

Company Announcement – 09/08/2022

The following is a Company Announcement issued by MeDirect Bank (Malta) plc pursuant to the Listing Rules issued by the Listing Authority.

Quote

On 9 August 2022, the Board of Directors of MeDirect Bank (Malta) plc and MDB Group Limited considered and approved the condensed Group Interim Financial Statements for the six-month financial period ended 30 June 2022.

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/>).

2022 Interim Results – Highlights

“MeDirect Bank continues to deliver business growth whilst investing to become a pan-European WealthTech leader”

Investment in technology, specialised lending and continued franchise growth

- During the first six months of 2022, MeDirect continued its transformation towards becoming a pan-European WealthTech leader and a specialised mortgage lender.
- By taking advantage of the flexibility offered by its technology and ability to innovate, during the past three years, the Group has successfully executed its strategy, which is based on four pillars: building a world-class WealthTech platform, growing its retail franchise focused on affluent customers, de-risking and diversifying its balance sheet with a focus on mortgages, as well as improving the efficiency of its operating model.
- The Group is on track to complete the delivery of its disruptive Wealth SuperApp which features a single, user-friendly suite of products combining innovative wealth solutions with daily banking functionalities, which will make MeDirect a one-stop-shop for its customers.
- In the coming months, MeDirect will continue to strengthen its platform with the launch of an online advisory product, an online discretionary portfolio management service as well as virtual and physical cards to enhance its everyday banking offering. This unique combination of daily banking and wealth services available both on a mobile app and desktop is expected to be highly differentiating in the market.
- In mid-2022, MeDirect revamped its brand in anticipation of the release of its new suite of products. The new branding emphasises that MeDirect offers its clients the tools necessary to empower them to navigate the complexity of the financial world and makes them feel confident and in control of their finances. MeDirect is shifting its customers' perception of banking from “we” to “me” – my money, my choices.

Focus on specialised lending solutions

- MeDirect is building a scalable specialised mortgage lending platform in Malta, Belgium and the Netherlands.
- In Malta, MeDirect introduced three new products during the first half of 2022 – a Green Home Loan product, a 10-year fixed-rate mortgage product and a home equity product. These products were all well-received and have been gaining momentum in the Maltese market. MeDirect's trademark personalised service, typical of a digital bank, has ensured a faster and market-leading turnaround for customers purchasing their homes.
- MeDirect's Dutch NHG mortgage portfolio remains a core part of its asset base, now representing approximately 40% of the Group's balance sheet.
- In December 2021, MeDirect launched its meHomeLoan product in the Belgian market in partnership with Allianz.
- MeDirect continues the steady development of its well-established Maltese corporate lending business to support the local economy.

Delivering sustained franchise growth

- MeDirect's retail franchise, focused on affluent customers, grew by almost 30% over the past twelve months to more than 106,000 clients. Total client financial assets increased by almost 4% year over year, notwithstanding very challenging market and macroeconomic conditions, reaching €4.3 billion.
- Strong trust in the MeDirect brand and its award-winning onboarding process enabled MeDirect to increase its wealth clients by 19% over the past twelve months.
- This growth was supported by high customer satisfaction and retention levels. Success in retaining clients is demonstrated by the fact that over 90% of clients who opened accounts with MeDirect five years ago remain clients of the bank.

Growth in total operating income and robust capital and liquidity position, as the Group continues to diversify its revenue streams

- Profit before tax for the period ended 30 June 2022 amounted to €2.7 million, compared to €3.2 million for the period ended 30 June 2021. Operating income grew by 7% year over year whilst improved market conditions led to a €3.5 million net release of loan impairment charges.
- Net interest income increased by 11% compared with the same period last year, from €25.8 million in 2021 to €28.7 million, while net fee and commission income increased by 8% from €2.8 million in 2021 to €3.1 million.

- The Group's Non-performing loan ratio was reduced to 4.6% as at 30 June 2022, from 6.7% in 31 December 2021.
- The Group's capital and liquidity positions remained strong, supporting the continuation of its business transformation and growth strategy. MeDirect's Tier 1 capital ratio stood at 13.6%, with a total capital ratio of 17.3% – both well above regulatory requirements.
- The Group's liquidity reserves remained strong at €740 million as at 30 June 2022, and the Group's Liquidity Coverage Ratio (LCR) stood at 247% and its Net Stable Funding Ratio (NSFR) at 129%, both well above the minimum requirements.
- MeDirect's mortgage portfolio increased by 9% over the past twelve months. As part of the Group's de-risking plan, the international corporate lending portfolio was reduced by 12% to €624 million and as at end June 2022 represented less than 15% of the Group's balance sheet.

ESG – a key focus area

- Environmental, Social and Governance (ESG) is an important area of focus for MeDirect. The Group has implemented a programme to integrate ESG principles into its daily business.
- During the first half of 2022, MeDirect implemented a range of ESG initiatives, including, amongst others the incorporation of sustainability principles in its credit and investment businesses, the launch of green home loans, the inclusion of a feature in its brokerage platform enabling investors to identify and filter funds which focus on sustainability, as well as the provision of ESG training for MeDirect's Board and employees.
- MeDirect's efforts in incorporating ESG principles into its business were validated by its improved rating by EcoVadis, one of the top international providers of sustainability ratings. MeDirect's overall score was in the top 15% of all companies rated by EcoVadis.

Outlook

MeDirect aims to continue delivering an attractive value proposition to its customers, whilst at the same time diversifying and de-risking its balance sheet despite a challenging geopolitical and macroeconomic environment.

Unquote

Henry Schmeltzer
Company Secretary
9 August 2022