



Remuneration Policy

Table of Contents

- 1 Introduction..... 2
- 2 Frequency Of Review..... 4
- 3 Definitions 4
- 4 Key Principles 6
- 5 Material Risk Takers 9
- 6 Review of Determinations of Material Risk Takers 11
- 7 Review Of Fees For Non-Executive Directors 11
- 8 Governance Of The Remuneration Policy 11
 - 8.1 Determinations Of Variable Remuneration 12
 - 8.2 REVIEW 13
- 9 Nominations And Remuneration Committee 13
- 10 Role of Control Functions 15
- 11 Fixed Remuneration 16
- 12 Variable Remuneration 16
- 13 Remuneration Of Control Functions..... 17
- 14 Variable Remuneration Methodology/Approach..... 18
- 15 Determination Of Variable Remuneration Pools 18
 - 15.1 Annual Variable Remuneration 18
 - 15.2 Retention And Guaranteed Bonuses And Severance Payments 20
 - 15.3 Deferred Bonus Plan..... 24
 - 15.4 Variable Remuneration Of Less Than €50,000..... 24
- 16 Individual Allocation Of Variable Remuneration..... 25
- 17 Deferral 26
- 18 Instrument Payments 26
- 19 Hedging Of Downside Risks Of Variable Remuneration 27
- 20 Clawback Provisions 27
- 21 Governance Of Intra-Group Remuneration Issues 27

1 Introduction

The purpose of this Group Remuneration Policy (the “**Policy**”) is to set out the overall principles that MDB Group Limited and its subsidiaries (the “**Group**”), whether direct or indirect, agree to apply when determining the remuneration and compensation of its or their respective management and staff members (including, as applicable, those who are not employed but who provide outsourcing arrangements or whose services are placed at the disposal and under the control of MDB Group Limited and its subsidiaries). The Policy is designed to comply with the relevant provisions of:

- (i) the Capital Requirements Directive 2013/36/EU¹, as amended from time to time, including by Directive 2019/878/EU² (“**CRD V**”); and
- (ii) the Capital Requirements Regulation (EU) No 575/2013³, as amended from time to time, including by Regulation (EU) 2019/876⁴ (“**CRR II**”)

ensuring implementation of remuneration practices which are based on sound governance processes that take into account the Group’s risk strategy and profile.

The Policy recognises and takes into account the provisions of Article 92(2) of CRD V stating that “*institutions comply with the following requirements in a manner that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities*”.

The Group is classified as another systemically important institution (“**O-SII**”) within the ECB Single Supervisory Mechanism as a result of being the third largest credit institution in Malta. Notwithstanding that classification, it has a business model that is not complex. Its asset base consists primarily of mortgages in the Netherlands, Malta and Belgium, a corporate credit book in run-off comprising primarily loans to corporate borrowers and a treasury book comprising covered bonds AAA-rated notes issued by CLOs and other high-quality liquid assets. Funding is generated primarily from deposits and wholesale

¹ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

² Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.

³ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

⁴ Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012.

funding, including mortgage securitisations, and customer activity is generally limited to accepting deposits and providing investment and wealth management services in respect of non-complex financial instruments. As an O-SII the Group would fall within the definition of a large institution as defined in point (146) of Article 4(1) of CRR II⁵, and thus the Group is not eligible to apply the waiver in relation to certain variable remuneration rules set forth in CRD V Article 94(3)(a).

In determining Variable remuneration, the Group shall apply a prudent, forward-looking approach, consistent with maintaining a sound capital base. The Group intends that its aggregate Variable remuneration shall not have a significant impact on its capital base and shall not be material in relation to its overall capital and operating income. As noted below, all awards of Variable remuneration to Material Risk Takers (as defined below) shall be subject to malus and clawback arrangements.

It is the duty of the Boards of Directors of the Group and its subsidiary companies (the “**Boards**”) to ensure the Policy and remuneration granted in accordance therewith are reviewed and, to the extent applicable, (re)approved and/or (re)confirmed by the respective Board and shareholders of relevant the Group entity on an annual basis or any other time when deemed necessary in order to make sure that all applicable local and EU laws, rules and regulations, as well as any applicable guidelines issued by relevant authorities (including the Malta Financial Services Authority, the National Bank of Belgium, the European Central Bank and the European Banking Authority), as applicable, are adhered to.

The Policy was developed in conjunction with the Group’s principal shareholder and the Nominations and Remuneration Committee (as used in respect of the Board of the Group or of one of its subsidiaries (as the context may require), an “**NRC**”) of the Board of the Group.

The Board of the Group, directly and through its NRC, shall carry out effective monitoring and evaluation of the Group’s remuneration system on an ongoing basis.

⁵ Article 4(1) point (146): “large institution” means an institution that meets any of the following conditions:

- (a) it is a G-SII;
- (b) it has been identified as an other systemically important institution (O-SII) in accordance with Article 131(1) and (3) of Directive 2013/36/EU;
- (c) it is, in the Member State in which it is established, one of the three largest institutions in terms of total value of assets;
- (d) the total value of its assets on an individual basis or, where applicable, on the basis of its consolidated situation in accordance with this Regulation and Directive 2013/36/EU is equal to or greater than EUR 30 billion;”

2 Frequency Of Review

The Policy will be reviewed annually by the Boards and the Group NRC and the NRCs of each subsidiary of the Group (specifically, that of MeDirect Bank SA/NV), and when significant changes occur in related directives, guidance, best practice and technical standards to the extent applicable on the Group and/or the relevant Group entity. The Policy will also be reviewed to the extent that there is any significant amendment to the business activities and/or structure of the Group and/or the relevant Group entity. The Policy shall also be subject to an independent internal review on an annual basis by the Internal Audit department in order to, amongst other things, ensure that it (i) is in compliance with all applicable national and international legal and regulatory requirements, principles and standards, (ii) operates as intended, (iii) is consistently implemented across the Group and (iv) does not limit the ability to maintain or restore a sound capital base. The review shall also include an analysis of whether the Policy is gender neutral. Each NRC may also require review of the Policy by outside independent consultants to the extent it is deemed necessary or appropriate.

3 Definitions

For the purposes of the Policy, the following definitions shall apply:

An **“accrual period”** is the period of time for which the performance of the staff member is assessed and measured for the purposes of determining an award of Variable remuneration.

An **“award”** of Variable remuneration means the granting of an amount of Variable remuneration for a specific accrual period, independently of the actual point in time when the awarded amount is paid.

A **“bonus pool”** is the maximum amount of Variable remuneration which can be awarded in the award process set at the level of the Group, a subsidiary of the Group or a business unit.

“Clawback” is an arrangement under which a staff member has to return ownership of an amount of Variable remuneration paid in the past or which has already vested under certain conditions.

“Consolidating institution” means the institution which is responsible for the prudential consolidation or sub-consolidation.

“Deferred Bonus Plan” is a plan adopted by the Group under which payments of Variable remuneration to Material Risk Takers shall be made in the form of cash and share-linked

instruments on both a deferred and upfront basis, as described in the Deferred Bonus Plan.

“Deferral period” is the period of time between the award and the vesting of the variable remuneration during which the staff member is not the legal owner of the remuneration awarded.

“ESG Initiatives” are the policies and actions adopted or mandated by the Group to incorporate Environmental, Social and Governance principles and culture, into its businesses and activities,

“Fixed remuneration” consists of non-discretionary payments or benefits which do not depend on performance as set out in Section 11, including those that form part of routine employment packages.

“Malus” is an arrangement under which any awarded but as yet unvested elements of Variable remuneration of a staff member may be reduced or forfeited under certain conditions before vesting.

“Material Risk Takers” are staff whose professional activities have a material impact on the Group’s risk profile, as further described in Section 5.”.

“Remuneration” consists of all forms of Fixed and Variable remuneration and includes payments made or benefits, monetary or non-monetary, awarded directly to staff by or on behalf of a subsidiary company of the Group in exchange for professional services rendered by staff.

A **“retention bonus”** is Variable remuneration awarded on the condition that staff stays at the Group or a subsidiary company of the Group for a pre-defined period of time.

“Retention period” is the period of time after the vesting of instruments that have been awarded as variable remuneration during which they cannot be sold or accessed.

“Routine employment packages” are ancillary components of Fixed remuneration that are obtainable for a wide population of staff or staff in specified functions based on predetermined selection criteria, including, for example, healthcare, child care facilities or proportionate regular pension contributions.

“Staff” are all employees of the Group, subsidiaries of the Group, their respective branches and subsidiaries, including subsidiaries not subject to the CRD V, all members of the management bodies within that scope and any other person providing services to or acting on behalf of any subsidiary of the Group and their respective branches and subsidiaries.

“Severance payments” are payments to staff relating to the early termination of a contract, that is, in the case of temporary contracts, termination before the end date of

the contract and in the case of indefinite contracts, before the contractual or legal retirement, by the Group or a subsidiary company of the Group.

“Share-linked instruments” are those instruments whose value is based on the value of the stock and that have the share value as a reference point, for example, stock appreciation rights, types of synthetic shares.

“Variable remuneration” is all remuneration which is not Fixed.

“Vesting” is the effect by which the staff member becomes the legal owner of the variable remuneration awarded, independent of the instrument which is used for the payment or if the payment is subject to additional retention periods or clawback arrangements.

4 Key Principles

The key principles of the Policy are the following:

1. The ratio between the variable components of remuneration and the fixed components shall be subject to the applicable (local) legislation and (therefore) limited to 50% for Variable remuneration paid to staff of MeDirect Bank SA or 100% (or a higher maximum ratio of 200% with shareholders’ approval, subject to the conditions described in Sub-Section 5 below) for Variable remuneration paid to staff of MeDirect Bank (Malta) plc (including MeDirect Strategy);
2. Variable remuneration pools shall be determined on the basis of:
 - a. Financial results of the Group, the relevant subsidiary and/or the relevant business line after taking into account the cost of risk, capital and liquidity, with the aim of ensuring that the total amount of Variable remuneration does not undermine the Group’s or the subsidiary’s capacity to meet its objectives in terms of capital requirements; and
 - b. Qualitative factors such as market practices, conditions under which activities are carried out and risk management, and will be further adjusted to the extent required to ensure that all relevant identified current and future risks are reflected or in light of the Group’s capital position. The process for this determination of Variable remuneration pools, including the involvement of the appropriate control functions, shall be undertaken as set out in the Policy.
3. The allocations of individual Variable remuneration awards shall be correlated to the staff member’s formalised annual individual appraisal that takes into consideration quantitative and qualitative objectives known to the employees, as

well as the performance of the Group and relevant business units and risk management considerations and will be further adjusted to the extent required to ensure that all relevant identified current and future risks are reflected. Quantitative and qualitative criteria are designed to avoid conflicts of interests and persons favouring their own interests or the firm's interests to the potential detriment to any client. The process for the determination of the allocations of Variable remuneration awards, including the involvement of the appropriate control functions, shall be undertaken as set out in the Policy. Determinations of Variable remuneration shall always be undertaken in a gender-neutral manner.

4. For Material Risk Takers, a five-year deferral period will apply to their annual Variable remuneration (with the amount subject to deferral dependent on the quantum of their total remuneration), as described further in Section 17 below.
5. Awards of Variable remuneration shall be subject to the following conditions:
 - a. Eligibility to receive an award of Variable components of remuneration shall be conditional upon continued employment (unless otherwise agreed by the relevant NRC), meeting minimum performance conditions and appropriate risk and compliance management.
 - b. All Variable remuneration awarded to Material Risk Takers (and to any other employees where so determined at the time of award) shall be subject to Malus and Clawback arrangements.
 - c. Malus may be applied at the discretion of the relevant NRC, and examples of the circumstances in which such discretion to impose Malus may be exercised include (without limitation):
 - i. Payment of the Variable remuneration would not be sustainable according to the financial situation of the Group.
 - ii. The Group and/or the business unit in which the individual works has suffered a significant downturn in its financial performance.
 - iii. The Group and/or the business unit in which the individual works suffers a significant failure of risk management (including, without limitation, significant breaches of internal risk limits).
 - iv. Regulatory sanctions have been imposed and the conduct of the individual contributed to the sanction.
 - v. The individual participated in or was responsible for conduct which resulted in significant losses to the Group and/or a business unit.
 - vi. Misconduct or serious error by the individual (for example, without limitation, breach of a code of conduct and other internal rules especially concerning risks, including, without limitation, significant breaches of internal risk limits) or failure to meet reasonable

- standards of fitness and propriety determined by the relevant NRC, including (without limitation) where a member of staff disregards a client's interests or favours their own interests to the detriment of a client's.
- vii. The individual participated in a mechanism aimed at or resulting in tax fraud.
 - viii. The individual is dismissed for a cause (or commits acts which would enable the relevant Group entity to dismiss the individual for cause).
 - ix. The relevant NRC concludes that circumstances have arisen which (if made public) would cause significant reputational damage to the Group or a business unit or would lead to regulatory actions.
 - x. Events have occurred which reasonably lead the relevant NRC to conclude that matters related to the individual would cause material embarrassment to the Group if a payout were made.
 - xi. The basis for assessing the entitlement to Variable remuneration proves incorrect.
- d. Clawback may, at the discretion of the NRC, be applied if any of the events referred to above (c)(v) to (c)(x) occur.
6. Save in the case of Variable remuneration paid to staff of MeDirect Bank SA, which shall in any event be limited to a ratio of 50%, the ratio of Variable remuneration to Fixed remuneration for any individual of a Group entity in a financial year will not exceed 100%. However, the shareholders may approve a higher maximum ratio not exceeding 200% of Variable remuneration to Fixed remuneration provided the following conditions are fulfilled:
- a. The shareholders shall approve a higher ratio based on a detailed recommendation giving reasons for and the scope of the approval sought, including the number of staff affected, their functions and the expected impact of such Variable remuneration on the requirement that the relevant Group entities maintain a sound capital base;
 - b. The shareholders approve such Variable remuneration award or awards by a 66 or 2/3% majority, with at least 50% of all outstanding shares represented;
 - c. The relevant Group entity shall notify all shareholders that the approval shall be sought and shall provide a reasonable notice period in advance;
 - d. The Group entity shall promptly inform its regulator of any recommendation to its shareholders to operate within the proposed 200% ratio and the reasons for this, and shall in such submission demonstrate that the higher ratio of Variable remuneration does not conflict with the Group entity's obligations under CRD V and CRR II, particularly in respect of own funds;

- e. The Group entity shall promptly inform its regulator of the decisions taken by the shareholders to approve the proposed higher maximum ratio; and
- f. Staff members directly concerned with the proposed higher maximum ratio shall not be permitted to exercise, directly or indirectly, any voting rights they may have in respect of the approval of any proposal relating to this ratio.

The shareholders of MeDirect Bank (Malta) plc have approved this higher limit of 200% for staff of MeDirect Bank (Malta) plc (including MeDirect Strategy), and the NRC keeps the appropriateness of this 200% cap under review.

5 Material Risk Takers

Material Risk Takers shall include staff members who are deemed to have a material impact on the Group's or a subsidiary of the Group's risk profile as determined in accordance with Article 92(3) of CRD V and Commission Delegated Regulation (EU) No 2021/923 (the "MRT Regulation").

This shall include, without limitation, staff members of the Group or its subsidiaries who:

1. Are a member of the management body in its management or supervisory function;
2. Are a member of senior management;
3. Have managerial responsibility over a control function;
4. Have managerial responsibility over a material business unit;
5. Have managerial responsibility for (i) legal affairs; (ii) the soundness of accounting policies and procedures; (iii) finance, including taxation and budgeting; (iv) performing economic analysis; (v) the prevention of money laundering and terrorist financing; (vi) human resources; (vii) the development or implementation of the remuneration policy; (viii) information technology; (ix) information security; (x) managing outsourcing arrangements of critical or important functions as referred to in Article 30(1) of Commission Delegated Regulation (EU) 2017/565;
6. Have managerial responsibilities for any of the risk categories set out in Articles 79 to 87 of Directive 2013/36/EU, or is a voting member of a committee responsible for the management of any of the risk categories set out in those Articles;
7. Have authority to take, approve or veto discussions on credit risk exposures of with a nominal amount per transaction (i) representing 0.5% or more of Common Equity Tier 1 capital and (ii) which is at least €5 million) or is a voting member of a committee which has authority to take decisions on material credit risk exposures;
8. Have authority to take, approve or veto decisions on trading transactions that in aggregate represents more than 0.5% of Common Equity Tier 1 capital or 5% of

value-at-risk limit or is a voting member of a committee which has authority to take such decisions;

9. Head a group of staff who have individual authorities as set out in 7 and 8 above, where the sum of those authorities exceeds the limits set out in 7 and 8; or
10. Have authority to approve or veto the introduction of new products or is a voting member of a committee which has authority to take such decisions.

In addition to the above, a staff member will be considered Material Risk Takers when:

1. The staff member has been awarded Fixed remuneration in the previous financial year and Variable remuneration for the previous financial year which in aggregate is equal to or greater than the higher of €500,000 and the average remuneration awarded to the members of the management body and senior management; or
2. The staff member has been awarded Fixed remuneration in the previous financial year and Variable remuneration for the previous financial year which in aggregate is equal to or greater than €750,000,

save to the extent that any such staff are, in accordance with the applicable process under the MRT Regulation, excluded from being classified as a Material Risk Taker on grounds that they do not in fact have a material impact on risk. Any determinations on whether, in accordance with the MRT Regulation, to exclude any such staff from being classified as a Material Risk Taker must not be based on gender considerations.

In determining whether the professional activities of staff members have a significant impact on the risk profile of a material business unit, the NRC will consider:

- a. the risk profile of the material business unit;
- b. the distribution of internal capital to cover the nature and level of the risks, as referred to in Article 73 of Directive 2013/36/EU;
- c. the risk limits of the material business unit;
- d. the risk and performance indicators used by the firm to identify, manage and monitor risks of the material business unit in accordance with Article 74 of Directive 2013/36/EU;
- e. the relevant performance criteria set by the NRC in accordance with Article 94(1), points (a) and (b), of Directive 2013/36/EU; and
- f. the duties and authorities of staff members or categories of staff in the material business unit concerned.

6 Review of Determinations of Material Risk Takers

The determination of the members of staff who shall be categorised as Material Risk Takers shall be reviewed and reconsidered by the NRC on at least an annual basis (or more frequently as required, including to take account of changes in the Group or changes in personnel).

7 Review Of Fees For Non-Executive Directors

To the extent permitted under applicable law and subject to obtaining the applicable shareholder approvals, annual fees for non-executive directors (“NEDs”) will be agreed by Group Remco and the Group Head of HR and formally disclosed in the minutes of the Remco. They will be fixed in nature and NEDs will not receive Variable remuneration under any circumstances. Nor can NEDs receive any further fees for ad hoc work performed which is beyond the scope of their defined role as per their service contract. NEDs may claim travel and entertainment expenses that are directly related to their role and which are in accordance with the Group Travel and Entertainment Guidelines, these claims to be approved by the Group Head of HR.

8 Governance Of The Remuneration Policy

The aim of the Policy is to establish an effective framework for determining role descriptions, performance measurement, risk adjustment of compensation and the linkages to reward.

The Boards of the Group and each subsidiary shall, to the extent permitted under applicable law, delegate authority to their respective NRCs to determine and oversee the remuneration of the members of the management function in accordance with the Policy.

Decisions on remuneration shall be clear, well-documented and transparent. Proper documentation on the decision-making process (e.g., minutes of relevant meetings, relevant reports and other relevant documents) and the reasoning behind decisions made under the Policy shall be maintained.

It is the responsibility of the NRC to ensure that all provisions of the Policy are applied in a gender-neutral manner, including in respect of the award and payment of Fixed and Variable remuneration. The NRC shall be responsible for ensuring that the gender-neutral application of the Policy is reviewed annually.

Conflicts of interests with regard to the implementation of the Policy and the award of remuneration in accordance with the provisions of the Policy shall be identified and appropriately mitigated.

The Boards shall ensure that the Group's and the subsidiaries' remuneration policies and practices are appropriately aligned with the Group's overall corporate governance framework, corporate and risk culture, risk appetite and the related governance processes.

The Boards shall ensure that the Group's and the subsidiaries' remuneration policies and practices are consistent with a prudent, forward-looking approach aimed at maintaining a sound capital base and that all awards of Variable remuneration to Material Risk Takers are subject to Malus and Clawback arrangements (as described above in Section 4: Key Principles, Key Principle No. 5) and are otherwise consistent with the Policy.

The Boards, management functions, the NRCs and the Risk Committees of the Group and each subsidiary shall work together closely to ensure that the Policy is consistent with and promotes sound and effective risk management.

8.1 Determinations Of Variable Remuneration

The Risk department shall assist in and provide advice in respect of the definition of suitable risk-adjusted performance measures, as well as in assessing how the Variable remuneration structure affects the risk profile and culture of the Group.

The Risk department shall provide input into the process for determining bonus pools and the allocations of Variable remuneration awards to ensure that all relevant factors (including, but not limited to, relevant identified current and future risks and identified risk failings) are considered by the relevant decision-making body. For such purpose the Chief Risk Officer will liaise with other second and third line of defence departmental heads (Audit, Legal, Compliance, Human Resources, Finance, etc.), as well as the individual business units, in relation to their respective areas of expertise and will coordinate and provide their inputs as part of the involvement of the Risk department.

The Risk department shall validate and assess risk adjustment data, and a member of the Risk Committee shall provide input to the NRCs on this matter.

The Human Resources function shall participate in and provide advice in respect of the implementation of the Policy, including the remuneration structure, the aspects of gender neutrality, remuneration levels and incentive schemes with the aim of enabling the Group not only to attract and retain required staff but also to assure that the Policy is aligned with the Group's risk profile.

The remuneration of members of the management body of the Group and each subsidiary, of all Material Risk Takers and of all of the senior officers in the risk management and compliance functions shall be the responsibility of the NRCs. Determination of Variable remuneration shall always be undertaken in a gender-neutral manner.

8.2 REVIEW

Within a Group context, the competent functions within the consolidating institution and its subsidiaries shall interact and exchange information as appropriate.

The Compliance function shall analyse how the Policy affects the Group's and the subsidiaries' compliance with legislation, regulations and internal policies and shall conduct an annual review of the implementation of the Policy, including whether it is being applied in a gender-neutral manner. The Compliance function shall report all identified compliance risks and issues of non-compliance; and these findings shall be taken into account during the approval, review procedures and oversight of the Policy; and the findings should also be reported in the statement of internal control by the management body.

The Internal Audit department shall carry out an independent review of the design, implementation and effects of the remuneration policy on MDB Group Limited and its subsidiaries' risk profiles and the way these effects are managed.

The Finance department shall include the proposed Variable remuneration pool in the budget projections that are used to forecast regulatory capital ratios. In this respect, Variable remuneration shall be taken into account alongside other factors in capital planning and in terms of the Group's and the subsidiaries' capital adequacy and the soundness of the Group's capital base or the capital base of the relevant subsidiary, taking into account the objectives set by the Group. Management shall re-calibrate Variable remuneration pools if they limit the Group's and each subsidiary's capacity to maintain the level of capital required to meet its target ratios.

The approval of the Policy, and any supplemental remuneration policies of any subsidiaries shall be responsibility of the NRCs, under the authority delegated to the NRCs by the Boards of the Group and each subsidiary.

9 Nominations And Remuneration Committee

The NRCs shall be composed of members of the Boards of the Group and its subsidiaries who do not perform executive functions, the majority of whom (including the chair of each NRC) shall be independent. Members of the NRCs should have collectively

appropriate knowledge, expertise and professional experience concerning remuneration policies and practices, risk management and control activities to ensure that the remuneration structures of the Group and the subsidiaries are aligned with the Group's and such subsidiaries' respective risk and capital profiles.

The NRCs and the Boards shall monitor the ongoing performance by management of their respective supervisory functions in respect of design and implementation of an appropriate remuneration system.

The NRCs are charged with aligning the Group's and the subsidiaries' remuneration policies, and in particular performance-related elements of remuneration, with the Group's business strategy and risk strategy (including environmental, social and governance objectives), corporate culture and values, risk culture and long-term interests (including the interests of its clients). The key objectives of the NRCs in this regard are the following:

- annual review of the proposals put forward by the management relating to the principles of the remuneration policy and verification with the management that they are effectively implemented; in particular, monitoring of the budgets allocated to the Fixed salary increases for the forthcoming year and the Variable remuneration pools for the previous financial year and whether the Policy has been applied in a gender-neutral manner; and
- annual review of the individual remuneration of senior management and staff members who are employed in control functions, as well as that of staff with total remuneration above a threshold Fixed by the relevant NRC.

The NRCs shall have access to all data and information on the design, implementation, oversight and review of remuneration practices developed in accordance with and pursuant to the provisions of the Policy.

The NRCs shall have adequate financial resources and unfettered access to all information and data from independent control functions, including risk management.

The NRCs shall ensure the proper involvement of the independent control and other competent functions (e.g., human resources, legal and strategic planning), within their respective areas of expertise and where necessary seek external advice.

The NRCs shall liaise and collaborate with other committees of the Boards of each Group entity whose activities may have an impact on the design and proper functioning of remuneration policies and practices (e.g., the Risk and Audit Committees), shall support such committees and the Boards in overseeing the Policy and shall provide adequate information to the Boards, and, where appropriate, to the shareholders' meeting, about the activities performed. The NRCs shall, as appropriate, undertake stress tests of

external events in determining the ability of Group entities to support proposed levels of Variable remuneration.

The NRCs shall also review the work done by outside consultants in respect of the Policy and make any necessary or appropriate changes to the Policy as a result of such work. To the extent that any deficiencies are identified in the Policy, whether as a result of the work of outside consultants or otherwise, the NRCs shall take remedial action and submit suggested means of addressing such deficiencies to the relevant Board or Boards.

The Risk Committees shall, without prejudice to the tasks of the NRCs, examine whether incentives provided by the Group's and the subsidiaries' remuneration practices undertaken in accordance with the Policy take into consideration the Group's and the subsidiaries' risk, capital, liquidity and the likelihood and timing of earnings.

It is also to be noted that any appointments of search firms will be made in line with the Group's procurement policy. The Head of Human Resources of the relevant Group entity is the owner of this process for the relevant Group entity, with an oversight role for the Group Head of Human Resources, and will liaise with the procurement function. Appointments, indicating full cost, are to be brought to the attention of the NRC for secondment.

10 Role of Control Functions

The control functions shall be independent from the business units they oversee and have sufficient resources, knowledge, experience and appropriate authority to perform their tasks with regard to the Policy. The independent control functions should cooperate actively and regularly with each other and other relevant functions and Board Committees with regard to the implementation of the Policy and risks which may arise from the Group's remuneration practices.

The Group's remuneration practices shall provide incentives for the staff in control functions to deliver the best performance in their role. The Group's remuneration practices shall ensure that no material conflicts of interest arise in respect of remuneration for staff in the Group's control functions.

This governance system shall ensure that remuneration decisions are made independently and objectively. The process shall be reviewed ex post by Internal Audit each year.

11 Fixed Remuneration

Remuneration is Fixed where the conditions for its reward and its amount;

1. Are predetermined, non-discretionary, transparent to the relevant member of staff and permanent (i.e., maintained over a period and tied to the specific role and organisational responsibilities);
2. Are non-revocable;
3. Cannot be reduced, suspended or cancelled by the relevant Group entity and, to the extent applicable, its shareholders;
4. Do not provide incentives for risk assumption; and
5. Do not depend on performance.

The following remuneration components shall also be considered as Fixed:

1. Remuneration paid to expatriated staff considering the cost of living and tax rates in a different country where all similar situations are treated in a consistent way;
2. Allowances used to increase the basic Fixed salary in situations where staff work abroad and receive less remuneration than would be paid on the local employment market for a comparable position and where all of the following conditions are met:
 - The allowance is paid on a non-discriminatory basis to all staff in similar circumstances;
 - The allowance is awarded because staff works temporarily abroad or in a different position with a remuneration level requiring adjustment from the contractual one to reflect pay levels in the relevant market;
 - The level of additional payments is based on predetermined criteria; and
 - The duration of the allowance is tied to the duration of the situation.

Members of the Boards of any Group entity who are not executive directors of any Group entity may receive only Fixed remuneration.

12 Variable Remuneration

The following remuneration components shall be considered as Variable:

1. Performance bonuses;
2. Remuneration awarded under long term incentive or deferred bonus plans;
3. Retention bonuses;
4. Discretionary pension benefits;

5. Guaranteed remuneration paid in connection with joining a Group subsidiary; and
6. Certain severance payments.

Any consideration given to granting retention bonuses, discretionary pension benefits, guaranteed remuneration, buy-out awards and/or severance payments shall be made subject to obtaining the applicable shareholder approvals and in light of the applicable regulatory requirements in order to ensure that such remuneration is only awarded where to do so would be compliant with the applicable regulatory requirements, and any such remuneration shall be awarded in such form as is determined by the NRCs, taking account of applicable regulatory requirements (including in respect of deferral, payment in the form of share-linked instruments and the application of Malus and Clawback).

NRCs shall ensure that both Fixed and Variable remuneration are determined in accordance with principles of gender neutrality and are based on the principle of equal pay for employees for equal work or work of equal value, irrespective of gender as laid down in Article 157 of the Treaty on the Functioning of the European Union (TFEU).

13 Remuneration Of Control Functions

The remuneration of staff in control functions should allow the Group to employ qualified and experienced personnel in those functions. The staff engaged in control functions shall be remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control and their remuneration should be predominantly Fixed so as to reflect the nature of their responsibilities.

The methods used for determining the Variable remuneration of control functions, (i.e., the Risk department, Legal, Compliance and Internal Audit functions), should encourage the staff not to compromise their objectivity and independence in their role and in conducting their advisory role to the NRCs and ultimately the Boards of the Group entities.

Where control function staff receive Variable remuneration, it shall be appraised and the variable part of remuneration determined without reference to the performance of any business unit they oversee or control, including the performance which results from business decisions in which the control function is involved.

The criteria used for assessing performance and risks shall be based exclusively on internal objectives. Variable remuneration for control functions shall exclusively follow from control objectives. Variable remuneration for control function staff shall not be

based on market-oriented business objectives, e.g., earnings, return on equity or balance sheet growth.

All Variable remuneration awards to the senior officers in the independent control functions, including the functions shall be directly overseen by the NRCs.

14 Variable Remuneration Methodology/Approach

Allocation of Variable remuneration is not contractual and shall depend on both individual and collective performance. It shall take into account previously defined quantitative and qualitative criteria (including criteria that encourages employees to act in the best interests of the client). Variable remuneration shall not be directly or solely linked to the amount of profits or revenues generated. Assessment of performance shall be made in the context of a multi-year analysis, taking into account the business cycle and the Group's business risks. The criteria used to set Variable remuneration pools, as well as their allocation, shall take into account all risks, both qualitative and quantitative.

15 Determination Of Variable Remuneration Pools

Variable remuneration may be comprised of two elements.

15.1 Annual Variable Remuneration

The annual Variable remuneration plan may allow for a payment in any year of up to 200% of Fixed remuneration for staff of MeDirect Bank (Malta) plc (including MeDirect Strategy) and 50% of Fixed remuneration for staff of MeDirect Bank SA.

The amount payable to any individual under the annual Variable remuneration plan will be based on a balanced scorecard comprising:

- group financial performance (profits before tax [after cost of capital adjustments], cost to income ratio, on maintenance of all regulatory ratios across the Group [including CET1 ratio] within established risk appetite levels);
- customer satisfaction (to have regard to analytical information but to be a rounded NRC subjective assessment);
- conduct risk (after the Risk has shared all its reports to the Risk Committee and based on the Risk Committee's recommendation to the NRC); and personal performance against qualitative objectives and at least one quantitative objective, pursuant to the ESG & Climate Risk initiatives, as appropriate given the

nature of the individual's position, as stipulated in the ESG Strategy. (Vide Annex 1 in relation to sustainability objectives for the Group)

The above may be varied by the relevant NRCs across business units subject to financial performance not exceeding a 50% weighting.

Under no circumstances shall Variable remuneration be linked directly to individual sales or revenue generation targets.

Any participant in the plan employed in a control function will be subject to a holistic assessment by the NRC of the overall group's performance and the individual's performance and contribution, including assessment of conduct risk and personal performance ratings. No element of Variable remuneration will be payable to a person within control functions based on the performance of any business unit which they oversee.

All Variable remuneration will be subject to oversight by the NRC, and no Variable remuneration will be payable unless confirmed as appropriate by the NRC. The NRC will consider the overall aggregate quantum of Variable remuneration within the Group as part of this assessment (affordability), which shall include ensuring that the proposed level of Variable remuneration does not materially affect the capital position of any credit institution in the Group (or the ability to strengthen such capital base).

As referred to in Section 4: Key Principles, Key Principles No. 2 and No. 3, Variable remuneration pools and proposed allocations of Variable remuneration awards may be adjusted to reflect all relevant identified current and future risks and if necessary to reflect the capital position and, without limitation, such an adjustment may include the NRC reducing pools of Variable remuneration in the event of a breach (or unacceptable risk of a breach) of any key regulatory ratios and/or reducing or not paying Variable remuneration to any employee (whether or not a Material Risk Taker) who the NRC determines has caused or contributed to any such breach (or risk of a breach).

In addition, without limitation, the relevant NRC may reduce or not pay Variable remuneration to the extent that any employee, whether or not a Material Risk Taker, has breached rules or been involved in misbehaviour of such a nature that (in the NRC's opinion) it should negatively affect such individual's Variable remuneration.

The award will be subject to Malus and Clawback (as described above in Section 4: Key Principles, Key Principle No. 5).

15.2 Retention And Guaranteed Bonuses And Severance Payments

Retention Bonuses

Retention bonuses may be paid only in exceptional circumstances such as, for example and without limitation, in the case of a restructuring, wind-down (including wind-down of a business or business line), after a change in control or to ensure the completion of major projects. The event or justification that made it necessary to award a retention bonus and the time period, including the start and the end date, for which the reason is assumed to exist shall be documented.

Retention bonuses will not be awarded merely to compensate for performance-related remuneration not paid as a result of insufficient performance or the Group's financial situation.

Retention bonuses must be justified based on, amongst other things, the following factors:

- a) concerns relating to the risk that certain staff may choose to leave the Group;
- b) the reasons why the retention of that staff member is crucial for the Group;
- c) the consequences if the relevant staff member leaves the Group; and
- d) whether the amount of the awarded retention bonus is necessary and proportionate to retain the targeted staff member.

A retention bonus will be based on specific conditions that differ from those applied to other variable remuneration and include a retention condition. Conditions shall also include clear dates and/or project milestones for the retention period, and the bonus should only be awarded after the NRC establishes that the retention conditions and applicable performance conditions have been met. Except in the case of exceptional circumstances, only one retention bonus may be awarded to any one staff member. Retention bonuses will be considered Variable remuneration and will be included in the ratio of Variable to Fixed remuneration.

Guaranteed Variable Remuneration

Guaranteed variable remuneration (for example, a guaranteed or sign-on bonus) can be awarded in exceptional cases in the first year of employment. The NRC may decide, in respect of new staff being hired, not to include the amount of guaranteed Variable remuneration in the calculation of the ratio between Fixed and Variable components of total remuneration for the first performance period, where the guaranteed variable remuneration is awarded when hiring new staff before the first performance period starts. As part of the arrangements guaranteeing this part of Variable remuneration, the

NRC may decide to not apply the requirements on Malus and Clawback to guaranteed Variable remuneration. The NRC may also decide to pay out the full amount of such guaranteed Variable remuneration in non-deferred cash.

The Group may only award guaranteed Variable remuneration once to a single staff member. This requirement shall apply on both a consolidated and a sub-consolidated level such that guaranteed bonuses may not be paid to a staff member receiving a new contract from another Group entity. Guaranteed Variable remuneration is not permitted for periods longer than the first year of employment.

Severance Payments

Severance payments in the case of early termination of an employment contract may be paid as determined by the NRC. The following severance payments may be made:

1. In cases of redundancy or other similar situations, employees may be entitled to receive a payment under relevant plans, policies, agreements or local laws (in some cases in addition to a statutory redundancy payment where relevant). Such payments are determined based on criteria including, amongst other things:
 - i. Years of service to the Group;
 - ii. Reasons for a nature of the early termination of the employment contract;
 - iii. The employee's contribution to the Group during the employee's term of employment and where relevant the severity of any failure;
 - iv. Seniority; and
 - v. Other factors determined by the NRC.

Other than in exceptional circumstances, such as court ordered payments or payments made in settlement of litigation or threatened litigation, such severance pay shall not exceed a maximum of one year's fixed remuneration or six months for MeDirect Bank SA, subject to derogations in exceptional circumstances as determined by the NRC of MeDirect Bank SA to be appropriate and consistent with Belgian law and regulation and subject to obtaining the applicable shareholder approvals.

2. Payments which are mandatory under national labour law or mandatory following a decision of a court.
3. Payments made in connection with gardening leave, pursuant to the contractual rights of the staff member, or payments made corresponding to the additional amounts due in application of a contractual non-competition clause.
4. Payments or arrangements which are made to settle a labour dispute that could otherwise realistically lead to an action in front of a court, where any such payments

or arrangements will be made in accordance with the following pre-defined generic formula:

Any such payments and/or arrangements will be appropriate and proportionate, based on an assessment of the case including the potential liability involved and the remuneration of the individual, with input from internal or external legal counsel as appropriate, and

The payment and/or arrangement will take into account the financial soundness of the Group, the relevant Group entity and the conduct of the individual.

Any additional payments to those referred to above which are made at the discretion of the NRC on or following termination of employment, will only be made to the extent the NRC considers appropriate, taking into account both the financial soundness of the Group, the relevant Group entity and the conduct of the individual.

Severance payments must reflect performance achieved over time and must not reward failure or misconduct or be paid in the case of termination of employment for cause or where the staff member resigned voluntarily to take up employment at another entity.

Severance payments granted under the Policy should be considered as Variable remuneration and as a general principle are subject to deferral, the instrument payment requirements of the Policy and included in the calculation of the ratio between Fixed and Variable remuneration. However, other than as described below in relation to Belgian law, severance payments need not be included in the calculation of this ratio or be subject to deferral or the payment in instrument rules where:

- a) severance payments are mandatory under national labour law or mandatory following a decision of a court;
- b) severance payments are (i) calculated through an appropriate predefined generic formula or in circumstances such as gardening leave or (ii) are corresponding to the additional amount due in application of a contractual non-competition clause and paid out in future periods, up to the amount of the fixed remuneration which would have been paid, for the non-competition period, if the staff member were still employed; and
- c) it is determined to be appropriate by the NRC, including in the event of (A) redundancy remuneration for loss of office, (B) remuneration awarded for a limited time period as part of a cooling-off period subject to a non-competition clause, (C) termination of a contract in the case of failure of the Group or a Group company or early intervention measures, (D) termination following a material reduction of the Group's activities or (E) as part of a settlement of an actual labour dispute that could realistically lead to court action.

Under Belgian law, any severance payment (indemnité de départ), including non-statutory severance payments agreed upon in case of a termination by mutual agreement, constitutes Variable remuneration that must be included in the calculation of the Fixed to Variable remuneration ratio and be subject to deferral or the payment in instrument rules.

However, severance payments must not be included in the calculation of the Fixed to Variable remuneration ratio or be subject to deferral or the payment in instrument rules where:

- a) the severance payment consists of an amount intended to compensate for loss of income on the basis of a non-competition clause and which the institution can demonstrate, to the National Bank of Belgium, before it is granted, that it fulfils the criteria to be considered Fixed remuneration;
- b) an individual is dismissed and the severance pay (indemnité de cessation de fonction) does not exceed the amount to which the person is entitled to or, would have been entitled to by reason of his or her seniority, under the provisions governing dismissal under their employment contract.

In addition, where the severance payment is pursuant to a dismissal (indemnité de cessation de fonction), the amount of the payment which does not qualify under a) or b) above to be exempt from the ratio, may still be wholly or partially exempted from the rules on deferral and instrument payment, provided that such exemption is duly justified, notified in advance to the National Bank of Belgium and is only justified in the specific and exceptional situations set out in the EBA Guidelines on sound remuneration.

Severance payments to staff of MeDirect Bank SA exceeding an amount equal to 12 months of Fixed remuneration or exceeding an amount equal to 18 months of Fixed remuneration (where this higher threshold has been agreed by the NRC), may only be granted, notwithstanding any contrary statutory or contractual provisions, subject to approval by the next ordinary general meeting of shareholders. The procedure set out in Article 7:92, second and third paragraph, of the Belgian Companies and Associations Code must be followed.

The Policy provides a framework within which certain severance payments may be made. It does not create any contractual right or entitlement, nor does it over-ride, supersede or replace any local collective bargaining agreements, with respect to severance.

15.3 Deferred Bonus Plan

Variable remuneration (subject to the provisions of Sub-Section 15.4 below) shall be payable in the form of cash and awards under the Deferred Bonus Plan.

An award under the Deferred Bonus Plan is a share-linked instrument. The number of shares in the Group constituting each award is based on the value of MDB Group Limited shares at the time of the grant of an award. The valuation reference date for the initial award, and for future vesting and/or cash payments, will be as at the preceding 31st December. The award entitles the holder to a cash payment based on the value of one share in MDB Group Limited as at the most recent valuation. Valuation confirmations will be available to holders within four weeks of the closing of the year end accounts, which usually takes place in mid-March.

An annual grant of awards under the Deferred Bonus Plan may be made to Material Risk Takers on or about the end of December of each year linked to prior year performance.

Prior year performance will be assessed across a balanced scorecard as described in Sub-Section 15.1 above.

Payments under the Deferred Bonus Plan shall be subject to the conditions and limitations set forth in the Policy and in the Deferred Bonus Plan.

The award will be subject to Malus and Clawback (as described above in Section 4: Key Principles, Key Principle No. 5).

15.4 Variable Remuneration Of Less Than €50,000

For staff identified as Material Risk Takers but with a Variable remuneration of €50,000 or less and where such Variable remuneration does not represent more than one-third of the staff member's total annual remuneration, Variable remuneration shall not be subject to deferral or instrument payment. Total annual remuneration shall be calculated based on the sum of (i) Fixed remuneration paid for the financial year in respect of which the Variable remuneration award was granted and (ii) Variable remuneration relating to such financial year, irrespective of when the Variable remuneration is actually paid. For example, for Variable remuneration awarded in respect of performance during the financial year ended 31 December 2023 (the "2023 Variable Pay"), total remuneration shall be calculated based on the sum of the Fixed remuneration paid during the financial year ended 31 December 2023 and the 2023 Variable Pay. For the avoidance of doubt, any such payment would, for Material Risk Takers (or any other employee if so determined by the NRC at the time of payment), remain subject to Clawback (as described above in Section 4: Key Principles, Key Principle No. 5).

16 Individual Allocation Of Variable Remuneration

The maximum value of Variable remuneration which may be granted under the Deferred Bonus Plan will be limited to 200% of Fixed remuneration for staff of MeDirect Bank (Malta) plc (including MeDirect Strategy) and 50% of Fixed remuneration for staff of MeDirect Bank SA.

In both instances, the Fixed remuneration used will be the Fixed remuneration for the financial year over which performance was assessed for the purpose of making the awards.

In the event of poor personal or corporate performance in the performance assessment year, award levels will be appropriately reduced – including a reduction to nil, if appropriate.

Variable remuneration may also be impacted if an employee has not fulfilled the obligation to complete mandatory training by the deadlines stipulated by HR. The impact on Variable remuneration will be determined on a case-by-case basis.

Variable Remuneration will be calculated as outlined in the End of Year Procedure maintained by the Human Resources Department. In exceptional circumstances, the allocation of Variable remuneration granted may differ from the pre-determined criteria set forth in the End of Year Procedure, on a case-by-case basis.

The NRC shall consider and approve, or otherwise, recommendations for remuneration and compensation arrangements for MRTs and executive management relating to Group and its entities, which are put forward by the Group Chief Executive Officer or Chief Executive Officer of MeDirect Bank SA and the Group Head of Administration and HR.

It was decided that 10% of yearly pool up to a maximum of €200,000 will be set aside to be used at the discretion of the Group CEO (in agreement with the CEO for Belgium if this relates to MeDirect Bank SA employees) in coordination with HR, to be able to award exceptional out of cycle bonuses, that are related to successful project deliveries or that can reward exceptional contribution to the bank's transformation throughout the year. Maximum amount for any single such bonus is not to exceed €20,000. Total paid to any one individual during the relative financial year is not to exceed €20,000. This Variable remuneration will be included with the annual Variable remuneration of said individual for purposes of the calculation of the total annual bonus cap in all locations.

17 Deferral

Subject to the provisions of Sub-Section 15.4, for Material Risk Takers deferral will apply to at least 40% of annual Variable remuneration (depending on the quantum of each individual's total remuneration and being at least 60% where annual Variable remuneration outcomes are significant, as determined in accordance with applicable local and European Union regulations), including both cash and instrument payments under the Deferred Bonus Plan.

The deferral period will be five years, with one-fifth of all deferred amounts under the Deferred Bonus Plan vesting at each of the first, second, third, fourth and fifth anniversaries of the award date (with the award date being the date when Variable remuneration outcomes are confirmed/when Deferred Bonus Plan awards are confirmed).

Deferred awards are subject to forfeiture on leaving employment (unless for one of the good leaver reasons designated in the Deferred Bonus Plan or as otherwise agreed by the relevant NRC) until their vesting within the five-year deferral period (but not during the retention period).

18 Instrument Payments

Subject to the provisions of Sub-Section 15.4, for Material Risk Takers at least 50% of annual Variable remuneration payable in the form of instruments will be delivered in the form of phantom shares linked to the value of shares of MDB Group Limited. The full amount of any deferred amounts of Variable remuneration, and at least 50% of non-deferred amounts of Variable remuneration, will be delivered in this form.

All Variable remuneration awarded in this form shall be subject to an additional retention period of one year, during which delivery of the remuneration shall be deferred. The retention period commences on the date of grant (in the case of non-deferred amounts paid in this form) or upon vesting (in the case of deferred amounts paid in this form).

MDB Group Limited phantom shares awarded as part of Variable remuneration shall be governed by and subject to the conditions set forth in the Deferred Bonus Plan.

19 Hedging Of Downside Risks Of Variable Remuneration

Staff members are prohibited from hedging the downside risks inherent in any Variable remuneration paid or payable to such staff member or taking any action that can have a short-term impact on the value of share-linked instruments.

20 Clawback Provisions

The application of Malus and Clawback provisions within the Policy are explained in Section 4: Key Principles, Key Principle No. 5. The Malus provisions will be capable of being applied in respect of deferred elements of Variable remuneration at any time during the applicable deferral period. Clawback will apply during the period of five years from the date of award or until the end of the applicable retention period, as applicable.

21 Governance Of Intra-Group Remuneration Issues

The Group has two principal operating subsidiaries – MeDirect Bank (Malta) plc and MeDirect Bank SA (the “Bank Subsidiaries”). The Bank Subsidiaries share various employees, the costs of whom are allocated between the Bank Subsidiaries pursuant to a Disbursement Agreement entered into by the Bank Subsidiaries. The Group recognises the importance of proper governance of remuneration decisions, particularly in relation to such shared employees, and of each of the Bank Subsidiaries having appropriate input into such remuneration decisions and acting in its corporate interest. In order to ensure appropriate governance of the remuneration process, particularly as it relates to shared employees, the Group will implement Remuneration Operating Procedures to set forth procedures to be followed by the Group in making remuneration decisions and in implementing the Policy.