

AN ISSUE OF €55,000,000 3.25%
UNSECURED SUBORDINATED BONDS
DUE 2025-2030

PROSPECTUS
DATED 2 NOVEMBER 2020

Sponsor & Manager



Legal Counsel



Registrar



PROSPECTUS

Dated 2 November 2020



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

An issue of €55,000,000 3.25% Unsecured Subordinated Bonds Due 2025-2030

with a nominal value of €25,000 and due 19 November 2030, subject to early redemption at the option of the Bank on each Early Redemption Date

ISIN: MT0002501204

THIS PROSPECTUS HAS BEEN APPROVED BY THE LISTING AUTHORITY, WHICH IS THE COMPETENT AUTHORITY IN MALTA FOR THE PURPOSES OF THE PROSPECTUS REGULATION. THE LISTING AUTHORITY HAS ONLY APPROVED THIS 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. INVESTORS SHOULD MAKE THEIR OWN ASSESSMENT AS TO THE SUITABILITY OF INVESTING IN THE BONDS.

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THIS 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 PROSPECTUS INCLUDING ANY LOSSES INCURRED BY INVESTING IN THE BONDS.

PROSPECTIVE INVESTORS SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE INVESTING IN ANY FINANCIAL INSTRUMENTS. THE BONDS ARE COMPLEX FINANCIAL INSTRUMENTS AND MAY NOT BE SUITABLE FOR ALL TYPES OF INVESTORS. PROSPECTIVE INVESTORS SHOULD ENSURE THAT THEY ARE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE BONDS AND THAT AN INVESTMENT IN THE BONDS IS SUITABLE FOR THEIR RISK PROFILE. PROSPECTIVE INVESTORS SHOULD THEREFORE MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH THEIR OWN INDEPENDENT FINANCIAL ADVISORS.

Sponsor & Manager



Legal Counsel



Registrar



Approved by the directors of the Bank:

A handwritten signature in blue ink, appearing to read "Frederick Mifsud Bonnici", written over a horizontal line.

Frederick Mifsud Bonnici

As Chairman and Director of the Bank and on behalf of each of Victor E. Agius, Joseph C. Attard, Franco Azzopardi, Laragh Cassar, Alfred DeMarco, Victor Gusman, Michael Pace Ross, and Martin Scicluna.

IMPORTANT INFORMATION

THIS PROSPECTUS CONTAINS INFORMATION ON THE BANK AND THE BOND ISSUE IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES, THE COMPANIES ACT AND THE PROSPECTUS REGULATION.

THIS PROSPECTUS HAS BEEN FILED WITH THE LISTING AUTHORITY IN SATISFACTION OF THE LISTING 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 PROSPECTUS IS PUBLISHED IN ELECTRONIC FORM ON THE WEBSITE OF THE LISTING AUTHORITY AND IS ALSO AVAILABLE, IN PRINTED FORM, FREE OF CHARGE, FROM THE REGISTERED OFFICE OF THE BANK AND THE AUTHORISED INTERMEDIARIES.

THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THE BONDS TO LISTING ON THE OFFICIAL LIST OF THE MALTA STOCK EXCHANGE, WHICH MEANS THAT THE BONDS ARE IN COMPLIANCE WITH THE LISTING RULES. IN PROVIDING THIS AUTHORISATION, THE LISTING 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.

MIFID II PRODUCT GOVERNANCE / RETAIL INVESTORS, PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES – SOLELY FOR THE PURPOSES OF THE MANUFACTURER'S (I.E. THE BANK'S) PRODUCT APPROVAL PROCESS, THE TARGET MARKET ASSESSMENT IN RESPECT OF THE BONDS HAS LED TO THE CONCLUSION THAT: (I) THE TARGET MARKET FOR THE BONDS IS ELIGIBLE COUNTERPARTIES, PROFESSIONAL CLIENTS AND RETAIL CLIENTS THAT (A) HAVE A MODERATE OR HIGHER DEGREE OF KNOWLEDGE AND EXPERIENCE WITH RESPECT TO SIMILAR INVESTMENTS, (B) ARE ABLE TO BEAR FINANCIAL LOSSES, PRIMARILY THOSE WITH A MODERATE OR HIGHER CAPACITY TO BEAR FINANCIAL LOSSES, (C) ARE WILLING TO TOLERATE RISK, PRIMARILY THOSE WITH MODERATE OR HIGHER RISK BEARING TOLERANCE, AND (D) ARE SEEKING TO DIVERSIFY AN EXISTING PORTFOLIO OF INVESTMENTS AND WHOSE INVESTMENT OBJECTIVE IS REGULAR INCOME WITH A HOLDING PERIOD OF NOT LESS THAN 5 YEARS; (II) ALL CHANNELS FOR DISTRIBUTION TO ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ARE APPROPRIATE; AND (III) ONLY THE FOLLOWING CHANNELS FOR DISTRIBUTION OF THE BONDS TO RETAIL CLIENTS ARE APPROPRIATE - INVESTMENT ADVICE, PORTFOLIO MANAGEMENT, AND NON-ADVISED SALES, SUBJECT TO THE DISTRIBUTOR'S SUITABILITY AND APPROPRIATENESS OBLIGATIONS UNDER MIFID II, AS APPLICABLE. THE TARGET MARKET ASSESSMENT INDICATES THAT THE BONDS ARE INCOMPATIBLE WITH THE NEEDS, CHARACTERISTIC AND OBJECTIVES OF CLIENTS WHICH ARE FULLY RISK AVERSE / HAVE NO RISK TOLERANCE OR ARE SEEKING ON-DEMAND FULL REPAYMENT OF THE AMOUNTS INVESTED. ANY PERSON SUBSEQUENTLY OFFERING, SELLING OR RECOMMENDING THE BONDS (A 'DISTRIBUTOR') SHOULD TAKE INTO CONSIDERATION THE MANUFACTURER'S 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, SUBJECT TO THE DISTRIBUTOR'S SUITABILITY AND APPROPRIATENESS OBLIGATIONS UNDER MIFID II, AS APPLICABLE. 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 PROSPECTUS CONTAINS ALL MATERIAL INFORMATION WITH RESPECT TO THE BANK AND THE BONDS; (II) THE INFORMATION CONTAINED HEREIN IN RESPECT OF THE BANK AND THE BONDS 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 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.

IN THIS RESPECT, TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS (ALL OF WHOM ARE THE PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS PROSPECTUS), THE INFORMATION CONTAINED IN THIS PROSPECTUS IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT ITS IMPORT, AND THE DIRECTORS HAVE TAKEN ALL REASONABLE CARE TO ENSURE THAT THIS IS THE CASE. THE DIRECTORS ACCEPT RESPONSIBILITY ACCORDINGLY.

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

UNLESS OTHERWISE STATED, THE CONTENTS OF THE BANK'S WEBSITE (OR ANY OTHER WEBSITE REFERRED TO HEREIN) OR ANY OTHER WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE BANK'S WEBSITE DO NOT FORM PART OF THE PROSPECTUS. ACCORDINGLY, NO RELIANCE

UGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITE AS A BASIS FOR A DECISION TO ACQUIRE THE BONDS.

ALL THE ADVISORS TO THE BANK HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE BANK IN RELATION TO THIS 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 PROSPECTUS, ITS COMPLETENESS OR ACCURACY OR ANY OTHER STATEMENT MADE IN CONNECTION THEREWITH. ACCORDINGLY, NONE OF THE ADVISORS OR ANY PERSON MENTIONED IN THIS PROSPECTUS, OTHER THAN THE BANK AND ITS DIRECTORS, SHALL BE RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS PROSPECTUS, IN ANY SUPPLEMENT, AND IN ANY DOCUMENTS INCORPORATED BY REFERENCE, AND ACCORDINGLY, TO THE EXTENT PERMITTED BY THE LAWS OF ANY RELEVANT JURISDICTION, NONE OF THESE PERSONS ACCEPTS ANY RESPONSIBILITY AS TO THE ACCURACY AND COMPLETENESS OF THE INFORMATION CONTAINED IN ANY OF THESE DOCUMENTS.

EACH PERSON RECEIVING THIS PROSPECTUS 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 PROSPECTUS 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 PROSPECTUS AND/OR ANY OTHER DOCUMENT PRODUCED IN RELATION TO THE BANK, AND/OR THE BONDS 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 THIS PROSPECTUS 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 PROSPECTUS DOES 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 PROSPECTUS 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.

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.

THIS PROSPECTUS IS TO BE READ IN ITS ENTIRETY AND CONSTRUED IN CONJUNCTION WITH ANY SUPPLEMENT HERETO AND ANY DOCUMENTS THAT ARE INCORPORATED HEREIN BY REFERENCE.

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 PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS.

THIS PROSPECTUS IS VALID FOR A PERIOD OF 12 MONTHS FROM THE DATE HEREOF. THE OBLIGATION TO SUPPLEMENT THE PROSPECTUS IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES OR MATERIAL INACCURACIES WILL NO LONGER APPLY WHEN THE PROSPECTUS IS NO LONGER VALID.

CONTENTS

Definitions	6	7. TERMS AND CONDITIONS OF THE BOND ISSUE	44
Summary	10	7.1. Expected Timetable of the Bond Issue	44
1. Risk Factors	17	7.2. General Terms and Conditions	44
1.1. General	17	7.3. Terms and Conditions of Application	44
1.2. Forward-Looking Statements	17	7.4. Suitability and Appropriateness	46
1.3. Risks Relating to the Bank and the Group	17	7.5. Plan of Distribution and Allotment	46
1.4. Risks Relating to the Bonds	21	7.6. Allocation Policy	47
2. PERSONS RESPONSIBLE, CONSENT FOR USE AND AUTHORISATION OF PROSPECTUS	23	8. TERMS AND CONDITIONS OF THE BONDS	47
2.1. Persons Responsible	23	8.1. General	47
2.2. Consent for Use of Prospectus	23	8.2. Currency and Denomination, Form and Title	47
2.3. Authorisation Statement	24	8.3. Status	47
3. ADVISORS AND STATUTORY AUDITORS	24	8.4. Limited Recourse / No Set-Off	48
3.1. Advisors	24	8.5. Acceleration Event	48
3.2. Statutory Auditors	25	8.6. Rights Attached to the Bonds	48
4. THE BANK	25	8.7. Interest	48
4.1. General Information	25	8.8. Yield	48
4.2. Group Organisational Structure	25	8.9. Payments	49
4.3. Business Overview of the Bank	25	8.10. Redemption	49
4.4. Capital Overview	30	8.11. Purchase and Cancellation	49
4.5. Financial Information	30	8.12. Transferability	49
4.6. Legal and arbitration proceedings	33	8.13. Further Issues	50
4.7. Material Contracts	33	8.14. Meetings of the Bondholders	50
4.8. Share Capital Structure and Major Shareholders	33	8.15. Notices	51
4.9. Objects and Purposes of the Bank	34	8.16. Governing Law and Jurisdiction	51
5. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES	34	9. TAXATION	51
5.1. The Board of Directors	34	9.1. General	51
5.2. Curriculum Vitae of the Directors	35	9.2. Malta Tax on Interest	51
5.3. Company Secretary	36	9.3. Exchange of Information	52
5.4. Senior Management	37	9.4. Maltese Taxation on Capital Gains on a Transfer of the Bonds	52
5.5. Conflicts of Interest	39	9.5. Duty on Documents and Transfers	52
5.6. Committees	40	10. THIRD PARTY INFORMATION AND STATEMENTS BY EXPERTS	52
5.7. Compliance with Corporate Governance Requirements	42	11. DOCUMENTS AVAILABLE FOR INSPECTION	52
6. USE OF PROCEEDS AND OTHER KEY INFORMATION	42	Annex A: List of Authorised Intermediaries	53
6.1. Use of Proceeds	42	Notes	54
6.2. Estimated Expenses and Proceeds of the Bond Issue	42		
6.3. Overview of the Bond Issue	43		
6.4. Interests of Persons Involved in the Bond Issue	44		

DEFINITIONS

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

Applicant/s	an applicant for the Bonds, being an Authorised Intermediary applying for its own account and/or underlying clients of an Authorised Intermediary that are applying through the Authorised Intermediary;
Application	any application/s to subscribe to Bonds made by an Applicant/s;
APS Funds SICAV	APS Funds SICAV plc, a company organised as a multi-fund investment company with variable share capital, with company registration number SV 78 and registered office at APS Centre, Tower Street, Birkirkara BKR 4012, Malta, that is 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;
Authorised Intermediary	each of the licensed stockbrokers and financial intermediaries listed in Annex A to this Prospectus;
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;
Board	the Board of Directors of the Bank;
Bond/s	the 3.25% unsecured subordinated bonds (MT0002501204) to be issued by the Bank in terms of this Prospectus;
Bond Issue	the issue of the Bonds pursuant to this Prospectus;
Bondholder/s	any holder/s of the Bonds from time to time, as evidenced by an electronic entry in the CSD Register;
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;
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);
CET 1	the primary component of capital under Basel III rules, consisting principally of capital instruments meeting the conditions set out in the CRR, related share premium accounts, retained earnings, accumulated other comprehensive income, other reserves, funds for general banking risk and such other components as may be detailed in the CRR from time to time, as the same may be amended and/or updated;
Companies Act	the Companies Act, Chapter 386 of the laws of Malta;
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 Listing Rules;
Corporate Governance Guidelines	the Corporate Governance Guidelines for Public Interest Companies issued by the MFSA;

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, as may be amended from time to time;
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 amended 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;
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 Bonds held and maintained by the CSD on behalf of the Bank;
Data Protection Act	the Data Protection Act, Chapter 586 of the laws of Malta;
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;
Early Redemption Date	each the fifth, sixth, seventh, eighth and ninth anniversaries of the Issue Date, subject to MFSA approval and subject to the Bank giving the Bondholders at least thirty (30) days' notice in writing;
ECB	the European Central Bank;
Eligible Counterparty	a client recognised as an 'eligible counterparty' in 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 regulation 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;
Financial Markets Act	the Financial Markets Act, Chapter 345 of the laws of Malta;
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;
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;
Insurance Distribution Act	the Insurance Distribution Act, Chapter 487 of the laws of Malta;
Interest Commencement Date	19 November 2020
Interest Payment Date	19 November of each year (including 19 November 2021, being the first interest payment date) and the Maturity Date (or if any such date is not a Business Day, the next following day that is a Business Day);

Investment Services Act	the Investment Services Act, Chapter 370 of the laws of Malta;
Issue Date	19 November 2020;
Issue Price	€25,000 per Bond;
Listing Authority	the Board of Governors of the MFSA, appointed as Listing Authority under the MFSA Act and established in terms of the Financial Markets Act;
Listing Rules	the listing rules issued by the Listing Authority in respect of the Official List, as amended from time to time;
Maturity Date	19 November 2030 or in the event of an early redemption, any Early Redemption Date;
Memorandum and Articles of Association	the memorandum and articles of association of the Bank in force at the time of publication of this Prospectus, and the terms ' Memorandum of Association ' and ' Articles of Association ' shall be construed accordingly;
MFSA	Malta Financial Services Authority as established under the MFSA Act;
MFSA Act	the Malta Financial Services Authority Act, Chapter 330 of the laws of Malta;
MiFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2004 on markets in financial instruments and amending Directives 2002/92/EC and 2011/61/EU (recast);
MSE	Malta Stock Exchange plc, as originally constituted by the Financial Markets Act, bearing company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
MSE Bye-Laws	the bye-laws of and issued by the MSE;
Nominal Value	€25,000 (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;
PMLA	Prevention of Money Laundering Act (Chapter 373 of the laws of Malta) and all regulations issued thereunder;
Pre-Allocation Agreements	the conditional pre-allocation agreements entered into between the Bank and the Authorised Intermediaries as described in Section 7.5 of this Prospectus;
Pre-Allocation Date	18 November 2020;
Preferred Applicant	any Applicant that is: (1) a director or employee of the Bank; (2) the Archdiocese of Malta, the Diocese of Gozo, or the Metropolitan Cathedral Chapter; or (3) an entity, organisation, foundation, office, commission, school, secretariat, parish, college, tribunal, society, movement, conference, and any other religious organisation (in each case having legal or juridical personality and/or which is governed by a statute or other constitutive document/s that portray robust governance structures) encompassed within the (a) Archdiocese of Malta (b) Diocese of Gozo; (c) Conference of Religious Major Superiors in Malta (KSMR) and (d) Commission of the Bishops' Conferences of the European Union (COMECE);

Professional Client	a 'professional client' as defined under MiFID II, which means a client falls within at least one of the following categories is: <ol style="list-style-type: none"> 1. 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; 2. a large undertaking meeting two of the following size requirements on a company basis: (a) balance sheet total of EUR20,000,000 or more, (b) net turnover of EUR40,000,000 or more, and (c) own funds of EUR2,000,000 or more; 3. 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; 4. 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 5. 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;
Prospectus	this Prospectus in its entirety together with any Supplements;
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;
ReAPS	ReAPS Asset Management Limited, a limited liability company incorporated in Malta with Company Registration Number C 77747 and with its registered address situated at APS Centre, Tower Street, Birkirkara BKR 4012, Malta;
Recovery & Resolution Regulations	the Recovery and Resolution Regulations (Subsidiary Legislation 330.09 of the laws of Malta);
Registrar	the MSE;
Retail Client	a client that is not a Professional Client or an Eligible Counterparty;
Sponsor	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 1511, Malta, in its capacity as the Bank's Sponsor and Manager in respect of the Bonds;
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;
Supplement	any supplement to this Prospectus that may be issued from time to time by the Bank;
Terms and Conditions	the terms and conditions of the Bonds set out in Section 8; and
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.

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

Unless it otherwise required by the context:

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

SUMMARY

This Summary is issued in accordance with the provisions of the Prospectus Regulation. Capitalised terms used but not otherwise defined in this Summary shall have the meanings assigned to them in the 'Definitions' section of the Prospectus.

A. INTRODUCTION AND WARNINGS

Prospective investors are hereby warned that:

- this summary should be read as an introduction to the Prospectus;
- any decision to invest in the Bonds should be based on consideration of the Prospectus as a whole by the prospective investor;
- a prospective investor may lose all or part of the capital invested in subscribing for Bonds;
- where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under Maltese law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and
- civil liability attaches only to those persons who have tabled the summary including any translation thereof and who applied for its notification, but only if the summary, when read together with the other parts of the Prospectus, is misleading, inaccurate or inconsistent, or does not provide key information in order to aid investors when considering whether to invest in the Bonds.

International Securities Identification Number (ISIN) of the Bonds: MT0002501204

Identity and Contact Details of the Bank:

Legal & Commercial Name: APS Bank plc
Company Registration Number: C 2192
Registered Office Address: APS Centre, Tower Street, Birkirkara, BKR 4012, Malta
LEI: 213800A1037916DMCU10
Telephone Number: +356 2560 3000
E-mail Address: investor.relations@apsbank.com.mt
Website: www.apsbank.com.mt

This Prospectus has been approved by the Listing Authority, which is the competent authority in Malta for the purposes of the Prospectus Regulation, on 2 November 2020. The Listing Authority has only approved this 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.

Identity and Contact Details of the Listing Authority:

Address: Malta Financial Services Authority, Triq l-Imdina, Zone 1, Central Business District, Birkirkara CBD 1010, Malta.
Telephone Number: +356 2144 1155
Website: www.mfsa.mt

B. KEY INFORMATION ON THE ISSUER

Who is the issuer of the securities?

Identity of the Bank

The issuer of the Bonds is APS Bank plc, a public limited liability company registered in Malta in terms of the Companies Act. The Bank's Legal Entity Identifier (LEI) number is 213800A1037916DMCU10.

Principal Activities of the Bank

The Bank is licensed by the MFSA to carry out the business of banking and investment services in terms of the Banking Act and the Investment Services Act, respectively. The Bank is also enrolled in the Tied Insurance Intermediaries List in terms of the Insurance Distribution Act. The Bank's three principal activities are retail banking, commercial banking and investment services.

Major Shareholders

The Bank's largest shareholder is AROM Holdings Limited, which holds 79.66% of the issued share capital of the Bank. AROM Holdings Limited is wholly owned (save for one ordinary share) by the Archdiocese of Malta. The second largest shareholder of the Bank is the Diocese of Gozo, which holds 18% of the issued share capital of the Bank.

Directors of the Bank

As at the date of this Prospectus, the Board is composed of the following nine (9) Directors:

Mr. Frederick Mifsud Bonnici	Chairman; Non-Executive Independent Director
Mr. Victor E. Agius	Non-Executive Independent Director
Dr. Ing. Joseph C. Attard	Non-Executive Independent Director
Mr. Franco Azzopardi	Non-Executive Independent Director
Dr. Laragh Cassar	Non-Executive Independent Director
Mr. Alfred DeMarco	Non-Executive Independent Director
Mr. Victor Gusman	Non-Executive Director
Mr. Michael Pace Ross	Non-Executive Director
Mr. Martin Scicluna	Non-Executive Independent Director

Statutory Auditors of the Bank

Deloitte Audit Limited 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 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.

What is the key financial information regarding the issuer?

The below tables show the main financial information and relevant ratios of the issuer which have been extracted from the audited consolidated annual financial statements of the Group for the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019 and from the consolidated interim financial statements of the Group for the six months ended 30 June 2020 (including the comparative figures for the six months ended 30 June 2019), the latter having been independently reviewed in accordance with International Standard on Review Engagements 2410.

Income Statement

	FY 2019	FY 2018	FY 2017	Interim 2020	Interim 2019
	Eur 000	Eur 000	Eur 000	Eur 000	Eur 000
Net Interest Income	44,642	37,814	32,804	23,921	21,758
Net fee and Commission income	6,596	5,774	4,402	3,204	3,334
Net impairment loss on financial assets	(1,074)	(1,555)	(2,470)	(1,383)	(835)
Net trading (loss)/income	687	260	299	(281)	357
Other operating income	4,372	466	4,691	228	2,939
Net profit or (loss)	19,570	12,584	13,108	5,402	10,978

Balance Sheet	FY 2019	FY 2018	FY 2017	Interim 2020
	Eur 000	Eur 000	Eur 000	Eur 000
Total assets	2,168,929	1,891,230	1,496,445	2,287,712
Loans and receivables from customers (net)	1,584,097	1,315,493	1,024,59	1,690,078
Deposits from customers excl. derivatives	1,928,971	1,650,308	1,225,576	2,054,158
Total equity	191,915	142,244	136,403	195,987
Non-performing loans (based on net carrying amount) / Loans and receivables)	2.6%	3.8%	4.2%	2.5%
Common Equity Tier 1 capital (CET1) ratio	16.2%	13.9%	16.1%	15.5%
Total Capital Ratio	16.2%	13.9%	16.5%	15.5%
Leverage Ratio	7.74%	6.69%	7.02%	7.31%

What are the key risks that are specific to the issuer?

The most material risk factors specific to the Bank are the following:

Cyber-Security Risks

The activities of the Group are reliant on the continuous and proper functioning of its operating systems, including its IT 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, 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. The COVID-19 pandemic has further increased the Group's dependency on IT systems and exposure to cyber-security risk, mainly to enable remote working for its employees. In the event that a cyber-attack occurs on the Group's operating systems, this could adversely affect the Group's reputation, financial performance and financial position.

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. In the event that the Bank were to suffer any loss in reputation, 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.

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. 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. 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.

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 to an unacceptable level. The management of liquidity and funding is central to the Bank's operations and the on-going viability of the Bank. The Bank's liquidity contingency plans can assist in mitigating unexpected liquidity situations after the fact, but they cannot eliminate liquidity and funding risk, nor can they guarantee that such situations will be managed successfully if they were to occur. If, for whatever 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.

Information Security and Data Protection Risk

Information security and data protection 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 which creates significant regulatory obligations for the Group in terms of 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.

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; (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); and (iii) investments held directly in properties owned by it and through subsidiaries which it operates. Although the Group has a diversified lending portfolio, the Group is substantially exposed to real estate, which implies a heightened sensitivity to a change in property prices. A significant drop in property prices originating from an economic contraction could result in a decline in the value of collateral, leading to higher levels of non-performing loans and provisioning, which could in turn have a negative impact on the Group's business, results of operations, financial condition and cash flows.

Financial Crime Compliance Risk

Financial crime compliance risk arises should the Bank fail to identify suspicious transactions, activities or connections and protect customers from financial crime. Such failure may arise from: (1) lack of adherence to the appropriate regulatory environment and/or market practice; (2) failures arising from the lack of implementation of updated directives, rules, regulations, and/or internal operating procedures; and/or (3) 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.

Bank Regulatory Risk

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. In this regard, the Bank faces risks associated with an uncertain and rapidly evolving prudential regulatory environment pursuant to which it is required, among other things, to maintain adequate capital and liquidity resources and to satisfy specified capital and liquidity ratios at all times. Any legislative or regulatory actions and any required changes to the Bank's business operations resulting from such legislation and regulations (or their interpretation or application) could result in significant loss of revenue, limit the ability to pursue business opportunities in which the Bank might otherwise consider engaging or limit the ability to provide certain products and services, affect the value of assets held, impose additional compliance and other costs or otherwise adversely affect its business. 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 provides authorities with a set of powers to intervene sufficiently early and quickly in an unsound or failing institution so as 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. 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.

C. KEY INFORMATION ON THE BONDS

What are the main features of the Bonds? / Where will be Bonds be traded?

Securities:	Unsecured subordinated callable bonds
Amount:	€55,000,000
Nominal Value:	€25,000 per Bond
Denomination:	Euro (€)
ISIN:	MT0002501204
Issue Price:	At Nominal Value (€25,000 per Bond)
Interest:	3.25% per annum
Issue Date:	19 November 2020
Interest Payment Dates:	19 November of each year, including 19 November 2021 (the first interest payment date) and the Maturity Date (or if not a Business Day, the next following Business Day)
Redemption:	On any Early Redemption Date and/or on the Maturity Date
Maturity Date:	19 November 2030
Rights:	The only rights attached to the Bonds are the right to (i) attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions; (ii) receive payment of capital and interest in accordance with the ranking as provided in the Terms and Conditions; and (iii) enjoy such other rights attached to the Bonds emanating from the Prospectus.
Status:	The Bonds shall be the general, direct, subordinated, unsecured and unconditional obligations of the Bank to the Bondholders, and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves. In a dissolution and winding up of the Bank, the claims of Bondholders in respect of the Bonds will be subordinated to the claims of all depositors and other unsubordinated secured and unsecured creditors of the Bank, and will not be repaid until all other unsubordinated debt outstanding at the time has been settled in full. In the event of a resolution of the Bank or in any other instances under applicable law, the Bonds are subject to conversion or write down by the applicable resolution authorities as provided by law.

Transferability:	The Bonds shall be freely transferable.
Listing / Trading:	Application has been made to the MSE for the Bonds to be listed and traded on the Official List.

What are the key risks that are specific to the Bonds?

The most material risk factors specific to the Bank are the following:

Subordinated Status

The Bonds shall constitute the general, direct, subordinated, unsecured and unconditional obligations of the Bank. In a dissolution and winding up of the Bank, the claims of Bondholders in respect of the payment of capital and interest on the Bonds will be subordinated to the claims of all depositors and other unsubordinated secured and unsecured creditors of the Bank, and if 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 pay the claims of senior-ranking creditors in full but insufficient assets to pay claims in respect of the Bonds and all other claims that rank *pari passu* with the Bonds, Bondholders may lose some (or even almost 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 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.

Bail-In Risk

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, which may result in a loss in value of the Bonds, whereby they may be subject to a write-down and/or conversion into equity. Such a development could have an adverse impact on the financial performance and condition of the Bank and its ability to meet its obligations to Bondholders.

Limited Recourse Obligations

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 in respect of the Bonds shall be the ability to petition for the winding-up of the Bank. The Bondholders are not able to call an event of default or otherwise bring any enforcement action in respect of the Bank or its assets. In the event that an order is made or resolution passed or other action taken for the dissolution, liquidation, winding-up or insolvency of the Bank, this shall constitute an acceleration event, as a result of which the Bonds shall immediately become due and payable at their Nominal Value, together with interest accrued up to the date of repayment, if any.

Waiver Set-Off

Bondholders waive any right of set-off in relation to the Bonds insofar as permitted by applicable law. Therefore, the Bondholders will not be entitled (subject to applicable law) to set-off the Bank's obligations under the Bonds against obligations owed by them to the Bank.

Complex Financial Instruments

The Bonds are complex financial instruments and may not be suitable for all prospective investors. 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 the event that the prospective investor does not seek independent financial advice and/or does not read and fully understand the provisions of this Prospectus, there is a risk that such investor may acquire an investment which is not suitable for his or her risk profile.

Bonds are Redeemable at the Option of the Bank

Any or all of the Bonds may be redeemed by the Bank on any Early Redemption Date on at least thirty (30) days' prior written notice to the relevant Bondholders. 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.

D. KEY INFORMATION ON THE OFFER OF BONDS TO THE PUBLIC AND THE ADMISSION TO TRADING ON A REGULATED MARKET

Under which conditions and timetable can I invest in the Bonds?

Expected Timetable of the Bond Issue

1. Pre-Allocation Date:	18 November 2020
2. Issue Date:	19 November 2020
3. Commencement of interest on the Bonds:	19 November 2020
4. Expected date of admission of the Bonds to listing:	19 November 2020
5. Expected date of commencement of trading of the Bonds:	20 November 2020

Plan of Distribution

The Bank, together with the Registrar, have entered into Pre-Allocation Agreements with the Authorised Intermediaries, pursuant to which the Bank has bound itself to allocate all of the Bonds (€55,000,000 in Nominal Value) to such Authorised Intermediaries. Part of the amount subscribed in this manner has been subscribed on behalf of and allocated in respect of Preferred Applicants. Payment for these Bonds must be received by the Registrar in cleared funds by the Pre-Allocation Date.

General Terms and Conditions

Authorised Intermediaries who subscribed for Bonds pursuant to Pre-Allocation Agreements have done so for their own account and/or for the account of their underlying clients. The Bonds are being issued at their Nominal Value (€25,000 per Bond), subject to a minimum subscription amount of €25,000 in Nominal Value of Bonds (and in multiples of €25,000 thereafter) in relation to each underlying client.

Application has been made to the MSE for the Bonds to be listed and traded on the Official List. Dealings in the Bonds shall not commence prior to the Bonds being admitted to the Official List of the MSE.

The issue and allotment of the Bonds is conditional upon the Bonds being admitted to the Official List. In the event that this condition is not satisfied within twenty (20) Business Days from the Pre-Allocation Date, the Bond Issue will be revoked, in which case any application monies received by or on behalf of the Bank will be returned without interest.

Estimated Expenses of the Bond Issue

The Bond Issue will involve expenses, including professional fees and costs related to publicity, advertising, printing, listing, registration, sponsor, management, selling commission and other miscellaneous costs incurred in connection with this Bond Issue. Such expenses are estimated not to exceed €700,000 and shall be borne by the Bank and deducted from the proceeds of the Bond Issue.

Why is this prospectus being produced?

The net proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €54,300,000 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.

The Bond Issue is not underwritten.

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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 PROSPECTUS. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER, TOGETHER WITH THEIR INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS, THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BANK AND THE BONDS.

THE RISK FACTORS BELOW HAVE BEEN CATEGORISED UNDER TWO (2) MAIN CATEGORIES, ACCORDING TO WHETHER THE RISKS UNDER REVIEW RELATE TO THE: (I) THE BANK; AND (II) THE 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 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 AND THE ABILITY OF THE BANK TO FULFIL ITS OBLIGATIONS UNDER THE BONDS.

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 OF ALL RISK FACTORS, AND SHOULD CAREFULLY READ, CONSIDER AND UNDERSTAND THE 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 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 impression 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 Listing 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. Cyber-Security Risk

The activities of the Group are reliant on the continuous and proper functioning of its operating systems, including its IT systems and other technologies. 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.

In addition, to the extent that the Group is reliant upon technologies and operating systems (including IT systems and other technological arrangements) developed by third parties for the efficient running of its business, it will be exposed to the risk of failures, errors or other interruptions in such systems. There can be no assurance that the maintenance and service level agreements, business continuity and disaster recovery plans intended to ensure continuity and stability of these systems will prove effective in ensuring that the service or systems will not be disrupted.

The COVID-19 pandemic has further increased the Group's dependency on IT systems and exposure to cyber-security risk, mainly to enable remote working for its employees. In the event that a cyber-attack occurs on the Group's operating systems, this could adversely affect the Group's reputation, financial performance and financial position.

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 and counterparties, 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, with 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; (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); and (iii) investments held directly in properties owned by it and through subsidiaries which it operates.

With regard to (i) above, a fall in property prices could translate into a reduction in the value of the collateral that could potentially be realised in the case of enforcement if the debtor defaults. In addition, 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, as well as on the operations and financial position of the Bank and/or the Group.

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 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.

With respect to (iii) above, any downturn in the property market could result in the Group having to make impairments to the real estate it owns at a value that is higher than the recoverable value, with consequent negative effects, on the operating results and capital and financial position of the Bank and/or the Group.

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. A significant drop in property prices originating from an economic contraction could result in a decline in the value of collateral, leading to higher levels of non-performing loans and provisioning, which could in turn have a negative impact on the Group's business, results of operations, financial condition and cash flows.

1.3.7. Financial Crime Compliance Risk

Financial crime compliance risk arises should the Bank fail to identify suspicious transactions, activities or connections and protect customers from financial crime. Such failure may arise from: (1) lack of adherence to the appropriate regulatory environment and/or market practice; (2) failures arising from the lack of implementation of updated directives, rules, regulations, and/or internal operating procedures; and/or (3) 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. The risk, and therefore the impact of financial crime on credit institutions and/or investment firms, has developed beyond money laundering and terrorist financing. The far-reaching effects of a sanctions breach or the failure to implement adequate anti-fraud and anti-bribery and corruption measures could also give rise to additional and unwarranted financial or reputational risks.

1.3.8. Bank Regulatory Risk

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 (each described in further detail below).

The Bank therefore faces risks associated with an uncertain and 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. Any legislative or regulatory actions and any required changes to the Bank's business operations resulting from such legislation and regulations (or their interpretation or application) could result in significant loss of revenue, limit the ability to pursue business opportunities in which the Bank might otherwise consider engaging or limit the ability to provide certain products and services, affect the value of assets held, impose additional compliance and other costs or otherwise adversely affect its business. There can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect the Bank and its financial position.

CRD IV and CRR (the 'CRD IV Package') and CRD V and CRR II (the 'CRD V Package') (together, the 'CRD Packages')

The CRD IV Package introduced significant changes in the prudential regulatory regime applicable to banks with effect from 1 January 2014, including: (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 V Package, amending the CRD IV Package with the introduction of an additional regulation (CRR II) and directive (CRD V), was adopted by the Council of the European Union on 14 May 2019. The CRD V Package was published in the Official Journal of the European Union on 7 June 2019. The deadline for the transposition of most of the provisions of CRD V into local legislation is the 28 December 2020, whereas the majority of CRR II provisions will come into force on 28 June 2021.

The requirements of the CRD Packages as adopted or applicable in Malta may change, whether as a result of further changes to the CRD Packages agreed by European Union legislators, binding regulatory technical standards to be developed by the European Banking Authority, or changes to the way in which the MFSA and/or the ECB interprets and applies these requirements to banks under its supervision. 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.

BRRD and BRRD II

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, 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. The BRRD establishes a legal regime which requires firms 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 (the '**SRB**') is the central resolution authority within the banking union. Together with the National Resolution Authorities (the '**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, in compliance with a resolution scheme adopted by the SRB, over the 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 (the '**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 a minimum requirement for own funds and eligible liabilities ('**MREL**') 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 shall enter into force on 28 December 2020 and BRRD II is required 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 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 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. As at the date of this Prospectus, Malta is currently transposing the BRRD II.

The Recovery & Resolution Regulations, transpose into Maltese law the provisions of the BRRD (with BRRD II being currently transposed as indicated above). 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 SRB or the Resolution Committee, as the case may be, must exercise the power to write down and convert shares and other capital instruments immediately before or together with the application of a resolution tool. The power to write down or convert capital instruments 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.

Should the Bank become subject to such write-down, conversion or resolution powers, it may adversely affect the Bank's business, financial condition, results of operations and/or prospects.

1.3.9. Market Risk

Market risk relates to the risk that the 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 (as the risk associated with the Group's exposure in equities is not considered to be material). Any significant fluctuations in interest rates or foreign exchange rates could therefore have a material adverse effect on the 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.

1.3.10. 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: (1) internal fraud; (2) external fraud; (3) employment practices and workplace safety; (4) clients, products and business practices; (5) damage to physical assets; (6) business disruption and system failure; and (7) 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.

1.3.11. Recruitment and Retention of Key Personnel

The Group is dependent to a significant degree on the skills, experience and efforts of its executives and upon their continued availability and commitment, whose contributions to immediate and future operations are of significant importance. The loss of any of its executives 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, 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.

1.3.12. 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.

1.4. 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. 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 be subordinated to the claims of all depositors and other unsubordinated secured and unsecured creditors of the Bank.

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 (which may be substantially 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 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.

1.4.2. Bail-In Risk

As described in Section 1.3.8 above, 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 by the Bank. 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. As such, the Resolution Committee may exercise the bail-in tool (in accordance with Regulation 43 of the Recovery & Resolution Regulations) in respect of the Bank if the Bank is under resolution, which may result in a loss in value of the Bonds, whereby they may be subject to a write-down and/or conversion into equity, the extent of which depends on Regulation 36 of the Recovery & Resolution Regulations. Such a development could have an adverse impact on the financial performance and condition of the Bank and its ability to meet its obligations to Bondholders.

1.4.3. Limited Recourse Obligations

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 Prospectus. Moreover, by purchasing the Bonds, 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 the Terms and Conditions (including the non-payment of interest and principal) shall be the ability to petition for the winding-up of the Bank. The Bondholders are not entitled to any other remedy in such cases. In this regard, Bondholders 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. In the event that an order is made or resolution passed or other action taken for the dissolution, termination of existence, liquidation, winding-up or bankruptcy of the Bank, this shall constitute an acceleration event (as described in Section 8.5 of this Prospectus) and, as a result of which, the Bonds shall immediately become due and payable at their Nominal Value, together with interest accrued up to the date of repayment, if any.

1.4.4. Waiver of Set-Off

Bondholders waive any right of set-off in relation to the Bonds insofar as permitted by applicable law. Therefore, the Bondholders will not be entitled (subject to applicable law) 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. As such, 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 Prospectus 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. In the event that the prospective investor does not seek independent financial advice and/or does not read and fully understand the provisions of this Prospectus, there is a risk that such investor may acquire an investment which is not suitable for his or her risk profile.

1.4.6. Bonds are Redeemable at the Option of the Bank

Any or all of the Bonds may be redeemed by the Bank on any Early Redemption Date on at least thirty (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 are fixed rate debt securities. Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the market value of the Bonds. Investors should be aware that because of 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 the Bonds can be expected to decline. Conversely, if market interest rates are declining, secondary market prices for the 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.

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. 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 Listing 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 Listing 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 it shall call a meeting of Bondholders in accordance with the provisions of Section 8.14.3 below. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

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, CONSENT FOR USE AND AUTHORISATION OF PROSPECTUS

2.1. Persons Responsible

All of the Directors whose names appear under Section 5.1 of this Prospectus are the persons responsible for all of the information contained in this Prospectus. To the best of the knowledge and belief of the Directors, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect its import, and the Directors have taken all reasonable care to ensure that this is the case. The Directors accept responsibility accordingly.

2.2. Consent for Use of Prospectus

For the purposes of any subscription for Bonds by the Authorised Intermediaries in terms of this Prospectus and any subsequent resale, placement or other offering of Bonds by such 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 Prospectus (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 Pre-Allocation Agreements;
- (b) to any resale or placement of Bonds subscribed for as aforesaid, taking place in Malta; and
- (c) to any resale or placement of Bonds subscribed for as aforesaid, taking place within the period of sixty (60) days from the date of the Prospectus.

There are no other conditions attached to the consent given by the Bank hereby which are relevant for the use of the Prospectus.

Neither of the Bank, the Sponsor 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 nor the Sponsor has authorised (nor do they authorise or consent to the use of this Prospectus 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 or the Sponsor and neither the Bank nor the Sponsor 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 Prospectus. If the investor is in doubt as to whether it can rely on the Prospectus and/or who is responsible for its contents, 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 Prospectus. If given or made, it must not be relied upon as having been authorised by the Bank or Sponsor. The Bank does not accept responsibility for any information not contained in this Prospectus.

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 Prospectus, 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, nor the Sponsor, has, or shall have, any responsibility or liability for such information.

Any Authorised Intermediary using this Prospectus in connection with a resale, placement or other offering of Bonds subsequent to the Bond Issue shall, limitedly for the period of sixty (60) days from the date of the Prospectus, publish on its website a notice to the effect that it is using this Prospectus 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 Prospectus will be made available through a company announcement, which will be made available on the Bank's website (www.apsbank.com.mt).

2.3. Authorisation Statement

This Prospectus has been approved by the Listing Authority as the competent authority in Malta for the purposes of the Prospectus Regulation. The Listing Authority has only approved this 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 Prospectus). Investors should make their own assessment as to the suitability of investing in the Bonds.

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 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 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 Bond Issue (including all of their respective affiliates, directors, officers, employees and agents). Moreover, the Bank's legal counsel and the other advisors accept no responsibility for any description of matters in this Prospectus that relate to (and any issues arising from) any applicable law that is not Maltese law.

3.2. Statutory Auditors

Deloitte Audit Limited 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 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

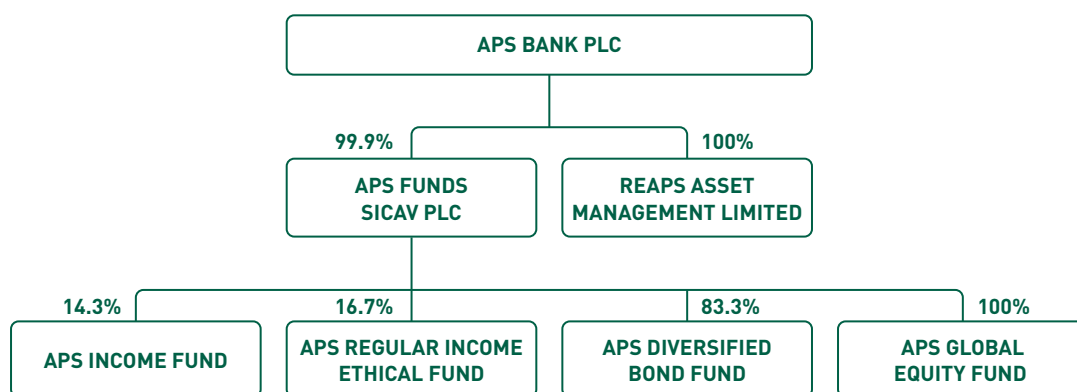
4.1. General Information

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:	213800A1037916DMCU10
Telephone Number:	+356 2560 3000
E-mail Address:	investor.relations@apsbank.com.mt
Website:	www.apsbank.com.mt

Unless it is specifically stated herein that particular information is incorporated by reference into this Prospectus, the contents of the Bank's website or 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 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. Group Organisational Structure

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



Note: The Bank holds 99.9% of the 'founder shares' in APS Funds SICAV. The percentage indicated as held by the Bank in each of the four sub-funds of APS Funds SICAV – APS Income Fund, APS Regular Income Ethical Fund, APS Diversified Bond Fund and APS Global Equity Fund – represents the percentage of 'investor shares' in APS Funds SICAV issued in respect of each sub-fund that are held by the Bank. As a result of its significant holding in the investor shares issued in respect of the APS Diversified Bond Fund and the APS Global Equity Fund, these sub-funds are considered to be subsidiaries of the Bank for financial reporting purposes. The APS Income Fund and the APS Regular Income Ethical 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 elsewhere in this Section. The Bank is not dependent on any of the other entities in the Group.

4.3. Business Overview of the Bank

4.3.1. 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). It was established 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, after the Second World War, the Apostleship of Prayer Savings Bank was transferred to the Archdiocese of Malta.

The Bank was incorporated and registered as a private limited company on the 1st of June 1970. It was granted a banking licence in terms of the Banking Act in March 1977, by the then Minister of Finance, Customs and People's Financial Investments. In the year 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 and the Bank (as sub-investment manager) in an effort to diversify the Bank's services and in 2012 introduced the concept of ethical funds in the Maltese Islands. 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 the 1st of April 2019, the Bank was converted to a public limited company, becoming 'APS Bank plc'.

As part of the Bank's capital development plan, the Bank completed a fully subscribed rights issue (by its existing shareholders) of €13 million in April 2019.

In January 2020 the Bank was classified as an "Other Systemically Important Institution", or O-SII by the Central Bank of Malta.

4.3.2. Principal Activities and Markets of the Bank

As one of the oldest banks on the Maltese Islands, the Bank is a leading local provider of financial services, offering personal, business and investments solutions. Its distribution channels consist of a network of 11 branches and ATMs complemented by a versatile electronic banking platform which serves the retail and commercial customer base.

APS Bank has been a pillar of community banking for over a century and is as committed as ever to the economic and social development of its marketplace. The Bank is an enterprising bank with an agenda of modernisation and growth, helped in no small way by its young, qualified and highly talented workforce of 480 people.

Sustainability and a sense of caring have been key principles guiding the actions of the Bank throughout its history. Be it through the arts, education, protection of the Maltese heritage or addressing the challenges created by climate change, the Bank continues leading the way.

The interests of the Bank's customers are at the heart of its decisions and actions. Proximity, accessibility and relevance to its customers, in terms of products and services, distribution channels and communications are key considerations of the Bank in this regard. The creation, in 2018, of the Voice of the Customer (VOC) unit that is charged with handling and addressing customer complaints and feedback demonstrates the Bank's commitment to this ideal.

The new set of values, established during the development of the 2019-21 business plan, form the fabric that holds the Bank's many teams together in whatever they do. These values are:

- EXCELLENCE: Get it right first time;
- AUTHENTICITY: Always do the right things;
- 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.

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's three lines of activity are retail banking, commercial banking and investment services.

Over the years, the Bank has developed expertise in the bank lending sphere. This is particularly true for retail products, where the Bank's home loan product has been very successful in the last 3 years, growing at double digit rates and allowing the Bank to gain significant market share in this product category. On the commercial side, the Bank has capitalised on its dynamic, although selective, risk approach, together with the provision of a high-quality service to increase the number of customers relating to commercial lending. The Bank has also developed a portfolio of trade finance deals and selected participations in syndicated lending.

Since its inception, the Bank has 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 values of acceptance, inclusiveness and tolerance that have guided the Bank's actions during its journey have been a strong driver that is still reflected in its current values.

The Bank is the only Maltese bank which is a member of the FEBEA (*Fédération Européenne des Banques Ethiques et Alternatives*) that has the aim of developing ethical and social finance in Europe. The Bank prides itself with a high level of personalised service to its customers enhanced through its branch transformation programme started three years ago that has the objective of improving the customer experience through enhanced accessibility, more transparency (information about the Bank's products and services available on digital screens at the particular branch) and increased privacy to conduct meetings, amongst other things.

The Bank, in partnership with the National Housing Authority, has developed a home loan that offers low-income families with the possibility of buying their home, supported by favourable interest rates and a guarantee scheme.

The Bank launched the 'ECO Loan', available for individuals wishing to purchase products that have a positive impact on the environment.

As a part of its continuous effort to support causes relating to education, the Bank has launched, in conjunction with the Foundation for Church Schools, a new product targeted at supporting schools falling within the scope of the Foundation. This product consists of a financing package to assist with refurbishments or upgrades of facilities, such as gyms, technology and science laboratories, libraries, canteens, classrooms and playgrounds. The 'APS Church School Loan' scheme offers multiple competitive features including an improved interest rate and favourable repayment terms and fees.

The Bank is also assisting those at the margins of society, such as immigrants and asylum seekers. For victims of usury, in partnership with Caritas, the Bank makes available a micro-loan to help them avoid precariousness.

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, the Bank, in collaboration with the Ministry for the Family, Children's Rights and Social Solidarity, and the Housing Authority has launched an exclusive product called the 'Equity Sharing Scheme' that offers a very competitive rate on part of the financing while charging no fee for the administration of the loan.

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 community and the protection of the environment.

The Bank, in fact, is an active player in the local community with products and services aimed at different customer segments ranging from students, professionals, investors, associations and corporations.

After the successful launch of the Bank's VISA Debit contactless card this year, the Bank is actively pursuing opportunities in the personal lending segment including a new offering of its own credit cards and the development of retirement and pensions solutions.

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 online platform 'myAPS' – while preserving the safety, security and integrity of its customer relationships.

In June 2019, the Bank announced its participation in a new limited liability company for the purpose of carrying out the business of life insurance in Malta. The equity of the company is equally divided amongst the four promoters, the other three being Atlas Insurance PCC, GasanMamo Insurance Limited and MaltaPost p.l.c. (a subsidiary of Lombard Bank Malta p.l.c.). The project is presently at an advanced stage of the application process with the MFSA and, subject to all regulatory authorisations being granted, the Bank hopes that this new venture will become operational during the fourth quarter of 2020.

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

4.3.3. ReAPS Asset Management Limited

ReAPS is wholly owned by the Bank and is authorised by the MFSA to provide investment management services for UCITS (an 'Undertaking for the Collective Investment in Transferable Securities') Collective Investment Schemes and to provide such services to other Professional Clients (including pension schemes) as well as Retail Clients. ReAPS is the appointed investment manager of the APS investment Funds SICAV plc and its 4 sub-funds. It has also been appointed as the manager of two retirement pension schemes, namely the APS Occupational Pension Scheme and the APS Personal Pension Plan.

4.3.4. APS Funds SICAV plc

APS Funds SICAV has four sub-funds, namely: the APS Regular Income Fund, the APS Regular Ethical Fund the APS Diversified Bond Fund and the APS Global Equity Fund. APS Funds SICAV is licensed by the MFSA as a UCITS Collective Investment Scheme under the Investment Services Act and each of the sub-funds are also authorised by the MFSA in terms of the Investment Services Act. The APS Income Fund is also listed on the MSE. These sub-funds are distributed to Retail Clients. The total value of assets under management across the sub-funds as at 30 September 2020 amounted to €168.8 million. The following is a brief description of the investment objective of each sub-fund:

APS Income Fund

The investment objective of the APS Income Fund is to maximise the total return for investors, whilst minimising the volatility of the portfolio and attaining a desirable level of liquidity through investment (primarily) in Maltese debt and equity securities. To a limited extent, the APS Income Fund may also invest in international debt and equity securities. The APS Income Fund may also invest in deposits and cash.

APS Regular Income Ethical Fund

The investment objective of the APS Regular Income Ethical Fund is to endeavour to maximise the total return to investors while minimising the volatility of the portfolio and having regard to attaining a desirable level of liquidity. It follows ethical principles and seeks to achieve this objective by investing primarily in international government and corporate bonds, and in direct equities. The Fund may also invest in collective investment schemes, deposits and cash.

APS Diversified Bond Fund

The investment objective of the Diversified Bond Fund is to maximise total return (income and capital), primarily through investment in international debt instruments rated Baa2 or lower by a Rating Agency, or if unrated, deemed by the Investment Manager to be of equivalent credit quality.

APS Global Equity Fund

The APS Global Equity Fund endeavours to maximise long-term capital appreciation through investment, primarily, in a diversified portfolio of equity securities.

The above descriptions of APS Funds SICAV and its sub-funds should not be taken as a solicitation to invest in APS Funds SICAV or any of its sub-funds and any decision to invest should be taken after a review of the relevant offering documentation for the relevant sub-fund.

4.3.5. 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 are 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.

The overall growth of the domestic market led to a positive effect on the Bank's performance during 2019, with significant increases in business generation of loans and mortgages. Stability in the European markets also led to an encouraging performance of the Bank's funding costs.

Although the COVID-19 pandemic has caused an unprecedented contraction in economic activity, the Bank will continue to pursue further growth in an effort to attain its long-term strategy. With net interest income generated from lending activities, being the main contributor to the Bank's total income, it is anticipated that this will not be affected by COVID-19 and will increase at the same rate as that of 2020. This growth is expected to be driven by an increase in volume, with the lending portfolio projected to increase with the same momentum as it has during the first half of 2020.

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

For a number of years, the Bank has invested heavily in human resources and technology while at the same time reinforcing its security 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. Thus, it expects its cost to operating income to remain at a sustainable level.

The banking industry is facing tough and unprecedented challenges as a result of COVID-19 which is impacting both financial markets and consumer behaviour as never before with severe economic consequences. COVID-19 is negatively impacting global economic growth, with such impacts also affecting the domestic market. The performance of the Maltese economy in the months ahead will depend on a number of factors including the severity and duration of the second wave of COVID-19 infections and the speed of the recovery of the tourism industry. The outlook may change during the course of 2020 and 2021. Thus, it is very difficult to project the effects of COVID-19 on the expected credit losses. The significant degree of uncertainty attributed to the outbreak of the pandemic is quite high, with the Bank expecting that situation to continue to evolve in the last quarter of 2020 and into 2021.

Save for the effects of the COVID-19 pandemic (as described above), the Bank is not aware of any other factors or events that are likely to have a material effect on the Bank's prospects in the current financial year.

4.3.6. 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 key pillars are the following:

- To engage with the communities (shareholders, employees, business partners and community "at large") where the Group 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 achieving 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.
- To innovate at all levels of the Group, 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 (that is having an agile mind-set).

The Bank's primary strategic objective is to continue building on the above three key pillars. Apart from strengthening the profitability of the business, the Bank will focus on better understanding its customer base in order to provide an enhanced service. Ultimately, the achievement of the Bank's long-term vision is intended to create new products, services and processes that will deliver a simpler and more personal experience to its customers. The Bank will continue to embrace the digital and technology evolution, thus ultimately, improving the competitive advantage of the Bank in the market.

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

Corporate Governance and Organisational Change

The Bank is committed to sound corporate governance and best practice. An organisational restructuring process took place, involving the creation of new positions within the Bank's management structure to further strengthen its senior management team, with the appointment of individuals having diverse knowledge and international experience.

Sustainable Banking

Sustainability and a sense of caring have been key principles guiding the actions of the Bank throughout its history. 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 organisation of the first ever Malta Sustainability Forum had the 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 has organised several 'APS Talks' covering topics such as the gender pay gap, opportunities for trading on China's new Silk Road, emotional intelligence in the workplace, artificial intelligence, the sustainable regeneration of built heritage, the impact of Brexit, statutory obligations of GDPR and several others. The aim of these Talks is simple: to bring in leading experts in their field to share knowledge and build awareness on various topics for the benefit of the broader community. Events are free of charge and allow for networking.

The Bank also launched a number of Environmental, Social and Governance (ESG) products which include the 'Social Loan', the 'Equity Sharing Scheme', the 'Home Ownership Scheme', and the 'Lending for Church Schools' initiative. Further product developments in this respect are in the pipeline.

Development and Improvement of the Digital Offering

During 2020, the Bank also launched the new APS Visa Debit Card, which provides a host of innovative features to its users. The 'myAPS' application was also launched providing customers with 24/7 accessibility and control of their finances. 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 (internet and Apps) that will increase its reach in the Maltese market.

Pandemic Response

Since the onset of the COVID-19 pandemic, the Bank has strived to ensure the smooth running of its operations and services, with a number of teams working actively to ensure business continuity whilst safeguarding the Bank's staff members and customers. In order to assist local businesses that were experiencing difficulties due to the COVID-19 pandemic, the Bank developed and launched in record timing, a product titled, 'APS Jet Pack' in collaboration with the Malta Development Bank, providing a host of benefits to support customers struggling with cash flow problems as a result of the pandemic.

The Bank has further identified a number of strategic initiatives, which will enable the Bank 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 will also provide the Bank with enhanced scope for its operations and prospective growth.

ii. Business Transformation

The Bank has embarked on a business transformation programme that aims at offering a simpler and more personal customer journey/experience. At the same time the programme is expected to deliver optimal operational efficiencies throughout the organisation. To achieve this goal the Bank has launched a Business Process Re-engineering Programme with a focus on on-boarding (that is, the process of becoming a customer of the Bank) and the home loan product (the most important product line of the Bank). A new Programme Management Office has been created 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 the ethos of the Bank 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 "APS Times", wall

of Values) but also during performance evaluation and rewards including 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. Agile Mind-Set Training Programme

The Bank is currently designing the Agile Mind-Set Training Programme 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 efficiencies and reducing time to market new products and services, all the while reflecting the Bank's core values of excellence, authenticity, passion, inclusivity and being contemporary.

4.4. Capital Overview

The Group's CET 1 capital ratio as at end of June 2020 stood at 15.5%, whereas that of the Bank stood at 14.7%. Capital planning is an integral part of the Bank's business strategy. In 2019 the Bank prepared a 'Capital Development Plan', which aims at expanding its capital base in phases. A broader capital base would support the Bank's growth trajectory, regulatory requirements and overall long-term strategy.

Phase 1 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.

The Bank is now planning to implement Phase 2 of the 'Capital Development Plan', which includes a Bond Issue as an integral part of the Bank's capital expansion and that will be used to meet part of its general financing requirements.

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 ending 31st December 2019.

The Bank's business activities are all expected to be financed through customers' deposits. The Bond Issue will be used to strengthen and provide further buffers to enable the Bank to fulfil its capital requirement ratios and to support the Bank's future growth.

4.5. Financial Information

4.5.1. Historical Financial Information

The Bank's consolidated audited financial statements for financial years ended 31 December 2017, 31 December 2018 and 31 December 2019, as well as the interim consolidated financial statements for the six-month period ended 30 June 2020 (which included the comparatives for the six-month period ended 30 June 2019), have all been filed with the Listing Authority and shall be deemed to be incorporated by reference in, and form part of, this Prospectus. The aforementioned financial statements are also available for inspection as set out in Section 11 of this Prospectus.

As at the date of this prospectus there has been no material adverse change in the prospects of the Bank since 31 December 2019 (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 2020 (being the end of the last financial period in respect of which the Bank has published interim financial information).

Key References

Information incorporated by reference in the Prospectus	Page Number in Annual Reports			Page Number in Interim Statements
	Financial year ended 31 December 2019	Financial year ended 31 December 2018	Financial year ended 31 December 2017	Six-Month period ended 30 June 2020
Consolidated Statements of Profit or Loss	27-28	23-24	26-27	3-4
Consolidated Statements of Financial Position	29	25	28	5
Consolidated Statements of Cash Flows	32	28	31	8
Notes to the Consolidated Financial Statements	33-109	29-97	32-90	9-19
Independent Auditors' Reports	24-26 (audit report)	20-22 (audit report)	23-25 (audit report)	20 (review report)

4.5.2. Key Financial Figures

The below tables show the main financial information and relevant ratios of the issuer which have been extracted from the audited consolidated annual financial statements of the Group for the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019 and from the consolidated interim financial statements of the Group for the six months ended 30 June 2020, the latter having been independently reviewed in accordance with International Standard on Review Engagements 2410.

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

	Six-Month period ended 30 June 2020	Financial year ended 31 December 2019	Financial year ended 31 December 2018	Financial year ended 31 December 2017	Compound Annual Growth Rate (CAGR) <i>(FY2017-FY2019)</i>
Net interest income (€000)	23,921	44,642	37,814	32,804	16.7%
Fee & commission income (€000)	3,456	6,980	6,179	4,956	18.7%
Profit after tax (€000)	5,402	19,570	12,584	13,108	22.2%
Other comprehensive (loss) / income, net of tax (€000) #	(2,063)	18,308	(3,736)	(5,281)	N/A
Total comprehensive income, net of tax (€000)	3,339	37,878	8,848	7,827	120.0%
Total assets (€000)	2,287,712	2,168,929	1,891,230	1,496,445	20.4%
Total liabilities (€000)	2,091,725	1,977,014	1,748,986	1,360,042	20.6%
Total Equity (€000)	195,987	191,915	142,244	136,403	18.6%
Cost-to-operating income ratio**	60.6%	53.6%	55.0%	52.3%	N/A
Non-performing loans ("NPL") to total gross loans and advances###	2.5%	2.6%	3.8%	4.2%	N/A
Net interest income & other operating income to total assets	2.4%*	2.6%	2.4%	2.9%	N/A
Return on average equity ("ROAE")^	5.6%*	11.7%	9.0%	9.9%	N/A
Return on average assets ("ROAA")^^	0.5%*	0.9%	0.7%	0.9%	N/A
Common equity tier 1 ("CET 1") capital	15.5%	16.2%	13.9%	16.1%	N/A
Total capital ratio	15.5%	16.2%	13.9%	16.5%	N/A

* Based on annualised return

** Including staff costs, other administrative expenses, effect of depreciation and amortisation

^ ROAE = Profit after tax / average total equity

^^ ROAA = Profit before tax / average total assets

In 2019, Other comprehensive income, net of tax amounted to 48% of the Total comprehensive income, net of tax brought about by the revaluation on the property owned by the Group.

NPL = Loans and advances classified as in default / gross loans and advances

4.5.3. Financial Review – FY2017-FY2019

Profit for the year after tax grew at a compound annual growth rate (CAGR) of 22% throughout this period to reach €19.6 million in FY2019. These positive results reflect the Group's successful business strategy. This was mainly driven by volume as the asset base reached €2.2 billion (FY2018: €1.9 billion; FY2017: €1.5 billion).

Net interest income (NII) for 2019 amounted to €44.6 million an increase of 18.1% when compared to the previous year, representing a CAGR of 17% since FY2017. The primary driver of growth continued to be loans to customers, which rose at a CAGR of 24% per annum.

The Group's income streams were also supported by increases in the fees and commissions. These results were positively affected by the Group's continuous expansion in its lending activities and its efforts to strengthen its position in investment services. Along with other income sources, the Group registered operating income of €56.7 million, an increase of 26.7% over FY2018 (CAGR FY2017-FY2019: 15%).

Throughout the years, the Group's costs increased as a result of continuous investment in human resources, infrastructure and technology in line with its strategy of supporting growth and making the banking experience simpler and more personal. During this period the Group continued its branch transformation project by extending and refurbishing its branch network. Despite this increase, the Group's cost efficiency ratio, as expressed by the Cost-to-Operating Income Ratio, remained at an acceptable level at 53.6% in FY2019 (FY2018: 55.0%; FY2017: 52.3%). This reflects the Group's commitment to manage its costs efficiently.

Despite the increase in the Group's loan book and exposures in syndicated loans, the net impairment losses for FY2019 were lower than those of the two preceding years, at €1.1 million as the Group continues to monitor closely its exposures and assess new opportunities prudently, yet bearing in mind their commercial viability. Over the years, the Group's NPL as a percentage of gross loans fell below 5%, at 2.6%, 3.8% and 4.2% in FY2019, FY2018 and FY2017, respectively. This decline in recent years was a result of an increase in gross loans but also the Group's adherence to prudent risk management at the transaction stage and, on an ongoing basis, to continuous monitoring processes.

Over the years, the Group's growth continued to be supported by adequate capital ratios. With the Group's capital augmented by a conservative dividend policy and a recent €13 million rights issue, the regulatory capital adequacy ratio (CAR) rose to 16.2% at the end of FY2019 (CAR FY2018: 13.9%; FY2017: 16.5%).

4.5.4. Interim Financial Reporting – Six Months ended 30 June 2020

The Group's performance during the first half of FY2020 may be split into two - a strong start in the first two months of the year, followed by a loss of momentum in March due to the COVID-19 pandemic. This resulted in a weak performance in the first half of FY2020 when compared to the same period of FY2019. A major contributory factor was the adverse performance of the sub-funds within the Group, which resulted in a lower market value attributable to price movements in their underlying securities. The sub-funds thus registered a negative return over the first half of the year of €0.6 million compared to gains of €3.9 million in the first half of 2019. Nevertheless, the Bank's NII when compared to the same period in FY2019 and on an annualised basis, continued to show signs of growth, despite the continued interest margin compression and the moratoria and emergency financial support that the Bank, similar to other local banks, were extending to the business community in the light of the uncertain business conditions brought about by the pandemic.

Operating costs continued to increase, as the Group continued to invest in human resources and its IT and risk management infrastructure, while compliance and regulatory costs continued to surge. The Group incurred also significant overheads as a result of COVID-19. In this regard, the Group spared no effort in ensuring the continuity of business operations throughout the outbreak and facilitating remote working to protect the safety and welfare of employees and customers alike. Profit after tax for the first half of FY2020 stood at €5.4 million, which is approximately 50% lower than that recorded in the first half of FY2019.

Since the end of FY2019, the Group's asset base increased by 5.5%, primarily in the form of advances to customers. This growth was supported by customer deposits, which grew 6.5% from the end of FY2019. Despite the growth in the Group's business, the CAR as at 30 June 2020 stood at 15.5%, while its NPL ratio improved further to 2.5% of gross loans.

4.5.5. Financial Year 2020

The spread of the COVID-19 pandemic and resultant ripple economic effects around the world wreaked havoc across financial markets. This directly impacted the performance of the APS Group. Moving forward the Group's performance for FY2020 is expected to be lower when compared to 2019. However, it is expected to register a generally satisfactory performance despite the dramatic impact of the pandemic on business momentum after the first two months of the year. With great dedication and commitment, the Bank continued with its operations relentlessly, maintaining over 90% of the branch network active, upscaling its digital presence and standing by its customers during these difficult times. All along, the Bank was continuously supporting its employees and their families adapt to the new reality, as well as the full spectrum of business, personal and investment customers who likewise experienced uncertain and anxious times.

Net Interest Income grew by 10% over the same period last year reaching €23.9 million, mainly a result of growth in the lending book while looking to preserve spread in the portfolio of liquidity reserves, syndicated loans and trade finance participations. This is a remarkable result considering that the continued compressed interest rate conditions and that the Bank was largely supporting its business base with moratoria and emergency financial support by the end of Q1. In Q2, in collaboration with the Malta Development Bank, the Bank announced the launch of its new product - the APS Jet Pack - aimed at local businesses experiencing cash flow problems due to the pandemic.

As a result of the slowdown in new credit facilities and investment services, non-interest income is expected to remain at the same level generated during the first six months of this year. Meanwhile, the Group launched a new pension product and a new sub-fund in the last quarter of this year. The benefits of these products are anticipated to start bearing fruit in future years.

'Operating Expenses & Depreciation' for the period are expected to increase when compared to 2019, albeit at a lower rate when compared to the increase in costs reported in the first six months of this year, as the significant investment in infrastructure and IT is maintained to support the Group's long term strategy. Regulation and compliance driven costs also expected to increase substantially. High expenditure was also incurred as a direct effect of the pandemic on the workplace, as mentioned above. The latter demonstrated the Group's commitment to the health, safety and overall welfare of employees and customers in preference to other high priority objectives such as those for revenue growth and efficiency gains.

Due to the timely actions taken by management as well as the moratoria relief measures COVID-19 has so far not materially affected the impairment charge for the first half year, however, the volatile economic situation and uncertain medium term picture make it difficult to estimate how asset quality might be impacted in the last quarter of this year.

4.6. 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 Prospectus, which may have or have had significant effects on the Bank's and/or the Group's financial position or profitability.

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 the Bank or 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. Share Capital Structure and Major Shareholders

As at the date of this Prospectus, the Bank's authorised share capital is €100,000,000 (one hundred million Euro), divided into 400,000,000 (four hundred million) ordinary shares of twenty-five Euro cents (€0.25) each. The Bank's issued share capital is €62,254,800 (sixty-two million two hundred and fifty-four thousand eight hundred Euro) divided into 249,019,200 (two hundred and forty-nine million nineteen thousand two hundred) ordinary shares of twenty-five Euro cents (€0.25) each, all fully paid up. The ordinary shares are the only authorised and issued class of shares in the Bank.

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 ten per cent (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 (1) 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 twenty-five per cent (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.

The Bank's largest shareholder is AROM Holdings Limited, which holds 198,367,765 ordinary shares (which amounts to 79.66% of the issued share capital of the Bank). AROM Holdings Limited is wholly owned (save for one ordinary share) by the Archdiocese of Malta. The second largest shareholder of the Bank is the Diocese of Gozo, which holds 44,831,775 ordinary shares (and which amounts to 18% 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 seven (7) Directors (of the maximum nine (9) 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.

The Bank has previously adopted measures in line with the Corporate Governance Guidelines and going forward will adopt measures in line with the Corporate Governance Code, with a view to ensuring that the relationship with its major shareholder remains at arm's length, including adherence to rules on related party transactions that require the sanction of the Bank's Audit Committee, which is constituted in its entirety by independent, non-executive Directors. As provided by the Listing Rules, a Director shall be considered independent, for the purposes of his appointment to the Audit Committee, only if he is free of any business, family, or other relationship with the Bank, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgement. As part of its duties, the Audit Committee ensures that transactions with related parties 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.

In terms of both the Corporate Governance Guidelines and the Corporate Governance Code, all Directors are also expected to apply high ethical standards, are obliged to avoid conflicts of interest and, in particular, are required to always act in the interest of the Bank and its shareholders as a whole irrespective of which shareholder appointed them to the Board.

4.9. 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 11 of this Prospectus.

5. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

5.1. 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 means of an ordinary resolution taken in a general meeting.

As at the date of this 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:

Mr. Frederick Mifsud Bonnici	Non-Executive Independent Director & Chairman
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Mr. Victor E. Agius	Non-Executive Independent Director
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Dr. Ing. Joseph C. Attard	Non-Executive Independent Director
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Mr. Franco Azzopardi	Non-Executive Independent Director
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Dr. Laragh Cassar	Non-Executive Independent Director
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Mr. Alfred DeMarco	Non-Executive Independent Director
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Mr. Victor Gusman	Non-Executive Director
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Mr. Michael Pace Ross	Non-Executive Director
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Mr. Martin Scicluna	Non-Executive Independent Director
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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 and the company secretary is that of the Bank. The *curriculum vitae* of each the Directors is set out in Section 5.2 below.

None of the Directors have been: (a) convicted in relation to fraud or fraudulent conduct; (b) made bankrupt or associated with any liquidation or insolvency caused by action of creditors; (c) the subject of any official public incrimination or sanction by any statutory or regulatory authority; or (d) disqualified by a court from acting as director or manager.

5.2. Curriculum Vitae of the Directors

Frederick Mifsud Bonnici

Mr. Mifsud Bonnici, was appointed as Director and Chairman of the Board in July 2017. He also chairs the Nominations & Remuneration Committee. He is a Fellow of the Institute of Chartered Accountants in England & Wales and of the Malta Institute of Accountants. Mr. Frederick Mifsud Bonnici spent his professional career with PricewaterhouseCoopers. During his time at PricewaterhouseCoopers, he held the position of Audit Partner, Partner responsible for Risk Management and Independence, Head of Assurance, and was a member of the firm's Management Board. Between 2014 and 2017 he served as a Non-Executive Director and Chair of the Audit Committee of MeDirect Bank plc, and between 2012 and 2016 of Malita Investments p.l.c. Between 2012 and 2013, he served as Non-Executive Chairman of Bank of Valletta p.l.c. and Mapfre MSV Life. In the past, he served as Deputy Chairman and subsequently Chairman of the MSE between 1991 and 1999. He served as a senior lecturer in Auditing at the University of Malta for 30 years. Mr Mifsud Bonnici is also the Non-Executive Chairman of Blevins Franks Trustees Limited.

Victor E. Agius

Mr. Agius joined the Bank in October 2018, after a diverse career in international investment, banking and development project finance. This included 23 years at the World Bank Group in Washington DC, over three years at the European Bank for Reconstruction and Development in London and 17 years with the Council of Europe Development Bank in Paris. His work comprised extensive field mission leadership responsibilities to over sixty countries in Africa, East Asia, Middle East & North Africa, Europe and in Former Soviet Republics. Mr. Agius graduated with a BA Hons. (Economics) from the Royal University of Malta, holds a Masters in Business Administration (MBA) from 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. Mr Agius chairs the ESG Committee and the Board Credit Committee and sits on the Risk Committee.

Joseph C. Attard

Dr. Ing. Attard has over 25 years of local and international experience in the Information and Communication Technology (ICT) sector. He was elected as Director of the Bank in July 2018. Between July 2015 and July 2020 he was the Chief Technical Officer of GO p.l.c. Between 2007 and 2015 he was the Chief Technology Officer of Emirates International Telecommunications LLC. Between 1997 and 2007, he held senior positions at GO p.l.c. (then known as Maltacom p.l.c.). Dr. Ing. Attard holds a Bachelor's degree in Electrical Engineering (Hons) from the University of Malta, a Masters of Sciences (M.Sc) in Operational Telecommunications from the University of Coventry (UK) and a Doctor of Philosophy (Ph.D.) in Telecommunications Engineering from University College London (UK). Since 2002 he has regularly lectured at University College London on ICT related topics. Dr. Ing. Attard chairs the Technology & Innovation Committee and sits on the Risk Committee and the Board Credit Committee.

Franco Azzopardi

Mr. Azzopardi was elected on the Board of Directors in September 2008. Mr Azzopardi chairs the Audit Committee and sits on the Risk Committee and Technology & Innovation Committee. He is a professional director and a registered fellow member of the UK Institute of Directors. He serves on the boards of directors, and on audit and risk committees of both listed and private companies in various sectors including banking, insurance, software and logistics. He had, prior to 2007, spent 27 years working in public practice, ten of which with Deloitte Haskins and Sells in Malta and in Italy, and later in an accounting and auditing firm he co-founded in 1990. He holds an M.Sc. degree in Finance from the University of Leicester (UK) and is an Honorary Fellow member of Malta Institute of Accountants, having served on the Council from 2007 to 2019. He was also elected and served as President of the Institute for the term 2015-2017. He is also a Certified Public Accountant. Mr Azzopardi is also the Chairman and CEO of Express Trailers Limited. He also holds the role of Non-Executive Director, Audit Committee Chair, Member of Risk Committee and Member of the Investments Committee of Atlas Insurance PCC Limited. Mr Azzopardi is also a non-executive director on the Board of RS2 Software p.l.c. and Grand Harbour Marina p.l.c.

Laragh Cassar

Dr. Cassar was appointed to the Board in April 2016. She chairs the Conduct Committee and sits on the Nominations & Remuneration Committee and the Technology & Innovation Committee. Throughout her career, Dr. Cassar has gained vast experience in many areas of practice including banking, investment services, asset management, capital markets and corporate law restructuring. She commenced her professional career as an advocate in 2003 having joined Camilleri Preziosi as an associate. She was admitted to partnership in 2009, where she held this position until 2015 when she founded the firm 'Camilleri Cassar Advocates'. 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. She is often appointed by the Faculty of Laws of the University of Malta to supervise and examine Doctor of Laws and Master of Arts in Financial Services theses. Since 2015, Dr Cassar is the Partner at Camilleri Cassar Advocates. She also holds the role of non-executive director on the board of Hili Properties p.l.c. and she holds the role of non-executive director and company secretary on the Board of Medserv p.l.c.

Alfred DeMarco

Mr. DeMarco was appointed to the Board in April 2016. He is an associate of the London Institute of Banking and Finance (ACIB) and holds a degree in economics from the University of London. He is a central banker by profession with more than forty years' experience at the Central Bank of Malta (CBM). He progressed through senior executive positions at the bank including that of Deputy General Manager and Director of the Economics and External Relations Division. He was appointed Deputy Governor in April 2010, a position he held until end-March 2015. Mr. DeMarco sits on the Audit Committee, the Conduct Committee and Board Credit Committee. He is also a member on the *Kunsill Finanzjarju Djocezan*.

Victor Gusman

Mr. Gusman was elected to the Board in April 2012. Mr Gusman sits on the Conduct Committee, the Nominations & Remuneration Committee and the Technology & Innovation Committee. During the 35 years he was at the helm of the Lemco Group, Mr. Gusman led the administration team of a workforce of over 650 with manufacturing basis in Italy and Poland and a sales force operating in 34 countries. He gained experience in dealing with a workforce composed of various nationalities, servicing international companies with custom-made products to accommodate their own products and brands. He was central in dealing with government departments for the supply of specialised requirements in their hardware

and manufacturing sectors, negotiating with unions in Italy and Poland. Mr. Gusman is the Administrative Secretary of the Diocese of Gozo and executive director of GDH Company Limited and Kura Gozo Company Limited.

Michael Pace Ross

Mr. Pace Ross was elected to the Board in November 2015. He sits on the Risk Committee, the ESG Committee and the Conduct Committee. He previously served as Director General of the National Statistics Office for six years, sitting on a number of national and European committees, including the European Statistical Advisory Committee (ESAC). He was also responsible for the 2011 nationwide Census on Population and Housing. Mr. Pace Ross is currently the Administrative Secretary of the Archdiocese of Malta. He is a Council member of the Malta Employers Association (MEA). He is also a Board member on Discern, a research institute on the signs of the times, and on the Voluntary Solidarity Fund, a charity which embraces core values inspired by and aligned with the Catholic social teachings on solidarity. Mr. Pace Ross holds a BA (Honours) degree in Economics and Management, and also holds an MBA from the University of Malta. He is also an associate of the London College of Music. He was invested as Knight in a papal equestrian order by Cardinal Edwin O'Brien in 2019. He also holds the role of non-executive director on the board of Amalgamated Investments SICAV p.l.c. and is company secretary of AROM Holdings Limited.

Martin Scicluna

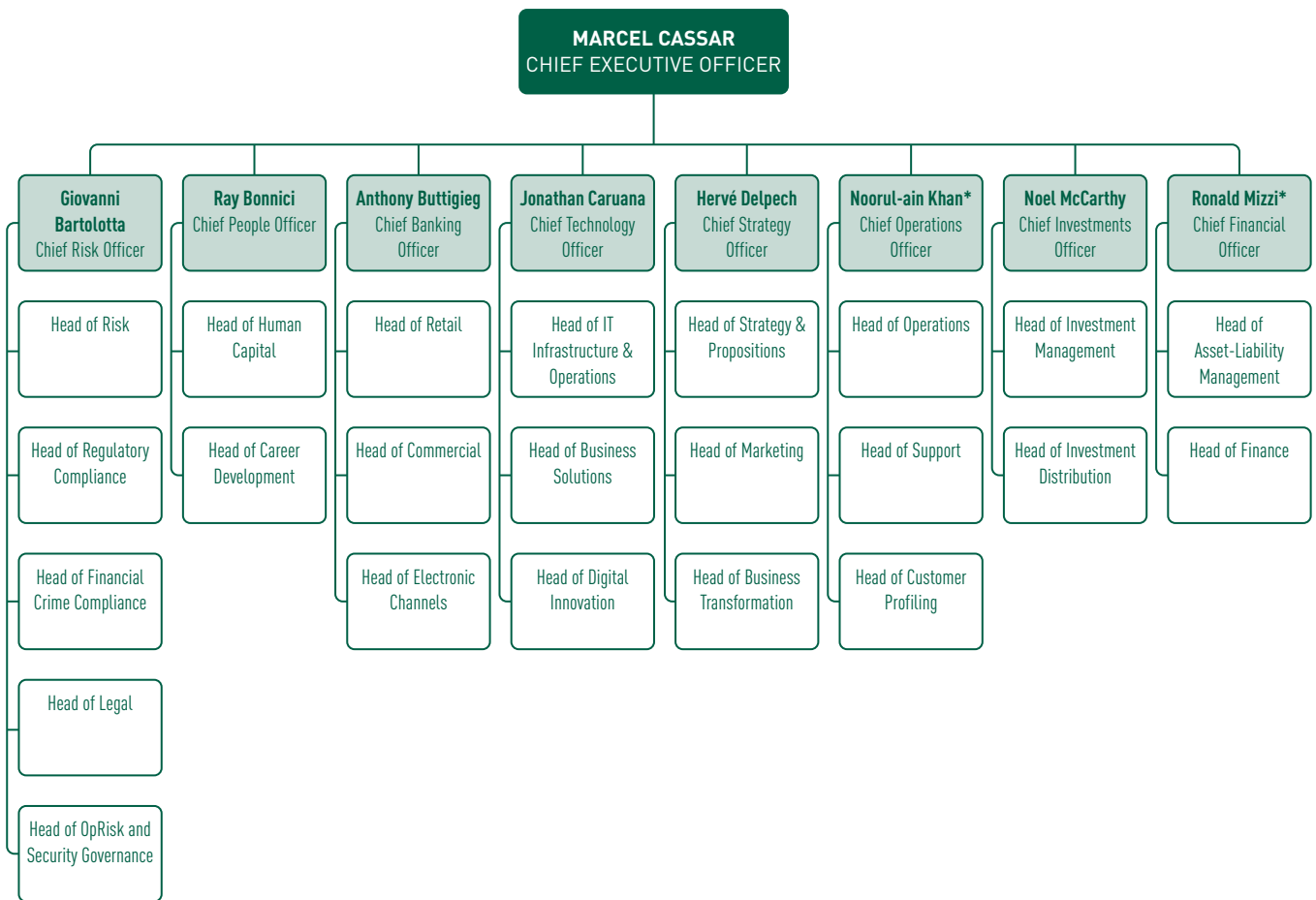
Mr. Scicluna was elected to the Board in November 2013. He chairs the Risk Committee and is a member of the Audit Committee and the ESG Committee. Mr. Scicluna is also non-executive director of ReAPS. Since 2012 Mr. Scicluna has held a number of directorship appointments in asset management and insurance companies licensed in Malta. He started his banking career with Mid-Med Bank in Malta in 1976 and held a number of managerial appointments till 1996, in which year he joined Midland Bank, which later became HSBC Bank Malta p.l.c. where he held various senior executive posts. He also served on several boards for HSBC Malta subsidiaries and on the said bank's Audit Committee. Mr. Scicluna is an Associate of the Chartered Institute of Bankers, holds a Diploma in Financial Studies and was elected as a Fellow of the Institute of Financial Services in 1999. Mr. Scicluna is active on high profile volunteer organisations in Malta. He also holds the role of non-executive director and Audit Committee Member on the board of Merck Capital Asset Management Limited, Chairman, Chair of the Compliance and Risk Committee, Chair of the Investment Committee and member of the Audit Committee of Accredited Insurance (Europe) Limited and Chairman of Zarattini International Limited.

5.3. Company Secretary

The company secretary of the Bank is Dr. Graziella Bray. Dr. Bray graduated with a Doctor of Laws from the University of Malta in 2004 and joined the Bank in 2006. Over the years, she has performed duties in various areas of law, regulation and compliance, including providing support to the Board and various committees. Dr. Bray lectures in Company Law, Regulation and Corporate Governance at the University of Malta and the Malta Stock Exchange Institute. Dr. Bray is also the Company Secretary of ReAPS.

5.4. Senior Management

As at the date of this Prospectus, the Bank's various departments are reflected in the following organisational chart, which also depicts the senior management team:



*pending regulatory approval

The Bank's senior management team is comprised primarily of the following Chief Officers:

Chief Executive Officer - Marcel Cassar

Marcel Cassar is Chief Executive Officer at the Bank and he has been occupying this role since he joined in January 2016. Mr. Cassar chairs the Executive Committee, the Management Committee and is a member of the Management Credit Committee, the Board Credit Committee Board, the Risk Committee, the Conduct Committee and the ESG Committee.

Mr. Cassar's professional career started with a Big 4 audit firm in 1987, followed by a five-year stint in bank regulation and supervision at MIBA/MFSC (now the MFSA) where he was trained at the Bank of England and the US Federal Reserve Board. Since 1996 he has successively held senior executive positions in banking and financial services, as General Manager at Lombard Bank Malta p.l.c. (1996-2004) and First Executive Vice President and chief financial officer at FIMBank p.l.c. (2004-2015). He has served as a board member of the Malta Bankers' Association, including as Deputy Chairman (2017-2018) and Chairman (2018-2020), leading to a seat on the main board of the Brussels-based European Banking Federation (EBF).

Mr. Cassar is a CPA, a Fellow of the Malta Institute of Accountants and holds an MBA in Bank Financial Management from the University of Wales and Manchester Business School (1995). He lectures in the M.A. (Financial Services) programme at the University of Malta and has been a supervisor and examiner of many a thesis over the years. He contributes articles and speaks at conferences in Malta and overseas, particularly on topics related to banking policy, strategy and environmental, social & governance (ESG).

Chief Operating Officer - Noorul-ain Khan

Noorul-ain Khan graduated with a Bachelor of Commerce Degree and a Postgraduate degree in Accountancy. She qualified as a Chartered Accountant, currently registered with the South African Institute of Chartered Accountancy. She completed her auditing traineeship with Deloitte, during which time she was seconded to the United States. She gained financial services experience with large multinational corporates (Barclays, Nedbank, FirstRand and Investec Private Banking) and manufacturing experience with BMW SA and Basileus. She has a proven track record of managing, integrating and building finance divisions and with liaising with internal and external auditors, insurers, local and international banks, investors, clients and suppliers.

Ms. Khan joined the Bank in October 2020 and sits on the Executive Committee, the Management Committee, the Consolidated Project Board, the Technology & Innovation Committee, the Compliance Committee and the Assets & Liabilities Committee.

Ms. Khan's appointment as Chief Operating Officer of the Bank is subject to regulatory approval by the MFSA.

Chief Financial Officer – Ronald Mizzi

Ronald Mizzi is Chief Financial Officer at the Bank, and he has been holding this role since he joined the Bank in September 2020. Mr. Mizzi is responsible for leading and maintaining the effective governance and stewardship of the Bank's finance, asset-liability management and capital management programme. He is a member of the Executive Committee, the Management Committee, the Consolidated Project Board, the Risk Committee, the Technology & Innovation Committee, the Assets & Liabilities Committee and the Management Credit Committee.

Prior to joining the Bank, Mr. Mizzi was Group Chief Financial Officer at FIMBank p.l.c. where he was responsible for the Group's financial planning and accounting, regulatory reporting, tax, business strategy, capital planning, and investment decisions. Mr. Mizzi was also engaged with PricewaterhouseCoopers in Malta within its Assurance department with parallel engagements with PricewaterhouseCoopers in the Channel Islands and New York.

Mr. Mizzi is a warranted Certified Public Accountant and holds a Practising Certificate in Auditing, both issued by the Accountancy Board in Malta. He is a Fellow of the Malta Institute of Accountants and holds an Honours degree in Accountancy from the University of Malta and a Diploma in VAT Compliance from the Institute of Indirect Taxation (UK).

Mr. Mizzi's appointment as Chief Financial Officer of the Bank is subject to regulatory approval by the MFSA.

Chief Risk Officer – Giovanni Bartolotta

Giovanni Bartolotta is Chief Risk Officer at the Bank and he has been holding this role since he joined the Bank in September 2018. Mr. Bartolotta is responsible for leading and overseeing the second line of defence of the Bank, through the fostering of an appropriate risk culture within the institution and implementing effective risk management and compliance frameworks, within the boundaries of the risk appetite set by the Board. He chairs the Compliance Committee of the Bank. He is also a member of the Executive Committee, the Management Committee, the Consolidated Project Board, the Management Credit Committee, the Board Credit Committee, the ESG Committee, the Conduct Committee, the Assets & Liabilities Committee and the Risk Committee.

Prior to joining the Bank, Mr. Bartolotta spent ten years in London, working for major global investment banks, including Kleinwort Benson, JP Morgan Chase & Co. and Bear Stearns International. He then moved to Malta where he spent fourteen years at FIMBank plc, as Executive Vice President and Global Head of Risk. Mr. Bartolotta holds a Bachelor of Arts in Economics from the Bocconi University (Milan).

Chief Strategy Officer – Herve Delpech

Herve Delpech is Chief Strategy Officer at the Bank and was appointed to this role in April 2019, having first joined the Bank as Head of Strategy in 2017. Mr. Delpech is responsible for devising the corporate strategy and oversees all marketing units including the Corporate Social Responsibility Programme, to ensure that these are aligned with the Bank's projects, products, activities and future plans. Mr. Delpech heads business transformation, which has the objective of reinforcing the Bank's engagement within different communities to achieve the Bank's vision of becoming: "The Community Bank in Malta". He is a member of the Executive Committee, the Management Committee, the Consolidated Project Board, the Risk Committee and the ESG Committee.

Prior to joining the Bank, he held senior roles in strategy, branding and marketing communications with Barclays Bank, Credit Mutuel Group, Aviva, Wedgwood, Al Suwaidi Group and Swarovski, amongst others. He is a French national and holds a M.Sc. in General Management from the London Business School.

Chief Technology Officer – Jonathan Caruana

Jonathan Caruana is Chief Technology Officer at the Bank, having been appointed to this role in November 2016. Mr. Caruana is responsible for both the technology and digital innovation domains of the Bank. He is a member of the Executive Committee, the Management Committee, the Consolidated Project Board and the Technology & Innovations Committee.

Mr. Caruana joined the Bank in 1999 and served in various departments, before commencing his duties in the Technology Department of the Bank. He was appointed Information Systems Manager in 2008 and Head of Technology in 2015. Mr. Caruana holds a Bachelor of Science degree (Hons) in Computing from the University of Greenwich and an MSc in Software Engineering from the University of Hertfordshire.

Chief Investments Officer – Noel McCarthy

Noel McCarthy is Chief Investments Officer at the Bank, having been appointed to this role in June 2020, overseeing the Investment Management and Investment Distribution units, the activities of the subsidiary and affiliated companies and the Bank's property portfolio. He also serves as a director of ReAPS. Mr. McCarthy is a member of the Board Credit Committee, the Risk Committee, the Executive Committee, the Management Committee, the Consolidated Project Board and the Management Credit Committee.

Mr. McCarthy joined the Bank in 2000 and previously served as the Bank's Chief Financial Officer from 2016. He is a certified public accountant and a fellow member of the Malta Institute of Accountants. He also holds a MA in Financial Services from the University of Malta.

Chief Banking Officer – Anthony Buttigieg

Anthony Buttigieg is Chief Banking Officer at the Bank, a role he was appointed to in June 2019, having previously been Head of Banking since joining the Bank in May 2016. As Chief Banking Officer, Mr Buttigieg is responsible for the Bank's commercial business division, retail branches and electronic channels. Mr Buttigieg's experience in the banking sector spans 42 years. He started his career with Mid-Med Bank, which later became HSBC Bank (Malta) p.l.c., where he headed teams and a number of projects particularly as Area Commercial Manager managing a lending portfolio of €400 million, area director leading 12 retail branches and was Head of Direct Banking being responsible for the bank's automated channels including internet banking, automated machines and contact centre.

Mr. Buttigieg is a qualified banker and an associate of the Institute of Bankers. Mr. Buttigieg sits on the Bank's Executive Committee, the Management Committee, the Consolidated Project Board, the Management Credit Committee, the Board Credit Committee, the Risk Committee and the Compliance Committee.

Chief People Officer – Raymond Bonnici

Raymond Bonnici is Chief People Officer at the Bank, having been appointed to this role in June 2020. Mr. Bonnici oversees sourcing of the Bank's employee talent and the human resource management functions. He is a member of the Executive Committee, the Management Committee, the Consolidated Project Board and the Social Activities Committee.

Mr. Bonnici joined the Bank as Head of Human Capital in 2016. Prior to joining the Bank, he worked for over ten years in the airline industry, where he worked for KLM, Swissair and Sabena, both in Malta and overseas. Following this period, he worked at Premier Capital p.l.c. and was a key element in setting up the group's human resources function. He also worked at Hilton Hotels International, as Director of Human Resources for Malta. Mr. Bonnici holds a B.A. in Youth and Community Studies from the University of Malta.

5.5. Conflicts of Interest

As at the date of this 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, Mr. Noel McCarthy, the Bank's Chief Investments Officer and Mr. Josef Portelli, the Bank's Head of Investments are also directors of ReAPS. Mr. Martin Scicluna, a Director of the Bank, is also a director of ReAPS.

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.

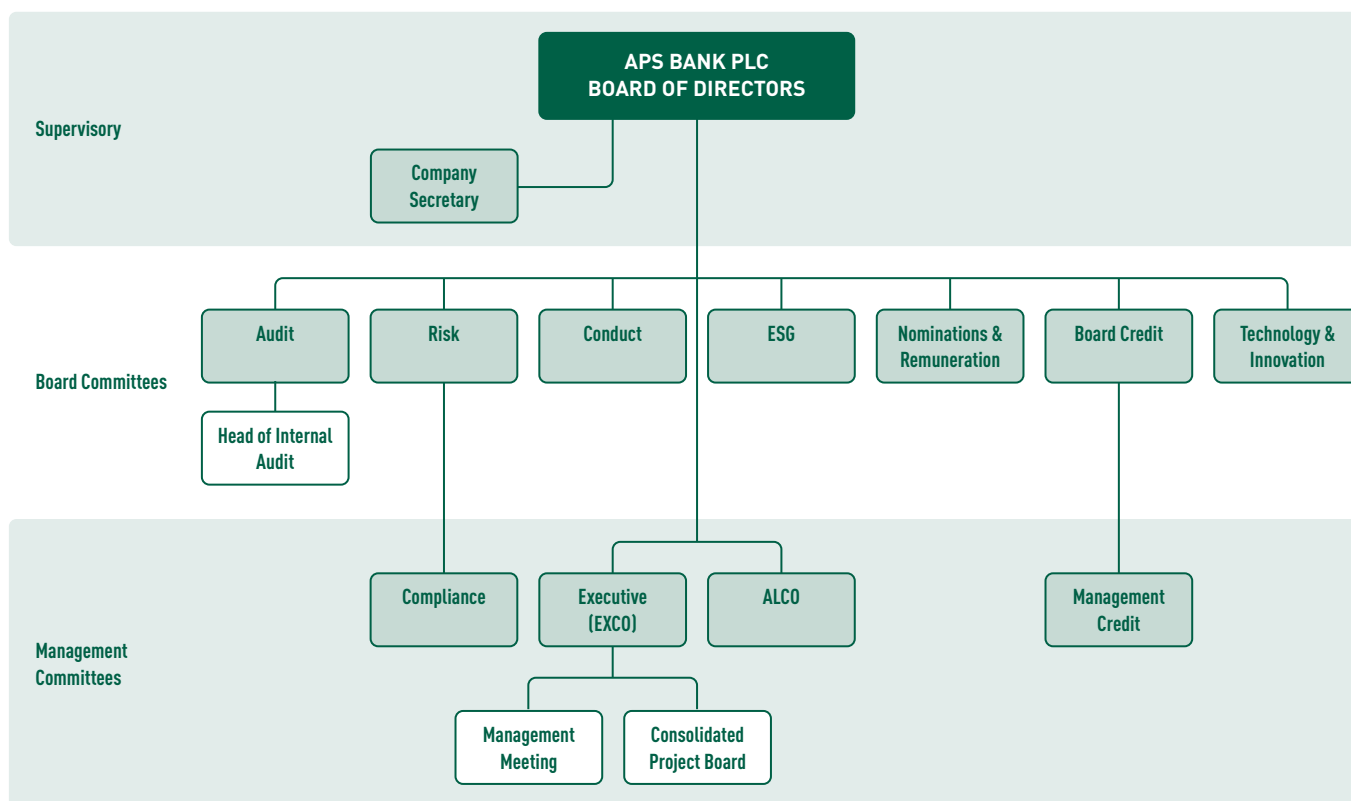
The Corporate Governance Code requires Directors to avoid conflicts of interest and provides that they must act in the interest of the Bank and its shareholders as a whole irrespective of which shareholder nominated him/her to the Board.

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 he/she has declared a direct or indirect interest or asked to absent himself/herself 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.

5.6. Committees

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



5.6.1. 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, which are also tabled at Board meetings. 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 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 Listing 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 sub-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. Franco Azzopardi (Chairman)
- Mr. Alfred DeMarco
- Mr. Martin Scicluna

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 Listing 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 Franco Azzopardi 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 and senior executives. 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 approves senior executive appointments and assesses the performance of CEO. It considers staff succession policies and reviews succession plans periodically. 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. Frederick Mifsud Bonnici (Chairman)
- Dr. Laragh Cassar
- Mr. Victor Gusman

The Chief Executive Officer and the Chief People Officer 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 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 & 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 committee oversees the structure and performance of the Bank's committees, besides steering the process of directors' evaluation, both individually and collectively as a Board. Generally, it performs oversight on matters of ethics, brand, values, reputation and culture.

ESG Committee

The ESG Committee generally considers the material environmental, social & governance issues relevant to the Bank's business activities and promotes initiatives to raise ESG performance. It ensures that the Bank is keeping the UN Sustainable Development goals as an overarching guide, monitors their applicability & considers emerging ESG issues from time to time. The committee oversees the delivery of environmental sustainability initiatives and commitments, including performance, challenges and opportunities. It oversees the implementation of social sustainability initiatives or commitments, including performance, challenges and opportunities, with a view to their effectiveness in delivering social impact. The committee oversees the reputational impacts of the Bank's business strategies and practices, monitors policies and initiatives to ensure appropriate safeguards are in place for dealing fairly and ethically with third party stakeholders. The ESG Committee is also responsible for reviewing the ESG disclosures in the annual report and other reporting disclosures, oversees the Bank's image and general public 'look and feel', as well as advising and recommending 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. It reviews the technology organisation structure and directs R&D efforts.

5.6.2. 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 management committee papers and minutes. Committee Chairs report on management committee business at the subsequent Board meetings, also through written briefs.

5.7. Compliance with Corporate Governance Requirements

Prior to the Bond Issue, the Bank was not regulated by the Listing Rules and accordingly was not required to comply with the Corporate Governance Code. This notwithstanding, the Bank has (for a number of years) complied with the Corporate Governance Guidelines for Public Interest Companies issued by the MFSA. These Corporate Governance Guidelines are substantially similar to the Corporate Governance Code (also issued by the MFSA, although in terms of the Listing Rules), which the Bank will now comply with as described below.

The Bank declares its full support for the Corporate Governance Code and undertakes to fully comply with the Corporate Governance Code to the extent that this is considered complementary to the size, nature, and operations of the Bank. The Bank shall also, on an annual basis in its annual report, detail the level of the Bank's compliance with the principles of the Corporate Governance Code, explaining the reasons for non-compliance, if any. As at the date of this Prospectus, the Board considers the Bank to be in compliance with the Corporate Governance Code, save for the following exceptions:

Principle 3 (*Composition of the Board*): The Board is currently composed of nine non-executive Directors including the Chairman. While the Corporate Governance Code 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.

Principle 4 (*The Responsibilities of the Board*): The Board's succession policy does not provide for an executive component of the Board since presently it does not have any executive members. However, the Bank does have a separate succession policy for senior management

Principle 8A (*Remuneration Committee*): The Nominations & Remuneration Committee is made up of three non-executive directors with 2 members of senior management, (namely the Chief Executive Officer and the Chief People Officer) being required to attend by invitation. The Board believes that the attendance by invitation of the two members of senior executive management will provide valuable insight on an ongoing basis in respect of deliberations concerning the remuneration of senior executive management. The two senior executives in attendance will recuse themselves from any discussions concerning their own remuneration in accordance with accepted principles of good corporate governance.

Principle 8 B (*Nominations Committee*): The function of the Nominations Committee is performed by the Nominations & Remuneration Committee.

6. USE OF PROCEEDS AND OTHER KEY INFORMATION

6.1. Use of Proceeds

The net proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €54,300,000, 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.

6.2. Estimated Expenses and Proceeds of the Bond Issue

The Bond Issue will involve expenses, including professional fees and costs related to publicity, advertising, printing, listing, registration, sponsor, management, selling commission and other miscellaneous costs incurred in connection with this Bond Issue. Such expenses are estimated not to exceed €700,000 and shall be borne by the Bank. The amount of the expenses will be deducted from the proceeds of the Bond Issue, which, accordingly, will bring the estimated net proceeds from the Bond Issue to €54,300,000. There is no particular order of priority with respect to such expenses.

6.3. Overview of the Bond Issue

The following is a brief overview of certain terms and conditions of the Bond Issue and of the Bonds. For a full description of the terms and conditions of the Bond Issue and of the Bonds this Section 6 should be read in conjunction with the rest of this Prospectus, particularly Section 7 (*Terms and Conditions of the Bond Issue*) and Section 8 (*Terms and Conditions of the Bonds*). Any decision to invest in the Bonds should be based on a consideration of this Prospectus as a whole.

Securities:	Unsecured subordinated callable bonds;
Amount:	€55,000,000;
Nominal Value:	€25,000 per Bond;
Denomination:	Euro (€);
ISIN:	MT0002501204;
Issue Price:	At Nominal Value (€25,000 per Bond);
Minimum Subscription Amount:	€25,000 and in multiples of €25,000 thereafter;
Transferability:	The Bonds shall be freely transferable
Plan of Distribution:	All of the Bonds (€55,000,000 in Nominal Value) have been pre-allocated to Authorised Intermediaries, for their own account or for the account of their underlying clients;
Issue Date:	19 November 2020;
Interest:	3.25% per annum;
Interest Payment Dates:	19 November of each year (including 19 November 2021, being the first interest payment date) and the Maturity Date (or if any such date is not a Business Day, the next following day that is a Business Day);
Maturity Date:	19 November 2030;
Early Redemption Date:	Each of the fifth, sixth, seventh, eighth and ninth anniversaries of the Issue Date, subject to MFSA approval and subject to the Bank giving the Bondholders at least thirty (30) days' notice in writing;
Redemption Amount:	Nominal Value together with accrued and unpaid interest up to the relevant Early Redemption Date or Maturity Date, as applicable;
Listing:	The Listing Authority has approved the Bonds for admissibility to listing and subsequent trading on the Official List of the MSE. An application has been made to the MSE for the bonds to be listed and traded on the Official List;
Form:	The Bonds will be issued in fully registered and dematerialised form and represented in uncertificated form by the appropriate entry in the CSD Register;
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 <i>pari passu</i> , without any priority or preference among themselves;
Underwriting:	The Bond Issue will not be underwritten;
Governing Law of Bonds:	Maltese law;
Jurisdiction:	The Maltese Courts.

6.4. Interests of Persons Involved in the Bond Issue

Other than the possible subscription for Bonds by Authorised Intermediaries (which include the Bank and the Sponsor) and any fees payable to the various professional advisors and service providers in connection with the Bond Issue, the Bank is not aware of any person involved in the Bond Issue that has a material interest in the Bond Issue.

7. TERMS AND CONDITIONS OF THE BOND ISSUE

7.1. Expected Timetable of the Bond Issue

1. Pre-Allocation Date	18 November 2020
2. Issue Date	19 November 2020
3. Commencement of interest on the Bonds	19 November 2020
4. Expected date of admission of the Bonds to listing	19 November 2020
5. Expected date of commencement of trading of the Bonds	20 November 2020

7.2. General Terms and Conditions

The Bond Issue, the listing of the Bonds on the Official List and the publication of the Prospectus were authorised by a resolution of the Board passed on 15 October 2020 and by an extraordinary resolution of the Bank in general meeting passed on 16 October 2020.

The Bonds are being issued at their Nominal Value (€25,000 per Bond). Authorised Intermediaries who have subscribed for Bonds pursuant to Pre-Allocation Agreements (as described in Section 7.5 below) have done so for their own account and/or for the account of their underlying clients, subject to a minimum subscription amount of €25,000 in Nominal Value of Bonds (and in multiples of €25,000 thereafter) in relation to each underlying client.

Application has been made to the MSE for the Bonds to be listed and traded on the Official List. The issue and allotment of the Bonds is conditional upon the Bonds being admitted to the Official List. In the event that this condition is not satisfied within twenty (20) Business Days from the Pre-Allocation Date, the Bond Issue will be revoked unilaterally by the Bank.

The Bank also reserves the right to withdraw the offer of Bonds prior to the Issue Date for reasons beyond its control, such as extraordinary events, substantial change of the political, financial, economic, legal, monetary or market conditions at national or international level and/or adverse events regarding the financial or commercial position of the Bank and/or other relevant events that in the reasonable discretion of the Bank may be prejudicial to the offer.

In the event of a revocation of the Bond Issue or withdrawal of the offer of the Bonds as aforesaid, any application monies received by or on behalf of the Bank will be returned without interest (through the Registrar and/or the Authorised Intermediaries, as applicable).

The Bond Issue is not underwritten.

Dealings in the Bonds shall not commence prior to the Bonds being admitted to the Official List of the MSE.

7.3. Terms and Conditions of Application

7.3.1. Subscription monies for the Bonds must, in terms of the Pre-Allocation Agreements, be received by the Registrar in full (at the Issue Price) in cleared funds (through the Authorised Intermediaries) by no later than 15:00 hours on 18 November 2020. The Bank, acting through the Registrar, has the right to decline Applications for which payment in cleared funds is not received by the aforementioned date and time.

7.3.2. Applications are subject to a minimum subscription amount of €25,000 in Nominal Value of Bonds (and in multiples of €25,000 thereafter) in relation to each underlying client to which an Application relates.

7.3.3. 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 Prospectus as well as the Terms and Conditions of the Bonds.

7.3.4. 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.

7.3.5. In the case of joint Applicants, reference to the Bondholder in the Application and in this 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.

- 7.3.6.** 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 the 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.
- 7.3.7.** 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 eighteen (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 eighteen (18) years.
- 7.3.8.** 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.
- 7.3.9.** No person receiving a copy of the 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.
- 7.3.10.** 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 MiFIR requirements as well as the applicable MFSA Conduct of Business Rules and MFSA Rules for investment services providers.
- 7.3.11.** 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.
- 7.3.12.** Subject to all other terms and conditions set out in this 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.
- 7.3.13.** By submitting an Application, any Applicant:
- (a) agrees and acknowledges to have had the opportunity to read the Prospectus 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 www.apsbank.com.mt. 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 Bond Issue other than what is contained in this Prospectus and accordingly agree/s that no person responsible solely or jointly for this Prospectus 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 Application in any territory, and that the Applicant has not taken any action which will or may result in the Bank, Authorised Intermediary or the Registrar, 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 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 Bond Issue 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.

7.4. Suitability and Appropriateness

The Bonds are complex investment products. The Bonds are open for subscription to all categories of investors, provided that the Authorised Intermediaries shall be required to carry out an Appropriateness Test in respect of each Applicant for the purpose of assessing such Applicant's level of knowledge and experience prior to investing in the Bonds. To the extent that an Authorised Intermediary is providing advice in respect of a purchase of the Bonds by an Applicant, that Authorised Intermediary shall be required to conduct a Suitability Test in respect of the Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered suitable for the Applicant. Applications shall not be accepted by the Authorised Intermediaries unless, based on the results of such Suitability Test, the Authorised Intermediaries are satisfied that an investment in the Bonds may be considered suitable for the Applicant.

For the purpose of this Prospectus, the term "**Appropriateness Test**" means the test conducted by any Authorised Intermediary, when providing an investment service (other than investment advice or portfolio management) in relation to the subscription for the Bonds, for the purpose of such Authorised Intermediary determining (after collecting the necessary information) whether the investment service or the Bonds are appropriate for the Applicant. In carrying out this assessment, the Authorised Intermediary shall ask the Applicant to provide information regarding the Applicant's knowledge and experience so as to determine that the Applicant has the necessary experience and knowledge in order to understand the risks involved in relation to the Bonds or investment service offered or demanded, in accordance with the Conduct of Business Rulebook. In the event that Authorised Intermediary considers, on the basis of the test conducted, that the subscription or transfer of Bonds is not appropriate for the Applicant or prospective transferee, the licensed financial intermediary shall warn the Applicant that an investment in the Bonds is not appropriate for the Applicant or transferee.

For the purpose of this Prospectus, the term "**Suitability Test**" means the process through which an Authorised Intermediary providing investment advice or portfolio management services in relation to the subscription for the Bonds obtains such information from the Applicant as is necessary to enable the Authorised Intermediary to recommend to or, in the case of portfolio management, to effect for the Applicant the investment service in the Bonds that are considered suitable for him/her, in accordance with the Conduct of Business Rulebook. The information obtained pursuant to this test 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, giving due consideration to the nature and extent of the service provided, that the specific transaction to be recommended, or to be entered into in the course of providing a portfolio management service, 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.

In conducting the Appropriateness Test or Suitability Test in relation to the Bonds, Authorised Intermediaries or other distributors should take into account:

- (i) the Bank's Target Market Assessment that has been provided and is available to such Authorised Intermediaries or other distributors (the salient aspects of which are set out in the Section entitled 'Important Information' of this Prospectus); and
- (ii) the European Securities and Markets Authority's statement on MiFID practices for firms selling financial instruments subject to the BRRD resolution regime (https://www.esma.europa.eu/sites/default/files/library/2016-902_statement_brrd.pdf); and
- (iii) the European Securities and Markets Authority's joint statement with the European Banking Authority the treatment of retail holdings of debt financial instruments subject to the BRRD (<https://eba.europa.eu/documents/10180/2137845/EBA+ESMA+Statement+on+retail+holdings+of+bail-inable+debt+%28EBA-Op-2018-03%29.pdf>).

7.5. Plan of Distribution and Allotment

The Bank, together with the Registrar, have entered into Pre-Allocation Agreements with the Authorised Intermediaries, pursuant to which the Bank has bound itself to allocate all of the Bonds (€55,000,000 in Nominal Value) to such Authorised Intermediaries. Part of the amount subscribed in this manner has been subscribed on behalf of and allocated in respect of Preferred Applicants. Payment for these Bonds must be received by the Registrar in cleared funds by the Pre-Allocation Date.

Authorised Intermediaries subscribing for Bonds pursuant to Pre-Allocation Agreements have done so for their own account and/or for the account of their underlying clients. Authorised Intermediaries shall be entitled to distribute any portion of the Bonds subscribed to their

underlying clients upon commencement of trading or instruct the Registrar to issue a portion of the Bonds subscribed by them directly to their underlying clients. In any case, subscriptions and allocations are subject to a minimum Application and allocation of €25,000 in Nominal Value of Bonds to each underlying client of the Authorised Intermediaries.

Each Pre-Allocation Agreement became binding on each of the Bank, the Registrar and the relevant Authorised Intermediary upon signing, but was conditional on, among other things, the approval by the Listing Authority of this Prospectus and the admissibility of the Bonds to listing on the Official List and the Bonds being admitted to listing and trading on the Official List. In terms of each Pre-Allocation Agreement, the Bank is conditionally bound to issue, and each Authorised Intermediary is conditionally bound to subscribe for, the number of Bonds specified in the relevant Pre-Allocation Agreement subject to the Registrar receiving payment in full of all subscription proceeds in cleared funds by the Pre-Allocation Date and the Bonds being admitted to listing and trading on the Official List. Each Pre-Allocation Agreement is subject to the terms and conditions of the Bond Issue and the Terms and Conditions of the Bonds as set out in the Prospectus.

7.6. Allocation Policy

The Bank will be allocating the Bonds to the Authorised Intermediaries pursuant to the Pre-Allocation Agreements entered into with the Bank and the Registrar.

8. TERMS AND CONDITIONS OF THE BONDS

8.1. General

The Bonds (ISIN: MT0002501204) will be issued on the Terms and Conditions as set out below, and 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 the said Terms and Conditions.

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.

8.2. Currency and Denomination, Form and Title

8.2.1. Currency and Denomination

The Bonds will be issued in Euro. The Nominal Value of each Bond (denomination per unit) will be €25,000. The aggregate principal amount of Bonds that the Bank may issue pursuant to this Prospectus is €55,000,000, divided into 2,200 Bonds of €25,000 each.

8.2.2. Form and Title

The Bonds are to be issued in fully registered and dematerialised form without coupons and are 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.

8.3. 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 will be subordinated to the claims of all depositors and other unsubordinated secured and unsecured creditors of the Bank, and will not be repaid until all other unsubordinated debt outstanding at the time has been settled in full. In the event of a resolution of the Bank or in any other instances under applicable law, the Bonds are subject to conversion or write down by the applicable resolution authority as provided by law.

8.4. Limited Recourse / No Set-Off

Each Bondholder agrees that the only remedy available to the Bondholders in the case the non-performance by the Bank of any of its obligations or any other breach by the Bank of these Terms and Conditions (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.

Subject to applicable law, claims in respect of any Bonds may not be set-off, or be the subject of a counterclaim, 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 to raise by way of counterclaim 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 counterclaim, 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.

8.5. 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, winding-up or insolvency of the Bank, 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.

8.6. 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; (ii) receive payment of capital and interest in accordance with the ranking as provided in these Terms and Conditions; and (iii) enjoy such other rights attached to the Bonds emanating from this Prospectus.

8.7. Interest

8.7.1. Interest Rate and Interest Payment Dates

Each Bond shall bear interest on its outstanding principal amount at a rate of three point two five per cent (3.25%) per annum from (and including) the Interest Commencement Date up to (but excluding) the Maturity Date. Interest shall be payable in arrears in Euro 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.

8.7.2. Accrual of Interest

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 three hundred and sixty-five (365) day year, and in the case of an incomplete month, the number of days elapsed. Interest shall cease to accrue on each 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 a rate of three point two five per cent (3.25%) per annum until the date of payment thereof.

8.8. Yield

The gross yield, calculated on the basis of the interest rate of the Bonds, the Issue Price, and the redemption value (at Nominal Value) of the Bonds is three point two five per cent (3.25%). The table below illustrates the gross yield at each Early Redemption Date and on the Maturity Date:

Redemption	Redemption Dates	Issue Price	Redemption Price	Yield to Call
Early Redemption Dates	19 November 2025	€25,000	€25,000	3.25%
	19 November 2026	€25,000	€25,000	3.25%
	19 November 2027	€25,000	€25,000	3.25%
	19 November 2028	€25,000	€25,000	3.25%
	19 November 2029	€25,000	€25,000	3.25%
Maturity Date	19 November 2030	€25,000	€25,000	3.25%

8.9. Payments

- 8.9.1.** 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.
- 8.9.2.** Repayment of the principal amount of the Bonds will be made in Euro on the Maturity Date or the Early Redemption 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.
- 8.9.3.** 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.
- 8.9.4.** Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business fifteen (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.
- 8.9.5.** 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.
- 8.9.6.** 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.
- 8.9.7.** 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.

8.10. Redemption

- 8.10.1.** Unless redeemed on an Early Redemption Dates in accordance with the terms of this Section (or purchased and cancelled in accordance with Section 8.11 below), the Bonds shall be redeemed at their Nominal Value on the Maturity Date.
- 8.10.2.** The Bank reserves the right to redeem the Bonds on any Early Redemption Date (or repurchase the Bonds at any time following the fifth anniversary of the Issue Date in terms of Section 8.11 below), subject to obtaining the prior approval of the MFSA and provided that the Bank meets the requirements of Article 78(1) of the CRR, including the requirement that either of the following conditions is met:
- (a) That before or at the same time as the early redemption (or repurchase) of the Bonds, the Bank replaces the Bonds with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Bank; or
 - (b) That the Bank has demonstrated to the satisfaction of the MFSA that the own funds and eligible liabilities of the Bank would, following the early redemption (or repurchase) of the Bonds, exceed the requirements laid down in this the CRR and in CRD IV and the BRRD by a margin that the MFSA considers necessary).
- 8.10.3.** In order to redeem the Bonds on any Early Redemption Date, the Bank must also give the Bondholders at least thirty (30) days' notice in writing, which notice shall be given in the manner set out in Section 8.15 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.
- 8.10.4.** 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 EUR 25,000. 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.

8.11. Purchase and Cancellation

The Bank may purchase Bonds in the open market or otherwise and at any price at any time following the fifth anniversary of the Issue Date subject to the prior approval of the MFSA and provided that the requirements of Article 78(1) of the CRR (as described in Section 8.10.2 above) are met. All Bonds purchased by or on behalf of the Bank 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.

8.12. Transferability

- 8.12.1.** 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.
- 8.12.2.** 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.

- 8.12.3.** All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.
- 8.12.4.** 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.
- 8.12.5.** 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 fifteen (15) days preceding the due date for any payment of principal or interest on the Bonds.

8.13. 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 this Prospectus is limited to €55,000,000, 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.

8.14. Meetings of the Bondholders

- 8.14.1.** 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 Prospectus require the approval of a Bondholders' meeting.
- 8.14.2.** A meeting of Bondholders shall be called by the Board by giving all Bondholders listed on the register of Bondholders as at a date being not more than thirty (30) days preceding the date scheduled for the meeting, not less than fourteen (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 that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of 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 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 in accordance with the provisions of this Section 8.14.2 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Bank.
- 8.14.3.** The amendment or waiver 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.
- 8.14.4.** A meeting of Bondholders 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 present, in person or by proxy, representing not less than fifty per cent (50%) in Nominal Value of the Bonds then outstanding, shall constitute a quorum. If a quorum is not present within thirty (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 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 fifteen (15) days, following the original meeting. At an adjourned meeting: the number of 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.
- 8.14.5.** 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.
- 8.14.6.** Once a quorum is declared present by the chairman 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 to present their views to the Bank and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Bank to a vote of the Bondholders present at the time at which the vote is being taken, and any 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.
- 8.14.7.** The voting process shall be managed by the company secretary of the Bank under the supervision and scrutiny of the Bank's auditors.
- 8.14.8.** The proposal placed before a meeting of Bondholders shall only be considered approved if at least seventy-five per cent (75%) in Nominal Value of the Bonds held by the 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.
- 8.14.9.** 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.

8.15. 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.

8.16. Governing Law and Jurisdiction

8.16.1. 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.

8.16.2. 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.

9. TAXATION

9.1. 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 in Malta is concerned. This information does not constitute legal or tax advice and does not purport to be exhaustive.

The information below is based on an interpretation of tax law and practice relative to the applicable legislation, as known to the Bank at the date of the 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.

This 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 this respect should be sought accordingly.

9.2. 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 fifteen per cent (15%) (ten per cent (10%) in the case of certain types of collective investment schemes) 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 Revenue of all amounts so deducted, including the identity of the recipient.

In the case of a valid election made by an eligible Bondholder resident in Malta 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.

Any such election made by a 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. Even in this latter case, the Bank will advise the Maltese Commissioner for Revenue on an annual basis in respect of all interest paid and of the identity of all such recipients.

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.

9.3. 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 Revenue. The Maltese Commissioner for Revenue will or may, in turn, automatically or on request, forward the information to other relevant tax authorities subject to certain conditions.

9.4. 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.

9.5. 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 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 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. 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 NORMAL TRADING ACTIVITY.

10. THIRD PARTY INFORMATION AND STATEMENTS BY EXPERTS

This 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 Prospectus has been accurately reproduced in this 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.

11. 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 Prospectus:

- (a) The Memorandum and Articles of Association of the Bank;
- (b) The consolidated interim financial information of the Bank for the six months ended 30 June 2020 (which includes the comparatives for the six-month period ended 30 June 2019); and
- (c) The consolidated audited financial information of the Bank for the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019, together with the auditor’s reports thereon.

Annex A: List of Authorised Intermediaries

APS Bank p.l.c.	APS Centre, Tower Street, Birkirkara BKR 4012	25603000
Bank of Valletta p.l.c.	BOV Centre, Cannon Road, Zone 4, Central Business District, St Venera CBD 4060	22751732
Curmi & Partners Ltd	Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102	21347331
Jesmond Mizzi Financial Advisors Ltd	67 Level 3, South Street, Valletta VLT 1105	23265696
Rizzo, Farrugia & Co (Stockbrokers) Ltd	Airways House, Fourth Floor, High Street, Sliema SLM 1551	22583000

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