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Bond Issue
October 11, 2019

medirect
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FACT SHEET

€35 million 4.00% MeDirect Bank (Malta) plc Subordinated Unsecured Bonds 2024/29

Issued in Euro & Pounds Sterling

KEY DETAILS

Issuer:	MeDirect Bank (Malta) plc *(the "Bank" or the "Group")*	**Listing:**	Official List, Malta Stock Exchange
Amount:	€35 million	**Offer Price:**	100.00% *(par)*
Coupon:	4.00%	**Interest Payment Date:**	Annually on 5 November *(with the first interest payment date being 5 November 2020)*
Redemption Date:	5 November 2029	**Early Redemption Dates:** *(subject to the prior approval of the 'Joint Supervisory Team' ["JST"])*	▪ Any interest payment date falling in the years 2024 to 2028 ▪ Any date following a 'regulatory change event'[1]
Minimum Application:	€25,000 / £20,000 *(and in multiples of €1,000 / £1,000 thereafter)*	**Transferability:**	€1,000 / £1,000 *(subject to the retention of a minimum holding of €25,000 / £20,000)*
Status:	Subordinated & Unsecured	**Level of Complexity:**	Complex *(Callable / Subordinated / BRRD)*

These bonds are COMPLEX instruments in view of their subordinated nature, the callability features and also since they are subject to the 'Bank Recovery and Resolution Directive' ("BRRD"). Accordingly, these bonds are only appropriate/suitable for those investors who have the necessary knowledge and experience to understand the risks attached to them.

MeDirect Bank (Malta) plc is tapping the local bond market for the seventh time with a €35 million subordinated and unsecured bond maturing in 2029 or earlier (subject to regulatory approval). The Bank is a subsidiary of MDB Group Ltd which, in turn, is ultimately owned by AnaCap Financial Partners II L.P. ("AnaCap") – a specialist private equity firm focused on investments in the financial services sector across Europe. MDB Group Ltd is considered as a 'Significant Institution' and is hence subject to regulation under the 'Single Supervisory Mechanism' ("SSM")[2] through a 'Joint Supervisory Team' ("JST") including representatives of the European Central Bank ("ECB"), the Malta Financial Services Authority ("MFSA") and the National Bank of Belgium ("NBB"). Moreover, the Group is also classified as an 'Other Systemically Important Institution' ("O-SII") which requires it to hold additional capital buffers than other less systematically important banks.

THE BANK

MeDirect Bank (Malta) plc is a fully licensed Maltese credit institution with Malta and Belgium as its main markets. Its principal activities comprise lending to international and Maltese corporates, the provision of banking services primarily to the mass affluent sector focusing on deposit accounts, wealth management and investments, as well as corporate broking in Malta.

The Group is primarily funded through customer deposits. These amounted to €2.2 billion as at 31 March 2019, of which €1.4 billion (or 64%) were related to the operations in Belgium whilst the remaining amount of €0.8 billion represent customer deposits from the Maltese market. On the other hand, the Bank's main assets comprise international syndicated senior secured leveraged loans and other loans to Maltese corporates, as well as investments including primarily bank covered bonds and other bonds issued by supra-national organisations and public sector securities.

More recently, the Bank entered into two new strategic businesses in order to diversify further its business model. First, it issued its first 'Collateralised Loan Obligation' ("CLO")[3] whereby the Group sold some of its assets in order to free up capital to support other lending activities, and also started to invest in 'AAA' rated senior debt instruments issued by CLOs managed by third parties. Furthermore, the Group started to invest in mortgage receivables related to Dutch government-guaranteed mortgage loans through a partnership with Blauwtrust Groep – a prominent servicer, portfolio manager and originator of Dutch mortgages.

[1] A 'regulatory change event' will be deemed to have occurred if, in terms of the 'Capital Requirements Regulation' ("CRR"), aspects of the CRR relating to the regulatory classification of the bonds are replaced or materially amended in respect of credit institutions by new capital regulations, the result of which is or would be likely to result in the bonds, in whole or in part, being excluded from own funds or otherwise reclassified as a lower quality form of own funds of the Bank. Nonetheless, a 'regulatory change event' will only be deemed to have occurred if the JST considers such a change in the regulatory classification of the bonds to be sufficiently certain; and if the Bank demonstrates to the satisfaction of the JST that the regulatory reclassification of the bonds was not reasonably foreseeable at the issue date.
[2] The SSM refers to the system of banking supervision in Europe. It comprises of the ECB and the national supervisory authorities of each participating country. Its main aims are to ensure the safety and soundness of the European banking system, increase financial integration and stability and ensure consistent supervision. Further information is available online at: https://www.bankingsupervision.europa.eu
[3] A CLO is a complex type of structured asset-backed security.

Rizzo, Farrugia & Co (Stockbrokers) Ltd., Airways House, Fourth Floor, High Street, Sliema SLM 1551, Malta
T. +356 2258 3000 **E.** info@rizzofarrugia.com **W.** www.rizzofarrugia.com

Ranking of the Bonds

The bonds are unsecured and subordinated. 'Subordination' means that the rights and claims of bondholders in respect of the payment of capital and interest on the bonds will, in the event of dissolution and winding up of the Bank, rank after the claims of all unsubordinated debt and will not be repaid until all other unsubordinated debt outstanding at the time has been settled.

The bonds constitute the general, direct, unconditional, subordinated and unsecured obligations of the Bank and will, at all times, rank equally and rateably without any priority or preference among themselves and with other subordinated unsecured debt. The bonds will rank subsequent to any other outstanding, unsubordinated and unsecured obligations of the Bank, present and future. The Bank may incur further borrowings or indebtedness and may create or permit to subsist other security interests upon the whole or any part of its present or future, undertaking, assets or revenues (including uncalled capital).

The bonds will also rank subsequent to any prior ranking security interest created for the purpose of securing the Bank's secured interbank funding lines and repurchase agreements. Such interbank funding lines and repurchase agreements are used to finance the Bank's investment portfolio.

Allocation Policy

An aggregate amount of €25 million in the new bonds is available for subscription by bondholders of the existing 6% EUR and GBP subordinated unsecured bonds 2019/24 as at close of trading on 9 October 2019 (the "Existing Bondholders") who may apply to transfer their existing bonds in exchange for the new bonds (the "Exchangeable Bond Transfer") and may also apply for additional bonds. In the event that subscriptions by Existing Bondholders are less than €25 million, any amount of bonds not subscribed for will be available for subscription by virtue of an 'Intermediaries' Offer'.

An aggregate amount of €10 million in the new bonds is available for subscription through an 'Intermediaries' Offer'. In the event that subscriptions through the 'Intermediaries' Offer' are less than €10 million, any amount of the new bonds not subscribed for will be available for subscription by the Existing Bondholders but limitedly insofar as the application for the excess amount only is concerned.

In the event that applications from the Existing Bondholders and those via the 'Intermediaries' Offer' exceed the total amount available for subscription (i.e. €35 million), the applications will be scaled down (subject to the minimum allocations of €25,000 or GBP20,000) in accordance with the allocation policy.

Use of Proceeds

The net proceeds from the bonds, estimated at approximately €34.5 million after issuance costs, will be used by the Bank as follows:

(i) €25 million to finance the early redemption of the existing 6% EUR and GBP subordinated unsecured bonds 2019/24 through an Exchangeable Bond Transfer'; and

(ii) The remaining funds are earmarked to part-finance the redemption of the 7.5% subordinated bonds 2019 and/or for the general corporate funding purposes of the Group.

In the event that less than €25 million is raised, the Exchangeable Bond Transfer will not take place, and any funds received will be returned to the respective applicants. On the other hand, if subscribed for in full, the new bonds will result in a reduction of the Bank's total outstanding debt whilst still respecting its Tier 2 regulatory capital requirements.

Risk Factors

The Bank is subject to a number of risks pertaining to the nature of its businesses. Prospective investors are urged to read the risk factors found in the Prospectus issued by MeDirect Bank (Malta) plc dated 7 October 2019. These are listed in Section 3 – 'Risk Factors' of the Registration Document on pages 9 to 18, and in Section 3 – 'Risk Factors' of the Securities Note on pages 9 to 12.

Bank Recovery & Resolution Directive[4]

Under the BRRD regime, should the Bank find itself in a difficult financial position, losses are first absorbed by the Common Equity Tier ("CET") 1 capital[5] and subsequently by the Tier 2 capital.[6]

As a result, given that the new 4% MeDirect Bank (Malta) plc subordinated unsecured bonds 2024/29 qualify as Tier 2 capital, the principal amount of the bonds, including accrued but unpaid interest in respect thereof, may be fully or partially written down or converted into Tier 1 capital in accordance with the above ranking.

[4] Further information is available online at: https://ec.europa.eu/info/business-economy-euro/banking-and-finance/financial-supervision-and-risk-management/managing-risks-banks-and-financial-institutions/bank-recovery-and-resolution_en

[5] The CET 1 Capital includes ordinary share capital, share premium, shareholders' contributions, retained earnings, fair value reserve and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes including deductions relating to Reserve for Depositor Compensation Scheme ('Other Reserves') and certain other regulatory items.

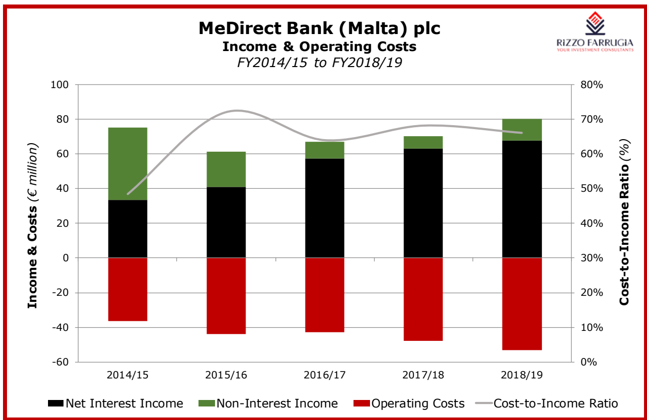
[6] The Tier 2 Capital consists of unrealised gains included within the fair value reserve and subordinated liabilities in issue, which rank after the claims of all depositors (including financial institutions) and all other creditors.

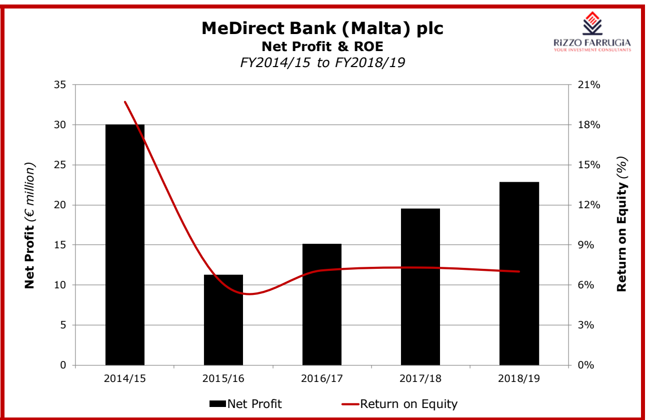
Rizzo, Farrugia & Co (Stockbrokers) Ltd., Airways House, Fourth Floor, High Street, Sliema SLM 1551, Malta
T. +356 2258 3000 **E.** info@rizzofarrugia.com **W.** www.rizzofarrugia.com

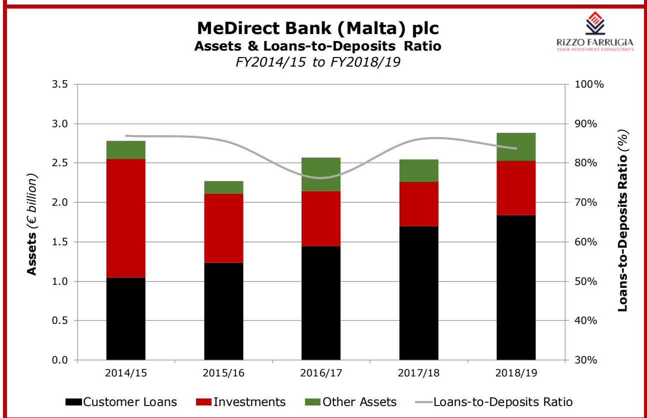
KEY FINANCIAL HIGHLIGHTS & METRICS – MEDIRECT BANK (MALTA) PLC

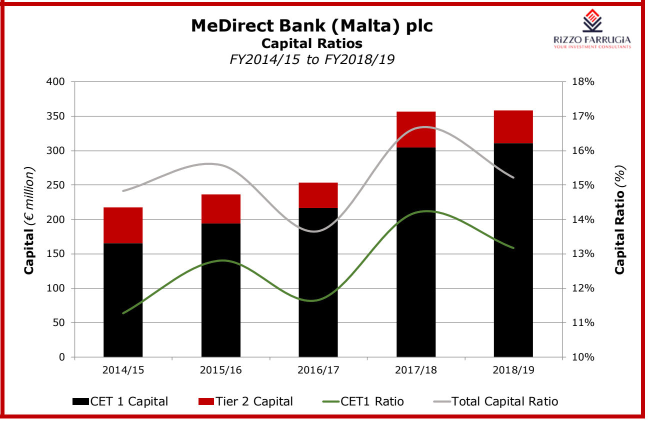
		2014/15	2015/16	2016/17	2017/18	2018/19
Net Interest Income *[€000]*		33,487	40,832	57,564	62,933	67,602
Non-Interest Income *[€000]*		41,628[*1]	20,314	9,327	7,308	12,673
Total Operating Income *[€000]*		**75,115**	**61,146**	**66,891**	**70,241**	**80,275**
Operating Costs *[€000]*		(36,397)	(44,022)	(42,760)	(47,844)	(53,010)
Operating Profit before Expected Credit (Losses)/Releases *[€000]*		**38,718**	**17,124**	**24,131**	**22,397**	**27,265**
Expected Credit (Losses)/Releases *[€000]*		(4,265)	(3,747)	(5,607)	(8,302)	(5,795)
Profit before Tax *[€000]*		**34,453**	**13,377**	**18,524**	**14,095**	**21,470**
Tax (Charge)/Income *[€000]*		(4,414)	(2,061)	(3,373)	5,450	1,398
Net Profit *[€000]*		**30,039**	**11,316**	**15,151**	**19,545**	**22,868**
Customer Loans *[€000]*		1,047,194	1,238,966	1,449,970	1,701,716	1,842,555
Investments *[€000]*		1,503,462	872,497	698,474	560,245	690,581
Total Assets *[€000]*		2,783,563	2,274,301	2,571,291	2,547,522	2,882,791
Total Risk Weighted Assets *[€000]*		1,468,374	1,518,493	1,856,805	2,142,805	2,357,063
Customer Deposits *[€000]*		1,205,586	1,447,355	1,901,512	1,979,159	2,202,091
Loan-to-Deposit Ratio *[%]*	*(Customer Loans / Customer Deposits)*	86.9%	85.6%	76.3%	86.0%	83.7%
Total Equity *[€000]*		169,265	203,679	223,823	320,697	334,187
CET 1 Capital[*2] *[€000]*		165,585	194,485	216,520	304,303	310,505
Tier 2 Capital[*2] *[€000]*		52,024	42,017	36,965	52,277	47,955
Total Own Funds[*2] *[€000]*		217,609	236,502	253,485	356,580	358,460
CET 1 Capital Ratio[*2] *[%]*	*(CET 1 Capital / Total Risk-Weighted Assets)*	11.3%	12.8%	11.7%	14.2%	13.2%
Total Capital Ratio[*2] *[%]*	*(Total Own Funds / Total Risk-Weighted Assets)*	14.8%	15.6%	13.7%	16.6%	15.2%
Leverage Ratio[*2] *[%]*	*CET 1 Capital / Total exposure measure for the purposes of the Leverage Ratio)*	5.9%	7.9%	7.3%	10.3%	10.0%
Return on Equity *[%]*	*(Net Profit / Average Equity)*	19.7%	6.1%	7.1%	7.3%	7.0%
Cost-to-Income Ratio *[%]*	*(Operating Costs / Total Operating Income)*	48.5%	72.0%	63.9%	68.1%	66.0%

*[*1] Includes a €22.4 million gain on initial accounting of a subsidiary.*
*[*2] Pertaining to MDB Group Limited – the immediate parent company of MeDirect Bank (Malta) plc.*









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This Fact Sheet was prepared by Josef Cutajar, a Research Analyst at Rizzo, Farrugia & Co. (Stockbrokers) Ltd ("Rizzo Farrugia") and reviewed by Edward Rizzo, a Director at Rizzo Farrugia which is a member of the Malta Stock Exchange and licensed to conduct Investment Services business by the Malta Financial Services Authority.

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