

Company Announcement – 10/08/2023

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 10 August 2023, 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 2023. 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/>).

2023 Interim Results – Highlights

“MeDirect continues to implement dynamically its tech-driven strategy, reporting €10.1 million profit after tax in the six months ended 30 June 2023.”

Focus on clients: New products and services

MeDirect’s investment in technology is producing tangible results for its clients, with a range of new products and services launched during the first half of 2023:

- MeDirect launched MeManaged, its online discretionary portfolio management service, in Belgium. Portfolio management is provided by MeDirect, using appropriate fund products managed by BlackRock, the world’s largest asset manager.
- MeDirect also began to offer its MeMax instant savings account in Malta, offering attractive interest rates, paid monthly.
- In May, MeDirect began to offer in Malta a new Property Investment Loan product designed for clients who would like to purchase real estate as an investment.
- In June, MeDirect launched its debit card service, enabling customers to use their MeDirect accounts for their daily banking needs.
- MeDirect technology has also enabled it to streamline its mortgage application processes enabling it to offer €1,000 to any customer who applies for a home loan with MeDirect and does not receive a decision within 15 days.
- In addition to the new products described above, MeDirect continues to improve its payment hub platform to facilitate faster and easier payments, both in Malta and Belgium and internationally.

These products were made possible by the investments in technology made over the past few years by MeDirect.

Growing the MeDirect customer franchise

- In mid-May, MeDirect successfully launched its wealth platform in the Netherlands, introducing its Wealth SuperApp and dedicated Dutch language website and targeting customers in the Dutch market who are currently underserved by traditional banks and asset managers.
- MeDirect's retail franchise, focused on affluent customers, grew by 8% over the past twelve months to more than 114,000 retail clients, of whom 41,000 are wealth clients. The number of wealth clients increased by 12% over the past twelve months and total client financial assets increased by 4.5% year over year, notwithstanding very challenging market and macroeconomic conditions, reaching €4.5 billion.
- This geographic expansion and continued growth of MeDirect's retail franchise demonstrates its ongoing commitment to building a scalable pan-European platform, serving clients throughout the EU and the EEA, with a focus on digital wealth and banking solutions.

Focus on specialised lending solutions

Over the past twelve months, MeDirect has continued to de-risk and diversify its balance sheet, reducing its on-balance sheet exposure to international corporate loans to less than 10% of total assets whilst launching and enhancing mortgage products and services in Malta, Belgium and the Netherlands.

- MeDirect continued to grow its specialised lending platform, focusing on mortgages in Belgium, the Netherlands and Malta.
 - Over the past twelve months, MeDirect's total mortgage portfolios grew from €1.7 billion to 2.2 billion, an increase of more than 30%.
 - MeDirect's Dutch-government guaranteed NHG mortgage product continues to form the core of its international mortgage portfolio, growing by 13% during the past twelve months to more than €1.9 billion, and now comprising 34% of the Group's total balance sheet.
 - MeDirect's partnership with HollandWoont, a leading Dutch NHG origination and servicing platform, enables it to control the origination of NHG mortgages based on its strategic priorities and market conditions.
 - In the Netherlands, MeDirect's buy-to-let mortgage platform was established in October 2022 in partnership with Build Finance, a Dutch mortgage originator, reaching €41 million at 30 June 2023. Using the platform, MeDirect is building its Dutch buy-to-let business in a controlled manner and benefitting from attractive risk-adjusted returns.
- MeDirect's MeHomeLoans Belgian mortgage loan product, launched in partnership with Allianz in October 2021, has become a core part of its specialised lending business, totalling over €228 million as at 30 June 2023.
- MeDirect's Maltese mortgage portfolio reached €86 million by end June 2023 and now features a Property Investment Loan product to facilitate investment in the Maltese property markets by its customers.
- MeDirect continues to build its Maltese corporate lending business with carefully selected loans with attractive yields and conservative loan-to-value ratios. The Group continues to

de-risk its international corporate lending portfolio, which has been reduced from €593 million as at 30 June 2022 to €446 million as at 30 June 2023, a decrease of 25%.

Delivering sustainable profitability

- Profit after tax for the six months ended 30 June 2023 amounted to €10.1 million, compared to €0.5 million for the six months ended 30 June 2022. Operating income grew by 29% year over year whilst improved market conditions led to a €5.5 million net release of loan impairment charges.
- Net interest income increased by 36% compared with the same period last year, from €28.7 million in the first six months of 2022 to €39.1 million in the first six months of 2023.
- The Group's Non-Performing Loan ratio was reduced to 2.0% as at 30 June 2023, from 4.6% in 31 December 2022.
- The Group's capital and liquidity positions remained strong. At 30 June 2023:
 - MeDirect's Tier 1 capital ratio stood at 15.5%, with a total capital ratio of 19.2%, both well above regulatory requirements; and
 - The Group's Liquidity Coverage Ratio (LCR) stood at 215% and its Net Stable Funding Ratio (NSFR) at 114%, both well above the minimum requirements.
- MeDirect continued its balance sheet de-risking strategy by increasing its aggregate mortgage portfolio by 30% to €2.2 billion and reducing its international corporate lending portfolio by 25% to €446 million over the past twelve months.

These financial results demonstrate the success of MeDirect's business transformation project, which was executed over the past three years in spite of extremely volatile macroeconomic conditions resulting from the Covid pandemic, the Russia-Ukraine war and severe supply chain disruption. MeDirect believes that it has now returned to sustainable profitability and is well positioned for the future.

Focus on ESG

- MeDirect continued integrating environmental, social and governance ("ESG") principles into its policies and day-to-day operations, improving its ESG disclosure and increasing ESG awareness across the Group.
- MeDirect's incorporation of ESG principles into its business were recognised and validated by the improvement of its EcoVadis overall sustainability rating score by 11%. MeDirect's overall score was amongst the top 7% of all companies rated by EcoVadis in the last year. Moreover, MeDirect Malta was once again awarded with the Equality Mark certification by the National Commission for the Promotion of Equality (NCPE) in Malta. In Belgium, MeDirect was rated as the third best bank in the country, according to a global survey by Forbes.



Outlook

MeDirect's efforts over the past three years in executing its ambitious business transformation plan are reflected in its financial results as well as the growth of its products, franchise and capabilities. Investment in technology has enabled MeDirect to launch a range of new products and services and to improve existing business processes. The de-risking and diversification of MeDirect's balance sheet resulted in a better balanced, more conservative portfolio of assets and a return to sustainable profitability. The success of MeDirect's efforts are manifested in increasing client numbers, including more wealth clients, and successful expansion into the Dutch wealth market, demonstrating the scalability of MeDirect's platform.

MeDirect's Board, management and staff look forward to continuing to build toward a successful future.

Unquote

Henry Schmeltzer
Company Secretary
10 August 2023