

MDB GROUP

# STRATEGIC OVERVIEW

MARCH 2021





# Introduction to MeDirect

A Pan-European digital challenger bank with a retail Wealth Tech platform poised for growth.



GROUP CEO MESSAGE

Wealth platform for (mass) affluent clients offering disruptive digital investing solutions.

- » 76k (mass) affluent customers
- » €3.9bn of client financial assets of which €1.2bn AuM
- » Open architecture model with 39% of wealth penetration in customer base (avg. client asset of €70k)

Complemented by low risk & capital efficient B2B2C mortgage lending platform.

- » €1.1bn Dutch NHG mortgages originated
- » Belgium Mortgages launch planned for 2021
- » Malta Mortgages launched in March 2021
- » Mortgage factory in partnership with established originator/server and backed by securitisation funding

Support by advanced Tech allowing for scalability and fast time-to-market.

- » Modular microservices and open banking architecture operating as a multi-bank platform
- » Digital channels with superior UX
- » Real-time data-driven CRM engine

...and with a robust and efficient operating model.

- » Efficient set-up with technology and support functions located in Malta
- » Diversified balance sheet profile between corporate lending and mortgages
- » European Central Bank regulated systemic bank with 14.8% Tier 1 capital ratio and strong liquidity

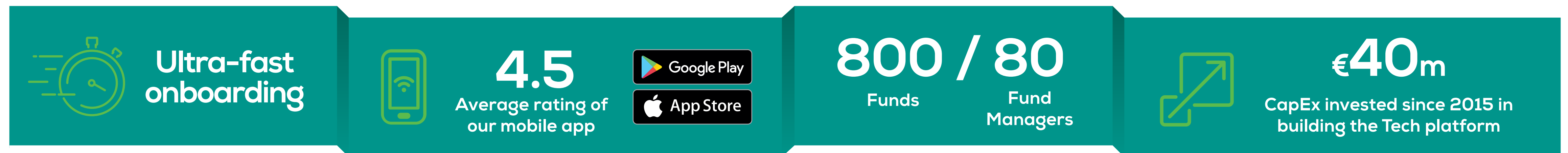
Figures as at 31 December 2020

# MeDirect key highlights 2020

## RETAIL FRANCHISE



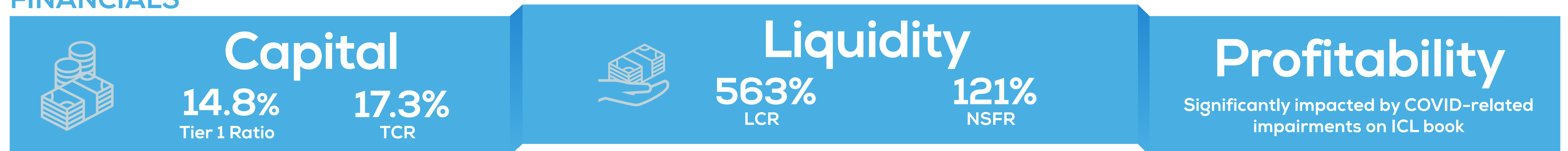
## WEALTHTECH PLATFORM



## ASSET DIVERSIFICATION

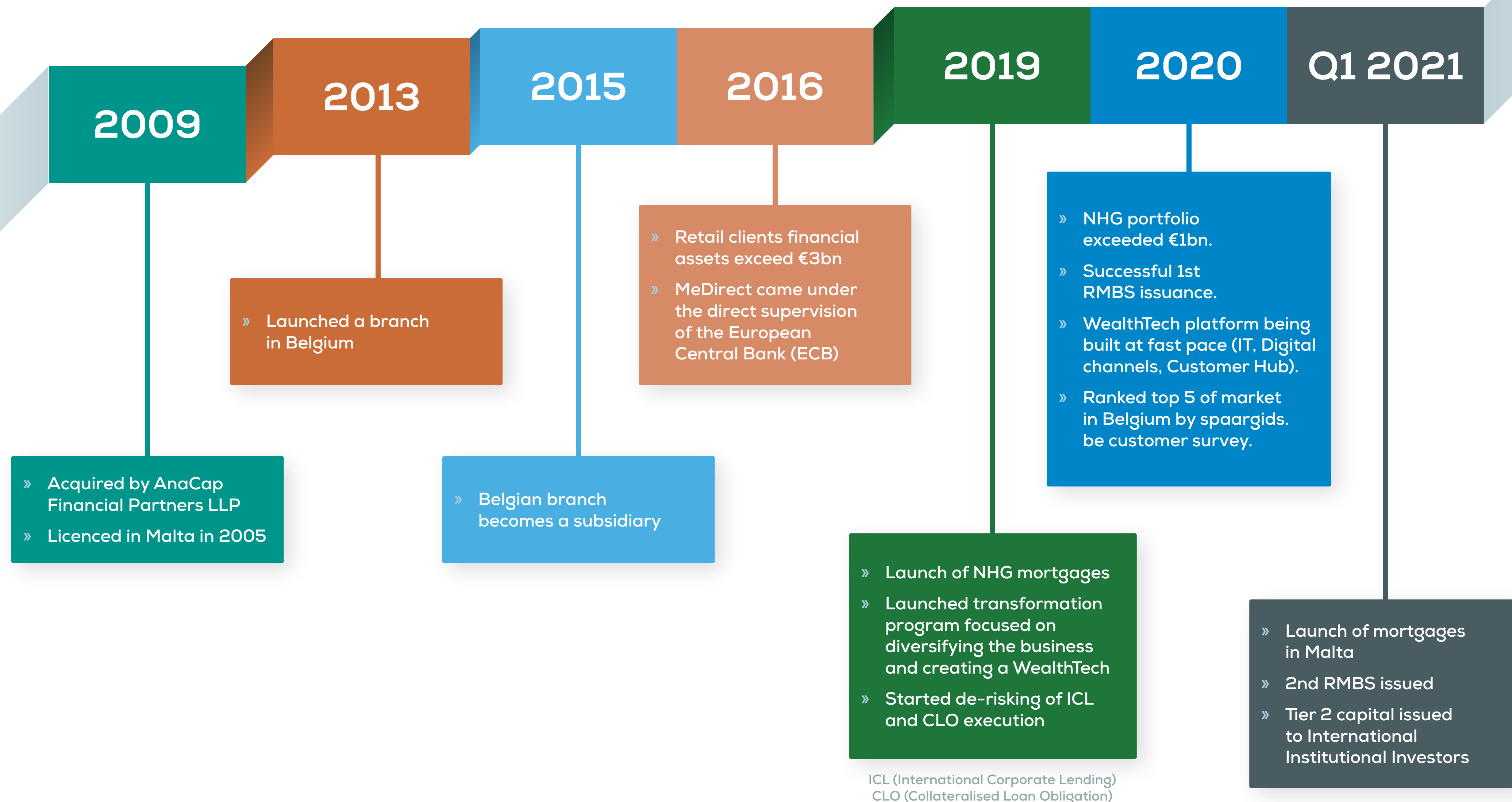


## FINANCIALS



Figures as at 31 December 2020

# MeDirect History





# Pan European digital challenger bank

## CLIENT, DEPOSIT & ASSETS UNDER MANAGEMENT:

**76k**

Clients

**€2.7bn**

Deposits

**€1.2bn**

AUM



Belgium

52k

€1.9bn

€0.6bn



Malta

24k

€0.8bn

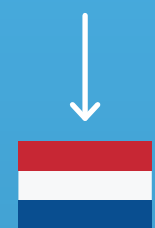
€0.6bn

Deposits and AUM include Maltese Corporate clients holding €0.4bn in financial assets

## CREDIT PORTFOLIO:

**€1.1bn**

Dutch Mortgages



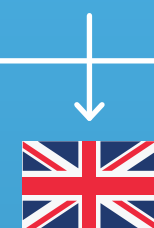
Netherlands

**€0.9bn**

International Corporate Lending



E.U.  
€0.5bn



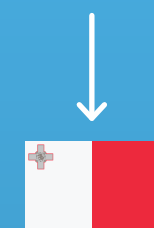
U.K.  
€0.2bn



Other  
€0.2bn

**€0.1bn**

Malta Corporate Lending



Malta

The figures show on-balance sheet exposures only

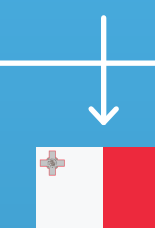
## EMPLOYEES:

**283** 

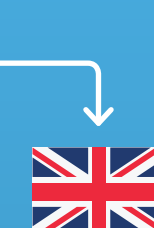
As of February 2021



Belgium  
47



Malta  
221



U.K.  
15

Figures as at 31 December 2020

# Main achievements in 2020

Among the **first banks** to enable full remote working set-up during COVID-19 (with great success).

Demonstrated **resilience** to impacts of COVID-19 (liquidity, capital).

**Ranked top 5** of market in Belgium by spaargids.be customer survey.

## Digital deliveries:

- » Launch of **mobile app**
- » Revamped **online eBanking** (code rewrite and UX) in November '20
- » New and simple onboarding process with average **11 minutes** onboarding time for ITsMe in December 2020
- » Seamless **integration** with third party providers (ID verification and compliance checks: ITsMe and Mitek amongst others)

Reached **€1.1bn** NHG book.

One of the **first banks** to open the Dutch RMBS market during the height of the COVID-19 outbreak in Q2 2020.

Built full **in-house expertise** for Software development, CRM, UX design

Successfully **attracted** Tier 2 International Institutional Investors

# Dynamic growth and balance sheet transformation

## Client Base

CAGR 2018–2020

**+16%**

76k Clients

## NHG Mortgage Book

**€1.1bn**

Since launch in September 2019

## Client Financial Assets

CAGR 2018–2020

**+22%**

€3.9bn Client Financial Assets

## International Corporate Lending

2018–2020

**–€0.9bn**

Reduced by 50% since March 2019

Client financial assets include Maltese Corporate clients holding €0.4bn in financial assets with MeDirect.  
Figures as at 31 December 2020

# Our vision on how to scale up as a WealthTech

**Deploy a disruptive wealth value proposition.**

- » Make digital investing simple and convenient for everyone
- » Core USP: open architecture with disruptive UX at all client touchpoints
- » Building a real time data-driven CRM engine

**Leverage a state-of-the-art tech data-driven 'backbone'.**

- » Deploy quickly innovation with short implementation cycles
- » Connect seamlessly new partners through an open architecture as an aggregator of services

**Larger marketing investments to increase customer acquisition and brand awareness.**

- » Spend more and better
- » Leverage on digital marketing, referrals and brand power
- » Develop partnerships



# MeDirect open fund architecture

Giving our clients access to a wide range of investment products is in our DNA.

## Mutual Funds Supermarket

- » Choose from a worldwide selection of over **800** mutual funds from over **80** renowned fund managers

## Model Portfolios

- » Ready made investment portfolio allowing customers to invest in a diversified basket of funds with a **few clicks**

- » MeGreen
- » MeGlobal
- » Fully Managed

Available online in Belgium and through Advisory in Malta

## Brokerage

- » Online brokerage platform covering a selection of over **4,000** equity securities, **250** bonds and **350** ETFs across European and Global markets

# medirect**talk**: insights for clients from major fund houses



medirect**talk** is a series of seminars organised in Malta by MeDirect featuring several financial experts and asset managers sharing their views on market and investment opportunities.

## Seminars delivered in 2020



Global Macro overview of the current Economic, Political and Financial Market conditions in lieu of COVID-19



Investing in a portfolio of infrastructure companies gives the world sustainable growth



Views on the financial markets in general with a focus on technology stocks

# Technology at the core of our competitive advantage



MeDirect Tech

## Strong in-house Software Development team

Built award winning solutions in other Tech-advanced sectors

## Agility and speed to market

Release fast improvements and new features through a CI/CD framework.

## Ability to containerise the platform

Allows to run software code uniformly and consistently on any infrastructure

## COMPETITIVE ADVANTAGES

## Modular microservices architecture

To innovate and meet business needs

## Data engineering team

Dedicated to enable AI and ML for MeDirect in real-time

## 24x7 Production Service Monitoring

With pro-active alerts on all endpoints

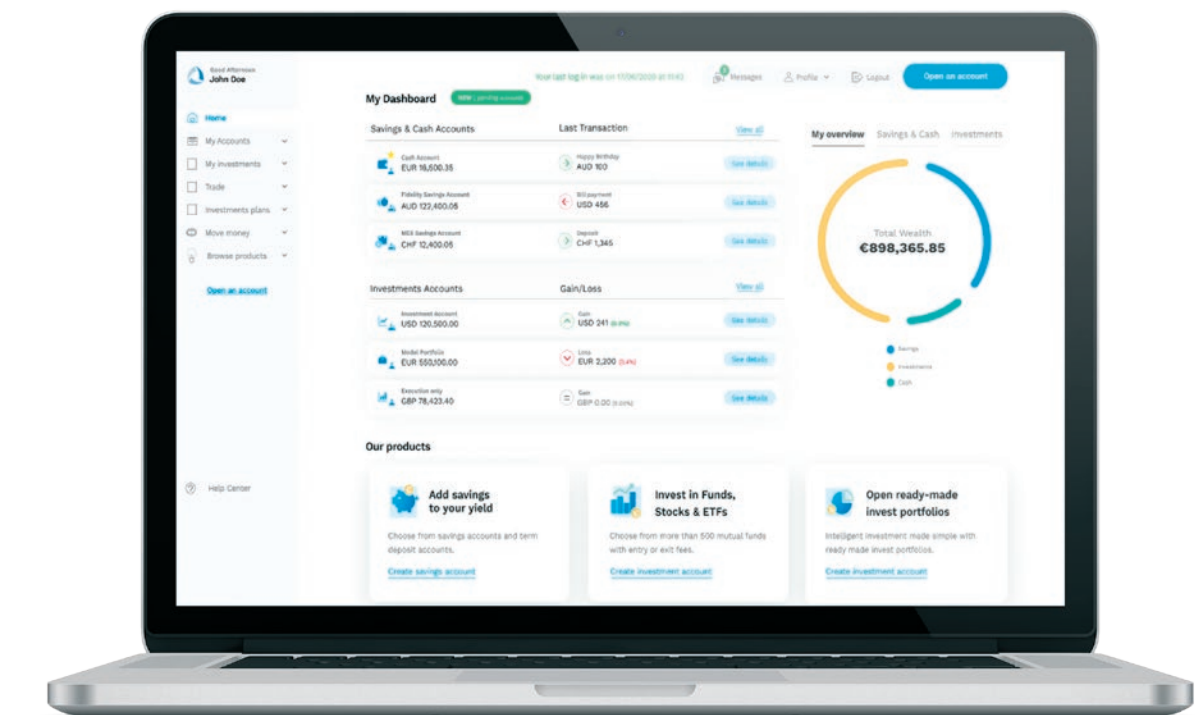
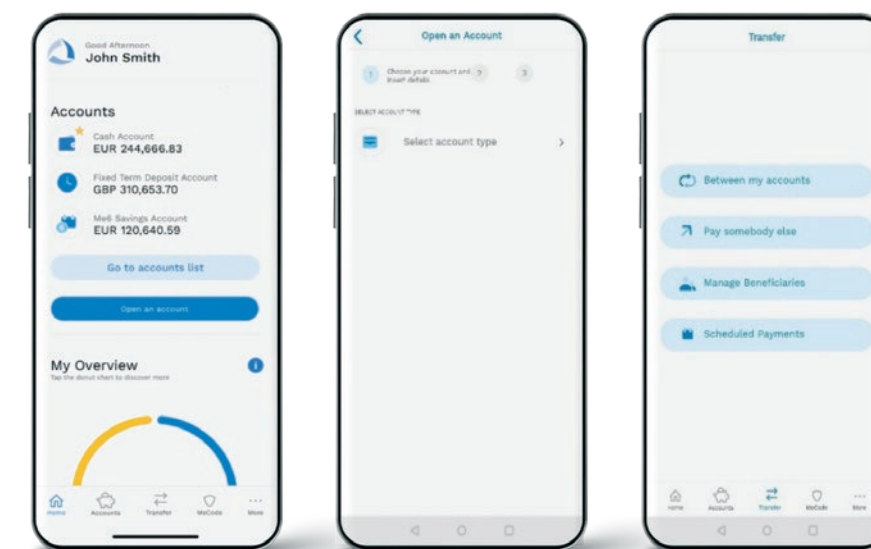
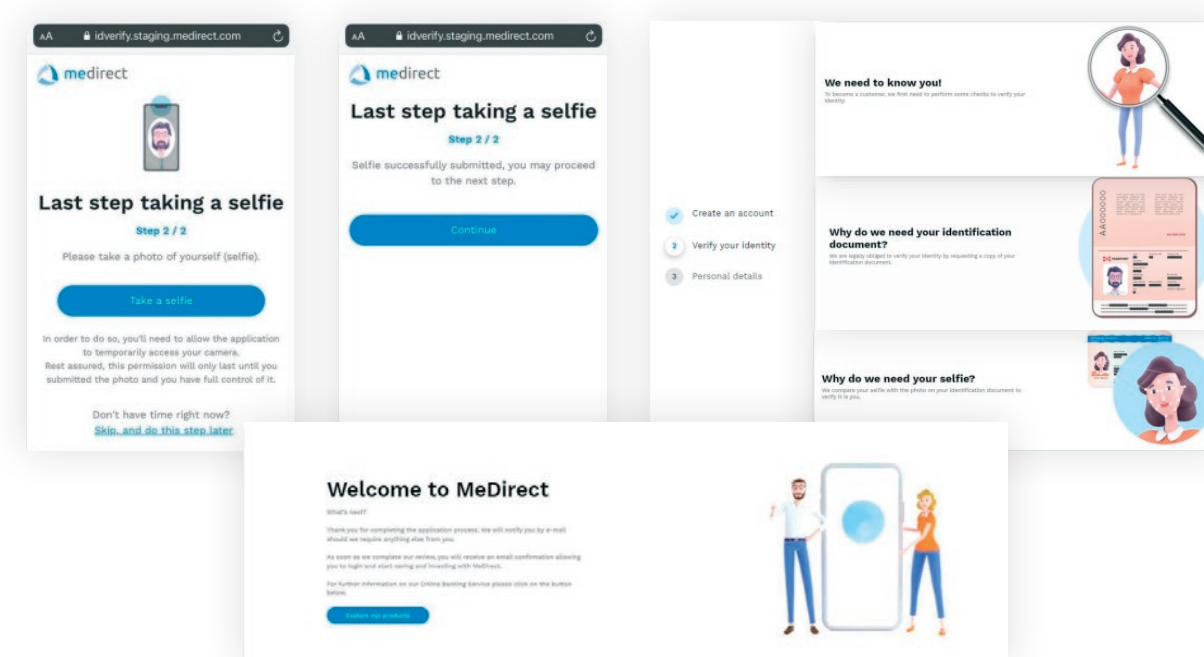


# User eXperience driving our digital transformation

Fast and simple onboarding process

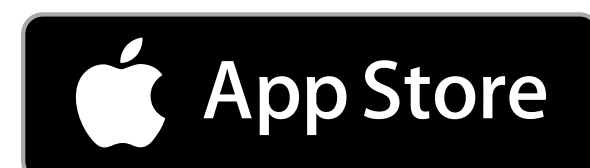
Highly intuitive and convenient mobile app

Revamped eBanking site



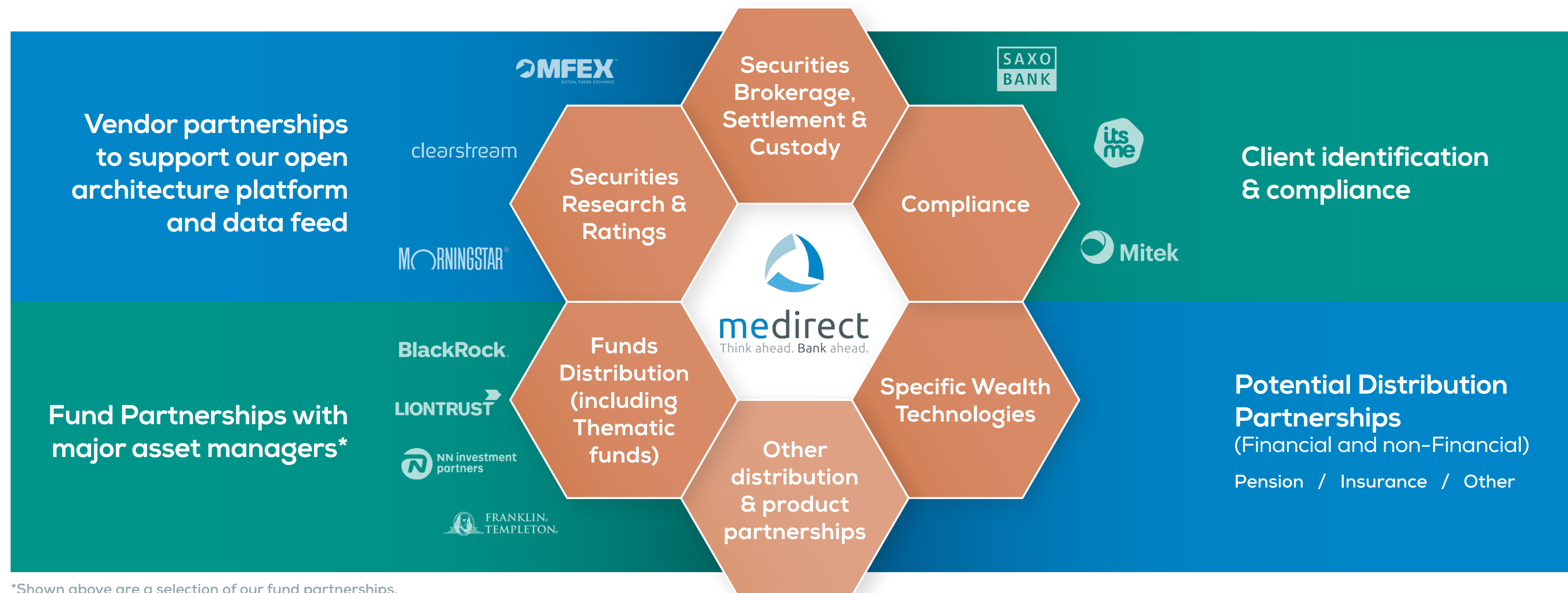
**<10min**  
onboarding time  
through ItsMe

**4.5**  
average rating across:



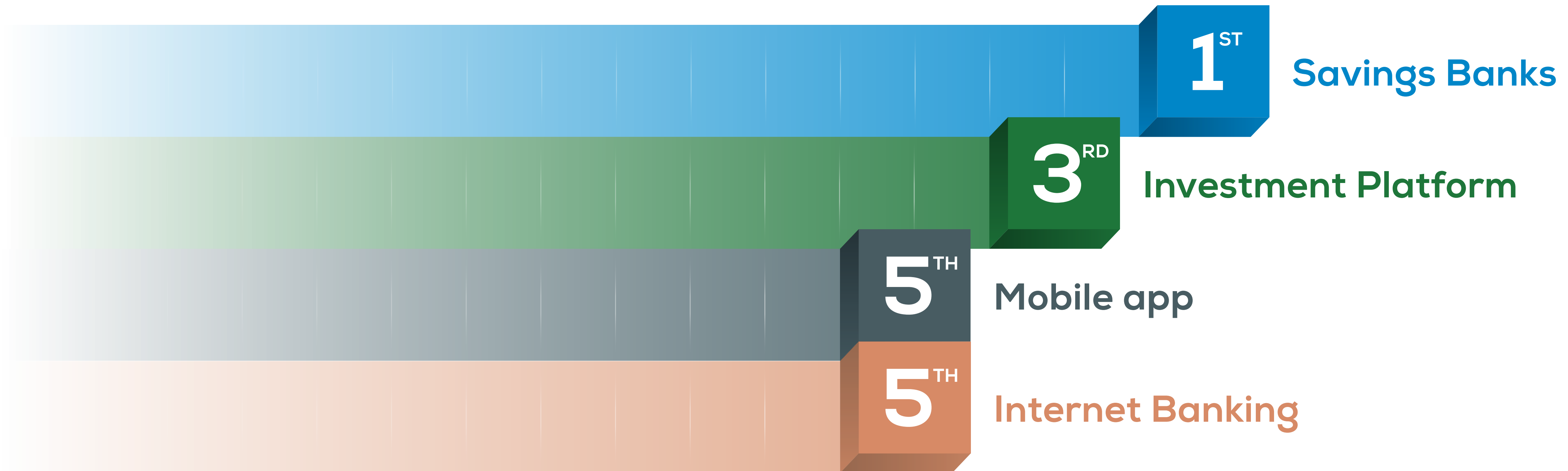
**Majority**  
of customers rate the site  
very good or excellent

# We continuously plug new partners into our open ended platform as an aggregator of services



\*Shown above are a selection of our fund partnerships.  
NN Investment partners are only available in Belgium.

# Already ranked by clients in top 5 amongst Belgian banks



26 banks were ranked in the survey.  
Source: spaargids.be

**Our ambition is to be in the Top 3  
in each category**

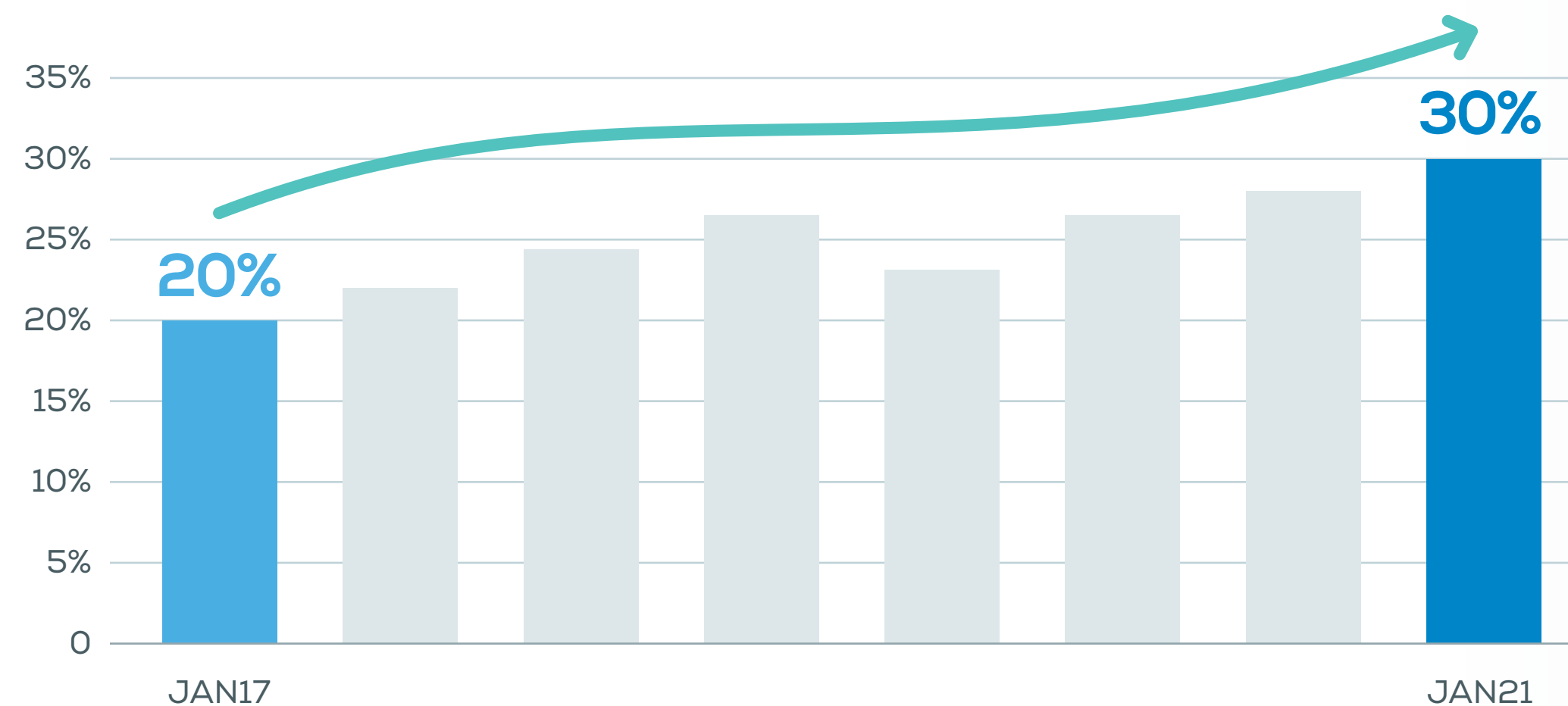




# MeDirect Belgium:

## A well-recognised player in its market

### AIDED BRAND AWARENESS



- » MeDirect's **aided brand awareness** has improved very fast and compares well with longer-established Belgian brands
- » MeDirect aided brand awareness reaches **38%** in Belgian investor segment

Source: IVOX

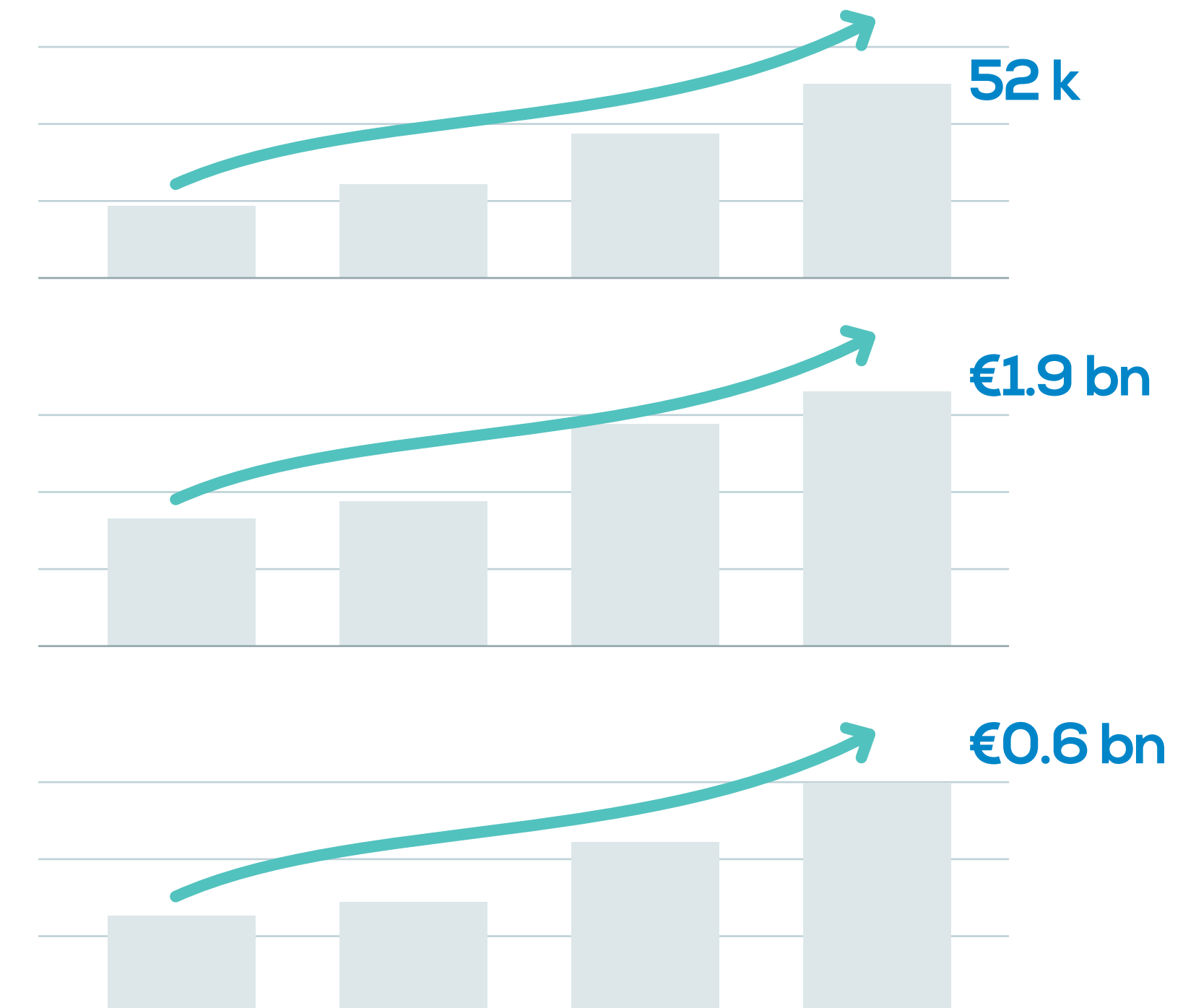
### DYNAMIC GROWTH IN 2020

Strong growth achieved in all client-related metrics

↑ **20%**  
YoY  
Total Retail Clients






↑ **13%**  
YoY  
Retail Deposits

↑ **29%**  
YoY  
Assets Under  
Management (Retail)

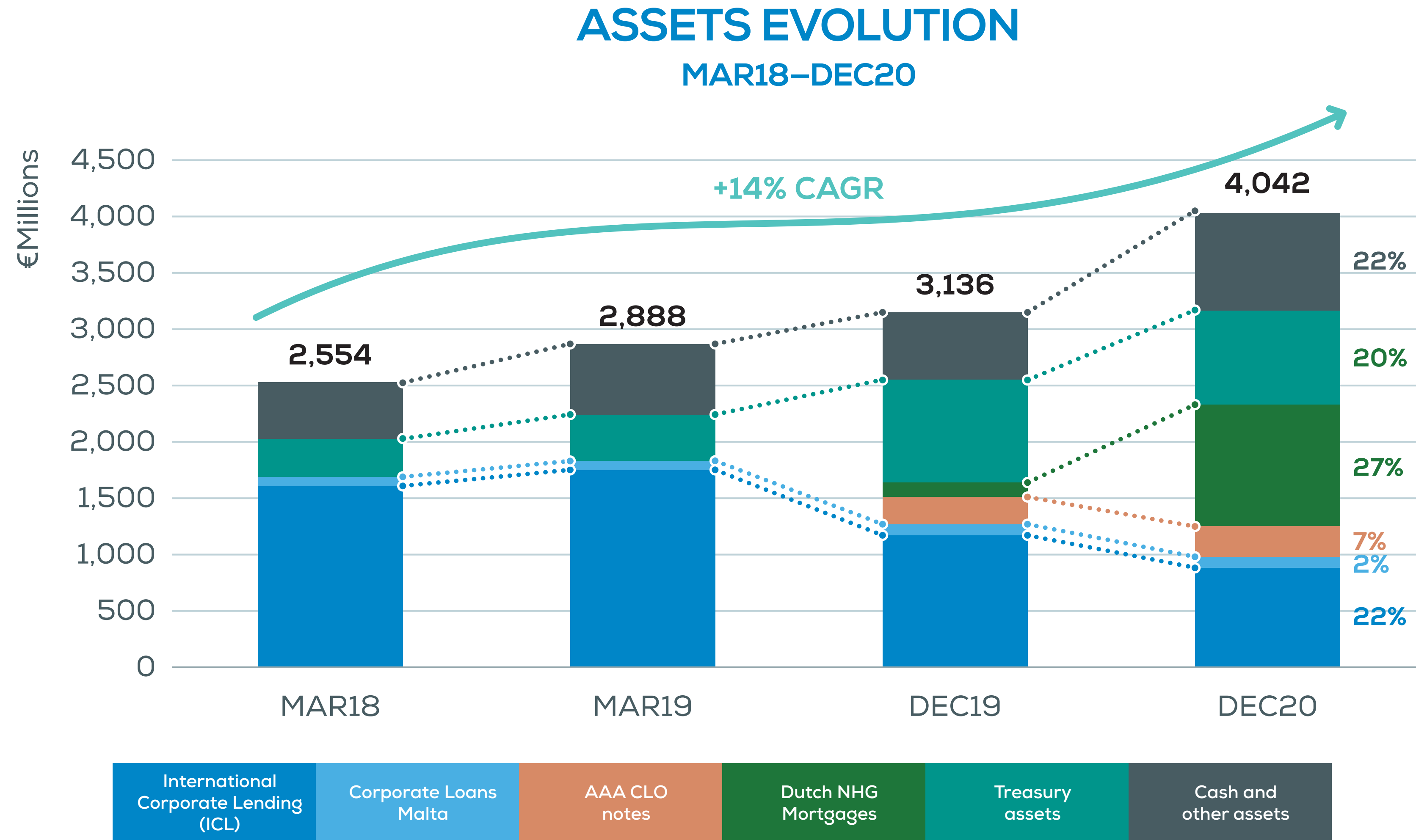


Figures as at 31 December 2020

# MeDirect is also building a mortgage factory to complement its WealthTech platform

| Why?  | How do we do this?  | Where?  | How do we fund this?  |
|---|---|---|---|
| <ul style="list-style-type: none"> <li>» Mortgages form part of MeDirect's retail product offering, and have cross-sell potential</li> <li>» Lower risk and capital efficient asset</li> <li>» Focus on creating <b>convenient digital processes</b> for both partners and clients</li> </ul> | <ul style="list-style-type: none"> <li>» Partnership with established originator/servicers</li> </ul> <div>  B2B2C with established partners         </div> <div>  B2C model         </div> | <div>  Launched in 2019 under the HollandWoont brand through partnership with DMPM         </div> <div>  Launch planned for 2021         </div> <div>  Launched in March 2021         </div> | <ul style="list-style-type: none"> <li>» Efficient funding strategy through a balanced mix of wholesale and deposit funding</li> <li>» Successfully issued 2 RMBS from the Dutch mortgage business</li> </ul> |

# Asset base is growing and diversifying

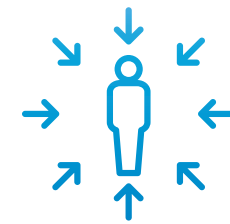


Asset evolution represents Total assets as per Group published financial statements

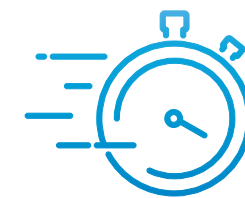


# Lending in Malta: new mortgage offer and stable corporate banking franchise

## INNOVATIVE MORTGAGE OFFER LAUNCHED IN MARCH 2021



Customer-centric approach  
with digitalised experience



Faster-than-market  
turnaround times

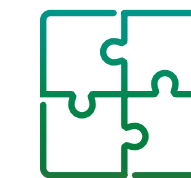


Fair and transparent  
fees structure

## SMALL BUT ESTABLISHED CORPORATE BANKING FRANCHISE



One-stop shop to both local SMEs and larger Maltese companies,  
as well as international corporates operating from Malta



Provides corporate lending solutions, as well as corporate  
services for FX execution, payments and treasury services



Support local businesses during the COVID-19  
pandemic in collaboration ("MeAssist")

### Corporate Banking Franchise

| Credit Portfolio | Deposits | Assets under Management |
|------------------|----------|-------------------------|
| €0.1bn           | €0.3bn   | < €0.1bn                |

Figures as at 31 December 2020

# ESG Principles – Current Initiatives



## ENVIRONMENTAL

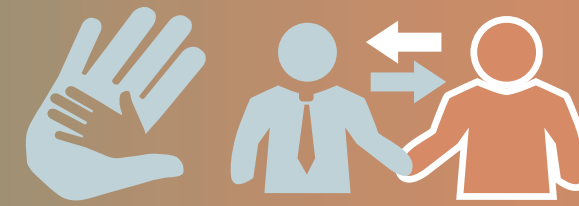
Supporting the transition to a low-carbon, greener economy

### » Our Customers

- » Products: inclusion of eco-friendly mutual funds available on MeDirect's open fund architecture

### » Our Community

- » Eco-friendly workplace: adoption of energy conservation measures (LEDs, occupancy sensors)
- » Environment: encourage eco-friendly transportation to and from workplace



## SOCIAL

Building a more considerate environment for employees and customers

### » Our Customers

- » Awareness: ESG focused content on MeDirect websites and webinars with Fund Managers
- » COVID-19 measures: provide financial relief to corporate customers through participation in Malta Development Bank guarantee scheme and other loan moratoria measures

### » Our Employees

- » Work from home policy
- » Equality Mark Certificate in Malta awarded in 2020
- » Sponsorships, training and education programmes for all employees
- » Reduced hours for working parents and maternity leave to promote work-life balance



## GOVERNANCE

Adopting proper standards for corporate governance

### » Our Customers

- » Customer privacy: adoption of a robust internal system of practices, controls, and procedures to meet the needs and expectations of clients

### » Our Stakeholders and Partners

- » Promotion of ethical behaviour through anti-bribery & corruption training
- » Established whistleblowing protection, corporate values and code of ethics
- » ESG-related training

# 2020 Profitability heavily impacted by COVID-19 effects on legacy International Corporate portfolio

| €M                          | FY19<br>9 MONTHS<br>APR'19 TO DEC'19<br>REPORTED | FY19<br>ANNUALISED FOR<br>COMPARABILITY | FY20<br>DEC'20<br>REPORTED |
|-----------------------------|--|---|----------------------------|
| Net Interest Income (NII)   | 44   | 59                                      | 49                         |
| Net Fee & Commission income | 4  | 9                                       | 6                          |
| Other income/(expense)      | 7  | 6                                       | (4)                        |
| <b>Net operating Income</b> | <b>55</b>  | <b>74</b>                               | <b>51</b>                  |
| Operating Expenses (OpEx)   | (48)   | (63)                                    | (61)                       |
| Impairment charges          | (0)  | (1)                                     | (65)                       |
| <b>Profit before tax</b>    | <b>7</b>   | <b>10</b>                               | <b>(75)</b>                |
| <b>Profit after tax</b>     | <b>6</b>   | <b>9</b>                                | <b>(82)</b>                |

- » Losses primarily linked to prudent impairments taken on International Corporate Lending (ICL) book
- » Other key components:
  - » Lower NII reflecting the rebalancing from ICL towards lower risk mortgages
  - » Other income/(expense) affected by one-off COVID-related cost in 2020
  - » Stabilised OpEx, while continuing to invest actively in WealthTech and people

Strategic intent not changed: **we continue to invest in MeDirect's future**



# MeDirect continues to operate with strong capital ratios after having absorbed COVID-related impairments




| MDB GROUP LTD |                       |        |        |
|---------------|-----------------------|--------|--------|
|               |                       | DEC 20 | DEC 19 |
| CAPITAL       | CET1/T1 Capital Ratio | 14.8%  | 15.2%  |
|               | Total Capital Ratio   | 17.3%  | 17.3%  |
| LIQUIDITY     | LCR                   | 563%   | 716%   |
|               | NSFR                  | 121%   | 136%   |

Figures as at 31 December 2020

- » Capital ratios well in excess of current regulatory capital requirements
- » Strong liquidity levels, with LCR at more than five times minimum regulatory requirement of 100%

# A Pan-European Bank under the direct supervision of the ECB

- » The Group's operating entities are supervised and regulated by a Joint Supervisory Team (JST) comprising ECB, National Bank of Belgium (NBB) and Malta Financial Services Authority (MFSA).
- » As a systemically important bank, MDB Group operates under the strictest banking oversight and with the same requirements as the largest European banks.

| REGULATORY OVERSIGHT OF THE REGULATED GROUP        |  |  |   |   |  |
|--|--|--|---|---|--|
|  | <br>ECB | <br>NBB | <br>MFSA | <br>FSMA | <br>CBM |
| <b>MDB Group</b>                                   | ✓  | ✓  | ✓   |   |  |
| Joint Supervisory Team comprises ECB, NBB and MFSA |  |  |   |   |  |
| <b>MeDirect Bank (Belgium)</b>                     | ✓  | ✓  |   | ✓   |  |
| <b>MeDirect Bank (Malta)</b>                       | ✓  |  | ✓   |   | ✓  |

# Leadership Team



**Arnaud Denis**  
Group CEO

- » 25 years experience in banking, with track record of retail business transformation, especially in the field of digital
- » Deputy CEO of ROSBANK Group, Société Générale's Russian retail platform
- » CEO of Eurobank SA, Polish subsidiary of Société Générale
- » MD in Société Générale's Fixed Income division based in NY



**Tim Rooney**  
Belgium CEO

- » 35 years experience in banking
- » CEO of Bank Nagelmackers (a top Private Bank in Belgium)
- » Executive Director at Deutsche Bank PBC, with global responsibility for retail credit
- » Specialist in Retail Banking and Insurance



**Radoslaw Ksiezopolski**  
Group CFO

- » 20 years experience in banking
- » CFO of Eurobank Polish subsidiary of Société Générale
- » CFO of Credit Agricole Bank Poland
- » Consultant at McKinsey & Co.
- » Worked on the transformation of Polish subsidiary of UniCredit



**Alex Konewko**  
Group CRO

- » 18 years experience in banking
- » Held Senior Risk positions with HSBC in both Retail and Wholesale Risk for EMEA
- » Specialised in credit risk management, risk governance, operational risk, regulatory and compliance



**Marcel Berkhout**  
Belgium CFO

- » 18 years experience in banking
- » Senior Executive/Director in Corporate Finance, Corporate Banking and Reinsurance at Belfius Bank
- » CFO at Optima Bank
- » CFO at MeDirect Belgium since it received its banking licence in 2015



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