

Supplementary Information Document

APS Multi-Asset Strategy 6% Volatility Target EUR Excess Strategy No.2

Composition and Methodology

Summary

IMPORTANT: This is a summary of the features of the APS Multi-Asset Strategy 6% Volatility Target EUR Excess Return Strategy No.2 and as such, not necessarily complete. This document should be read in conjunction with the Term Sheet and Key Information Document of APS Kapital Plus 18 which may be accessed on www.apsbank.com.mt/kapital-plus/.

Overview

The APS Multi-Asset Strategy 6% Volatility Target EUR Excess Return Strategy No.2 (the “**Index**”) is a synthetic rules-based proprietary index designed by Goldman Sachs International as Strategy Sponsor to provide a synthetic exposure to the performance of APS Multi-Asset Strategy 6% Volatility Target EUR Strategy No.1 (the “**Asset**”). If the exposure of the Index to the Asset is not equal to 100% the difference will be allocated to exposure to a notional cash asset.

The Index is calculated on a “excess return” basis and does apply a synthetic interest rate return on the notional cash.

The Asset is also a synthetic rules-based proprietary index designed by Goldman Sachs International which provides a volatility targeted exposure to the performance of APS Multi-Asset Managed EUR Strategy No.1 (the “**Managed Strategy**”).

The volatility adjustment feature has the effect of adjusting the exposure of the Asset to the performance of the Managed Strategy by allocating a percentage of its exposure to the Asset if a specified measure of the realized volatility of the Managed Strategy would otherwise deviate from the pre-defined volatility target (the “**Volatility Target**”) on such Rebalancing Day. The weight assigned by the Asset to the Managed Strategy is rebalanced on a daily basis and is subject to a cap (the “**Maximum Weight**”). The value of the Asset (the “**Asset Value**”) is reduced by the deduction of the Rebalancing Costs. If the exposure of the Asset to the Managed Strategy is not equal to 100% the difference will be allocated to exposure to a notional cash asset (“**Cash Asset**”).

The Managed Strategy intends to provide a synthetic exposure to the performance of a basket of underlying assets, weighted by their relevant quantities. Such quantities may be changed periodically by ReAPS Asset Management Limited as the Strategy Allocator, subject to certain restrictions. ReAPS Asset Management Limited is a subsidiary of APS Bank plc and shall be entitled to receive a management fee of 0.35% p.a., as Strategy Allocator.

Both Index and Asset are denominated in Euro.

Description of the Index

- **Composition of the Index:** The exposure of the Index to the performance of the Asset (as described below) is one hundred per cent (100%) and is rebalanced regularly to reflect the Strategy Deduction Amount, if applicable.
- **Calculation of the Index Value:** The value of the Index (the “**Index Value**”) is calculated on each Business Day. The Index Value as of the Inception Date is the Initial Value. On each Business Day following the Index Inception Date, the Index Value is determined based on the Asset Value which is adjusted to reflect the Deduction Amount (if applicable), which is based on the Deduction Rate, a fixed annual rate, expressed as a percentage.
The Deduction Rate is 0.0%.

Description of the Asset

- **Composition of the Asset:** The Asset is composed by (i) the exposure of Asset to the performance of the Managed Strategy (as described below) determined by the Asset Weight and (ii) the (residual) Cash Asset (as described below). The Asset Weight of the Asset to the Managed Strategy is rebalanced periodically.
- **Mechanism of the volatility adjustment feature:** The Asset Weight, expressed as a percentage, is determined on any Rebalancing Day by comparing the Reference Volatility (the volatility of the Managed Strategy on the Rebalancing Day) against the Volatility Target. The Volatility Target is 6%.

If the Reference Volatility is greater than the Volatility Target, the Asset Weight, and therefore the exposure of the Asset to the Managed Strategy, will be below one hundred per cent (100%). Similarly if the Reference Volatility is smaller than the Volatility Target, the Asset Weight would exceed the one hundred per cent (100%) however the Asset Weight is subject to the Maximum Weight. The Maximum Weight, expressed as percentage, is 100%. This implies that the exposure of the Asset to the Managed Strategy may not exceed 100%.

- **Calculation of the Asset Value:** The value of the Index is calculated on each Business Day. The Asset Value as of the Inception Date shall be equal to the Initial Value. On each Business Day following the Inception Date, the Asset Value is determined based on the weighted performance of the Managed Strategy and the Cash Asset, relative to their respective values in respect of the immediately preceding Rebalancing Day, as adjusted for certain deductions in respect of costs and expenses.

The Asset Value is calculated so to include the following deductions:

- **Rebalancing Cost:** The Rebalancing Cost synthetically represents the costs of establishing and unwinding transactions in respect of the Managed Strategy when there are changes to the Asset Weight resulting from the volatility adjustment feature. The Rebalancing Cost is deducted from the Asset Value on each Rebalancing Day. On the Inception Date and on any day other than a Rebalancing Day, the Rebalancing Cost is zero. The Rebalancing Cost is linked to (i) the actual change in the Asset Weight as of the relevant Rebalancing Day, and (ii) the synthetic costs of rebalancing the Asset Weight.
- **Deduction Amount:** A Deduction Amount will be deducted from the Asset Value on each Business Day falling after the Inception Date. The Deduction Amount has the effect of reducing the performance of the Asset, and which is based on the Deduction Rate, a fixed annual rate, expressed as a percentage.
The Deduction Rate is 1.50%.

- **Managed Strategy:** The Managed Strategy is a synthetic rule-based proprietary strategy created by Goldman Sachs International as Strategy Sponsor and provides a synthetic exposure to the performance of a basket of underlying assets, weighted by their relevant quantities. Each underlying asset is assigned an initial weight which may be changed periodically by ReAPS Asset Management Limited, as Strategy Allocator, in its discretion, subject to certain controls and constraints. The underlying assets shall be composed of different assets namely, equities and fixed income.

The Managed Strategy is denominated in EUR and has, in respect of each underlying asset which is not denominated in EUR, an internal simulated currency hedge feature that seeks to offset a substantial portion of the positive or negative effects of the currency exchange rate fluctuations on the value of such underlying asset.

- **Cash Asset:** The Cash Asset reflects the value of the Money Market Index in the currency of the Managed Strategy and which comprises a notional amount in the Managed Strategy Currency.

Risk Factors

The Asset has a volatility adjustment feature which aims to provide a notional volatility-controlled exposure to the Managed Strategy. This is achieved by increasing or decreasing the exposure of the Asset to the Managed Strategy, based on their historical realized volatility relative to a pre-determined Volatility Target of 6%. An increase in the realized volatility of the Managed Strategy may decrease the exposure of the Asset to the Managed Strategy and vice versa. Accordingly, the Asset may be subject to dilution if the reference volatility exceeds the Volatility Target, such that the absolute overall exposure of the Asset to the Managed Strategy may be less than 100%, and investors in products linked to the Asset (and indirectly the Index) may not benefit fully from increases in the value of the Managed Strategy.

No assurance can be given that the volatility adjustment feature will be successful in producing a realized volatility of the Asset being equal to the Volatility Target which may negatively affect the performance of the Asset (and the performance of the Index), potentially materially so.

The value of the Index shall be made available on the website at on www.apsbank.com.mt/kapital-plus/.

The applicable Benchmark Statement (as required by the Benchmark Regulation) issued by Goldman Sachs International as the administrator is available by accessing the following [link](#).

Approved and issued by APS Bank plc, APS Centre, Tower Street, Birkirkara BKR 4012. APS Bank plc is regulated by the Malta Financial Services Authority as a Credit Institution under the Banking Act 1994 and to carry out Investment Services activities under the Investment Services Act 1994. The Bank is also registered as a Tied Insurance Intermediary under the Insurance Distribution Act 2018.

This information shall not be deemed as investment, tax, or any other form of professional advice. You should consult your independent legal, investment or other advisors to ensure that any decision you make is suitable for you with regards to your specific circumstances and financial situation. The Bonus linked to the performance of the Index is not guaranteed. The income you get from this investment may go down as well as up and past performance is not a guarantee to future performance. The account holder is not allowed to cancel or withdraw the deposit amount before the account maturity date and as such is not repayable on demand. Distribution is restricted in or into Malta.