completed Senior Finance and Banking Executive programmes at the Wharton School of Finance and at the Stanford Graduate School of Business.

Dr Ing. Joseph C Attard Technology and Innovation Committee (Chair)

Committee Memberships: Board Credit Committee (Member)
Audit Committee (Member)

Dr Ing. Joseph C Attard has over 25 years of local and international experience in the Information and Communication Technology (ICT) sector. Between 2007 and 2015, he was the Chief Technology Officer of Emirates International Telecommunications LLC and subsequently Chief Technical Officer of GO plc up till 2020. He holds a Bachelor's degree in Electrical Engineering (Hons) from the University of Malta, a Master of Science (MSc) in Operational Telecommunications from the University of Coventry (UK) and a Doctor of Philosophy (PhD) in Telecommunications Engineering from University College London (UK). Since 2002, he has regularly lectured at University College London on ICT related topics.

Prof Juanito Camilleri Risk Committee (Chair)

Committee Memberships: Audit Committee (Member)
Environment, Social and Governance Committee (Member)

Prof Juanito Camilleri was successively CEO at GO mobile and at Melita Cable plc, then served as Rector of the University of Malta from 2006 to 2016. Between September 2014 and January 2017, he served as Non-Executive Director of HSBC Bank Malta plc, and for a period was also Chairman of its Risk Committee.

Over the years, Juanito served as a Non-Executive Director and consultant on the boards of several public and private entities. Prof Camilleri is the Chairman and Resident Professor at the Centre for Entrepreneurship and Business Incubation at the University of Malta, serves as a non-executive member of the Board of Governors of St Edward's College and is the owner of Ta' Betta Wine Estates and St Anne's Clinic.

He holds a BSc (Hons) in Computer Science from the University of Kent at Canterbury and a PhD in Theoretical Computer Science from the University of Cambridge.

Dr Laragh Cassar Conduct Committee (Chair)

Committee Membership: Nominations & Remuneration Committee (Member)

Dr Laragh Cassar held the role of partner at the law firm Camilleri Preziosi between 2009 and 2015, after which she founded the law firm Camilleri Cassar Advocates where she now heads the corporate and commercial practice group. Throughout her career, Dr Cassar has gained extensive experience in many areas of practice, with a particular focus on mergers and acquisitions, banking, asset management, capital markets and corporate law restructuring. She has acted for a significant number of publicly listed companies, structuring the offering/issuance of equity and non-equity securities as well as subsequently advising on continuing obligations as listed entities, and is often appointed by the Faculty of Laws of the University of Malta as supervisor and examiner of MAdv dissertations.

Dr Cassar obtained a degree in law from the University of Malta in 2002 and a Master of Law in Banking and Finance from the University of London in 2003.

Mr Noel Mizzi Audit Committee (Chair)

Committee Memberships: Risk Committee (Member)

Mr Noel Mizzi graduated as an accountant from the University of Malta in 1988. He is a certified public accountant and a holder of a practicing certificate in auditing. Mr Mizzi is a Fellow of the Malta Institute of Accountants. He commenced his extensive career in 1988. Upon graduation he joined KPMG Malta and dedicated a 35-year career with the said firm, working on auditing entities in the financial services industry, particularly banks and asset management companies. He retired as Partner of the firm in September 2022. Mr Mizzi was crucial in the setting-up of a dedicated financial services audit team in the Malta KPMG office.

Until retirement, he headed the operations side of the audit practice, which involves the auditing of a number of banks operating locally. He was a member of the firm's Executive Management Committee and the Audit Quality Panel. Mr Mizzi is a council member of the Malta Institute of Accountants.

Mr Michael Pace Ross Conduct Committee (Member)

Committee Memberships: Environment, Social and Governance Committee (Member)
Nominations & Remuneration Committee (Member)

Mr Michael Pace Ross served as Director General of the National Statistics Office for six years, sitting on national and European committees, including the European Statistical Advisory Committee, prior to his current appointment as Administrative Secretary of the Archdiocese of Malta. He is a council member of the Malta Employers Association (MEA). He also sits on the board of Discern, a Church research institute on the signs of the times, and on the board of the Voluntary Solidarity Fund (Malta). Mr Pace Ross holds a BA (Hons) in Economics and Management and an MBA from the University of Malta. In his capacity as Administrative Secretary, he sits on the Diocesan Representative Council, the Diocesan Pastoral Council, and the Diocesan Finance Committee. He is also an associate of the London College of Music. He was vested as Knight in a papal equestrian order by Cardinal Edwin O'Brien in 2019.

Mr Joseph Rapa Risk Committee (Member)

Committee Memberships: Conduct Committee (Member)

Mr Joseph Rapa started his career in 1990 at the Economic Policy Department, Ministry of Finance, Malta. In 2012, he was appointed Director General, responsible for leading teams providing technical, economic and financial analysis, including advice to the ministry on macroeconomic management, fiscal policy and on macroprudential issues. Between March 2013 and May 2022, he served as Permanent Secretary at the Ministry for Health and as responsible general management functions within the ministry with responsibilities for human resources management, strategic management, financial budgeting/planning and management, as well as for the exercise of internal control. He currently carries out duties of oversight over the management of EU funds in Malta, within the Ministry for the Economy, European Funds and Lands. Mr Rapa holds a BA (Hons) in Public Administration from the University of Malta and an MBA from the Rotterdam School of Management Erasmus University.

Ms Marisa Xuereb Board Credit Committee (Member)

Committee Memberships: Technology & Innovation Committee (Member)

Ms. Marisa Xuereb commenced her career in 1997 with Raesch Quarz (Malta) Ltd (C 38449), where she still sits as a director.

Ms Xuereb carried out a brief stint at the Central Bank of Malta as an external researcher on Monetary Policy Transmission, and undertook contractual research assignments relating to economic, social and technological impact of ICT and eServices. In March 2015, she was appointed Council Member of the Malta Chamber of Commerce, Enterprise and Industry progressing to President in 2021. By virtue of this appointment, Ms Xuereb was nominated to sit on a number of Boards related to the industry. Following her relinquishment from President in March 2023, Ms Xuereb relinquished all these appointments, bar her role as Governor on the board of the Malta College of Arts, Science and Technology.

Ms Xuereb read for a Bachelor of Commerce (Hons) degree in Economics at the University of Malta, graduating in 2000. She proceeded to read for a Master of Arts in Economics degree from the same University, graduating in 2002.

6.3. Conflicts of Interest

As at the date of this Base Prospectus, the Group has identified and manages the following roles which may give rise to conflicts of interest: Mr Marcel Cassar, the Bank's CEO and Mr Noel McCarthy, the Bank's Chief Investments Officer, are also directors of ReAPS; and Mr Cassar is also a director of IVALIFE.

Save for the above, there are no other identified conflicts of interest between the duties of the Directors or the members of the senior management team towards the Bank and/or the Group and their private interests and/or other duties.

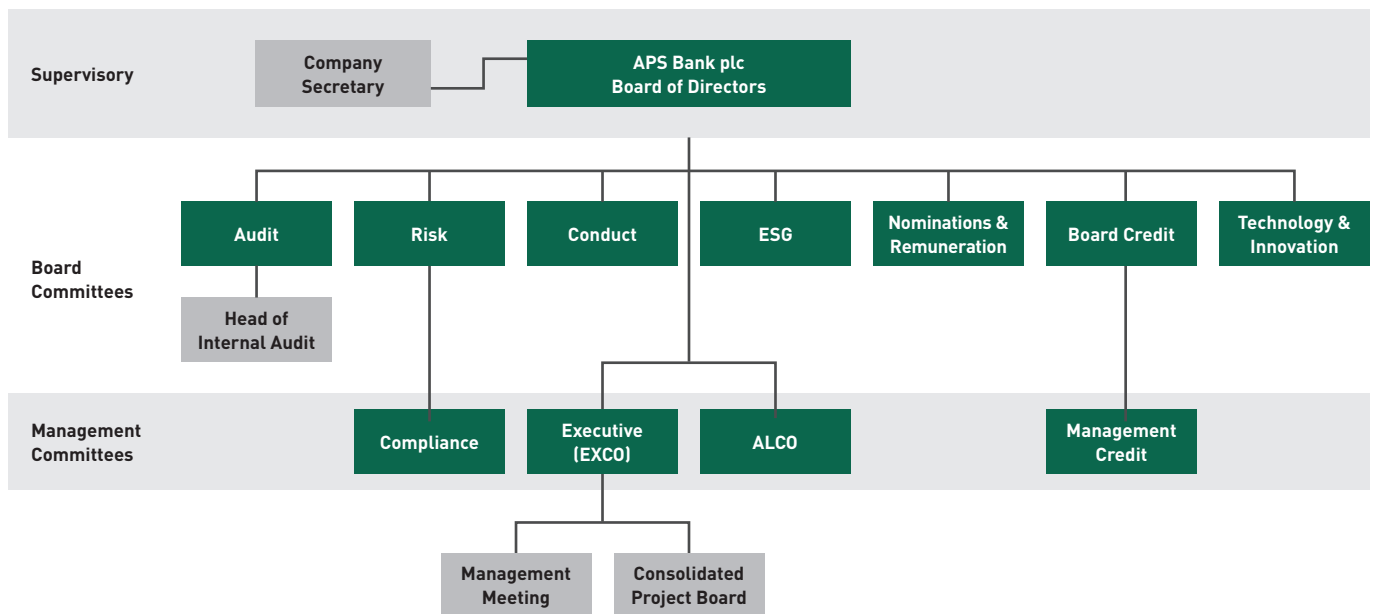
The Corporate Governance Code requires Directors to avoid conflicts of interest and provides that they must act in the interest of the Bank and its shareholders as a whole irrespective of which shareholder nominated the said Director to the Board.

This notwithstanding, actual or potential conflicts of interest may arise from time to time, in which case it needs to be ensured that these are managed properly by the Board and the interested Director. In such instances, actual or potential conflicts will be managed in the best interests of the Bank in accordance with the procedures set out in the Bank's conflicts of interest policy and the procedures set out in the Articles of Association. In this regard, Directors are required to inform the Board of any matter that may result or has already resulted in a conflict of interest. A record of such declaration is entered into the Bank's minute book and the said Director is precluded from voting in any resolution concerning a matter in respect of which a declared a direct or indirect interest was declared or when it is necessary for the Director to be absent when the conflicting matter is discussed. A similar process is adopted by the Bank and the Group in order to identify conflicts of interest at the level of the Bank's subsidiaries.

The Audit Committee is also tasked with ensuring that transactions with related parties (which could include members of the Board or the senior management team) are adequately assessed, reviewed and reported to ensure approval at arm's length, in line with the Group's '*Related Party Transactions Approval Framework*', which sets out the safeguards that are to be applied to transactions and arrangements between the Group and a related party, which transactions must be entered into at arm's length and on a normal, commercial basis.

6.4. Board Committees and Corporate Governance

In order to provide effective oversight and leadership, the Board has established a number of Board Committees and Management Committees each with its own particular responsibilities.



6.4.1. Board Committees

Board committees are either composed entirely of Directors or of a mix of Directors and members of the senior management team. Each Board Committee has its own terms of reference, setting out the Board Committee's mandate, scope and working procedure. Minutes are kept of all the business transacted in the course of Committee meetings. All Directors have access to Board Committee papers and minutes. Board Committee Chairs report on Board Committee business at the subsequent Board meetings, also through written briefs. Below are descriptions of the functions of each Board Committee and of the composition thereof as at the date of this Base Prospectus.

Audit Committee

The Audit Committee assists the Board in fulfilling its supervisory and monitoring responsibilities, in relation to the Group according to detailed terms of reference that reflect the requirements of the Capital Markets Rules as well as current good corporate governance best practices. The terms of reference of the Audit Committee established by the Board establish its composition, role, and function, the parameters of its remit, as well as the basis for the processes that it is required to comply with.

The Audit Committee, which meets at least six times a year, is a committee of the Board and is directly responsible and accountable to the Board.

The primary purpose of the Audit Committee is to assist the Directors in conducting their role effectively so that the Bank's oversight responsibilities, decision-making capability and the accuracy of its reporting and financial results are maintained at a high level at all times.

The Audit Committee is composed of the following members:

- Mr Noel Mizzi (Chairman)
- Dr Ing. Joseph C. Attard
- Prof Juanito Camilleri

The Audit Committee shall at all times consist of at least three non-executive Directors, the majority of whom must meet the independence criteria set out in the Capital Markets Rules, and at least one member shall be competent in accounting and/or auditing. All current members of the Audit Committee are considered by the Board to be independent. Mr Noel Mizzi is the member of the Audit Committee that is designated as competent in accounting and/or auditing.

Nominations & Remuneration Committee

The Nominations & Remuneration Committee regularly reviews the structure and composition, including skills, knowledge, leadership, experience and diversity, of the Board, also ensuring succession strategies are in place. It maintains nominations policies and pools and generally oversees the adoption of best practices. It recommends the compensation framework of Board Directors and senior management. The Committee performs oversight on the Bank's remuneration policy, ensuring it is in line with best practices and applicable regulatory requirements and monitors market conditions. It considers and recommends for approval senior executive appointments and the assessment of the performance of the CEO. It considers and reviews staff succession policies and succession plans. The Committee formulates staff stakeholder policy, including share ownership schemes and determines awards. It reviews remuneration disclosures in the Annual Report and other reporting as may be required.

The Nominations & Remuneration Committee is composed of the following members:

- Mr Martin Scicluna (Chairman)
- Dr Laragh Cassar
- Mr Michael Pace Ross

The Chief Executive Officer and the company secretary may also be called to attend meetings, by invitation.

In addition to the foregoing committees (which are required in terms of the Corporate Governance Code), the Board also maintains the following Board committees:

Risk Committee

The Risk Committee recommends the Bank's risk profile and proposes its risk appetite statement for approval by the Board, whilst periodically reviewing the Bank's risk management framework. It reviews strategic decisions, including new products and markets, acquisitions, and disposals, from a risk perspective while it keeps sight of regulatory and market developments and how these can impact on the Bank's risk appetite. The Risk Committee approves risk policies, limits and delegations, including those of the credit committees. It has a wide mandate for risk oversight, including credit risk, market risk, operational risk, technology/cyber risk, concentration risk, liquidity risk as well as compliance matters. The Committee considers impairment and provisioning recommendations as prepared by senior management and recommends them for adoption, risk reporting in the financial statements and the process of compilation of reports such as the Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP) and Recovery Plans, amongst others. The Committee oversees the work of the Compliance Committee.

Conduct Committee

The Conduct Committee acts as a first point of reference on Board governance policies and procedures, codes of conduct and conflicts of interest. It generally oversees the Bank's conduct framework and policies ensuring that it acts honestly, professionally and in the clients' best interest at all times. It reviews and endorses the Bank's internal delegations, 'tone of voice', governance policies/procedures to ensure compliance with legislative and regulatory requirements and alignment with best practices. It oversees the Bank's agenda promoting and supporting the fair, strong, efficient and transparent provision of products and services, keeping consumer (customers') protection primary. The Conduct Committee oversees the process of the performance evaluation of the Board of Directors' and Board Committee. Generally, it performs oversight on matters of ethics, brand, values, reputation and culture.

ESG Committee

The ESG (Environmental, Social, Governance) Committee oversees the Bank's stance related to the environmental, social and governance issues relevant to its activities and strategy, and it monitors APS's initiatives to enhance performance in the ESG area, all the while ensuring that this is accomplished within the context of keeping the UN Sustainable Development goals as an overarching guide. It also oversees the delivery of APS's environmental sustainability initiatives and commitments, setting the standards for performance considering the relevant challenges and opportunities, and the implementation of social sustainability initiatives and commitments, with the aim of enhancing their effectiveness in delivering social impact. The Committee watches over the reputational impacts of the Bank's strategies and practices to ensure that appropriate safeguards are in place for dealing fairly and ethically with all stakeholders and is also responsible for reviewing the ESG-related disclosures in the Annual Report and other reporting disclosures, and for oversight of the Bank's image and public 'look and feel', as well as for proposing appropriate improvements.

Board Credit Committee

The Board Credit Committee receives and reviews credit applications and approves credit limits for customers and transactions, within the parameters set by the Board in terms of the credit policy procedures. It also receives and reviews updates/amendments to approved facilities and approves, or delegates approval, for deviations as the case may be. The committee considers and advises the Risk Committee on credit limits and/or any matter for approval (e.g., country, geographic, segment limits) when this is required according to the Bank's credit policy.

Technology & Innovation Committee

The Technology & Innovation Committee reviews, monitors and prioritises technology projects. It ensures that the technology roadmap is aligned with the strategic goals of the Bank and with an eye on innovation. It covers and engages those functions that will have ultimate ownership over the broader IT strategic decisions. The committee oversees management with regard to IT-related risks, security and business continuity plans, liaising as necessary with the Risk Committee. It intervenes with the Board to secure sponsorships and support for the main IT strategic decisions & projects. The Technology & Innovation Committee provides strategic leadership through a steady flow of innovative ideas that will serve as a catalyst for innovation at the Bank as well as monitoring IT project implementation.

6.4.2. Management Committees

The Bank has also established a number of management committees, which generally report directly to the Board or to specific Board Committees, namely the Executive Committee, the Management Committee, (which reports to the Executive Committee), the Consolidated Project Board, the Assets & Liabilities Committee, Management Credit Committee and the Compliance Committee. The various management committees are made up entirely of members of the senior management team and other senior executives of the Bank. Each management committee has its own terms of reference, setting out the committee's mandate, scope and working procedure. Minutes are kept of all the business transacted in the course of committee meetings. All Directors have access to committee papers and minutes. Committee chairs report on committee business at the subsequent Board meetings, also through written briefs.

6.5. Compliance with Corporate Governance Requirements

The Board is committed to uphold the highest standards of corporate governance and to promote the Bank's culture, values, ethics and behaviours. The Bank declares its full support for the Corporate Governance Code and undertakes to comply fully with it to the extent that this is considered in consistence with the size, nature, and operations of the Bank. As at the date of this Base Prospectus, the Board considers the Bank to be in compliance with the Corporate Governance Code, save for the following exception:

Principle 3 (Composition of the Board): The Board is currently composed of nine non-executive Directors including the Chairman. While the Code of Principles for Good Corporate Governance provides that the Board should be composed of executive and non-executive Directors, there are no executive Directors presently appointed to the Board. The Board believes that with the required diversity of knowledge, judgment, and experience, it can still adequately perform its functions (even without the appointment of any executive Directors) and collectively execute the four basic roles of corporate governance namely, accountability, monitoring, strategy formulation and policy development. In addition, the Chief Executive Officer is ordinarily invited to attend meetings of the Board of Directors to ensure that the Board is adequately supported from an executive management perspective. The Bank's Memorandum & Articles of Association includes a clause specifying that executive members are also eligible to be appointed Directors. Furthermore, with respect to the appointment of non-executive Directors, the Nominations and Remuneration Committee and Board are guided by the relative provisions of the Articles of Association, as well as the EBA and ESMA Guidelines on the assessment of the suitability of members of the management body.

7. SHARE CAPITAL STRUCTURE AND MAJOR SHAREHOLDERS

7.1. Share Capital Structure

As at the date of this Base Prospectus, the Bank's authorised share capital is €125,000,000, divided into 500,000,000 ordinary Shares of €0.25 each. The Bank's issued share capital is €94,450,892 divided into 377,803,569 ordinary Shares of €0.25 each, all fully paid up. The ordinary Shares are the only authorised and issued class of Shares in the Bank.

In terms of the Bank's Memorandum and Articles of Association, all of the ordinary Shares in the Bank rank *pari passu* in all respects, including in terms voting rights, participation in dividends and other distributions of profits of the Bank or otherwise.

The Articles of Association specify that a shareholding of 10% of the Bank's Shares having voting rights shall constitute a 'qualifying shareholding', and that a shareholder of the Bank that holds, or shareholders who among them hold (in the

aggregate), a qualifying shareholding, shall be entitled to appoint one Director in respect of each qualifying shareholding held, in every case subject to regulatory approval. The specific rules for the election of Directors in accordance with this qualifying shareholding procedure, and all other rules relating to the election of Directors, are set out in full in the Articles of Association.

The Articles of Association also provide that the largest single shareholder of the Bank (holding at least 25% of the ordinary issued share capital of the Bank) shall be entitled to appoint the Chairman of the Board from amongst the Directors appointed or elected to the Board.

7.2. Major Shareholders

To the extent known by the Bank, the Bank's largest shareholder is AROM Holdings Limited, which holds 208,530,943 ordinary Shares (which amounts to 55.20% of the issued share capital of the Bank). AROM Holdings Limited is wholly owned (save for one ordinary share) by the Archdiocese of Malta. As far as the Bank knows, the second largest shareholder of the Bank is the Diocese of Gozo, which holds 47,777,556 ordinary Shares (and which amounts to 12.65% of the issued share capital of the Bank).

On the basis of the entitlement to appoint Directors attaching to a 'qualifying shareholding' as well as the entitlement of the largest single shareholder of the Bank to appoint the Chairman of the Board (in each case as set out in the Articles of Association and described above), AROM Holdings Limited is currently able to appoint the largest number of Directors (of the maximum nine Board members that can be appointed), including the Chairman of the Board.

There are no arrangements currently known to the Bank the operation of which may, at a subsequent date, result in a change of control in the Bank.

8. USE OF PROCEEDS AND OTHER KEY INFORMATION

8.1. Use of proceeds

The net proceeds from each issue of Bonds will constitute an integral part of the Bank's capital plan to further strengthen its Tier 2 Capital requirements in terms of the CRR (and, as a result, its MREL and other regulatory requirements), and will be used by the Bank to meet part of its general financing requirements. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

8.2. Expenses of Programme

The Programme will involve expenses, including professional fees and costs related to publicity, advertising, printing, listing, registration, sponsor, management, selling commission and other miscellaneous costs incurred all of which will be borne by the Bank. The expenses of each Bond Issue shall be set out in the relevant Final Terms.

9. TERMS AND CONDITIONS OF THE PROGRAMME

9.1. General Terms and Conditions

Bonds issued under the Programme are issued in Series and each Series may comprise one or more Tranches. Final Terms will be published in respect of each Tranche and will complete the Terms and Conditions set out in section 10.

The Bonds issued under the Programme may be denominated in any currency as set out in the relevant Final Terms, up to a maximum aggregate principal amount of the Bonds that may be issued under the Programme not exceeding €150,000,000 (or its equivalent in other currencies).

The Programme and the publication of the Base Prospectus were authorised by a resolution of the Board passed on 11 October 2023.

9.2. Terms and Conditions of Application

UNLESS OTHERWISE SUPPLEMENTED AND/OR COMPLETED BY THE RELEVANT FINAL TERMS, THE FOLLOWING TERMS AND CONDITIONS SHALL APPLY TO ANY APPLICATION.

9.2.1 Applications for subscription to the Bonds may be made through the Authorised Intermediaries. Applications must be accompanied by the full price of the Bonds applied for in Euro, or in the currency of the Bonds as set out in the relevant Final Terms, and in cleared funds at the Issue Price.

- 9.2.2 Applications shall in all cases be subject to a minimum subscription amount of €10,000 in Nominal Value of Bonds in relation to each underlying client to which an Application relates.
- 9.2.3 The contract created by the Bank's (or an Authorised Intermediary's) acceptance of an Application shall be subject to the terms and conditions set out in this Base Prospectus as well as the Terms and Conditions, as completed by the relevant Final Terms.
- 9.2.4 If the subscription is made on behalf of another person, legal or natural, the person making such subscription will be deemed to have bound that person and will be deemed also to have given the confirmations, warranties, and undertakings contained in these terms and conditions on their behalf. Such Applicant may be requested to submit the relative power of attorney/ resolution or a copy thereof duly certified by a lawyer or notary public if so required by the Registrar or the relevant Authorised Intermediary, as applicable.
- 9.2.5 In the case of joint Applicants, reference to the Bondholder in the Application and in this Base Prospectus is a reference to each Bondholder, and liability therefor is joint and several. In respect of a Bond held jointly by several persons, the joint holders shall nominate one of their numbers as their representative and his/her name will be entered in the CSD Register with such designation. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond so held. In the absence of such nomination and until such nomination is made, the person first named in the CSD Register in respect of such Bond shall, for all intents and purposes, be deemed to be the registered holder of the Bond so held.
- 9.2.6 In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the CSD Register. The usufructuary shall, for all intents and purposes, be deemed vis-à-vis the Bank to be the holder of the Bond so held and shall have the right to receive interest on the Bond and to vote at meetings of Bondholders, but shall not, during the continuance of the Bond, have the right to dispose of the Bond so held without the consent of the bare owner.
- 9.2.7 Any Bonds held by minors shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents/legal guardian/s until such time as the minor attains the age of 18 years, following which all interest and redemption monies shall be paid directly to the registered holder. This is provided that the Bank has been duly notified in writing of the fact that the minor has attained the age of 18 years.
- 9.2.8 Legal entities, including corporates or corporate entities or association of persons, applying for the Bonds need to have a valid Legal Entity Identifier ("LEI") which needs to be valid and unexpired, at least, until the admission to listing of the Bonds. Without a valid LEI, the Application will be cancelled by the Registrar and/or the Authorised Intermediary (as applicable) and subscription monies will be returned to the Applicant.
- 9.2.9 No person receiving a copy of the Base Prospectus in any territory other than Malta may treat the same as constituting an invitation or offer to such person, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person without contravention of any registration or other legal requirements. It is the responsibility of any person outside Malta wishing to subscribe for the Bonds to satisfy himself/herself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- 9.2.10 It shall be incumbent on the respective Authorised Intermediaries to ascertain that all other applicable regulatory requirements relating to the subscription of the Bonds by an Applicant are complied with, including without limitation, the obligation to comply with all anti-money laundering and counter-terrorist financing rules and regulations, all applicable requirements of MiFIR as well as the applicable Conduct of Business Rulebook and MFSA rules for investment services providers.
- 9.2.11 For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations (Subsidiary Legislation 373.01 of the laws of Malta), as amended from time to time, all appointed Authorised Intermediaries are under a duty to communicate, upon request, all information about clients as is mentioned in Articles 1.2(d) and 2.4 of the "Members' Code of Conduct" appended as Appendix 3.6 to Chapter 3 of the MSE Bye-Laws. Furthermore, such information shall be held and controlled by the MSE in terms of the Data Protection Act and/or the GDPR, each as amended from time to time, for the purposes, and within the terms of the MSE's Data Protection Policy as published from time to time.
- 9.2.12 Subject to all other terms and conditions set out in this Base Prospectus, the Bank or the Registrar (acting on the Bank's behalf) reserves the right to reject, in whole or in part, or to scale down, any Application, for any reason whatsoever, including but not limited to multiple or suspected multiple Applications or any Application which in the opinion of the Bank or the Registrar (acting on the Bank's behalf) is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Both original and electronic copies of Applications submitted to the Bank by Authorised Intermediaries will be accepted.

9.2.13 By submitting a completed and signed Application, any Applicant:

- a. agrees and acknowledges to have had the opportunity to read the Base Prospectus, the relevant Final Terms and any other document entered into in relation to the Programme, and to be deemed to have had notice of all information and representations concerning the Bank and the issue of the Bonds contained therein;
- b. acknowledges the processing of any personal data for the purposes specified in the privacy notice published by the Bank, which is available on the Bank's website at <https://www.apsbank.com.mt/gdpr/>. The Applicant hereby acknowledges that the processing of personal data may validly take place, even without the Applicant's consent, in the circumstances set out in the GDPR and the Data Protection Act and any applicable subsidiary legislation, as may be amended from time to time. The Applicant hereby confirms that he/she/it has been provided with and read the privacy notice;
- c. warrants that the information submitted by the Applicant when subscribing for the Bonds is true and correct in all respects. All Applicants must have a valid MSE account number that will be used for the purposes of registering the Bonds by the CSD. In the event of a discrepancy between the details provided by the Applicant and those held by the MSE in relation to the MSE account number indicated by the Applicant, the details held by the MSE shall be deemed to be the correct details of the Applicant;
- d. authorises the Bank (or its service providers, including the CSD and/or the Registrar) and/or the relevant Authorised Intermediary, as applicable, to process the personal data provided by the Applicant, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act and the GDPR. The Applicant has the right to request access to and rectification of the personal data relating to him/her in relation to the Bond Issue. Any such requests must be made in writing and addressed to the Bank and sent to the CSD at the MSE. The requests must be signed by the Applicant to whom the personal data relates;
- e. confirms that in making such Application, no reliance was placed on any information or representation in relation to the Bank or the Programme other than what is contained in this Base Prospectus, the relevant Final Terms and any other document entered into in relation to the Programme, and accordingly agree/s that no person responsible solely or jointly for this Base Prospectus, the relevant Final Terms and any other document entered into in relation to the Programme, or any part thereof will have any liability for any such other information or representation;
- f. agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her remittance and any verification of identity as required by the PMLA, and that such monies will not bear interest;
- g. agrees to provide the Authorised Intermediary, Registrar and/or the Bank, as the case may be, with any information which it/they may request in connection with the Application;
- h. warrants, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his/her Application in any territory, and that the Applicant has not taken any action which will or may result in the Bank, Authorised Intermediary, the Registrar or the Sponsor & Manager, as applicable, acting in breach of the regulatory or legal requirements of any territory in connection with the Bond Issue and/or his/her Application;
- i. warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
- j. represents that s/he is not a U.S. person (as such term is defined in 'Regulation S' under the Securities Act of 1933 of the United States of America, as amended) as well as not to be accepting the invitation set out in the Base Prospectus from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
- k. agrees that the advisors to the Bank in relation to the Programme will owe the Applicant no duties or responsibilities concerning the Bonds or their suitability for the Applicant;
- l. agrees that all documents in connection with the issue of the Bonds will be sent at the Applicant's own risk to the address indicated by the Applicant in its Application; and
- m. renounces to any rights the Applicant may have to set off any amounts the Applicant may at any time owe the Bank against any amount due under the terms of these Bonds.

9.3. **Distribution to Retail Clients**

The Bonds are complex investment products, including as a result of their subordination, callability and the potential resolution action which may be taken in respect thereof.

Subject to the provisions of the relevant Final Terms, the Bonds may be open for subscription to all categories of investors, provided that an Authorised Intermediary may only distribute the Bonds to Retail Clients subject to a Suitability Test to be performed in respect of such Applicants. In such an event, an Authorised Intermediary shall not accept an application from a Retail Client unless it is satisfied, based on the results of such Suitability Test, that an investment in the Bonds is suitable for the Applicant.

A similar requirement exists in respect of acquisitions of Bonds on the secondary market whereby, investment services license holders must ensure that Bonds are only sold to Retail Clients if they are satisfied, based on the results of a Suitability Test, that an investment in the Bonds is suitable for the Retail Client.

The requirement to carry out a Suitability Test arises in terms of Regulation 44A of the Recovery & Resolution Regulations and Rule 4.1.49 of the Conduct of Business Rule Book, and applies in all cases irrespective of the investment service being provided i.e. both for advisory and non-advisory investment services.

For the purpose of this Base Prospectus, the term **“Suitability Test”** means the process through which an Authorised Intermediary providing an investment service in relation to the subscription for the Bonds obtains such information from the Applicant as is necessary to enable the Authorised Intermediary to assess whether the Bonds are considered suitable for him/her in accordance with the Conduct of Business Rulebook. The information obtained pursuant to this assessment must be such as to enable the Authorised Intermediary to understand the essential facts about the Applicant and to have a reasonable basis for believing that the specific transaction satisfies the following criteria:

- (a) it meets the investment objectives (including risk tolerance) of the Applicant;
- (b) it is such that the Applicant is able financially to bear any related investment risks consistent with investment objectives of such Applicant; and
- (c) it is such that the Applicant has the necessary experience and knowledge in order to understand the risks involved in the transaction or in the management of his portfolio.

9.4. **Plan of Distribution and Allotment**

The plan of distribution and allotment of each Tranche shall be set out in the relevant Final Terms.

9.5. **Allocation Policy**

The allocation policy of each Tranche shall be set out in the relevant Final Terms.

10. **TERMS AND CONDITIONS OF THE BONDS**

10.1. **General**

The terms and conditions applicable to any particular Tranche of Bonds shall be the Terms and Conditions set out below as completed by the relevant Final Terms. In the event of any inconsistency between these Terms and Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

All Applicants (or purchasers from time to time on the secondary market) of the Bonds are deemed to have knowledge, accept and be bound by these Terms and Conditions, as completed by the relevant Final Terms.

In the event of any inconsistency or conflict between the provisions of these Terms and Conditions and any laws or regulations applicable to the Bank from time to time, such laws and regulations shall govern and control and these Terms and Conditions shall be construed accordingly.

10.2. Currency and Denomination, Form and Title

10.2.1. Currency and Denomination

All Bonds issued under the Programme will, unless otherwise specified in the relevant Final Terms, have a denomination of €100 (or, if the Bonds are denominated in a currency other than Euro, the equivalent amount in such currency at the date of issue). Bonds may be denominated in any currency or currencies, subject to any applicable legal or regulatory restrictions.

The currency/ies, and if applicable the denomination, of Bonds issued under each Tranche shall be specified in the relevant Final Terms.

10.2.2. Form and Title

The Bonds are to be issued in fully registered and dematerialised form without coupons and are to be represented in uncertificated form by the appropriate entry in the CSD Register. There will be entered in the CSD Register, the names, addresses, identity card numbers (or details of some other official document, in the case of natural persons), registration numbers and LEI numbers (in the case of companies), and account details of the Bondholders and the particulars of the Bonds held by them respectively. Bondholders will also have, at all reasonable times during business hours, access to the CSD Register only in so far and for the purposes limited to the inspection of information held on their respective accounts. Each Bondholder consents to the Bank having a right to obtain, from the CSD Register, any available information on the Bondholders including contact details and their holdings of Bonds.

Certificates will not be delivered to Bondholders and title to the Bonds shall be evidenced by an electronic entry in the CSD Register. The CSD will issue, upon a request by a Bondholder, a statement of holdings to a Bondholder evidencing that Bondholder's entitlement to Bonds held in the register CSD Register. Except as ordered by a court of competent jurisdiction or as required by law, the Bank shall be entitled to treat the person in whose name a Bond shall be registered in the CSD Register as the absolute owner thereof for the purpose of making payment and for all other purposes, regardless of any notice of any nominee relationship or trust.

Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Bond.

10.3. Status

The Bonds (their repayment and the payment of interest thereon) shall constitute the general, direct, subordinated, unsecured and unconditional obligations of the Bank to the Bondholders, and shall at all times rank *pari passu*, without any priority or preference among themselves.

In the event of the dissolution and winding up of the Bank, the claims of Bondholders in respect of the payment of capital and interest on the Bonds constitute, so long as the Bonds qualify as Tier 2 Instruments, Tier 2 Claims under the Ranking Legislation, and will have the ranking set out in the Ranking Legislation.

The claims in respect of the principal and interest of the Bonds will, in the event of the dissolution and winding-up of the Bank and provided such Bonds qualify as Tier 2 Instruments:

(a) be subordinated in right of payment in the manner provided in the Ranking Legislation to:

- i) all Preferred Claims,
- ii) all Ordinary Unsecured Claims;
- iii) all Secondary Unsecured Claims; and
- iv) all Senior Subordinated Claims;

(b) rank *pari passu* with all other Tier 2 Claims (including claims in respect of other Bonds that qualify as Tier 2 Instruments);

(c) rank in priority to (i) the claims in respect of all Additional Tier 1 Instruments of the Bank and (ii) the claims in respect of all Common Equity Tier 1 Instruments of the Bank.

If any Bonds cease to qualify as Tier 2 Instruments, the claims in respect of such Bonds will, in the event of the dissolution and winding-up of the Bank, rank *pari passu* with all Senior Subordinated Claims, subject to Ranking Legislation.

In the event of a resolution of the Bank or outside of resolution, at the early intervention stage, the Bonds are subject to conversion or write down by the applicable resolution authority as provided by law.

No security or guarantee of whatever kind is being, or shall at any time be, provided by the Bank or by any other person for the purpose of securing the obligations of the Bank to Bondholders in respect of the Bonds.

10.4. Limited Remedies / No Set-Off

Each Bondholder agrees that the only remedy available to the Bondholders in the case of non-performance by the Bank of any of its obligations or any other breach by the Bank of these Terms and Conditions, as completed by the relevant Final Terms, (including the non-payment of interest and principal) shall be the right available to the Bondholders under applicable law to file an application in court for the dissolution and winding-up of the Bank in those instances set out by law.

Claims in respect of any Bonds may not be set-off or netted, by the relevant Bondholder against or in respect of any of its obligations to the Bank and every Bondholder waives, and shall be treated for all purposes as if it had waived, any right that it might otherwise have to set-off or net any of its claims in respect of any Bonds, against or in respect of any of its obligations to the Bank. If, notwithstanding the preceding sentence, any Bondholder receives or recovers any sum or the benefit of any sum in respect of any Bonds by virtue of any such set-off or netting, it shall hold the same on trust for the Bank and shall pay the amount thereof to the Bank or, in the event of the winding up of the Bank, to the liquidator of the Bank.

10.5. Acceleration Event

In the event that an extraordinary resolution passed at a general meeting for the dissolution, winding-up or liquidation of the Bank or an order by the applicable judicial authorities is made for the dissolution, liquidation or winding-up of the Bank or an order for liquidation is made by the competent authority in respect of the Bank under the Controlled Companies (Procedure for Liquidation) Act (Chapter 383 of the laws of Malta) or the dissolution, winding-up or liquidation of the Bank is carried out in terms of any other law that may come into force from time to time, the Bonds shall immediately become due and payable at their Nominal Value, together with interest accrued up to the date of repayment, if any, in accordance with the ranking established by law. Such an acceleration event shall be subject to any overriding provisions of the Recovery & Resolution Regulations and any other applicable law, provided that the acceleration event will not be triggered solely by any resolution carried out under the Recovery & Resolution Regulations or any moratorium provided for thereunder.

10.6. Rights Attached to the Bonds

There are no special rights attached to the Bonds other than the right of the Bondholders to: (i) attend, participate in and vote at meetings of Bondholders in accordance with these Terms and Conditions (as completed by the relevant Final Terms); (ii) receive payment of capital and interest in accordance with the ranking as provided in these Terms and Conditions (as completed by the relevant Final Terms); and (iii) enjoy such other rights attached to the Bonds emanating from this Base Prospectus and the relevant Final Terms.

10.7. Interest

10.7.1. Fixed Rate Bonds

Each Fixed Rate Bond shall bear interest on its outstanding principal amount at the fixed rate specified in the Final Terms from (and including) the Interest Commencement Date up to (but excluding) the Maturity Date.

Interest on Fixed Rate Bonds shall be payable in arrears in Euro, or in the specified currency of the fixed rate Bonds, on each Interest Payment Date and on the Maturity Date. The first payment of interest shall be made on the first Interest Payment Date. In the event that any Interest Payment Date falls due on a day other than a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day.

In respect of Fixed Rate Bonds, when interest is required to be calculated for any period of less than a full year, it shall be calculated on the basis of a 365-day year, and in the case of an incomplete month, the number of days elapsed. Interest shall cease to accrue on each Fixed Rate Bond on the day preceding the Maturity Date unless payment of principal is improperly withheld or refused or unless the Bank defaults in respect of payment, in which event, interest shall continue to accrue at the rate specified in the relevant Final Terms until the date of payment thereof.

10.7.2. Floating Rate Bonds

Floating Rate Bonds shall bear interest at a rate determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant currency of the Bonds governed by an agreement incorporating the 2006 ISDA Definitions (as supplemented, amended and updated as at the Issue Date of the first Tranche of Bonds of the relevant Series) as published by ISDA or the latest version of ISDA 2021 Interest Rate Derivatives Definitions, including each Matrix (as defined therein) (and any successor thereto), as specified in the relevant Final Terms, each as published by ISDA (or any successor) on its website (<https://www.isda.org>), on the date of issue of the first Tranche of the Bonds of such Series; or
- (b) on the basis of a reference rate appearing on the screen page of a commercial quotation service. The determination of the floating rate as set out above shall be specified in the relevant Final Terms. The margin (if any) relating to such floating rate will be specified in the applicable Final Terms. Floating Rate Bonds may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Bonds in respect of each relevant interest period, as set out in the Final Terms, will be payable on such interest payment dates, and will be calculated on the basis of such day count convention, as set out in the Final Terms.

For the purposes of this section, the following expressions shall have the following meanings:

2006 ISDA Definitions	in relation to a Series, the 2006 ISDA Definitions (as supplemented, amended and updated as at the date of issue of the first Tranche of the Bonds of such Series) as published by ISDA (copies of which may be obtained from ISDA at www.isda.org);
2021 ISDA Definitions	in relation to a Series of Bonds, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions (including each Matrix (and any successor Matrix thereto), as defined in such 2021 ISDA Interest Rate Derivatives Definitions) as at the date of issue of the first Tranche of Notes of such Series, as published by ISDA on its website (www.isda.org); and
ISDA	International Swaps and Derivatives Association, Inc.

10.8. Yield

The gross yield, calculated on the basis of the interest rate of the Bonds, the Issue Price, and the redemption value of the Bonds shall be set out in the relevant Final Terms

10.9. Payments

10.9.1 The Bank will discharge all of its payment obligations under the Bonds by making payments to the bank accounts of the Bondholders indicated in the CSD Register. Payments will be made only by bank transfer into the bank accounts of Bondholders that are provided in the relevant Application or as otherwise provided to the CSD. If no bank account number is provided, payments will be withheld (without interest) until a bank account number is provided. The Bank has no responsibility or liability for the records relating to, or payments made in respect of, holdings of Bonds through the CSD. The Bank shall not be responsible for any loss or delay in transmission or any charges in connection therewith.

10.9.2 Repayment of the principal amount of the Bonds will be made in Euro, or in the specified currency of the Bonds, on the Maturity Date or an Early Redemption Date or on an Early Redemption (Exceptional Event) Date as the case may be by the Bank to the person in whose name such Bonds are registered as at the close of business on the Maturity Date, together with interest accrued up to (but excluding) the Maturity Date. The Bank shall not be responsible for any loss or delay in transmission. Upon repayment of the principal the Bonds shall be redeemed and the appropriate entry made in the CSD Register.

10.9.3 In the case of Bonds held subject to usufruct, payment will be made against the joint instructions of all bare owners and usufructuaries. Before effecting payment, the Bank/ or the CSD shall be entitled to request any legal documents deemed necessary concerning the entitlement of the bare owner/s and the usufructuary/ies to payment of the Bonds.

10.9.4 Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business 15 days prior to the relevant Interest Payment Date. Such payment shall be effected within seven (7) days of the relevant Interest Payment Date. The Bank shall not be responsible for any loss or delay in transmission.

10.9.5 All payments with respect to the Bonds are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable fiscal or other laws and regulations prevailing in Malta. In particular, but without limitation, all payments by the Bank in respect of the Bonds may be made gross of any amount to be deducted or withheld for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed, collected, withheld, assessed or levied by or on behalf of the Government of Malta or any other authority thereof or therein having power to tax.

10.9.6 No commissions or expenses shall be charged by the Bank to Bondholders in respect of such payments. The Bank shall not be liable for charges, expenses and commissions levied by parties other than the Bank.

10.9.7 Any claim against the Bank by Bondholders in connection with all payments due to them in respect of the Bonds shall be prescribed (time-barred) upon the lapse of five (5) years from the day on which an action in relation to the same can be exercised.

10.10. Redemption

10.10.1 Unless redeemed on an Early Redemption Date or on an Early Redemption (Exceptional Event) Date in accordance with the terms of this section (or purchased and cancelled in accordance with section 10.11 below), the Bonds shall be redeemed at their Nominal Value on the Maturity Date.

10.10.2 If provided for in the relevant Final Terms, the Bank may in terms of article 78(1) of the CRR, at any time following the fifth anniversary of the Issue Date, redeem the Bonds on any Early Redemption Date, subject to:

(a) obtaining the prior permission of the MFSA and provided that one of the following conditions is met:

- i) before or at the same time of the redemption, the Bank replaces the Bonds being redeemed with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Bank; or
- ii) the Bank has demonstrated to the satisfaction of the MFSA that the own funds and eligible liabilities of the Bank would, following the redemption, exceed the requirements for own funds and eligible liabilities laid down in the CRR, the CRD and the BRRD by a margin that the MFSA considers necessary at such time; or

(b) obtaining a general prior permission of the MFSA in terms of article 78(1) subparagraph 2 of the CRR for a specified period (which shall not exceed one year, but which may be renewed) and for a certain predetermined amount set by the MFSA, which amount shall not exceed 10% of the relevant Series and shall not exceed 3% of the total amount of all outstanding Tier 2 instruments issued by the Bank, subject to criteria set by the MFSA that ensure that any such future action will be in accordance with one of the conditions set out in points (i) and (ii) of paragraph (a) above and provided that the Bank provides sufficient safeguards as to its capacity to operate with own funds above the amounts required in the CRR and the CRD.

10.10.3 The Bank may in terms of article 78(4) of the CRR, at any time prior to the fifth anniversary of the Issue Date, redeem the Bonds on an Early Redemption (Exceptional Event) Date, subject to obtaining the prior permission of the MFSA, the satisfaction of the conditions set out in 10.10.2 above, and the satisfaction of one of the conditions set out in article 78(4) of the CRR.

10.10.4 In order to redeem the Bonds in terms of sections 10.10.2 and 10.10.3, the Bank must also give the Bondholders at least 30 days' notice in writing, which notice shall be given in the manner set out in section 10.15 below and by way of a Company Announcement published by the Bank. The notice of redemption shall be effective upon the date of publication of the aforementioned company announcement, shall be irrevocable and shall oblige the Bank to make, and the Bondholder to accept, such redemption on the date specified in the notice.

10.10.5 Each Bond may be redeemed only in whole and not in part and any partial redemption of the Bonds held by a Bondholder shall be made only in multiples of equal to the Nominal Value thereof. Any redemption of the Bonds prior to the Maturity Date shall take place by payment of all principal together with interest accrued and unpaid on the Bonds being redeemed until the relevant Early Redemption Date or Early Redemption (Exceptional Event) Date.

10.11. Purchase and Cancellation

10.11.1 The Bank and/or its subsidiaries may in terms of Article 78(1) of the CRR, at any time following the fifth anniversary of the Issue Date, purchase the Bonds in the open market or otherwise and at any price subject to:

(a) obtaining the prior permission of the MFSA and provided that one of the following conditions is met:

- i) before or at the same time of the purchase, the Bank (or its subsidiary) replaces the Bonds being purchased with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Bank; or
- ii) the Bank has demonstrated to the satisfaction of the MFSA that the own funds and eligible liabilities of the Bank would, following the purchase, exceed the requirements for own funds and eligible liabilities laid down in the CRR, the CRD and the BRRD by a margin that the MFSA considers necessary at such time; or

(b) obtaining a general prior permission of the MFSA in terms of article 78(1) subparagraph 2 of the CRR for a specified period (which shall not exceed one year, but which may be renewed) and for a certain predetermined amount set by the MFSA, which amount shall not exceed 10% of the relevant Series and shall not exceed 3% of the total amount of all outstanding Tier 2 instruments issued by the Bank, subject to criteria set by the MFSA that ensure that any such future action will be in accordance with one of the conditions set out in points (i) and (ii) of paragraph (a) above and provided that the Bank provides sufficient safeguards as to its capacity to operate with own funds above the amounts required in the CRR and the CRD.

10.11.2 The Bank and/or its subsidiaries may in terms of article 78(4) of the CRR, at any time prior to the fifth anniversary of the Issue Date, purchase Bonds in the open market or otherwise and at any price, subject to obtaining the prior permission of the MFSA, the satisfaction of the conditions set out in 10.11.1 above, and the satisfaction of one of the conditions set out in article 78(4) of the CRR.

10.11.3 All Bonds purchased by or on behalf of the Bank or its subsidiaries will be cancelled and may not be re-issued or re-sold. Any Bonds so surrendered for cancellation may not be reissued or resold and the obligations of the Bank in respect of any such Bonds shall be discharged.

10.12. Transferability

10.12.1. The Bonds are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in accordance with all applicable laws and the rules and regulations of the MSE.

10.12.2. Any person becoming entitled to a Bond in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may from time to time properly be required by the Bank or the CSD, elect either to be registered himself as holder of the Bond or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the CSD a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by executing to that person a transfer of the Bond.

10.12.3. All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.

10.12.4. The cost and expenses of effecting any trading or transfer in the Bonds on the MSE shall be at the charge of the Bondholder or at the charge of such person as the rules and regulations of the MSE may from time to time determine.

10.12.5. As the Bonds will be held at the CSD, investors will have to rely on its procedures for transfers. The CSD will not register the transfer or transmission of Bonds for a period of 15 days preceding the due date for any payment of principal or interest on the Bonds.

10.13. Further Issues

The Bank may from time to time, without the consent of the Bondholders, incur further debt or issue further bonds or other debt securities, either having the same terms and conditions as (and/or fungible with) any outstanding debt securities or upon such other terms and conditions as the Bank may determine at the time of their issue, including (but not limited to) bonds or other debt securities which are secured and/or have a prior ranking than the Bonds. Although the amount of Bonds that may be issued under the Programme is limited to €150,000,000 (or its equivalent in other currencies), there is no other restriction on the amount of debt that the Bank may incur (whether through the issuance of debt securities or otherwise). Accordingly, the Bank may incur

additional indebtedness (other than the indebtedness incurred in relation to the issue of the Bonds), which indebtedness may be secured by the whole or any part of its present or future, undertaking, assets or revenues without, the consent of the Bondholders, and which could rank ahead of the Bonds in the event of a dissolution and winding up of the Bank.

10.14. Meetings of the Bondholders

The Bank may, from time to time, call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of obtaining the consent of Bondholders on matters which in terms of the Base Prospectus require the approval of a Bondholders' meeting, including inter alia to effect amendments to the Terms and Conditions and/or the applicable Final Terms in respect of one or more Tranches. In the event that the Bank is desirous of amending the Final Terms of one particular Tranche, it is only Bondholders of that particular Tranche (the "**Affected Bondholders**") who shall be entitled to attend, and vote at, a meeting summoned for this purpose. Meetings of Bondholders and Affected Bondholders shall be summoned and conducted in the manner prescribed hereunder.

10.14.1 A meeting of Bondholders or Affected Bondholders shall be called by the Board by giving all Bondholders or all Affected Bondholders listed on the register of Bondholders as at a date being not more than 30 days preceding the date scheduled for the meeting, not less than 14 days' notice in writing. Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment of these Terms and Conditions, the Base Prospectus and/or the applicable Final Terms, as the case may be, that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders or the Affected Bondholders. Following a meeting of Bondholders or Affected Bondholders held in accordance with the provisions contained hereunder, the Bank shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders or the Affected Bondholders whether the necessary consent to the proposal made by the Bank has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders or the Affected Bondholders in accordance with the provisions of this section at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Bank.

10.14.2 The amendment of any of the provisions of these Terms and Conditions may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof. The amendment of any of the provisions of (a) these Terms and Conditions in so far as they relate to Affected Bondholders only or (b) the applicable Final Terms in respect of one or more Tranches may only be made with the approval of the relevant Affected Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.

10.14.3 In any case where the Bank is required, in terms of the CRR or applicable law, to notify or obtain the prior permission of (as the case may be) the MFSA in respect of an amendment to the provisions of these Terms and Conditions and/or the applicable Final Terms, then such amendment can only be undertaken subject to such prior notice being given or consent obtained.

10.14.4 Subject to the provisions of section 10.14.3 above, the Issuer may amend the Terms and Conditions and/or the applicable Final Terms without the approval of the Bondholders or the Affected Bondholders (as applicable) if such amendment is of a formal, minor or technical nature or is made to correct a manifest error.

10.14.5 A meeting of Bondholders or Affected Bondholders, as the case may be, shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose, at least two (2) Bondholders or Affected Bondholders present, in person or by proxy, representing not less than 50% in Nominal Value of the Bonds then outstanding, shall constitute a quorum. Provided that in respect of a meeting of all Bondholders, the Bondholders present must represent at least 50% in Nominal Value of all Bonds then outstanding, while in respect of a meeting of Affected Bondholders, the Affected Bondholders present must represent at least 50% in Nominal Value of all Bonds outstanding in that Series or Tranche, as the case may be. If a quorum is not present within 30 minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to the Bondholders or Affected Bondholders present at that meeting. The Bank shall, within two (2) days from the date of the original meeting, publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven (7) days, and not later than 15 days, following the original meeting. At an adjourned meeting: the number of Bondholders or Affected Bondholders present, in person or by proxy, shall constitute a quorum; and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.

10.14.6 Any person who in accordance with the Articles of Association of the Bank is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders or Affected Bondholders.

10.14.7 Once a quorum is declared present by the chairperson of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions being required at the meeting the directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders or Affected Bondholders to present their views to the Bank and the other Bondholders or Affected Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Bank to a vote of the Bondholders or Affected Bondholders present at the time at which the vote is being taken, and any Bondholders or Affected Bondholders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote shall not be taken into account for the purpose of such vote.

10.14.8 The voting process shall be managed by the company secretary of the Bank under the supervision and scrutiny of the Bank's auditors.

10.14.9 The proposal placed before a meeting of Bondholders or Affected Bondholders shall only be considered approved if at least 75% in Nominal Value of the Bonds held by the Bondholders or Affected Bondholders present at the meeting at the time when the vote is being taken, in person or by proxy, shall have voted in favour of the proposal.

10.14.10 Save for the above, the rules generally applicable to proceedings at general meetings of shareholders of the Bank shall apply *mutatis mutandis* to meetings of Bondholders or Affected Bondholders.

10.15. Notices

Notices to Bondholders shall be mailed to them at their respective addresses contained in the CSD Register and shall be deemed to have been served at the expiration of three (3) calendar days after the date of mailing. In proving such service, it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholder at the address contained in the CSD Register.

10.16. Governing Law and Jurisdiction

10.16.1. Governing Law

The Bonds, all the rights and obligations of the Bondholder and the Bank, and any non-contractual obligations arising out of or in connection with the Bonds, shall be governed by and construed in accordance with Maltese law.

10.16.2. Jurisdiction

The Courts of Malta shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, all the rights and obligations of the Bondholder and/or the Bank, and any non-contractual obligations arising out of or in connection with the Bonds. The Bank and the Bondholders hereby irrevocably submit to the exclusive jurisdiction of the Courts of Malta to hear and determine any proceedings and to settle any dispute which may arise out of, or in connection with the Bonds.

Each of the Bank and the Bondholder waives any objection to the Maltese Courts on grounds of inconvenient forum or otherwise as regards proceedings in connection herewith and agrees that a judgment or order of such a Court shall be conclusive and binding on it and may be enforced against it in the Courts of any other jurisdiction.

11. FORM OF FINAL TERMS

Final Terms dated [•]



APS Bank plc (the "**Bank**")
Issue of [•] unsecured subordinated bonds (the "**Bonds**")
€150,000,000 Unsecured Subordinated Bond Issuance Programme

ISIN: [•]
[Series: [•]]
Tranche No: [•]

Part A – Contractual Terms

These are the Final Terms for the issue of a Tranche of Bonds under the Bank's €150,000,000 Unsecured Subordinated Bond Issuance Programme (the "**Programme**") [and comprise the final terms required for the issue and admission to trading on the Official List of the MSE of the Bonds described herein pursuant to the Programme].

Capitalised terms used herein which are not defined shall have the definitions assigned to them in the Base Prospectus dated [date] which was approved by the MFSA in Malta on [date] [and the Supplement[s] to the Base Prospectus dated [date]] which [together]⁵ constitute[s] a base prospectus for the purposes of the Prospectus Regulation.

This document constitutes the Final Terms of the Bonds described herein for the purposes of the Prospectus Regulation and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Bank and the offer of the Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus.

The Base Prospectus and any Supplement (if applicable), and these Final Terms are available for viewing at the office of the Bank and on the websites of: (a) the Competent Authority during a period of twelve months from the date of approval of the Base Prospectus; and (b) the Bank (<https://www.apsbank.com.mt/investor-relations/>). Copies of the Base Prospectus and these Final Terms may be obtained free of charge from the registered office of the Bank. A summary of this individual issue is annexed to these Final Terms (Annex 1).

⁵ Delete if no Supplement has been published.

THE BONDS ARE COMPLEX FINANCIAL INSTRUMENTS

1.	Issuer	APS Bank plc
2.	[Series Number]	[•]
3.	Tranche Number	[•]
4.	Specified Currency	[•]
5.	Aggregate Nominal Value:	
	i) Series	[•]
	ii) Tranche	[•]
6.	Issue Price of the Bonds	[•]
7.	Specified denomination (Nominal Value)	[•]
8.	Number of Bonds offered for subscription	[•]
9.	Issue Date	[•]
	Interest Commencement Date	[•]
10.	Maturity Date	[•]
11.	Early Redemption Date/s	[•]/[Not applicable]
12.	Redemption Value	Redemption at par

INTEREST

13.	Rate of Interest	[•]
14.	Interest Payment Date/s	[•]
15.	Calculation agent (if applicable)	[•]

GENERAL PROVISIONS

16.	Corporate authorisations for issuance of the Bonds	The issuance of the Bonds was authorised pursuant to a resolution of the Board of Directors passed on [•]
17.	Taxation	As per "Taxation" section of the Base Prospectus

Purpose of Final Terms

These Final Terms comprise the Final Terms required for the offer for subscription, issue and admission to trading on the Official List of the Bonds described herein pursuant to the Programme of the Bank dated [date].

Responsibility

The Bank accepts responsibility for the information contained in these Final Terms.
Signed on behalf of APS Bank plc

Duly represented by:
[•]

Part B – MiFID II Product Governance

[Summary of Target Market Assessment]

Part C - Other Information

DEFINITIONS

The following words and expressions shall bear the following meanings, except where the context otherwise requires:

[•]

1. ADMISSION TO TRADING AND LISTING

i.	Listing	Official List of the Malta Stock Exchange
ii.	Admission to trading	Application to the MSE has been made for the Bonds to be admitted to trading on the Official List. The Bonds are expected to be listed on [or around] [•] with trading expected to commence on [or around] [•].
iii.	Previous admission to trading	[•]
iv.	Estimate of total expenses related to admission to trading	[•]

2. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE BOND ISSUE

[The Bank (acting in its capacity as an MFSA licensed investment firm) has been designated as an Authorised Intermediary and investors may therefore subscribe for Bonds through the Bank. Accordingly, the Bank has a financial interest in the relevant transaction. The Bank also has an interest in the issue of Bonds pursuant to these Final Terms by virtue of the fact that the net proceeds from the Bond issue will constitute an integral part of the Bank's capital plan (to further strengthen its Tier 2 Capital requirements in terms of the CRR) and will be used by the Bank to meet part of its general financing requirements. Prospective investors should therefore note that there is, among other things, a risk that the Bank's investment advisors propose this investment over other available investments available at that time or otherwise seek to oversell the Bond Issue.

In this respect, the Bank has a conflicts of interest policy which addresses how it identifies and seeks to mitigate conflicts of interest in the provision of services to clients (including Applicants). A summary of this policy is available here:

<https://www.apsbank.com.mt/document-downloads>.

Specifically in relation to the provision of investment services in relation to the Bonds issued by itself as issuer, the Bank has implemented the following additional organisational and administrative measures aimed at mitigating the risks:

- (i) Remuneration: Bank personnel involved in the sale of the Bond Issue will not receive any variable remuneration (e.g. commission or performance bonuses) linked to such sales;
- (ii) Information barriers: The Bank's investment officers were not involved in the design and structure of the Bond Issue; and
- (iii) Enhanced procedures: Where applicable, the Bank has implemented enhanced procedures in relation to the collection of information to carry out a suitability assessment in relation to the Bonds.]

[•] / [Save for the above and the possible subscription for Bonds by Authorised Intermediaries (which include the Sponsor & Manager) and any fees payable to the various professional advisors and service providers in connection with the issue of Bonds, the Bank is not aware of any person involved in the Bond Issue that has a material interest in the issue of Bonds pursuant to these Final Terms.]

3. THIRD PARTY INFORMATION

Not applicable.

4. REASONS FOR THE OFFER AND USE OF PROCEEDS, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

i.	Reasons for the offer and use of proceeds	[•]
ii.	Estimated net proceeds and total expenses of the Bond Issue	[•]
iii.	Conditions to which the offer is subject	[•]

5. YIELD

i.	Indication of yield	[•]
ii.	Method of calculating the yield	[•]

6. OPERATIONAL INFORMATION

i.	ISIN code	[•]
ii.	Delivery	Delivery against payment.

7. DISTRIBUTION

i.	Categories of potential investors to which the Bonds are offered	[•]
ii.	Conditions for use of the Base Prospectus by the Authorised Intermediary/ies	[•]
iii.	Plan of distribution and allotment	[•]
iv.	Placing and/or Underwriting	[•]
v.	Selling commission	[•]
vi.	Expected timetable	[•]

8. ADDITIONAL INFORMATION

i.	Reservation of a Tranche, or part thereof, in favour of specific retail and/or non-retail investors or categories of either	[•]
ii.	Time period, including any possible amendments, during which the offer will be open	[•]
iii.	Manner and date in which results of the offer are to be made to public	[•]
iv.	Description of the application process	[•]
v.	Details of the minimum/ maximum amount of application (whether in numbers of securities or aggregate amount to invest)	[•]
vi.	Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants	[•]
vii.	Method and time limits for paying up the securities and for delivery of the securities	[•]
viii.	Indication of the expected price at which the securities will be offered or the method of determining the price and the process for its disclosure	[•]
ix.	Process for notification to applicants of the amount of Bonds allotted and indication whether dealing may begin before notification is made	[•]
x.	Credit rating of the Bonds	Not applicable

Annex 1: Issue Specific Summary

[•]

Annex 2: List of Authorised Intermediaries

Name	Address	Telephone number
[•]	[•]	[•]

Annex 3: Specimen Application Form

[•] / [Not applicable]

12. TAXATION

12.1. General

Investors and prospective investors are urged to seek professional advice as regards both Maltese and any foreign tax legislation which may be applicable to them in respect of the Bonds, including their acquisition, holding and transfer as well as on any income derived therefrom or on any gains derived on the transfer of such Bonds. The following is a summary of the anticipated tax treatment applicable to Bondholders in so far as taxation law in Malta is concerned. This information does not constitute legal or tax advice, is of a general nature, and does not purport to be exhaustive.

The information below is based on an interpretation of Maltese tax law and practice relative to the applicable legislation, as known to the Bank at the date of the Base Prospectus, in respect of a subject on which no official guidelines exist. Investors are reminded that tax law and practice and their interpretation as well as the levels of tax on the subject matter referred to in the preceding paragraph, may change from time to time.

The entire information is being given solely for the general information of investors. The precise implications for investors will depend, among other things, on their particular circumstances and on the classification of the Bonds from a Maltese tax perspective, and professional advice in respect of all applicable issues should be sought accordingly.

12.2. Malta Tax on Interest

Since interest is payable in respect of a Bond which is the subject of a public issue, unless the Bank is instructed by a Bondholder to receive the interest gross of any withholding tax, or if the Bondholder does not fall within the definition of "recipient" in terms of article 41(c) of the Income Tax Act, interest shall be paid to such person net of a final withholding tax, currently at the rate of 15% (10% in the case of certain types of collective investment schemes – in this case there is no option to receive the interest gross of the withholding tax) of the gross amount of the interest, pursuant to article 33 of the Income Tax Act. Bondholders who do not fall within the definition of a "recipient" do not qualify for the said rate and should seek advice on the taxation of such income as special rules may apply.

This withholding tax is considered as a final tax and a Maltese resident individual Bondholder is not obliged to declare the interest so received in his income tax return (to the extent that the interest is paid net of tax). No person should be charged to further tax in respect of such income. Furthermore, such tax should not be available as a credit against the recipient's tax liability or for a refund, as the case may be for the relevant year of assessment in Malta. The Bank will render an account to the Maltese Commissioner for Tax and Customs of all amounts so deducted, including the identity of the recipient.

In the case of a valid election in writing made by an eligible Maltese resident Bondholder at the time of subscription to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his Maltese income tax return and be subject to tax on such interest at the standard rates applicable to such Bondholder at that time. The Bank will render an account to the Maltese Commissioner for Tax and Customs on an annual basis in respect all interest paid gross of withholding tax and of the identity of all such recipients.

Any such election made by a Maltese resident Bondholder at the time of subscription may be subsequently changed by giving notice in writing to the Bank. Such election or revocation will be effective within the time limit set out in the Income Tax Act.

In terms of article 12(1)(c) of the Income Tax Act, Bondholders who are not resident in Malta satisfying the applicable conditions set out in the Income Tax Act are not taxable in Malta on the interest received and will receive interest gross, subject to the requisite declaration/evidence being provided to the Bank in terms of law.

12.3. Exchange of Information

In terms of applicable Maltese legislation, the Bank and/or its agent are required to collect and forward certain information (including, but not limited to, information regarding payments made to Bondholders) to the Maltese Commissioner for Tax and Customs. The Maltese Commissioner for Tax and Customs will or may, in turn, automatically or on request, forward the information to other relevant tax authorities subject to certain conditions.

12.4. Maltese Taxation on Capital Gains on a Transfer of the Bonds

On the assumption that the Bonds would not fall within the definition of "securities" in terms of article 5(1)(b) of the Income Tax Act, that is, "shares and stocks and such like instrument that participate in any way in the profits of the company and whose return is not limited to a fixed rate of return", to the extent that the Bonds are held as capital assets by the Bondholder, no income tax on capital gains should be chargeable in respect of a transfer of the Bonds.

12.5. Duty on Documents and Transfers

In terms of the Duty on Documents and Transfers Act, duty is chargeable *inter alia* on the transfer or transmission *causa mortis* of marketable securities. A marketable security is defined in the said legislation as “a holding of share capital in any company and any document representing the same”.

Consequently, the Bonds should not be treated as constituting marketable securities within the meaning of the legislation and therefore, the transfer/transmission thereof should not be chargeable to duty.

Furthermore, even if the Bonds are considered marketable securities for the purposes of the Duty on Documents and Transfers Act, in terms of article 50 of the Financial Markets Act (Chapter 345 of the laws of Malta) as the Bonds constitute financial instruments of a company quoted on a regulated market exchange, as is the MSE, redemptions and transfers of the Bonds should, in any case, be exempt from duty.

INVESTORS AND PROSPECTIVE INVESTORS ARE URGED TO SEEK PROFESSIONAL ADVICE AS REGARDS BOTH MALTESE AND ANY FOREIGN TAX LEGISLATION APPLICABLE TO ALL ASPECTS CONCERNING THE ACQUISITION, HOLDING AND DISPOSAL OF BONDS AS WELL AS INTEREST PAYMENTS MADE BY THE BANK. THE ABOVE IS A SUMMARY OF THE ANTICIPATED TAX TREATMENT APPLICABLE TO THE BONDS AND TO BONDHOLDERS AND THIS MAY OF COURSE VARY DEPENDING ON THE PARTICULAR CIRCUMSTANCES. THIS INFORMATION, WHICH DOES NOT CONSTITUTE LEGAL OR TAX ADVICE, REFERS ONLY TO BONDHOLDERS WHO DO NOT DEAL IN SECURITIES IN THE COURSE OF THEIR TRADING ACTIVITY.

13. THIRD PARTY INFORMATION AND STATEMENTS BY EXPERTS

This Base Prospectus does not contain any statement or report attributed to any person as an expert. The Bank confirms any other information sourced from third parties and contained and referred to in this Base Prospectus has been accurately reproduced in this Base Prospectus and that there are no facts of which the Bank is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

14. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents (or copies of the same) are available for physical inspection at the Bank’s registered office and on the Bank’s website (www.apsbank.com.mt) for the duration of the validity of the Base Prospectus:

- (a) The Memorandum and Articles of Association of the Bank;
- (b) the consolidated audited financial information of the Bank for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, together with the auditor’s reports thereon; and
- (c) the Bank’s condensed interim financial statements regarding the six-month period ended 30 June 2022 and 30 June 2023.

