

## COMPANY ANNOUNCEMENT

*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 27 March 2024, the Board of Directors of the Bank considered and approved the Annual Report and Audited Financial Statements for the financial year ended 31 December 2023. These Financial Statements and the MDB Group Limited Annual Report and Audited Financial Statements for the financial year ended 31 December 2023 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 2023.

### **2023 Results – Highlights**

#### **MeDirect announces more digital services and a profit after tax of €11.9 million for 2023**

- 2023 was a year of consolidation and continued profitability for MeDirect. The Group successfully executed its business transformation, returning to profitability after the disruptions caused by the COVID-19 pandemic.
- By focusing on sustainable growth and taking advantage of a synergistic model combining diversified retail lending, a highly attractive digital wealth platform, cutting-edge proprietary technology and careful risk management, MeDirect recorded a profit after tax of €11.9 million in 2023.
- MeDirect strengthened its position in its core Belgian and Maltese markets as a profitable pan-European digital bank with a highly scalable platform and infrastructure designed to enable it to deliver increased profitability.

#### **Delivering structural profitability organically**

- Notwithstanding the large COVID-19-related credit impairments incurred in 2020, MeDirect was able to grow its operating income at a 20% constant annual growth rate from 2020 to 2023, while successfully reshaping its operating model, investing selectively in technology to create scalability and returning to structural profitability.
- MeDirect strengthened its Tier 1 Capital Ratio from 14.8% in 2020 to 16.7% in 2023 without additional external capital. The Bank doubled its profit before impairment and tax to €15.3 million in 2023, compared with €7.1 million for 2022.
- During 2023, MeDirect grew its balance sheet by 7% to €5.0 billion while continuing to de-risk, reducing its International Corporate Lending portfolio to €328.5 million, representing less than 7% of total assets and 12% of the lending book.

- MeDirect's mortgage portfolio grew by 22% at Group level, from €2.0 billion to almost €2.5 billion, leveraging on diversified origination engines: Dutch government guaranteed (NHG) mortgages, Dutch professional buy-to-let mortgages, Belgian mortgages and Maltese mortgages.
- MeDirect Malta also developed its domestic corporate services and lending platform, with a €140 million loan book and an average loan-to-value of 54% as at December 2023. For all categories of lending, MeDirect applies a robust risk selection process which has resulted in high-quality portfolios with low arrears and defaults.
- As a systemic bank in Malta, MeDirect falls under the regulation of the European Central Bank as part of the Single Supervisory Mechanism, ensuring compliance with the standards set for the largest banks in Europe. Despite its growth in balance sheet and investments in its wealth platform, MeDirect maintains adequate capital ratios. At year-end, MeDirect's Total Capital Ratio reached 20.3%, and its Liquidity Coverage Ratio stood at 209%, exceeding all regulatory requirements, recommendations and management buffers.

### **Growing the customer franchise steadily with an attractive value proposition**

- MeDirect increased its retail customer base by 23% at Group level in 2023, acquiring 27,000 new customers for a total of 133,000 at year-end. Client acquisition was particularly strong in the larger Belgian market, where MeDirect Belgium reached the 100,000 clients mark in December 2023. MeDirect Malta reached the 30,000 clients mark and opened a new location for growth by establishing a Dutch cross-border presence, targeting retail customers in May 2023.
- Retail clients continued to use MeDirect as a one-stop shop digital platform for everyday banking, savings and wealth solutions, including brokerage, model portfolios and discretionary management. The wealth product penetration rate of the retail customer base was 33%, increasing to nearly 50% for customers who have been with MeDirect for three years or more. This platform – and particularly the MeDirect Wealth SuperApp – is designed to meet the needs of the underserved affluent market segment for wealth services.
- Customers who join MeDirect are extremely loyal - 94% of customers who opened accounts five years ago remain customers. The high-quality of MeDirect service is reflected by strong levels of customer satisfaction, including a high Net Promoter Score of 47 and an 87% call centre satisfaction rate by the end of 2023.
- Group client financial assets (retail + corporate) increased by approximately 18% in 2023, reaching €5.0 billion at year end, of which €1.7 billion were assets under custody with MeDirect, an increase of 18% from year-end 2022.

### **Launching new services and transforming into a fully-fledged digital bank**

- MeDirect continued to broaden its retail product suite, further establishing itself as a modern digital bank providing clients with an attractive alternative to incumbent banks, with superior user experience, high quality service and competitive pricing.
- In July 2023, MeDirect launched card services in Malta, significantly enhancing its appeal in the retail sector and broadening significantly its pool of potential customers. Both physical and virtual card services

were seamlessly integrated into MeDirect's platform, with ongoing enhancements to improve the online card management experience. This product was also launched in Belgium in January 2024.

- MeManaged, MeDirect's digital discretionary portfolio management service, originally launched in Malta in 2022, was extended to Belgium and the Netherlands during 2023. The launch of MeManaged marked an important step in democratising wealth management by providing discretionary management services previously limited to high-net worth individuals to a wider range of customers.
- In Malta, MeDirect broadened its mortgage offering to add property investment loans as well as an 18-month interest-only feature. MeDirect continued to reduce the time needed to issue sanction letters and complete home loan contracts. MeDirect is working to provide a smooth, digital, client-focused and fast process for all stages in the mortgage process.

### **Leveraging on a state-of-the-art proprietary technology platform to support scalability**

- Over the past four years, MeDirect successfully built a cutting-edge proprietary technology platform, which is today at the core of its competitive advantage. This platform allows MeDirect to innovate continuously, scale at low marginal cost and deliver highly reliable services across products and geographies, while reducing third-party vendor dependency.
- MeDirect's Technology team, with approximately 125 engineers based mostly in Malta, developed a high quality software code repository (with over 30 million lines of code, the intellectual property rights of which are owned by MeDirect) and maintains a complex ecosystem deployed flexibly in multiple locations. This platform has allowed MeDirect not only to operate with contained and stable technology costs since 2020 but also to fuel agile product innovation, process efficiency improvement and robust control and risk management systems.
- The Group's cost-to-income ratio, which was very negatively affected by the loss of revenues resulting from the ICL de-risking strategy, improved to 83% in 2023. This improvement in operational efficiency was achieved through top-line revenue growth (20% operating income CAGR) but also with fixed OpEx held substantially flat during the period 2020-2023. Appropriate technology investments, together with focus on cost control, have been major drivers behind such improvement.

### **ESG and social responsibility**

- MeDirect continued to integrate Environmental, Social and Governance (ESG) principles into its business, while raising ESG awareness within the organisation.
- During 2023, MeDirect increased its offering of green funds and green bonds, more than doubled the number of eco-friendly mortgage loans since 2022 and initiated a project to reduce its carbon footprint by 5% between 2022 and 2026 and to become carbon neutral by 2032.
- MeDirect continued to improve its EcoVadis rating, retaining its silver medal status in 2023 and placing MeDirect in the top 7% of corporates evaluated by EcoVadis.
- MeDirect employs nationals from over 30 countries and has a workforce that is 39% female. MeDirect prides itself on developing its employees and promoting from within.
- MeDirect Malta was re-certified in June 2023 and granted again the Equality Mark by the National Commission for the Promotion of Equality.



- 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**

- In 2023, MeDirect consolidated the gains made over the previous three years as it continued to execute its business transformation and delivered stable profitability. Notwithstanding the scalability of the platform, careful consideration was given to balancing the speed of growth with selective investments, prudent risk management and organic capital creation goals in an environment that remains extremely volatile.
- Both management and the Board remain committed to continue growing MeDirect profitably, with the ambition of disrupting the markets in which it operates, while delivering on its brand promise of *“helping consumers grow their wealth with confidence and autonomy”*.
- MeDirect remains committed to exploring further ways to reinforce its capital base and facilitate shareholder transition, which would enable MeDirect to accelerate platform growth.

## **Unquote**

A handwritten signature in blue ink, appearing to read "H. Schmeltzer", written over a light blue rectangular background.

Henry C. Schmeltzer  
Company Secretary  
27 March 2024

**DIRECTORS' DECLARATION  
ON ESEF ANNUAL FINANCIAL REPORTS**

*This form of declaration shall be included in the Company Announcement wherein the publication of the ESEF AFR is announced and may be amended to reflect individual cases depending on the country of registration/incorporation.*

We, Michael Bussey (Chairman) and Arnaud Denis (Chief Executive Officer) in our capacity as Directors of MeDirect Bank (Malta) Plc (C 34125), hereby certify:

- i. That the Annual Financial Report for the year ended 31 December 2022 has been approved by the Board of Directors of the Company and is hereby being made available to the public.
- ii. That the Annual Financial Report has been prepared in terms of the applicable rules and regulations, including the Commission Delegated Regulation on the European Single Electronic Format ("ESEF")<sup>1</sup> and the Capital Markets Rules<sup>2</sup>.
- iii. That the Audit Report on the ESEF Annual Financial Report is an exact copy of the original signed by the auditor and that no alterations have been made to the audited elements of the Annual Financial Report including the annual financial statements.
- iv. That the Annual Financial Report shall serve as the official document for the purposes of the Capital Markets Rules and, where the issuer is registered in Malta, the Companies Act (Chapter 386 of the Laws of Malta) and the Banking Act (Chapter 371 of the Laws of Malta).



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Michael A. Bussey  
Chairman



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Arnaud Denis  
Chief Executive Officer / Director

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<sup>1</sup> Commission Delegated Regulation 2019/815 on the European Single Electronic Format, as may be further amended from time to time.

<sup>2</sup> Capital Markets Rules as issued by the Malta Financial Services Authority (MFSA).