

Company Announcement – 17/08/20

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

Quote

On the 17 August 2020, 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 2020.

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>).

2020 Interim Results – Highlights

“MeDirect absorbs significant COVID-19 related losses but remains well capitalised and on track for future growth”

Implementing the Group's strategy

- The Group continues to implement its business transformation to deliver long-term profitable growth as a pan-European retail and digital challenger bank, despite the COVID-19 pandemic and its effects on world economies and markets.
- The Group remains well capitalised and liquid and as a systemically important bank is supervised by the European Central Bank.
- The Group's client base grew by 8% in the first six months of 2020, from 66,500 to 72,100, in line with the compound annual growth rate (CAGR) of 15% during the past two years. The Group's attractive savings products and wealth solutions have continued to drive growth in client assets, which have reached €3.7 billion as at 30 June 2020, up 9% from €3.4 billion as at 31 December 2019, in line with the 13% CAGR during the past two years.
- The Group is implementing new digital solutions to provide customers with straightforward services and a seamless banking experience. The successful launch of the Group's new mobile application in Malta in early May and in Belgium in July was one of the key milestones of this transformation.

- The Group continues to diversify its balance sheet and is on track to meet its target of a €1 billion Dutch government-backed mortgage portfolio by December 2020.
- The Group continues to de-risk its historical pan-European international corporate lending business as part of the strategic transformation. This portfolio comprises working capital facilities and other loans which finance companies in the real economy that employ thousands of people across a wide range of sectors, some of which have been more exposed to the impact of COVID-19.
- MeDirect Malta's local corporate banking business in Malta, accounting for less than 10% of the Group's corporate lending, remains sound and profitable. MeDirect Malta has become an accredited financial intermediary under the Malta Development Bank's COVID-19 Guarantee Scheme and has launched its MeAssist product in early May 2020 in order to enhance access to bank financing for its clients.
- The Group was one of the first banks to implement efficiently full remote working capabilities to address the operational challenges of COVID-19.
- During the first half of 2020, and despite COVID-19, the Group continued to be very successful in attracting high calibre talent and digital experts to support its strategic transformation.

Financial performance

- The balance sheet increased by 23% to €3.8 billion during the first six months of 2020, from €3.1 billion as at 31 December 2019. This was principally driven by the €463 million increase in the Dutch government-backed mortgage portfolio.
- Total customer deposits grew by 8% to €2.6 billion as at 30 June 2020 from €2.4 billion as at 31 December 2019.
- During the peak of the COVID-19 outbreak, MeDirect Belgium was the first issuer to securitise a portfolio of Dutch residential mortgages with a third party investor through a Residential Mortgage-Backed Security ("RMBS"). As a result of the transaction, MeDirect Belgium raised €350 million of long-term lower cost funding and diversified its funding sources. The successful placement of the senior tranche of this large debut transaction in the midst of the crisis reinforced investor confidence in the Group as an issuer.
- The COVID-19 outbreak has substantially increased the uncertainty in the macroeconomic environment, which MeDirect has considered in its forward-looking provisioning approach. The Group carried out a comprehensive review of its international corporate lending portfolio and assessed borrowers on a loan-by-loan basis to identify problem exposures. The review resulted in the recognition of

impairment provisions of €55.7 million for the first six months of 2020, capturing all expected credit losses.

- As a result of the effects of COVID-19, the Group reported a loss after tax of €50.1 million for the six months ended 30 June 2020, compared to a profit after tax of €6.9 million for the first six months of calendar 2019. Management estimates that if one-off COVID-related impacts were excluded, the Group would have recorded a profit after tax of approximately €1.7 million for the first six months of 2020 while continuing to invest actively in the implementation of its transformation, including the build out of its digital platform and the diversification of its balance sheet.
- MDB Group's CET1 and Tier 1 capital ratios were 13.4% and its total capital ratio was 15.7% as at 30 June 2020. Despite the reported loss coming from the COVID-19 impact the Group's Tier 1 capital ratio remains well above the Total SREP Capital Requirements, with Tier 1 capital surplus of ca. 440 basis points above this requirement.
- MDB Group liquidity reserves remain strong at €666.8 million as at 30 June 2020, and LCR stands at 569%, €549.7 million above regulatory requirements.

Unquote

Henry Schmeltzer
Company Secretary
17 August 2020