

STRATEGY DOCUMENT



Gateway to Finance

APRIL 2024

OUR VISION

The Vision of the Malta Development Bank (MDB) is to make a significant contribution towards a higher quality of life by focusing on financing projects that contribute to sustainable economic development. This can be achieved by playing a pivotal role in securing a prosperous, inclusive and resilient economy for the benefit of Malta. This Vision includes the promotion of inclusive growth, poverty reduction, fostering innovation and strengthening the country's competitiveness.

We will add value through:

- **Finance:** Provide financing by mobilising commercial banks' funds.
- **Knowledge:** Focus on real value that fits Maltese conditions and replicate good practice.
- **Partnerships:** Promote dialogue and collaboration with the relevant stakeholders such as government agencies, private sector entities, business associations and civil society organisations to leverage resources and networks for maximum impact.



OUR MISSION

Our Vision is supported by a Mission to contribute towards sustainable economic development that benefits Maltese society in line with public policy objectives by:

- Promoting inclusive and environmentally sustainable economic growth
- Supporting infrastructure development
- Filling prominent financial gaps in the national economy
- Linking entrepreneurship, investment and economic growth to improving living conditions, ensuring a higher quality of life, and encouraging social inclusion in line with ESG objectives

Our Mission will be fulfilled through a three-pronged Commitment.

OUR COMMITMENT

The MDB focuses on the development of business and other key stakeholders through feasible business and social projects in the country in order to foster Malta's long-term prospects and development.

ECONOMIC COMMITMENT

As a national development bank, the MDB actively supports the development of Malta's economy. Against this background, our economic commitment will place particular emphasis on fields such as digitalisation, innovation, Small and Medium-sized Enterprises (SMEs), and the greening of the economy.

SOCIAL COMMITMENT

In line with the MDB's social responsibility, the Bank will also support bankable social initiatives.

SUSTAINABILITY COMMITMENT

In supporting business and other stakeholders, we will facilitate effective sustainable projects. We shall also ensure that the MDB itself is financially stable and sustainable.

Our commitment will help us strive towards our strategic objectives.



OUR STRATEGIC OBJECTIVES

Filling financing gaps in the following:



SMEs



Infrastructure



Social



Business sectors and Horizontal sectors (such as digital)



Acting countercyclically



Contributing to the stability of the financial system and capital markets

THE MDB'S ROLE

The enabling role of the MDB will include:

- Addressing market gaps in access to finance for new investment, primarily through collaboration with the commercial banks, in financing viable projects when they are unable or unwilling to do so.
- Offering guarantee schemes to boost lending to SMEs and extending loans for private and public sector projects preferably jointly with the commercial banks, or independently.
- Contributing towards inclusive and sustainable socio-economic development, including through advisory services.

Our activity will help create and develop strong Maltese businesses through financing, advisory services and capital, with a focus on SMEs.

- We support entrepreneurs in all industries and at all stages of development.
- We are committed to the long-term success of Maltese entrepreneurs, since we understand that there is more to a business than the bottom line.
- We complement the role played by private sector financial institutions.
- We are a State Bank but, nevertheless, we operate at arm's length from the Government of Malta.

ENABLERS

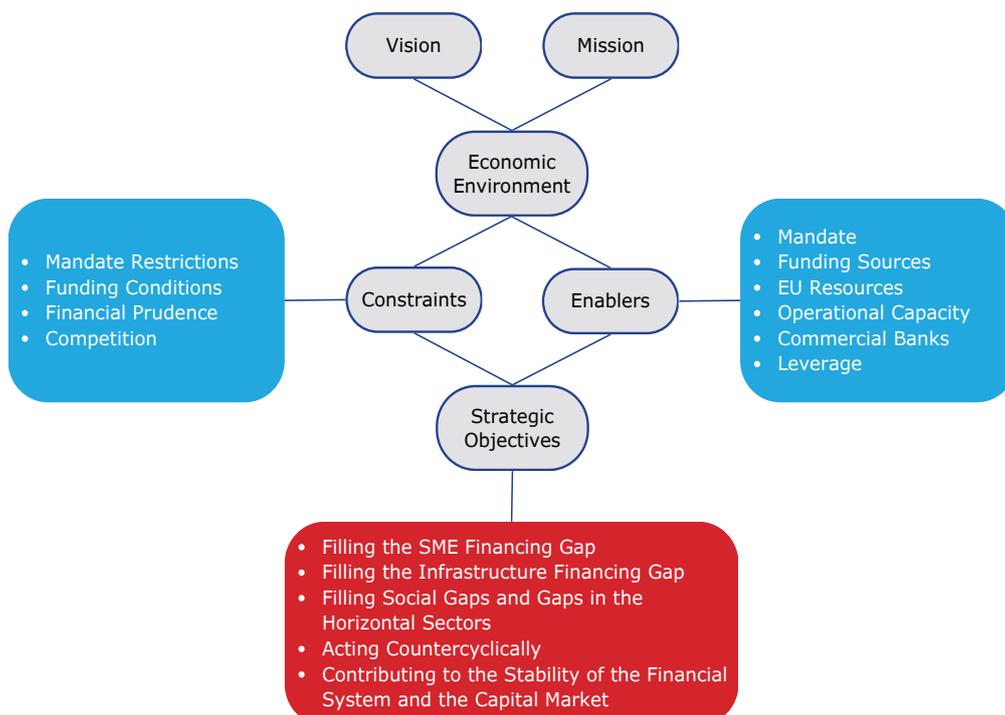
- EU Resources - The MDB is Malta's gateway to the EU guarantee (InvestEU) – Finance sources e.g., EIB
- Operational Capacity – We have the operational capacity to implement financial instruments
- Leverage – The MDB leverages on its share capital, on commercial banks liquidity, on guarantees (Government, EIF and InvestEU) and the blending of guarantees with grants
- Commercial banks – As trusted partners and a conduit to reach SMEs
- Funding sources - Our financing may be obtained from the following main sources:
 - o Share capital contributed by the Government
 - o Government guarantees
 - o Borrowing from international banks and institutions
 - o Borrowing from local banks
 - o Investment income and surpluses on operations
 - o Issue of debt listed on the Malta Stock Exchange

CONSTRAINTS

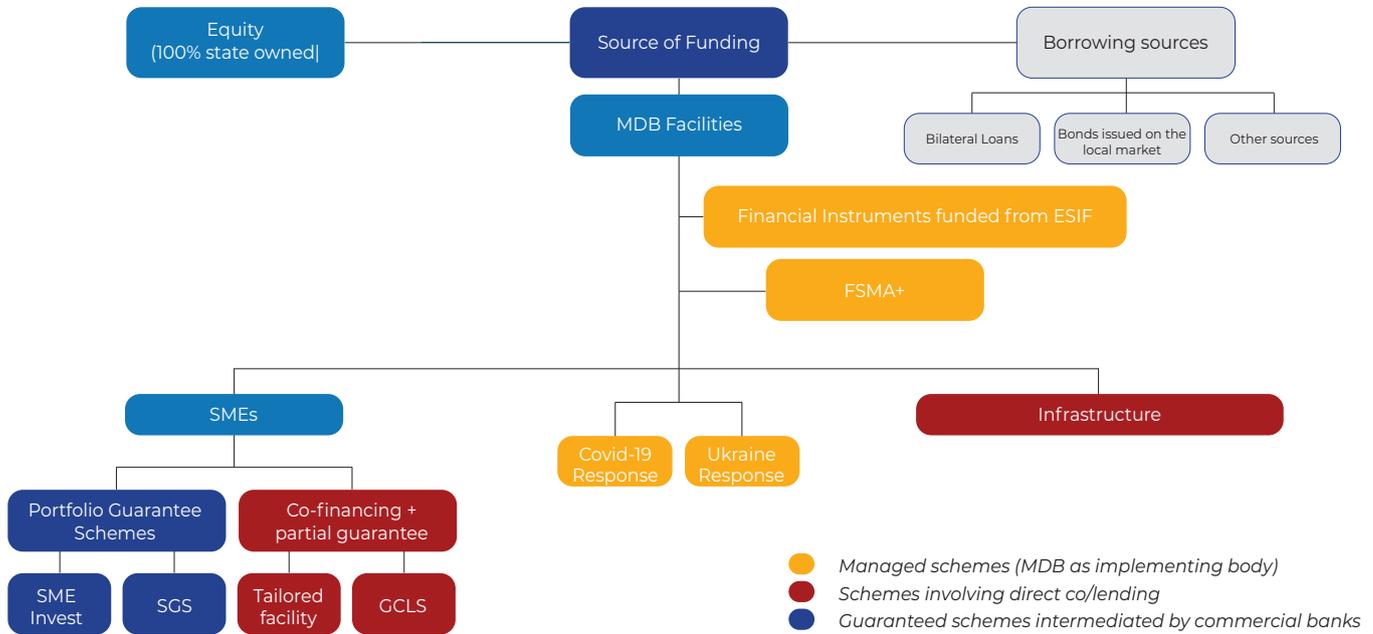
As distinct from a commercial bank, the MDB has the following main constraints:

- Does not accept deposits
- Subject to EU State Aid Rules
- Bound by the provisions of the Malta Development Act 2017 and the remit set by the European Commission decision (State Aid SA.62229 (2022/N))
- Public debt considerations constrain our reliance on Government finance
- Participation in equity depends on the Bank's future profitability
- Obligated to allow commercial banks to take precedence in providing finance
- Lend money on our own only in exceptional circumstances
- Currently cannot compete with the low interest rates on loans being offered by deposit-taking commercial banks

We can summarise MDB's strategy as follows:



By consistently following a pro-business and pro-social but prudent business strategy, the MDB has built a portfolio of products assisting SMEs (SMEInvest, Guarantee Co-Lending Scheme), infrastructural projects, as well as students (FSMA and FSMA+).



Each proposal for funding is treated on its own merit but we have the following top priority areas.

TOP PRIORITY AREAS



Sustainable Infrastructure



SMEs



Technology



Waste Management and Circular Economy



Renewable Energy Production and Energy Efficiency



Blue Economy

Keeping to our Vision, the MDB continually strives to update, refine and refresh its strategy and product offerings to be an effective tool in the improvement of Malta's socio-economic situation.





BANK MALTĠ GHALL-IŻVILUPP
MALTA DEVELOPMENT BANK



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