

Circular to Members

ANNUAL GENERAL MEETING OF 9 MAY 2024

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 9 May 2024 (the "**Meeting**"):

Ordinary business – ordinary resolution

(a) agenda item 4: Declaration of Dividend;

Special business – ordinary resolutions

(b) agenda item 8: Remuneration Policy;

(c) agenda item 9: Remuneration Report;

(d) agenda item 10: Rights Issue and Directors' authority to issue shares for the purpose of undertaking a Rights Issue;

Special business – extraordinary resolutions

(e) agenda item 11: Directors' authority to issue Shares limitedly for the purpose of implementing any decision to pay a scrip dividend, and to affect a capitalisation of profits;

(f) agenda item 12: Renewal of authority to the Directors to issue debt securities;

(g) agenda item 13: Amendments to the memorandum and articles of association of the Company.

2. IMPORTANT INFORMATION

This Circular, which contains information about certain 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 9 April 2024 (trading session of 5 April 2024) ("**Record Date**").

All the directors of the Company (collectively referred to as the "**Board**"), namely Martin Scicluna, Victor E. Agius, Joseph C. Attard, Juanito Camilleri, Laragh Cassar, Noel Mizzi, Michael Pace Ross, Joseph Rapa and Marisa Xuereb, 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 such is the case, and 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 person through whom the sale or transfer was effected for the transmission 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 Dividend (ordinary business, ordinary resolution)

Proposal: The Board is proposing that the Meeting declares a gross final dividend of €0.022 per ordinary share, totalling €8,500,000 (which amounts to a final net dividend of €0.015 per ordinary share, or €5,500,000), for the year ended 31 December 2023, which dividend shall be paid in scrip, that is, (i) either in cash or (ii) 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 ("**CMR**"), 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 €0.55 per new ordinary share, calculated using the trailing traded weighted average price (TWAP) for the 90 trading dates ended on 28 February 2024 ("**Attribution Price**")

- If all Members elect to receive shares *in lieu* of cash, a total up to 10,000,000 new ordinary shares will need to be issued to Members, increasing the Company's current issued share capital by 2.65%. Conversely, if all the Members elect to receive cash, the Company will pay a total net cash dividend

of €5,500,000 representing a net dividend of €0.015 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 €0.015 per share) by the Attribution Price;

- 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 the same, completed and signed, to the Company Secretariat at APS Centre, Tower Street, Birkirkara BKR 4012, Malta, by 8 May 2024 using the enclosed business reply envelope. Alternatively, Members may opt to send the Scrip Dividend Election Form electronically by sending a scanned copy of the completed Scrip Dividend Election Form either in Maltese or in English to apsdividend@apsbank.com.mt, quoting the respective **Name, Surname** and **MSE Register Number** as printed on the form as the email 'Subject'. 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;

- The Scrip Dividend Election Form will only be accepted in relation to the entire shareholding for every MSE account held. Split options are only allowed to Financial Intermediaries who are requested to fill in the Scrip Dividend Election Supplement Form which will be emailed separately to the applicable entities by Company Secretariat; and

- An application will be made to the Malta Financial Services Authority ("**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*

Circular to Members (continued)

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 20 May 2024, 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.

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.

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 (the "**Remuneration Policy**") in terms of Chapter 12 of the CMR issued by the MFSA. The existing Remuneration Policy was submitted to the Company's Members for their consideration and approval for the first time at the annual general meeting held on 16 May 2023. In terms of the said Chapter 12 of the CMR, the Company is required to submit the Remuneration Policy to a vote by the general meeting at every material change and, in any case, at least every 4 years.

The Company's Nominations and Remuneration Committee, which is tasked with keeping the Remuneration Policy under review, has proposed amendments to the Remuneration Policy which it considered to be "material." These amendments were approved by the Board and accordingly the Remuneration Policy is now being resubmitted for approval at the Meeting in terms of Rule 12.26J of the CMR. The revised Remuneration Policy is being enclosed with this Circular as **Appendix 1**.

The changes effected to the Remuneration Policy are necessitated by and are consequential to changes to the memorandum and articles of association of the Company which are being proposed for approval by the Members at the Meeting under Agenda Item 13. These changes arise from the proposed 'ex officio' appointment of the CEO of the Company as an executive director of the Company, which subject to the approval of the Meeting, will result in the Board also having an executive director. Given that the existing Remuneration Policy refers to the Board as being composed entirely of non-executive directors, and does

not provide for the remuneration of executive directors, the need was felt to revise and update the Remuneration Policy to also cater for executive directors.

In terms of the revised Remuneration Policy which is being submitted for approval at the Meeting, the remuneration of executive directors who are also salaried employees of the Company ought to reflect primarily their executive positions within the Company and shall include fixed pay, variable pay and other benefits. The revised Remuneration Policy also provides that the remuneration of executive directors who are also salaried employees of the Company will be aligned to the group-wide remuneration policy (which is separate to the Remuneration Policy). Moreover, the revised Remuneration Policy also provides that the Company's executive directors shall not be entitled to any fees, either for sitting on the Board or any of its committees or for sitting on the board of any group company.

Subject to the approval by the Members of the changes to the memorandum and articles of association of the Company which are being proposed under Agenda Item 13, upon conclusion of the Meeting, the CEO will be the only executive director of the Company, subject to regulatory approval.

Another amendment being proposed to the Remuneration Policy relates to the proportion between the fixed remuneration and the variable remuneration paid and/or awarded to the CEO. This is being revised from a maximum of 25% to a maximum of 50%. In any given year, the variable remuneration paid and/or awarded to the CEO shall therefore not exceed 50% of the CEO's fixed remuneration.

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 2023 be received and approved.

The remuneration report, a copy of which is set out in the Company's annual report and financial statements 2023, 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: Rights Issue and Directors' Authority to Issue Shares for the purpose of undertaking a Rights Issue (special business, ordinary resolution)

Proposal: The Board is proposing that the Company in General Meeting authorises the Board to carry out one or more rights issues and for this purpose that the Board be authorised to issue new Ordinary Shares up to a maximum amount not exceeding 50% of the issued share capital of the Company in place at the time of the relative rights issue.

To be able to further strengthen the Company's common equity tier 1 (CET1) capital such that the Company will be in a better position to meet its capital, business and financial requirements, the Company intends to access the capital markets through the issue and allotment to its members, and the general public, of new ordinary shares to raise in aggregate up to a maximum amount not exceeding 50% of the issued share capital in place at the time of the said issue, pursuant to one or more rights issues over a period of one (1) year from the date of this Annual General Meeting (the "**Rights Issue**"). Once issued, the new ordinary shares will be admitted to listing on the Official List of the Malta Stock Exchange and shall form part of the existing class of ordinary shares having equal rights and rank *pari passu* with the existing shares. Further information on the Rights Issue will be announced in due course.

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.

The Board is therefore proposing that the Company in General Meeting authorises the Board to issue new ordinary shares up to a maximum amount not exceeding 50% of the issued share capital in place at the time of the relative Rights Issue. By way of example, in terms of CMR 6.7.1, by reference to the issued share capital of the Company as at the date of this Circular, the Company may issue up to 188,901,785 ordinary shares of a nominal value of €0.25 each.

This authority is to remain valid until the end of the annual general meeting of the Company to be held in 2025.

Circular to Members (continued)

In order to permit the undertaking of a Rights Issue, the Board is also seeking the approval of Members to increase the authorised share capital of the Company in terms of the resolution contained in Agenda Item 13 below.

E. Agenda item 11: 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 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 2025 annual general meeting, to issue shares up to the value of the Company's authorised share capital solely for the said purpose. This authorisation is being sought on the basis of article 4 of the Articles, as described in Section 3D above.

For the purposes of CMR 6.7.1, the maximum amount of new ordinary shares which the Board will have authority to issue in terms of this proposed authority will be up to 10,000,000 ordinary shares (being the maximum amount of new ordinary shares that will be issued if all Members elect to receive shares *in lieu* of cash pursuant to the scrip dividend resolution proposed in Agenda Item 4) (the "Scrip Shares") plus any other shares which may need to be issued as a result of any scrip dividend that may be issued until the end of the Company's 2025 annual general meeting without the need to convene a general meeting. These Scrip Shares would represent approximately 2.65% of the Company's issued share capital as at the date of this Circular.

The abovementioned authority alone will not allow the Board to declare and pay a scrip dividend, 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 2025 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.

Members are informed that the Board intends to utilise the authorities being granted during the 2024 Meeting for the first time in order to give effect to Members' election to receive their dividend entitlement for financial year 2023 in the form of new ordinary shares rather than in cash, as set out in Section 3A. In this case, the Board will capitalise up to €5,500,000 from the Company's profits for the purpose of issuing all or part of the Scrip Shares to Members who opt to receive their dividend entitlement for financial year 2023 in the form of ordinary shares. Please refer to Section 3A above for further information on the Scrip 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.

F. Agenda item 12: Renewal of authority to the Directors to issue debt securities (special business, extraordinary resolution)

Proposal: The Board is proposing that the Members renew the Board's authorisation to issue up to €100,000,000 in nominal value of bonds, debentures or other debt securities, which authorisation shall be valid until the end of the Company's 2025 annual general meeting, 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.

In order 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 2024 the Company will be required to continue satisfying its Minimum Required Eligible Liabilities ("MREL") obligations in accordance with the determination received from the MFSA 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 so that it can meet its MREL requirements in an orderly and efficient manner, should the need arise.

During the 2023 annual general meeting of the Company, the Members authorised and empowered the Board 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 (the "2023 Bond Issue Authorisation"). Under the Company's existing bond programme established pursuant to a base prospectus dated 24 October 2023, the Company is authorised to issue €150,000,000 in nominal value of unsecured subordinated bonds (the "2023 Programme"). To-date, the Company has issued €50,000,000 under the 2023 Programme.

Given that the 2023 Bond Issue Authorisation will expire at the end of the Meeting, the Board is proposing that the Members renew the Board's authorisation to issue up to €100,000,000 in nominal value of bonds, debentures or other securities which renewal will, *inter alia*, allow the Company to issue further bonds under the 2023 Programme 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. The authorisation being requested in this resolution will be valid until the end of the Company's 2025 annual general meeting.

G. Agenda item 13: Amendments to the Memorandum and Articles of Association of the Company (special business - extraordinary resolution)

Proposal: The Board is proposing the approval of certain amendments to its memorandum and articles of association. As will be explained in further detail below, the amendments mainly concern:

- (i) increasing the Company's authorised share capital to €250,000,000 divided into 1,000,000,000 ordinary shares having a nominal value of €0.25 per share;*
- (ii) reducing the percentage shareholding constituting a "Qualifying Shareholding" to 8%;*
- (iii) changes relating to the composition of the Board of Directors primarily: (a) an increase in the minimum and in the maximum number of directors on the Board; (b) the automatic appointment of the Chief Executive Officer of the Company as an executive director; and (c) the authority of the Board to co-opt a director in defined circumstances; and*
- (iv) other minor administrative changes, including to incorporate all the changes effected to date.*

The Board therefore proposes that the Meeting adopts the following extraordinary resolution:

*"(1) That all amendments proposed to be made to the Company's current memorandum and articles of association ("**Current M&A**") be approved; and that the Current M&A be substituted in their entirety by the new memorandum and articles of association in the form, or in substantially the same form, as uploaded on the Company's website on 18 April 2024 ("**New M&A**"); and*

(2) To authorise the company secretary and/or any one director of the Company, acting singly, to (i) make any amendments to the New M&A as directed by the Malta Business Registry; (ii) sign the New M&A on behalf of the Company; (iii) to issue a certified extract of this resolution; and (iv) file the New M&A and the aforementioned extract with the Malta Business Registry, and/or any other competent authority, as may be required in terms of law."

(i) Amendment to clause 7(a) of the Memorandum of Association (the "Memorandum") to increase the Company's authorised share capital

It is proposed to increase the Company's authorised share capital and to delete and replace the existing clause 7(a) of the Memorandum by the following new clause 7(a):

The authorised share capital of the Company is two hundred and fifty million Euro (€250,000,000) divided into one billion (1,000,000,000) Ordinary Shares of twenty-five Euro cents (€0.25) each.

Explanatory note: The amendment proposes to increase the authorised share capital of the Company from €125,000,000 divided into 500,000,000 ordinary shares of €0.25 each to €250,000,000 divided into 1,000,000,000 ordinary shares of €0.25 each. This will permit the Company to undertake the rights issue contemplated under Agenda Item 10.

For the purposes of CMR6.8, the proposed increase in authorised share capital reflects a 100% increase in authorised share capital of the Company attributable to ordinary shares.

(ii) Amendment to clause 7(b) of the Memorandum to reflect the Company's current issued share capital

It is proposed to update the Company's issued share capital and to delete and replace the existing clause 7(b) of the Memorandum by the following new clause 7(b):

The issued share capital of the Company is ninety-four million, four hundred fifty thousand, eight hundred ninety-two euro and

twenty-five cents (€94,450,892.25) divided into three hundred seventy-seven million, eight hundred three thousand, five hundred sixty-nine (377,803,569) Ordinary Shares of twenty-five Euro cents (€0.25) each, fully paid up.

Explanatory note: This clause is being updated to reflect the Company's current issued share capital.

(iii) Deletion of clause 8 of the Memorandum entitled "Subscribers"

It is proposed to delete clause 8 entitled "Subscribers".

Explanatory note: This clause is no longer applicable following the Company's equity listing on the Official List of the Malta Stock Exchange in June 2022.

(iv) Renumbering of the current clause 9 of the Memorandum entitled "Directors" to clause 8 and amendment to effect a change in the minimum and maximum number of directors

In view of the above deletion, it is proposed to renumber clause 9 as clause 8 and to replace the current Article by the following new clause 8:

Subject to the provisions of Article 108 of the Articles of Association, the administration and management of the Company shall be vested in a Board of Directors consisting of not less than seven (7) and not more than eleven (11) Directors, (including the Chairman of the Board) who shall be appointed in accordance with the Articles of Association of the Company. At least a majority of the Directors appointed shall be non-executive Directors. The Chairman shall be a non-executive Director.

Explanatory note: The amendment proposes to effect a change in the minimum number of Directors from 5 to 7 and a change in the maximum number of Directors from 9 to 11. The maximum number of directors is being amended to cater for (i) the appointment ex-officio of the CEO as an executive director also being proposed in this agenda item by way of an amendment to Article 131 of the Articles of Association (the "**Articles**") of the Company; (ii) to strengthen the Board composition by the addition of another director. The Board feels that this will allow for a broader range and diversity of knowledge, skills and experience commensurate to the nature, scale and complexity of the Company's operations and also taking into account the ever-changing risks, challenges, trends and business needs.

The minimum number of directors is being changed because it is considered more proportionate to the proposed increased maximum number of 11 directors.

The clause will also be updated with the names of the directors forming the Board as at the date of filing of the Memorandum and Articles with the Malta Business Registry.

(v) Renumbering of clause 10 (Legal Representation), clause 11 (Company Secretary) and clause 12 (Interpretation) of the Memorandum as clauses 9, 10 and 11, respectively

It is proposed to respectively renumber clause 10 (Legal Representation) as clause 9, clause 11 (Company Secretary) as clause 10 and clause 12 (Interpretation) as clause 11 of the Memorandum.

Explanatory note: The renumbering is consequent to the deletion of clause 8 above.

(vi) Amendment to the definition of "Qualifying Shareholding" in Article 2(b)(xxii) of the Articles

It is proposed to amend the definition of "Qualifying Shareholding" in Article 2(b)(xxii) of the Articles as follows:

"Qualifying Shareholding" means a shareholding of eight per cent (8%) of the Shares having voting rights, and "Qualifying Shareholder" shall be construed accordingly;

Explanatory note: The effect of this amendment is to reduce the qualifying shareholding threshold from 10% of the shares having voting rights to 8% of the shares having voting rights. A Member holding a qualifying shareholding, or Members who among them hold (in the aggregate) a qualifying shareholding, are entitled to appoint one (1) director in respect of each qualifying shareholding held in terms of Article 103 of the Articles. They are also entitled to utilise their respective entire qualifying shareholding (but only insofar as the excess shares not so utilised) to participate in any election of directors in accordance with Articles 104 and 105 of the Articles. Given that the Board may now be composed of a maximum of 11 Directors, this threshold is being reduced to bring the qualifying shareholding percentage commensurate to this increase so as to permit a fair balance between those Directors appointed by Article 103 and those appointed by Articles 104 and 105.

(vii) Amendment to Article 108 of the Articles regarding co-option of an additional Director by the Board

It is proposed to delete and replace Article 108 of the Articles by the following new Article 108:

In the event that, at any time, (i) the appointment of an additional non-executive Director is required for compliance with

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regulatory requirements; (ii) or in the opinion of the Nomination Committee, the composition of the Board would be strengthened by additional or diverse knowledge, skills and experience, the Nomination Committee shall recommend to the Board of Directors the co-option to the Board of Directors of a fit and proper nominee or nominees to occupy the position of a non-executive Director. Upon approval by the Board of Directors of such co-option, the individual shall hold office until the next following annual general meeting of the Company, but will be automatically eligible for re-election.

Provided that should such an appointment cause the number of Directors on the Board to exceed eleven (11), then, exclusively for the purpose of this appointment, the maximum number of Directors shall be twelve (12).

Explanatory note: The current Article 108 of the Articles permits the Board to co-opt a director if none of the non-executive directors appointed or elected were independent and competent in auditing and/or accounting. The new Article 108 broadens the authority of the Board to co-opt a director to form part of the Board to two particular circumstances, namely, where, despite the composition of the Board in place at the time, (i) the appointment of an additional non-executive Director is required for compliance with regulatory requirements; or (ii) in the opinion of the Company's Nomination Committee, the composition of the Board would be strengthened by additional or diverse knowledge, skills and experience. The authority of co-option is therefore intended to be exercised only in these two exceptional circumstances. As is the case for other nominees, the Nomination Committee will only recommend to the Board persons who, in the opinion of the Nomination Committee, are fit and proper. The co-option will then require Board approval as well as regulatory approval in the normal manner. Like the other directors, the person co-opted would hold office until the annual general meeting following his or her appointment and he or she would then be re-eligible for re-appointment or re-election to the Board, or otherwise. It is only if this authority to co-opt is exercised by the Board in these defined circumstances that the maximum number of Directors on the Board will consist of 12 Directors.

(viii) Amendment to Article 112 of the Articles

It is proposed to delete and replace the first paragraph of Article 112 of the Articles by the following:

Notwithstanding the other provisions of the Articles, any person proposed for appointment as a Director (in any

manner whatsoever pursuant to these Articles, including Directors appointed by a Qualifying Shareholder for the purpose of filling a casual vacancy) or nominated by a shareholder for election as Director or appointed in terms of Article 108 shall be subject to approval by the Nomination Committee as a fit and proper person and shall not be eligible for appointment or election as a Director without prior approval of the Nomination Committee. For this purpose, the Nomination Committee shall, prior to any such approval, also take into account the collective requirements of the Board from a legal and regulatory perspective.

Explanatory note: Article 112 of the Articles refers to persons proposed for appointment as a director being subject to approval by the Nomination Committee as a fit and proper person. The only change being proposed to Article 102 is the addition of the words "or appointed in terms of Article 108" to clarify that a director who is co-opted by the Board in terms of Article 108 of the Articles is similarly subject to being considered fit and proper by the Nomination Committee.

(ix) Amendments to Articles 118, 119, 124 and 131 of the Articles in connection with the "ex-officio" appointment of the CEO as an executive director of the Company

These proposed amendments are being considered together since they relate to or as a consequence of, the proposed "ex-officio" appointment of the CEO as an executive director of the Company.

(a) It is proposed to delete and replace Article 131 of the Articles by the following:

The Directors may, from time to time, appoint a suitable person to the office of Chief Executive Officer for such period and on such terms (including the Chief Executive Officer's powers, rights, restrictions and obligations) as they think fit, which terms may be altered by the Directors at any time. Upon his or her appointment, the Chief Executive Officer shall be the most senior executive officer of the Company and shall become an executive Director on the Board of Directors. The Chief Executive Officer shall serve as executive Director on the Board for as long as he or she occupies the position of Chief Executive Officer. If the office of Chief Executive Officer is at any time and for any reason vacant, the Board of Directors shall, as soon as possible, appoint a suitable person to the role of Chief Executive Officer, even if the appointment is made on an interim basis. Such person would also occupy the role of

executive Director on the Board of Directors for as long as the individual occupies the role of interim Chief Executive Officer. The said appointments shall be subject to regulatory approval.

Explanatory Note: The Board is cognisant that it is a well-established principle of good corporate governance that the Board should be composed of executive and non-executive directors. As a consequence, it is proposing that the person occupying the role of CEO within the Company is "ex-officio" or automatically appointed to hold the role of executive director for as long as he or she occupies the role of CEO. It is pertinent to note that Article 127 of the Articles permits directors to hold such other office within the Company. Article 131 of the Articles which currently only makes reference to the power of the Board to appoint a suitable person to the role of CEO will therefore be broadened so that it will now also include the automatic appointment of the CEO as an executive director of the Board. This automatic appointment will also apply in the case of an interim CEO.

(b) It is proposed that Article 118 of the Articles which refers to how the office of a director is ipso facto vacated is deleted and replaced by the following:

Without prejudice to the provisions of the Act and to Article 131 of these Articles, the office of a Director shall ipso facto be vacated:

(a) if, by notice in writing to the Company, he resigns from the office of Director; or

(b) if he absents himself from the meetings of the Directors for three (3) consecutive meetings without leave of absence from the other Directors (which should not be unreasonably withheld) and the Directors pass a resolution that he has, by reason of such absence, vacated office; or

(c) if he is prohibited by law from being a Director; or

(d) if he is removed by ordinary resolution from office pursuant to, or otherwise ceases to be a Director by virtue of, the Act; or

(e) if he becomes of unsound mind, or is convicted of any crime punishable by imprisonment, or declared bankrupt during his term of office.

A Director's vacation of office pursuant to this Article shall take effect immediately upon the occurrence of any of the foregoing grounds for vacation. Following such vacation of office a resolution of the Directors declaring a

Director to have vacated office as aforesaid shall be conclusive as to the fact and the grounds of vacation stated in the resolution.

Explanatory note: The only proposed change to this Article is the addition of a reference to Article 131 of the Articles in such a way that it is clear that the office of the executive director would also be *de facto* vacated when the person in question no longer occupies the role of CEO.

(c) It is proposed that Article 119 of the Articles which refers to how vacancies among the Directors are filled is deleted and replaced by the following:

Any vacancy among the Directors will be filled: (i) in the case of a vacancy created in the office of a director appointed pursuant to the provisions of Article 103, by the Member or Members originally appointing the director vacating office, provided that the said Member/s still hold/s the Qualifying Shareholding necessary for an appointment of Directors pursuant to Article 103; and (ii) in other cases, such vacancy will be filled by the co-option of another person to be made by the Board. Any person appointed to fill a casual vacancy will hold office only until the next annual general meeting and will be eligible for re-appointment or re-election, as the case may be. Any vacancy related to the office of the executive director held by the Chief Executive Officer is regulated by Article 131 of these Articles.

Explanatory Note: The only proposed change to this Article is the addition of the last sentence "Any vacancy related to the office of the executive director held by the Chief Executive Officer is regulated by Article 131 of these Articles." In other words, any Board vacancy arising as a result of a vacancy in the office of the CEO, will be regulated by the provisions dealing with the appointment of the CEO.

(d) It is proposed to delete and replace Article 124 of the Articles which refers to the remuneration of any Director also holding a salaried position with the Company with the following:

Any remuneration paid to any Director by virtue of his holding a salaried office with the Company (whether permanent, temporary, direct or on secondment) shall not be deemed to form part of such Director's emoluments referred to in Article 122 of these Articles, provided that such remuneration shall always be paid in accordance with all applicable laws and/or regulations.

Explanatory Note: The only proposed change to this Article is the addition of the words "referred to in Article 122 of these Articles". In terms of Article 122 of the Articles, the maximum aggregate emoluments of all directors in any one (1) financial year as well as any increase of such emoluments is subject to approval by an ordinary resolution of the members in general meeting. In fact, such a resolution is being proposed at this annual general meeting as Agenda Item 7. The proposed amendment to Article 124 of the Articles clarifies that the remuneration which is paid to an executive director in relation to his position or "salaried office" within the Company, in this case, as a CEO, does not form part of the aggregate emoluments paid to directors and approved as described. This is also set out in the revised Remuneration Policy which is being submitted for the approval at the Meeting as Agenda Item 8. The Remuneration Policy also provides that executive directors shall not be entitled to any fees, either for sitting on the Board or any of its committees, or for sitting on the Board of any group company.

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, Birkirkara 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 2023.



Graziella Bray
Company Secretary
18 April 2024

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, Birkirkara, Malta plc, 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.