

Company Announcement – 09/08/2024

The following is a company announcement issued by MeDirect Bank (Malta) plc (the “Bank”) pursuant to the Capital Markets Rules issued by the Malta Financial Services Authority.

Quote

On 9 August 2024, the Board of Directors of MeDirect Bank (Malta) plc considered and approved the condensed Interim Financial Statements of the Bank for the six-month financial period ended 30 June 2024. These Interim Financial Statements are available for viewing and downloading on the Bank’s website under the Investor Relations section (<https://www.medirect.com.mt/about-us/investor-relations/>).

2024 Interim Results – Update on strategic priorities and key financial performance highlights

MeDirect continued to focus on its mission to build a best-in-class digital platform enabling clients to manage their wealth with confidence and autonomy.

The Group’s strategy, which is based on four pillars, continued to leverage its technology platform to make progress in each area:

- Building a world-class WealthTech platform;
- Growing a pan-European retail franchise focused on affluent customers;
- De-risking and diversifying its balance sheet, with a focus on mortgages; and
- Improving the efficiency of its operating model.

Building a world-class digital platform

During the first half of this year, multiple improvements were implemented on MeDirect’s platform:

- A comprehensive digital solution for processing IPOs and state bond applications was successfully launched to handle Belgian state bond applications.
- MeDirect developed its own Payment Rails system to ensure optimal customer experiences for payments via Target 2, SWIFT and SEPA. Instant Payments will be launched through this internally developed solution by year-end.
- Debit card functionality was extended to Belgium. In Malta, where the system has already been deployed, a significant part of customer base is using the platform for their daily needs.

- In the near future, MeDirect will launch digital wallets, enabling customers to make purchases on their mobile devices using Apple Pay and Google Pay.
- A very convenient omni-channel corporate e-banking service was launched, including features such as bulk payments, salary payments, multi-approvers and FX services.

Growing a pan-European retail franchise focused on affluent customers

MeDirect continued to develop its franchise and brand awareness in its current core markets, Malta and Belgium.

- The client base grew since June 2023 by 25% to reach 143,000 (Dec 2023: 133,000), with current client base of 109,000 in Belgium and 32,000 in Malta and 3,000 clients in the Netherlands acquired in the first year of launch.
- Retail and corporate financial assets with MeDirect, reached an aggregate of €5.4 billion in June 2024, an increase of 18% since June 2023 (Dec 2023: €5 billion).
- Assets under custody amounted to €1.9 billion, a 17% increase from €1.6 billion in June 2023 (Dec 2023: €1.7 billion).
- MeDirect embarked on a marketing strategy focused on MeDirect's Maltese roots and reflecting the company's commitment to support the Maltese community.
- MeDirect established new partnerships with key Maltese corporate clients.

De-risking and diversifying its balance sheet, with a focus on mortgages

- The Group continued de-risking its balance sheet by reducing the size of the International Corporate Lending ("ICL") portfolio by a further 9%, to €300 million net of provisions, in the first six months of 2024
- The aggregate gross mortgage portfolio grew by 5%, to €2.6 billion:
 - MeDirect's Dutch-government guaranteed NHG mortgage activity continued to form the core of its mortgage portfolio, comprising 40% of the Group's total balance sheet.
 - MeDirect's Dutch buy-to-let mortgage portfolio reached almost €130 million
 - Further expanded Belgian and Maltese mortgage lending businesses, both of which registered double-digit growth during the last six months.
- The corporate lending portfolio in Malta grew by 6% during the period, reflecting continued support for local businesses through fully collateralised facilities.

Improving the efficiency of its operating model

- Technology development efforts continued to increase automation and supporting operations by streamlining checks on corporate actions as well as wealth management tasks.

Financial results, capital and liquidity position

- Net operating profit of €5.4 million in the first six months of 2024, an increase of 7% (1H 2023: €5.1 million), based on the following factors:
 - Operating income up by of €3.6 million, or 8.6%, to €44.7 million (1H 2023: €41.1 million) driven by:
 - growth across all mortgage lending sectors and Maltese corporate portfolios, resulting in higher net interest income;
 - fee income up generated from the wealth business and other commissions; and
 - lower net interest income from the ICL portfolio due to continued de-risking of the balance sheet, which was substantially accelerated in 1H 2024.
 - Operating costs grew by €3.2 million to €39.3 million (1H 2023: €36.1 million), mainly due to:
 - increased personnel costs incurred by acquiring new talent in the areas of regulatory compliance, customer experience and product development;
 - the full-year impact of costs related to the Depositor Compensation Schemes (“DCSs”) for both Malta and Belgium recognised in the first half results; and
 - an additional €1.3 million charged due to a change in Belgian legislation, which is expected to be non-recurring.
 - Adjustment for the two DCS items described above increased operating costs by €2 million, or 6%, when compared with the same period of 2023.
- Net expected credit losses (“ECLs”) amounted to €6.0 million net *charge* (1H 2023: €5.5 million net *release*), mainly driven by adverse changes related to specific exposures within ICL portfolio.
- During the comparable period of 2023, the Group recorded a substantial recovery of Stage 3 exposures and benefited from releases of provisions based on ECL model calculations.
- With net operating profit of €5.4 million offset by unfavourable ECL impact of €6.0 million, the Group’s net result for the first half of 2024 was a loss before tax of €0.6 million (1H 2023: €10.5 million profit before tax).
- The Group’s Non-Performing Loan ratio improved to 1.9% as at 30 June 2024, from 2.5% in 31 December 2023.
- The Group’s capital and liquidity positions remained adequate. At 30 June 2023:
 - MeDirect’s Tier 1 capital ratio stood at 16.6%, with a total capital ratio of 20.1%, both well above regulatory requirements.
 - The Group’s Liquidity Coverage Ratio stood at 221% (minimum requirement of 100%) and its Net Stable Funding Ratio at 132%, (minimum requirement of 100%).

Focus on ESG

- MeDirect was awarded the EcoVadis Platinum Medal in April 2024, placing MeDirect in the top 1% of companies assessed globally by EcoVadis.
- The Group will continue integrating environmental, social, and governance (“ESG”) principles into its daily operations, enhancing ESG knowledge and awareness as well as improving ESG disclosures and data quality
- MeDirect is dedicated to its ESG responsibilities which include continued support to charitable organisations and a commitment to achieve net zero by 2050 as part of its ESG Strategy.

Looking ahead

As MeDirect moves into the second half of the year, it remains focused on executing its strategic plan to deliver sustainable growth and profitability. MeDirect aims to leverage its robust technology and digital banking platform to ensure an enhanced and seamless customer experience and to continue to deliver innovative financial solutions.

MeDirect remains committed to identifying ways to reinforce its capital base and facilitate shareholder transition, which would enable it to accelerate growth and to efficiently scale its platform.

Unquote

Henry Schmeltzer
Company Secretary
09 August 2024