

Company Announcement – 28/03/2023

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 28 March 2023, the Board of Directors of MeDirect Bank (Malta) plc considered and approved the Annual Report and Audited Financial Statements for the financial year ended 31 December 2022. These Financial Statements and the MDB Group Limited Annual Report and Audited Financial Statements for the financial year ended 31 December 2022 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>). Attached to this company announcement is the directors’ declaration on the ESEF Annual Report and Financial Statements for the year ended 31 December 2022.

2022 Results – Highlights

“MeDirect Bank returns to profitability following the successful execution of its business transformation plan”

- MeDirect Bank returned to profitability in 2022 following the successful execution of a three-year business transformation plan, recording net profit after tax of €8.7 million.
- Notwithstanding the extreme disruptions of the COVID-19 pandemic and the resulting economic and geo-political dislocations – including higher inflation, supply chain disruptions and increased international tensions – the management team has continued de-risking and transforming MeDirect’s balance sheet, developing its WealthTech platform by launching and developing its Wealth SuperApp in Malta and Belgium, and launching several new asset classes including Belgian and Maltese mortgages while maintaining capital buffers at solid levels.
- The result has been a return to profitability, the creation of franchise value and the positioning of MeDirect for sustainable growth and continuing profitable operation.
- MeDirect’s objective is to empower people to manage their wealth with confidence and autonomy by building highly convenient digital investment journeys, leveraging on cutting-edge technology and innovative solutions.

Building MeDirect’s WealthTech Platform

- During 2022, MeDirect continued to build and deploy a wide and continually growing range of digital wealth and banking services. MeDirect has deployed its Wealth SuperApp in Malta and Belgium and is scheduled to launch in the Netherlands in 2023. The Wealth SuperApp offers, in one place, a broad range of online investment solutions, with easy access to more than 5,000 financial instruments, as well as high quality transactional banking capabilities. Among

other enhancements introduced in 2022, MeDirect began to offer real-time pricing on orders for equities and ETFs.

- At the end of 2022, MeDirect launched its MeManaged service, offering retail banking clients access to a new, fully digital and highly accessible discretionary portfolio management service, managed by MeDirect in partnership with BlackRock.
- New products are planned for 2023, such as the Portfolio Builder, which provides innovative tools to guide and support clients in their investment journeys.
- In early 2023, MeDirect will also launch a virtual and physical card product which will be rolled out to all customers. The combination of digital wealth and daily banking functionalities is designed to provide MeDirect clients with the choice of how they want to invest while giving them the possibility of using the app seamlessly for their everyday banking needs.

Growing the retail franchise

- The attractiveness of MeDirect's value proposition is evidenced by the rapid growth in its customer base, both in Belgium and Malta, as well as high levels of customer satisfaction. In 2022, MeDirect grew its retail customer base to 108,000, holding €4.2 billion of client financial assets, of which €1.4 billion were investments held in custody with MeDirect.
- Despite challenging capital markets conditions in 2022, MeDirect achieved wealth product penetration of 37% of its retail depositor base. Wealth customers hold an average of over €58,000 in financial assets with MeDirect.
- In Belgium, MeDirect was rated third amongst Belgian banks for investment products by Spaargids.be.

De-risking and diversifying the balance sheet

- MeDirect continued to de-risk and diversify its balance sheet.
- MeDirect grew its mortgage portfolio to €2 billion, of which €1.8 billion are Dutch NHG (government guaranteed) mortgages.
- The portfolio is hedged against interest rate risk and is financed in part through MeDirect's Bastion mortgage securitisation programme.
- In partnership with Allianz Benelux S.A./N.V., MeDirect built its platform to originate Belgian mortgages. At year-end 2022, €132 million of Belgian mortgages were held on MeDirect's balance sheet. In late 2022, MeDirect also launched a professional buy-to-let product in the Netherlands, in partnership with Build Finance, a Dutch buy-to-let specialist firm.
- In Malta, MeDirect has used innovative technology to set new standards in the local mortgage market in relation to time-to-quote and time-to-approval, through a smooth and client-oriented process. By year-end 2022, MeDirect had originated €68 million of Maltese mortgages.
- As it grew its mortgage platform, MeDirect continued to de-risk its international corporate lending portfolio, which has been reduced to €512 million, representing less than 11% of total balance sheet as of end of 2022.
- MeDirect also continued to grow its successful Maltese corporate lending and banking services businesses. MeDirect's portfolio of Maltese corporate loans stood at €131 million at year-end.

Strengthening the operating model

- **Building tech capabilities** – As one of its core competitive advantages, MeDirect owns the intellectual property of critical elements of its value proposition, including seamless service aggregation capabilities. To date, MeDirect has deployed over 28 million lines of code. MeDirect plans to leverage its investment in technology by offering its platform on a software-as-a-service basis to financial institutions looking to launch or expand their digital wealth capabilities.
- **Improving efficiency** – MeDirect has maintained an almost flat fixed cost base from 2021, notwithstanding significant continuing investment in its technology platform and the growth of its tech platform. The Group has continued to source talent from the international pool to support business growth and the development of its tech platform. It has opened a tech hub in Turkey, complementing its strong team of developers in Malta.

Strong turnaround in financial performance

- The successful execution of a three-year business transformation plan enabled MeDirect to record a net profit after tax of €8.7 million for the year ending 31 December 2022. Even if still modest, this profit means that MeDirect continues to strengthen its capital base, which will support the delivery of its strategic roadmap.
- As a systemic bank in Malta, MeDirect is regulated by the European Central Bank as part of the Single Supervisory Mechanism. Being part of the Single Supervisory Mechanism ensures that MeDirect is regulated at the standard of the largest banks in Europe. MeDirect continues to operate with healthy capital ratios, even as it grows and diversifies its balance sheet to build sustainable net interest income and invest in its wealth platform with the aim of continuing to grow fee income.
- At year-end, MeDirect Bank's total capital ratio stood at 18.7%, and its Liquidity Coverage Ratio stood at greater than 220%. Such ratios exceed all regulatory requirements, recommendations and management buffers. MeDirect intends to continue to explore ways to reinforce its capital base, with the aim of further supporting the growth of its core business lines: wealth and specialised mortgage lending.
- MeDirect's Non-Performing Loans ratio decreased from 7% at year-end 2021 to 2% at year-end 2022, as a result of continued recovery efforts.
- MeDirect has been able to maintain its fixed cost base almost flat since 2021.

ESG and social responsibility

- MeDirect continued to integrate Environmental, Social and Governance (ESG) principles into its business, while raising ESG awareness within the organisation.
- MeDirect developed and began to implement its first formal ESG strategy, covering the period from 2022 to 2025. Details and progress on this strategy are included in the non-financial report which is being published today.



- MeDirect employs nationals from over 25 countries and has a workforce that is 39% female, including a number of senior executives. MeDirect prides itself on developing its employees and promoting from within.
- MeDirect contributes to the local communities in which it operates by supporting charitable organisations in areas such as sports and culture through sponsorships, donations and the voluntary actions of its employees.

Outlook

- 2022 was a pivotal year for MeDirect, and despite a highly unstable geo-political and macroeconomic environment, MeDirect continued to execute its strategic transformation roadmap and to build its businesses. MeDirect's disciplined execution of its strategic plan has borne fruit, as it has returned to profitability.
- In view of MeDirect's diversified and lower risk balance sheet, as well as, the development of its fee-based wealth franchise and its tech capabilities, management is confident that MeDirect will achieve sustainable profitability and continue to grow into a pan-European, wealth-focused digital business.

Unquote

Henry C. Schmeltzer
Company Secretary

28March 2023