

Circular to Members

ANNUAL GENERAL MEETING OF 16 MAY 2023

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ THE 'NOTICE OF ANNUAL GENERAL MEETING' AND THIS CIRCULAR CAREFULLY IN VIEW OF THE VOTING ACTION YOU ARE REQUIRED TO TAKE AT THE FORTHCOMING ANNUAL GENERAL MEETING OF APS BANK PLC.

IF YOU REMAIN IN DOUBT AS TO WHAT VOTING AND/OR ACTION TO TAKE, YOU ARE ADVISED TO CONSULT AN APPROPRIATE INDEPENDENT ADVISOR.

1. PREAMBLE

The purpose of this circular (the "**Circular**") is to inform the members of APS Bank plc (the "**Company**") about the following resolutions being proposed at the forthcoming annual general meeting of the Company to be held on 16 May 2023 (the "**Meeting**"):

Ordinary business – ordinary resolutions

(a) agenda item 4: Declaration of Dividend;

Special business – ordinary resolutions

(b) agenda item 8: Remuneration Policy;

(c) agenda item 9: Remuneration Report;

Special business – extraordinary resolutions

(d) agenda item 10: Directors' authority to issue Shares limitedly for the purpose of implementing a decision to pay a scrip dividend, and to affect a capitalisation;

(e) agenda item 11: Delegation to the Directors to issue debt securities.

2. IMPORTANT INFORMATION

This Circular, which contains information about the resolutions to be proposed for approval at the forthcoming Meeting, is being dispatched to all members, that is, the shareholders appearing on the register of members of the Company held and maintained by the Central Securities Depository of the Malta Stock Exchange (the "**Register of Members**") as at close of business on 14 April 2023 (trading session of 12 April 2023) ("**Record Date**").

All the directors of the Company (collectively referred to as the "**Board**"), namely Martin Scicluna, Victor E. Agius, Joseph C. Attard, Franco Azzopardi, Juanito Camilleri, Laragh Cassar, Alfred DeMarco, Michael Pace Ross and Joseph Rapa, accept responsibility for the information contained in this Circular, and to the best of their knowledge and belief have taken all reasonable care to ensure that the information contained in this Circular is in accordance with the facts, and does not omit anything likely to affect the import of such information.

You are kindly requested to ensure that if you sell or transfer any or all of your shares held in the Company, this Circular is passed on to the intermediary through whom the sale or transfer was executed for passing on to the purchaser or transferee.

Any capitalised terms used in this Circular or in the 'Notice of Annual General Meeting' but not otherwise defined shall have the same meaning as ascribed to them in the Company's articles of association (the "**Articles**").

3. PROPOSED RESOLUTIONS

A. Agenda Item 4: Declaration of a Dividend (ordinary business, ordinary resolution)

Proposal: The Board is proposing that the Meeting declares a gross final dividend of €9,846,153, representing a gross dividend of 2.68 euro cents per ordinary share (which amounts to a net final dividend of €6,400,000 representing a net dividend of 1.74 euro cents net per ordinary share), for the year ended 31 December 2022, which dividend shall be paid, (i) either in cash or (ii) in scrip by the issue of new shares, in each case at the option of each individual Member.

The Board is of the view that this resolution provides Members with a fair choice whilst, at the same time, permitting the Company to preserve equity for its future growth.

In accordance with the requirements of the Capital Markets Rules, Members are informed as follows:

- Any dividend paid pursuant to agenda item 4 (whether in cash or through the allotment of new shares) will be paid to Members appearing on the Register of Members as at close of business on the Record Date;

- The attribution price of the new shares to be issued to Members who elect to receive shares *in lieu* of cash has been determined at €0.57 per new ordinary share, calculated using the trailing traded weighted average price (TWAP) for the 90 trading days ended on 28 February 2023 of €0.605 per ordinary share discounted by 5% (the "**Attribution Price**");

- If all Members elect to receive shares *in lieu* of cash, a total of up to 11,300,000 new ordinary shares will need to be issued to Members, increasing the Company's current issued share capital by 3.1%. Conversely, if all the Members elect to receive cash, the Company will pay the total net cash dividend of up to €6,400,000 representing a net dividend of €0.0174 per ordinary share, as stated in the *Proposal* above;

- The entitlement of a Member to new shares to be offered *in lieu* of cash will be determined by dividing each Member's total net dividend (being the number of shares held as at Record Date multiplied by the net dividend of €0.0174 per share) by the Attribution Price. Accordingly, Members will receive one new ordinary share for every 33 existing shares which they hold. Fractional shares shall be rounded upwards to the nearest whole share if the fractional entitlement is of 0.5 of a share or more, and rounded downwards if the fractional entitlement is less than 0.5 of a share;

- Enclosed with this Circular is a Scrip Dividend Election Form, specific to each individual Member including details regarding dividend entitlement. Members who would like to receive ordinary shares *in lieu* of a cash dividend must complete the Scrip Dividend Election Form and send this document, to Company Secretariat at **APS Centre, Tower Street, B'Kara BKR 4012, Malta**, by 15 May 2023 using the enclosed business reply envelope. Alternatively, Members may opt to send the Scrip Dividend Election Form electronically by emailing a scanned copy of the completed Scrip Dividend Election Form to **investor.relations@apsbank.com.mt**, quoting the respective MSE Register Number printed on the form. Upon receipt of the completed Scrip Dividend Election Form, an electronic acknowledgement will be sent out. Emails received without the Scrip Dividend Election Form attached will not be accepted. Failure to submit such Scrip Dividend Election Form by the above deadline will be deemed to be an election to receive dividend in cash; and

- An application will be made to the MFSA and the Malta Stock Exchange for the new ordinary shares issued in terms of this scrip dividend to be admitted to trading and listing on the Official List of the Malta Stock Exchange. These new ordinary shares will be registered in uncertificated form, will form part of the Company's existing class of ordinary shares and will therefore rank *pari passu* with the Company's existing ordinary shares in issue. The new ordinary shares are expected to be issued and admitted to listing on the Official List of the Malta Stock Exchange by 31 May 2023, with dealings expected to commence on the following business day.

Please also refer to section D below for further information about the resolutions required to issue new shares to Members who elect to receive their dividend entitlement in shares rather than in cash.

Circular to Members (continued)

B. Agenda Item 8: Remuneration Policy (special business, ordinary resolution)

Proposal: The Board is proposing that the remuneration policy as set out in this Circular be received and approved.

Following the Company's equity listing in June 2022, it has become subject to Chapter 12 of the Capital Markets Rules issued by the MFSA ("CMR"). As a result, the Company is required to establish a remuneration policy for its directors and the chief executive officer ("CEO") and Members must be granted the right to vote on such a policy. If approved, the Company shall be required to remunerate its directors and the CEO in accordance with the approved policy.

To this end, the Board, in consultation with the Nominations and Remuneration Committee, have established a Remuneration Policy for Directors and the CEO of the Company ("Remuneration Policy") which is being proposed for Members' approval at the Meeting in terms of Rule 12.26J of the CMR. The Remuneration Policy is being enclosed with this Circular as **Appendix 1**.

C. Agenda Item 9: Remuneration Report (special business, ordinary resolution)

Proposal: The Board is proposing that the remuneration report in terms of Chapter 12 of the CMR as set out in the Company's annual report for the financial year ended 31 December 2022 be received and approved.

The remuneration report, a copy which is set out in pages 43 – 45 of the Company's annual report and financial statements 2022, is being submitted to the Meeting for an advisory vote as required by Rule 12.26K of the CMR. An advisory vote is a non-binding vote which allows Members to express their opinion regarding the issue at hand.

D. Agenda item 10: Directors' authority to issue Shares limitedly for the purpose of implementing a decision to pay a scrip dividend, and to affect a capitalisation (special business, extraordinary resolution)

Proposal: The Board is proposing that it be authorised to issue Shares and affect a capitalisation solely in connection with a decision to declare and pay a scrip dividend.

In terms of article 4(a) of the Articles, the Company in general meeting may by ordinary resolution authorise the directors to issue Equity Securities up to the value of the Company's authorised share capital. The said resolution may set out restrictions or conditions relating to the directors' authority to issue Equity Securities. Furthermore, in terms

of article 4(b) of the Articles, provided the Board is authorised to issue Equity Securities, all shares from time to time unissued shall be at the disposal of the directors and they may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think proper.

On this basis, in order to give flexibility to the Company when declaring and paying a scrip dividend whereby a Member can elect to receive shares *in lieu* of all or part of a cash dividend, the Board proposes that the Members authorise and empower the Board, until the end of the Company's 2024 annual general meeting, to issue Shares up to the value of the Company's authorised share capital solely for the said purpose.

The maximum amount of Shares which the Board will have authority to issue in terms of this proposed authority consists of an increase by 3.1%, and any other increase resulting from any scrip dividend that may be issued until the end of the Company's 2024 annual general meeting. This percentage excludes the authority to Directors granted by the General Meeting on 28 April 2022 to issue ordinary shares in satisfaction of the Executive Share Incentive Plan for the years 2022-2026.

The abovementioned authority alone will not allow the Board to declare and pay a scrip dividend without shareholder approval, since a scrip dividend involves a capitalisation of profits which, in terms of article 155 of the Articles, requires approval of the Company in general meeting. To this end, the Board is also proposing that solely for this purpose, it be authorised and empowered until the end of the 2024 annual general meeting, to capitalise any amount standing to the credit of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and issue shares to be allotted, distributed and credited as fully paid up to and amongst the Members of the Company.

The authorities being requested in this resolution will enable the Board to issue Shares without the need to convene a general meeting whenever a scrip dividend is declared and paid.

Members are informed that the Board intends to utilise the abovementioned authorities for the first time in order to give effect to Members' election to receive their dividend entitlement for financial year 2022 in the form of new ordinary shares rather than in cash, as set out in agenda item 4. In this case, the Board will capitalise up to €6,400,000 from the Company's profits for the purpose of issuing up to 11,300,000 fully paid up ordinary shares to Members who opt to

receive their dividend entitlement for financial year 2022 in the form of ordinary shares. Please refer to section 3A above for further information on the number of new shares which will be issued to Members who opt to receive their dividend entitlement in new shares.

These authorities shall be without prejudice to the authority given to the Board to issue any number of shares permitted by the Company's executive share incentive plan rules up to the value of the authorised share capital in accordance with a resolution of the general meeting of 28 April 2022.

E. Agenda item 11: Delegation to the Directors to issue debt securities (special business, extraordinary resolution)

Proposal: The Board is proposing that it be authorised and empowered to issue up to €150,000,000 in nominal value of bonds, debentures or other debt securities, and to apply for such bonds, debentures or other debt securities to be admitted to listing and/or trading on the Official List of the Malta Stock Exchange and/or any Regulated Market.

In terms of article 99(g) of the Articles, any issuance of bonds, debentures or other debt securities to the public which issuance exceeds in aggregate the sum of €50,000,000 requires the approval of the Company in general meeting, by an extraordinary resolution.

To be able to support the Company's capital and financial requirements including where these arise from a regulatory determination, the Company may be required to raise finance by issuing debt securities from time to time. Amongst other things, during 2023 the Company will be required to continue satisfying its Minimum Required Eligible Liabilities ("MREL") obligations in accordance with the determination received from the Malta Financial Services Authority in its function as Resolution Authority. Although MREL obligations can also be satisfied by means of deposits that would meet certain eligibility criteria, and equity, amongst others, the Board sees it prudent to plan ahead for at least the coming twelve months and launch an issuance programme that would enable the Company to raise MREL in an orderly and efficient manner with regard to the instruments that can be used.

To this end, the Board is proposing to be authorised and empowered by the Members to issue up to €150,000,000 nominal value of bonds, debentures or other debt securities, and to apply for such bonds, debentures or other debt securities to be admitted to listing and/or trading on the Official List of the Malta Stock Exchange and/or any Regulated

Appendix 1

Market. The authorisation being requested in this resolution will be valid until the end of the Company's 2024 annual general meeting.

4. DIRECTORS' RECOMMENDATIONS

The Board, having undertaken the necessary considerations, is of the view that the proposed resolutions are in the best interest of the Company and of its Members. The Board therefore recommends that Members vote in favour of these resolutions at the forthcoming Annual General Meeting.

5. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents or certified copies thereof will be made available for inspection at the Company's registered office, located at APS Centre, Tower Street, B'Kara BKR 4012, Malta and/or the Company's website <https://www.apsbank.com.mt/investor-relations/> for at least 14 days from the date of publication of the Circular:

- (a) the Company's memorandum and articles of association; and
- (b) the Company's annual financial report and financial statements for the year ended 31 December 2022.



Graziella Bray

Company Secretary
25 April 2023

Approved and issued by APS Bank plc, a public limited liability company registered under the laws of Malta with company registration number C 2192 and having its registered office at APS Centre, Tower Street, B'Kara, Malta, in compliance with the Capital Markets Rules issued by the Malta Financial Services Authority, in particular the requirements set out in Capital Markets Rule 6.2 on the contents of all Circulars.

Remuneration Policy for Directors and the CEO in terms of Chapter 12 of the Capital Markets Rules of the MFSA

1. BACKGROUND INFORMATION

A. Entry into force

The Remuneration Policy (the "**Policy**") for members of the board of directors ("**Board of Directors**" or "**Board**") and the chief executive officer ("**CEO**") of APS Bank plc (the "**Company**") has been drawn up in terms of the provisions of Chapter 12 of the Capital Markets Rules ("**Chapter 12**") of the Malta Financial Services Authority (the "**MFSA**") which transposes Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (often referred to as the "Shareholders' Rights Directive" or "SRDII").

The Company's nominations and remuneration committee (the "**Nominations and Remuneration Committee**") has drawn up this Policy. The Policy was considered and approved by the Board of Directors and is being submitted to the Company's members for their consideration and approval at the annual general meeting being held on 16 May 2023 ("**AGM**"). Subject to AGM approval, the Policy will become effective as from 16 May 2023.

Upon approval, the Policy, will be published on the Company's website on <https://www.apsbank.com.mt/investor-relations/>. The Policy shall remain available on the Company's website as long as it is applicable.

B. Scope

The aim of this Policy is to contribute to the business strategy, long-term interests, and sustainability of the Company by ensuring that the Company is able to attract and retain sufficiently qualified directors and a CEO who are crucial for the formulation and proper implementation of the Company's strategic vision.

The Policy applies to 'directors' as such term is defined in Chapter 12 and therefore in the case of the Company it applies to any member of the Board of Directors (the "**Directors**") and to the CEO. The Policy is in addition to the remuneration policy of APS group (the "**APS Group**"), reference to which is made in the Company's Annual Report ("**Group Remuneration Policy**").

As at the date of entry into force of the Policy, all Directors are non-executive directors. Should the Company's Board

of Directors be at any point in time also composed of executive directors, the Policy will be amended as necessary to address the remuneration of executive directors. In this Policy, the term "director" is therefore referring to a non-executive director unless otherwise stated. On the other hand, the CEO is an employee of the Company but is not a Director.

C. Remuneration Report

With effect from financial year 2022, in so far as the Directors and the CEO are concerned the remuneration report published by the Company in its annual report shall be in line with this Policy, Appendix 12.1 of the Capital Markets Rules and other rules and regulations applicable to the Company. The remuneration report shall be subject to an advisory vote at the relative general meeting.

D. Managing potential conflicts of interest

The Board of Directors is of the opinion that any risk of a conflict of interest arising as a result of the Nominations and Remuneration Committee drawing up this Policy is significantly mitigated by the fact that the Policy will be submitted to the AGM for members' consideration and approval. This risk is further mitigated by the fact that, at the AGM, members will also be asked to approve the maximum annual aggregate emoluments of the Board of Directors, as well as any increase of such emoluments.

Moreover, in order to avoid any conflict of interest, the Company's remuneration is managed through well-defined processes ensuring no individual is involved in the decision-making process related to their own remuneration. In line with best practice, non-executive Directors' remuneration is reviewed on an annual basis by the Nominations and Remuneration Committee, which in turn makes any recommendations for consideration by the Board. The remuneration of the CEO, including any variable remuneration is approved by the Board of Directors, upon a recommendation of the Nominations and Remuneration Committee. In their recommendation to the Board, the Nominations and Remuneration Committee shall be guided exclusively by the best interests of the Company.

E. Revision of Policy and validity

In terms of Chapter 12, the Company shall submit the Policy to a vote by the general meeting at every material change and, in any case, at least every four years. The Nominations and Remuneration Committee is tasked with keeping the Policy under review. Any amendments to the Policy are to be recommended by the Nominations and Remuneration Committee to the Board for