

MeDirect Bank SA

Governance Memorandum

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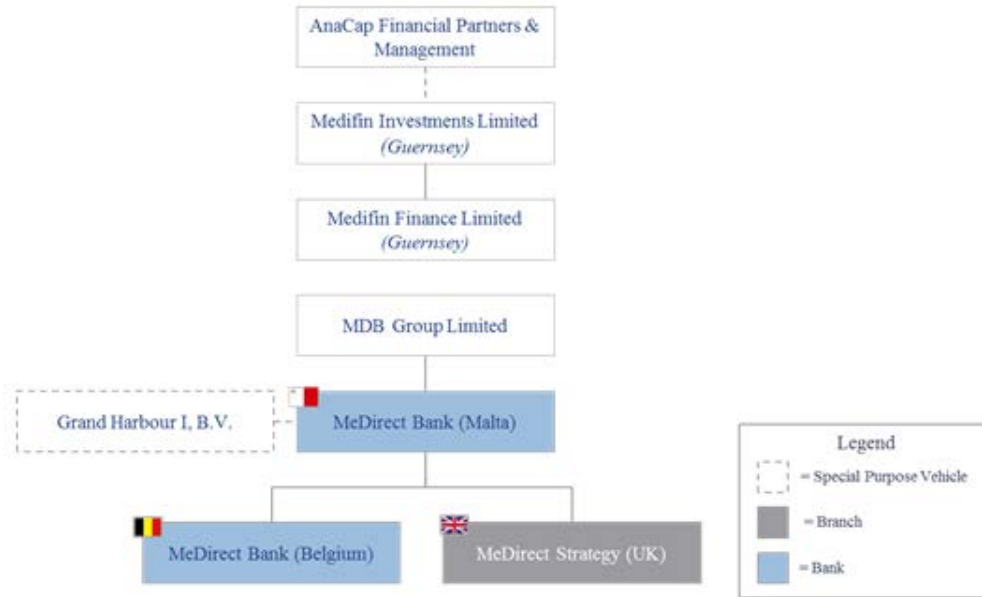
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1. SHAREHOLDER STRUCTURE

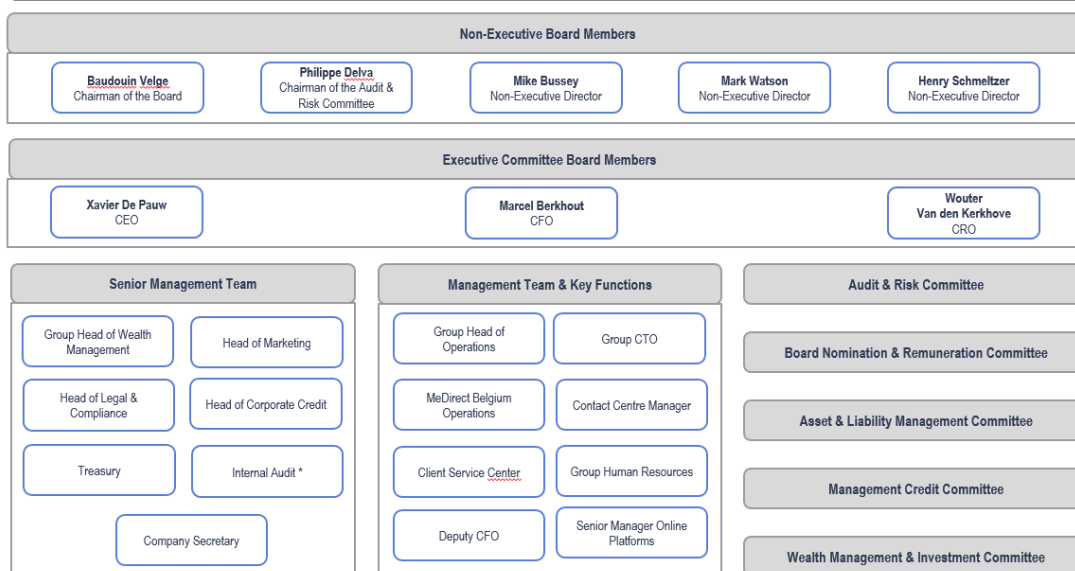
MeDirect Bank SA/NV (“**Medirect Belgium**” or the “**Bank**”) currently has issued 225,000,000.00 shares, of which 224,999,999 shares are owned by MeDirect Bank (Malta) Plc (“**MeDirect Malta**”) and one share is owned by Medifin Holding Limited (“**MDB Group Limited**”)

2. GROUP STRUCTURE



3. GOVERNANCE STRUCTURE AND ORGANISATION

MeDirect Summary Governance Structure



* Reporting directly to the MeDirect Board

3.1. Board of Directors

3.1.1. Composition and functioning

- **Composition**

In accordance with the provisions of Article 23 of the Belgian Act of 25 April 2014 on the status of and supervision on credit institutions (the “**Law**”), MeDirect Belgium is managed by a board of directors (the “**Board of Directors**” or the “**Board**”) comprising eight directors as follows:

- Five non-executive directors, including:
 - o Three independent directors in the sense of article 526ter of the Company Code, of which the Chairman of the Board of Directors of the shareholder (MeDirect Malta); and
 - o Two directors who are executive officers of the shareholder (MeDirect Malta).
- Three executive directors.

The exercise of external functions by directors is subject to the rules regulating the external functions exercised by non-executive directors.

- **Duration**

Pursuant to the Articles of Association, the members of the Board of Directors are appointed for a mandate up to six years (renewable) by the general meeting of shareholders. The mandate is revocable at any time.

- **Selection Criteria**

The members of the Board of Directors must be natural persons. During the performance of their duties, directors must permanently maintain a good reputation, professional behaviour/conduct and sufficient knowledge, skills and experience to fulfil their mandates as directors. No director may fall under one of the prohibitions set forth in article 20 of the Law. More detailed information can be found in the Fit and proper Policy as established by the Bank.

- **Nomination procedure**

Pursuant to the Articles of Association, the directors are nominated by a general meeting of shareholders.

MeDirect Belgium will inform the National Bank of Belgium (the “**NBB**”) prior to the nomination of a member of the Board of Directors. MeDirect shall seek the approval of the European Central Bank (“**ECB**”) by means of an application to the NBB and in that context will share all the useful documents and information to enable the ECB to assess whether the appointed person complies with requirements of the Law. A member of the Board of Directors shall be nominated subject to approval of the ECB.

- **Independent directors**

The Board of Directors of MeDirect shall include three independent directors, one of whom is appointed Chairman of the Board of Directors and one of whom is appointed Chairman of the Board Audit and Risk Committee.

- ***Function***

Meetings of the Board of Directors will generally be held at least quarterly.

Meetings of the Board of Directors and its committees will be held, unless otherwise agreed by the Board, in the offices of MeDirect in Brussels. All or any of the members of the Board or any committee of the Board may participate in a meeting of the Board or that committee by means of conference telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

Board meetings will be convened by the Chairman of the Board, by the Chief Executive Officer or by two members of the Board, at least three days before the meeting. This is done in writing, by letter or email.

Each Board member present during a meeting is considered to be notified of the meeting validly. A Board member may also waive its right to being convened to the meeting in a valid manner, before or after the meeting during which he/she was absent.

- ***Extension of credit to directors***

MeDirect Belgium may, directly or indirectly, grant loans, credits or guarantees to members of the Board of Directors subject to notification thereof to the NBB in accordance with applicable NBB rules. In the case that such transactions are not concluded at normal market rates, the NBB may require the amendment of the agreed conditions retroactively to the date such transactions took effect. If the rates are not changed in accordance with NBB requirements, the members of the Board of Directors who have taken this decision are jointly and severally liable for the difference.

Such notifications to the NBB are only required if the entire amount of loans, credits or guarantees to an individual director exceeds the sum of €100,000.

Notwithstanding the provisions of the Companies Code and any other provision hereof, no loans, guarantees or credits may be granted to individuals to enable them, directly or indirectly, to subscribe for shares or other securities giving them the right to receive dividends from MeDirect or a closely connected company or giving them the right to acquire such shares or securities.

3.1.2. Operation (regulation of internal order)

Pursuant to article 23 of the Law, the Board of Directors will be solely responsible, amongst other things, for determining the strategy and overall objectives of MeDirect including, without limitation, its policies in connection with matters of risk and the overall risk appetite of MeDirect.

The specific tasks of the Board of Directors include, amongst others, the following:

- setting the strategy of MeDirect;
- determining the objectives and values of MeDirect;
- at least annually approving and assessing the governance structure, organisation, internal control framework, and independent control functions of MeDirect;

- at least annually verifying whether MeDirect has efficient internal controls including controls governing the reliability of financial information processes;
- at least annually approving and assessing MeDirect's general policy and strategy guidelines, *inter alia* in the following fields:
 - o commercial policy and structures;
 - o risk profile, risk policy and risk management;
 - o capital adequacy;
 - o outsourcing;
 - o continuity of the enterprise;
 - o integrity;
 - o customer acceptance;
 - o conflicts of interest; and
 - o protection of customers' rights in respect of their assets held with MeDirect.
- when establishing the risk management policy, the Board of Directors shall establish criteria for the delegation of risk decisions to the Executive Committee or members of executive management, including which decisions must be made at the Board level and, even if explicit Board approval is not required, which decisions must be notified to the Board of Directors for their information and possible review;
- supervising senior management by reviewing regular management reporting and by questioning management and investigating management actions as deemed appropriate;
- taking note of and, to the extent appropriate, following up on significant findings made by the independent control functions of MeDirect, the statutory auditor and the NBB and/or the ECB, either directly or through Board committees, and ensuring that the executive committee takes appropriate measures to address and resolve issues raised by such entities;
- establishing, in coordination with the regulated group of which MeDirect forms a part, the general principles of the remuneration policy and reviewing these principles at least annually;
- ensuring that the governance memorandum is reviewed at least annually and updated as appropriate, with any changes to be notified to the NBB;
- evaluating annually the performance of the Board and its directors as well as of the committees of the Board, including, without limitation, the Executive Committee;
- reviewing the statutory financial accounts; and
- reviewing and approving the Bank's ICAAP and ILAAP reports.

Where necessary, the Board of Directors shall establish and maintain Board committees charged with analysing specific substantive areas of MeDirect and advising the Board of Directors on these issues.

3.1.3. Board committees

- **Composition**

The Board of Directors of MeDirect has set up following Board committees:

1. **Board Audit and Risk Committee**

The Board Audit and Risk Committee shall comprise at least three non-executive directors, at least one of whom shall be an independent non-executive director.

2. *Board Nominations and Remuneration Committee*

The Board Nominations and Remuneration Committee shall comprise at least three non-executive directors, at least one of whom one shall be an independent non-executive director.

- ***Operation***

These Board committees have the following competencies and responsibilities and shall operate as described below:

1. *Board Audit and Risk Committee*

In line with article 27 of the Law, the Bank has created an Audit and Risk Committee under the auspices of the Board of Directors. The members of the Audit and Risk Committee are all non-executive members of the Board of Directors whereby at least one of them is an independent non-executive director.

Audit

- Monitoring the effectiveness of the company's internal control, internal audit and risk management systems;
- Checking whether senior management is taking necessary or advisable corrective actions in a timely manner in order to address weaknesses in controls, non-compliance with applicable law, regulations and policies and other problems or issues identified by internal or external auditors;
- Reviewing and approving the annual external and internal audit plans and subsequent revisions and monitoring progress against the relevant audit plan;
- Ensuring that the scope of work performed in accordance with the audit plan is adequate and appropriate;
- Reviewing work performed on all internal and external audit engagements through presentations made by the Chief Financial Officer and/or, as appropriate the relevant internal or external auditors;
- Selecting and interacting with external auditors on the annual statutory audit to obtain feedback on the internal control framework and financial reporting of MeDirect and reviewing the work of such external auditors;
- Investigating, to the extent appropriate, any activity of MeDirect to ensure that it is being undertaken in accordance with applicable law, regulations or policies and initiating, to the extent appropriate, special assignments or investigations;
- Obtaining any information that it requires from any employee of MeDirect (all employees are required to cooperate with any request made by the Committee);
- Obtaining outside legal or other independent professional advice, at MeDirect's sole expense, and securing the attendance of outside legal or other advisors at meetings as deemed necessary;
- Reviewing the effectiveness of MeDirect's control systems in the context of legal, regulatory, reputational and compliance risk; and

- Formulating recommendations to the Board of Directors on the appointment and the renewal of the statutory auditor, its independence and its remuneration.

Risk

- Reviewing and approving of changes to MeDirect's risk policy;
- Monitoring of the effectiveness of risk management processes and procedures implemented in support of risk policies;
- Reviewing and approving of the framework and Risk Policy for the risk management functions;
- Ensuring that the risk functions have appropriate resources, are structured to meet their obligations and are working effectively to maintain an effective control environment;
- Monitoring portfolio risk and sector concentration risk, including evolution of MeDirect's risk profile against plan;
- Reviewing violations to lending limits;
- Monitoring credit quality trends;
- Monitoring provision levels;
- Monitoring interest rate, currency and other market risk;
- Monitoring liquidity risk;
- Monitoring operational risk;
- Monitoring contingent exposures;
- Monitoring reputational risk;
- Monitoring legal and regulatory risks including compliance risk, regulatory risk, legal risk, risk of mis-selling and failure to comply with MiFID and other Belgian consumer protection rules and regulations;
- Monitoring systems risk, including, without limitation, risk of systems failure and unavailability of MeDirect's website and transactional systems and risk that such systems do not work as designed;
- Monitoring of all other risks related to the ongoing operation of MeDirect; and
- Investigating whether the incentives arising from the remuneration system are aligned with appropriate risk management goals and the medium- to long-term sustainability of the business of MeDirect.

The Board Audit and Risk Committee reports to the Board of Directors. The meetings of the Board Audit and Risk Committee may, as appropriate and as determined by its members, be attended by the invited observers such as the CEO, the Chief Financial Officer, the Chief Risk Officer, the Compliance Officer and any other person who the committee deems appropriate to invite.

Meetings will generally be held at least quarterly in the offices of MeDirect in Brussels. Committee members may participate by conference telephone or in person. At least annually, the Committee shall meet with the banks external auditors without any executive directors being present.

2. *Board Nominations and Remuneration Committee*

In line with article 27 of the Law, the Bank has created a Board Nominations and Remuneration Committee under the auspices of the Board of Directors. The members of the Nominations and Remuneration Committee are all non-executive members of the Board of Directors whereby at least one of them is an independent non-executive director.

Nominations

- Identifying, assessing and recommending for nomination of candidates to be members of the Board of Directors and the Board committees, including the Chairmen of the the Board and each Board committee;
- Reviewing candidates for and making appointments to the Executive Committee and other senior management positions, with full authority delegated by the Board of Directors;
- In identifying suitable candidates, ensuring that the process of advertising, recruitment and selection is fair, open and orderly, considering candidates from a wide range of backgrounds and considering candidates on the basis of merit as measured against objective, competency-based criteria;
- Giving full consideration to and regularly reviewing succession planning, taking into account the challenges and opportunities facing MeDirect and the skills and expertise that will therefore needed be for the future;
- Regularly reviewing the structure, size and composition (including the skills, knowledge and experience) of the non-executive directors and the Executive Committee and making recommendations to the Board of Directors of MeDirect and its shareholders as to to any proposed changes;
- Reviewing the leadership needs of MeDirect with a view to ensuring the continued ability of MeDirect to compete effectively in the market and to achieve its strategy and objectives;
- Making appointments to the Executive Committee;
- Make other senior management appointments with a base salary above €100,000 and/or a total guaranteed remuneration package above €125,000.

Remuneration

- Determining and agreeing with the Board of Directors, in conjunction with the regulated group of which MeDirect forms a part, the framework and/or policy for the remuneration of the non-executive directors, the Executive Committee and other employees (no director, Executive Committee member or other employee manager may be involved in any decisions as to their own remuneration);
- Ensuring that MeDirect has an adequate remuneration policy which is sufficient to attract and retain qualified individuals;
- Developing and proposing arrangements for long term incentive plans (any such incentive plans shall be approved by the shareholders and will take account of any relevant guidance issued by regulatory bodies);

- Being aware of and advising on any major changes in employee benefit structures that may be applicable to MeDirect;
- Taking following actions with full authority of the Board of Directors:
 - o Setting the remuneration package (including salary, fees, incentives and in-kind benefits) of each Executive Committee member, non-executive director and independent non-executive director, including where appropriate, bonuses and incentive payments;
 - o Evaluating bonuses of the Executive Committee members or any bonuses for any individual employee exceeding 20% of such employee’s annual base salary;

Meetings of MeDirect’s Nominations and Remuneration Committee will be held annually or more often at the request of any committee member. Meetings will be held in the offices of MeDirect in Brussels. Committee members may participate by conference telephone or in person.

3.2. Effective management

3.2.1. Composition

MeDirect will also establish, in accordance with Article 24 of the Law, a management committee (the “**Executive Committee**” or “**EXCO**”) composed entirely of executive directors of MeDirect.

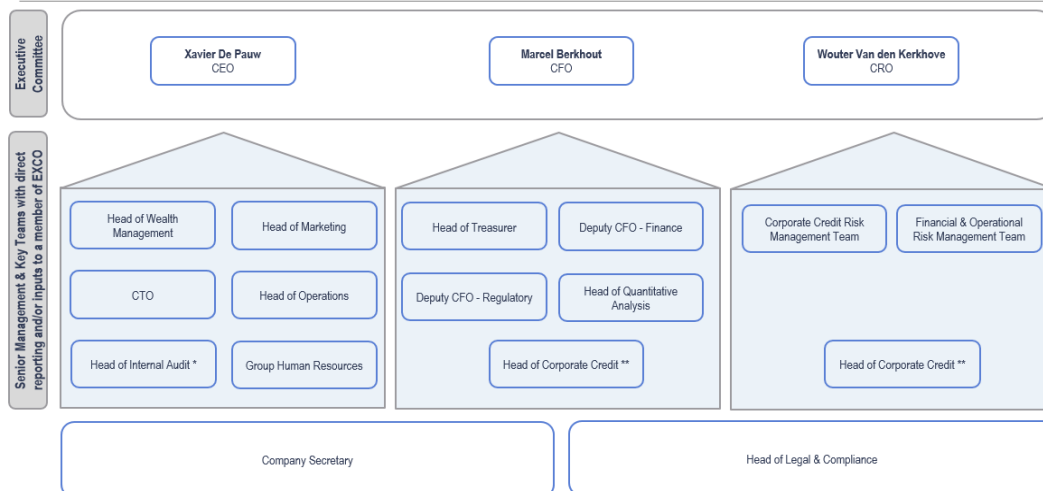
The Executive Committee shall be composed of at least three natural persons who are also directors of the company. No legal entity may be nominated as a member of the committee.

The members of the Executive Committee shall be appointed by the Board of Directors by a majority vote.

Members of the Executive Committee shall be appointed for a period of up to six years.

The Board of Directors shall appoint a chairman of the Executive Committee. If not such chairman has been appointed, the Executive Committee shall elect a chairman for any given meeting.

Executive Committee (“EXCO”) Governance Structure



* Not a reporting line. IA provides feedback on audit activities to the CEO and the Board Audit and Risk Committee.

** Not a reporting line. Reflects the factual information and inputs provided by the Corporate Credit Team regarding the financial financial/accounting (to the CFO) and the credit (to the CRO) aspects pertaining to the corporate credit portfolio

The remuneration of the members of the Executive Committee shall be decided by the Board of Directors, upon advice of the Board Nomination and Remuneration Committee.

3.2.2. Operation

The Board of Directors has delegated to the Executive Committee responsibility for the day-to-day operation of MeDirect. The Board of Directors may not delegate to the Executive Committee any of its core responsibilities, including its responsibilities to determine the strategy and overall objectives of MeDirect or its policies in connection with matters of risk and the overall risk appetite of MeDirect.

The key functions of the Executive Committee are, without limitation, to:

- Undertake day to day operational management of MeDirect;
- Manage the day-to-day governance of MeDirect;
- Supervise and monitor the performance of senior management and oversee financial and management reporting;
- Report to the Board of Directors in respect of the Bank's financial position, financial and operational performance and all other matters that are relevant to the Board in order to enable it to carry out its mandate;
- Advise the Board of Directors in respect of the Bank's general policy and strategy and communicate all relevant information and data to enable the Board to make informed decisions;
- Advise the Board on material business decisions;
- Promote inter-departmental communication and coordination;
- Define the principal issues confronting the Bank and advise the Board in respect thereof;
- Monitor and manage business and support units through updates from individual managers and employees;
- Monitor and manage the implementation of the Bank's strategy;
- Review and monitor MeDirect's overall financial performance and operational efficiency;
- Review all elements of MeDirect's credit performance;
- Monitor regulatory reporting and coordinate communication with the relevant regulators of the Bank;
- Ensure that MeDirect is operating in accordance with its risk policies and appetites as determined by the Board of Directors;
- Manage and supervise internal control mechanisms and procedures;
- Establish and monitor an internal control system that makes it possible to establish with reasonable certainty the reliability of internal reporting and financial disclosure in order to ensure that the annual accounts and other reports are in compliance with the applicable regulations;
- Inform the NBB and the statutory auditor, in accordance with applicable rules and regulations, on the financial position and governance of MeDirect;

- Report at least annually to the Board of Directors, the accredited statutory auditor and the NBB on the effectiveness of the Bank's internal control and other systems in ensuring compliance with all legal and regulatory requirements and address any identified shortcomings in such systems (in this context, two reports must be submitted: a report on the assessments of the internal controls generally and as regards investment services and activities; and
- Declare to the NBB every six months that the periodic financial statements are in compliance with the accounting records.

The Executive Committee shall analyse and consider the effect of:

- Competitor activity and performance
- Prevailing market pricing
- Economic/market trends
- Legal and regulatory developments
- Developments in technology
- Working practices

The Executive Committee will, in principle meet on a bi-weekly basis. The meetings will be convened by the Chairman of EXCO or otherwise may be demanded by the Board of Directors, after which the Chairman of the Executive Committee must convene a meeting within 15 calendar days. During a meeting requested by the Board of Directors, the agenda suggested by the Board must be discussed.

Meetings of the Executive Committee will be held at the offices of MeDirect in Brussels or at any other location indicated in the meeting invitation that has been agreed by the members of EXCO. If necessary, the Executive Committee may hold a meeting via telephone or video conference. EXCO cannot make any decisions without at least two-thirds of its members present. Each EXCO member may deliver a mandate to another member of EXCO to represent him or her during a specified EXCO meeting. This mandate may be given in writing, on a written form or by email.

One member of EXCO may represent more than one other EXCO member based on mandates given to him or her. EXCO decisions are made by majority of votes. In cases of tie votes, the chairman of the meeting shall cast the deciding vote. EXCO may also make decisions in writing, in which case a unanimous vote is required. Written resolutions will take effect once the last signature or written approval is received by the designated secretary of the meeting.

Pursuant to article 24 of the Law, all members of the Executive Committee are members of the Board of Directors.

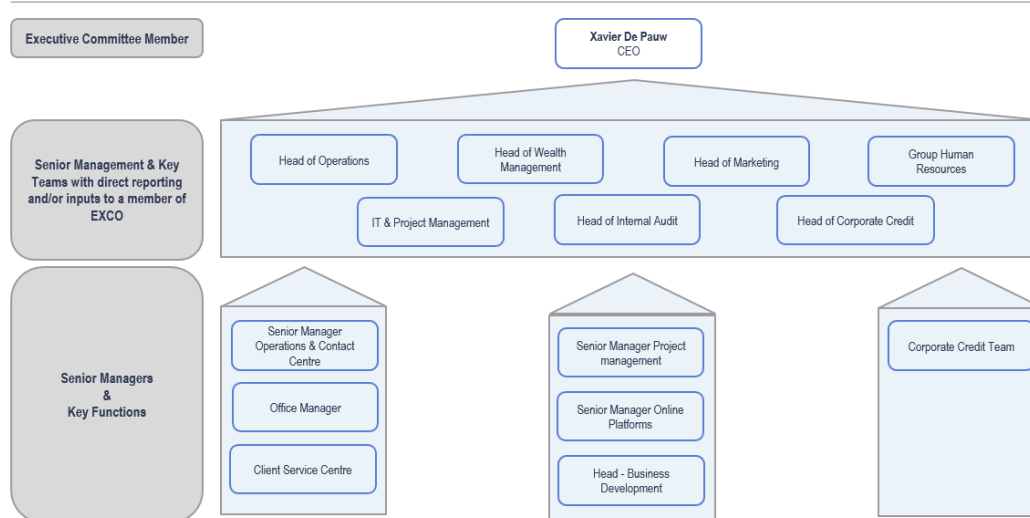
3.2.3. Allocation of tasks amongst the effective officers

For an overview of the allocation of tasks amongst the effective officers, see section 3.3. on EXCO members on the next page.

3.3. EXCO Members

3.3.1. Chief Executive Officer (“CEO”)

CEO Role Within EXCO



Summary

The CEO shall have the overall responsibility for the execution of the business and financial strategy adopted by the Board of Directors and for achieving the targets set for the business by the Board. The EXCO is intended to work as a collegial decision-making committee, as a result of which the CEO will never be solely responsible for the management of the Bank and the execution of its business strategy.

Governance

The CEO is responsible for the management of MeDirect and its management team and is the chairman of the EXCO, reporting to the Board of Directors.

The CEO shall participate in a number of management and operational committees with a specific functional mandate. Such committees include:

- MeDirect Management Credit Committee (“MCC”)
- Asset and liability committee (“ALCO”)
- Wealth Management and Investment Services committee (“WMISC”)

The CEO shall also participate in various operational meetings including IT steering committees, marketing meetings and product development meetings.

The CEO is also the ultimate contact person for regulatory authorities such as the NBB and FSMA in Belgium and the ECB.

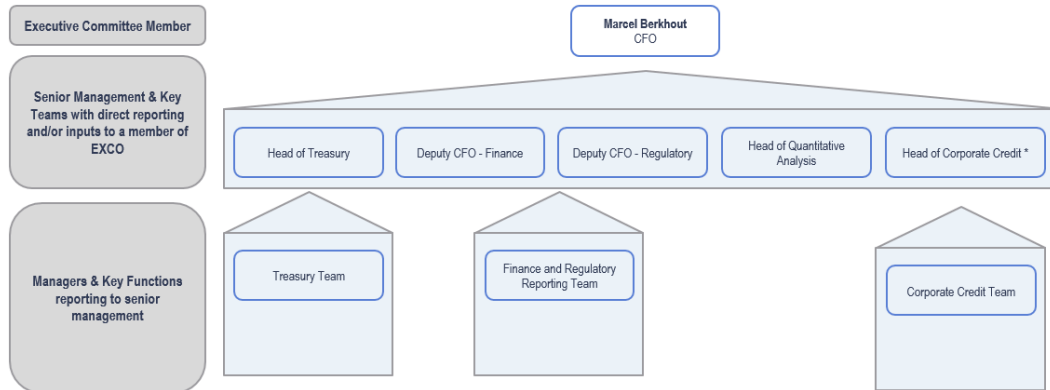
The CEO together with the Head of Internal Audit acts as contact person for the regulator with regards to Internal Audit matters.

Main responsibilities

- Making recommendations as to appropriate and effective strategies to the Board of Directors;
- Leading and overseeing the preparation and implementation long and short-term business plans to execute the Bank's strategy;
- Preparing the budget of the Bank with the support of the CFO and other members of the management team;
- Managing and developing the operational and commercial organisation of the Bank, including building a strong management team to execute the Bank's business strategy efficiently in order to meet the commercial and strategic objectives set by the Board of Directors;
- Ensuring effective internal controls and management information systems are in place;
- Communicating effectively with the Board, shareholders, employees, government authorities and regulators, as well as other stakeholders and the public;
- Setting the tone of communication in marketing, public relations, online and offline content and guiding the marketing team accordingly;
- Developing the Bank's culture, taking into account the group's culture;
- Keeping abreast of all material undertakings and activities of the Bank and all material external factors affecting the Bank and ensuring that processes and systems are in place to ensure that the CEO and management of the Bank are adequately informed;
- Ensuring that the directors are properly informed of all material developments and that sufficient information is provided to the Board to enable the directors to form appropriate judgments;
- Sitting on committees of the Board where appropriate as determined by the Board;
- Ensuring that all employees conduct their activities in accordance with all applicable laws and regulations and the Bank's standards and policies; and
- Working with the Board of Directors to develop and/or maintain an appropriate governance structure to execute the business strategy of the Bank and to satisfy applicable legal and regulatory requirements.

3.3.2. Chief Financial Officer (“CFO”)

CFO Role Within EXCO



* Not a reporting line. Inputs and communications by the Corporate Credit function to the CFO are related to the financial/accounting aspects of the assets and the associated asset & liability management

Summary

The responsibilities of the CFO include financial management and control, accounting, budgeting, treasury and asset liability management and regulatory reporting. The CFO’s role also comprises assessing, managing and reporting on the Bank’s capital and liquidity positions, and the appropriate valuation of the Bank’s assets.

Governance

The CFO shall report on a day-to-day basis to the Bank’s Chief Executive Officer but is directly accountable to the Audit and Risk committee for the performance of his or her responsibilities and shall involve this committee in the event that any finance-related issues cannot be resolved satisfactorily at the EXCO level.

The CFO shall be a member of the Board of Directors, the Executive Committee and the following committees:

- MCC;
- ALCO.

The CFO shall be invited to attend meetings of the Board Audit and Risk Committee.

The CFO is also responsible for interaction with regulatory authorities in respect of the financial reporting of the Bank.

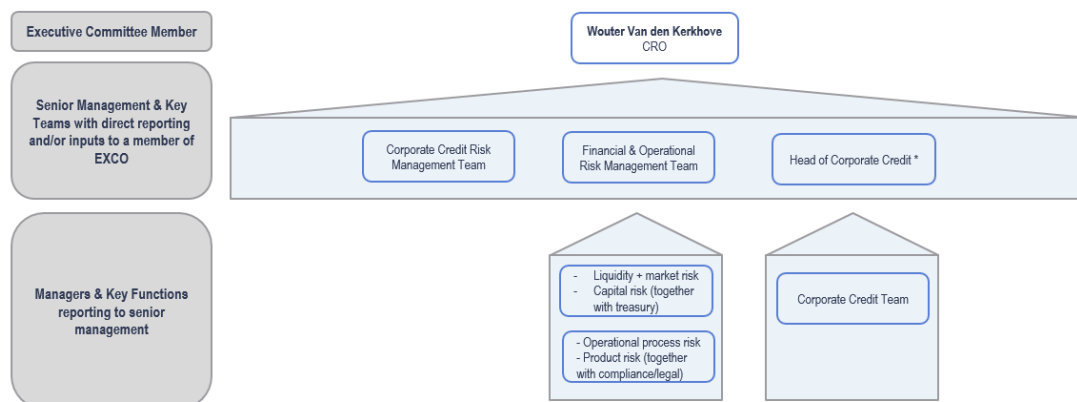
Main responsibilities

- Ensuring that all necessary processes, systems and procedures relating to the Finance function are implemented and documented;

- Preparing the Bank’s Annual Financial Reports and Interim Financial Statements, in each case accordance with International Financial Reporting Standards or Belgian GAAP, as applicable, and with all relevant legislation;
- Preparing monthly management accounts;
- Coordinating preparation of budgets and forecasts;
- Preparing statistical and prudential regulatory reports for submission to the NBB;
- Liaising with external and internal auditors and banking regulators;
- Preparing tax returns (including corporation tax, withholding and VAT returns);
- Implementing appropriately new accounting standards, regulatory requirements and tax regimes;
- Adopting, implementing and maintaining appropriate internal financial control procedures;
- Preparing and disseminating to the management and shareholders of the Bank regular and ad hoc financial reports;
- Building and managing the Bank’s finance department;
- Liaising with colleagues in respect of investment, wealth management and savings products in order to provide accurate and appropriate reporting on and tax treatment of such products and services; and
- Overseeing the treasury and cash management, capital management and asset/liability management of the Bank.

3.3.3. Chief Risk Officer (“CRO”)

CRO Role Within EXCO



* Not a reporting line. Inputs and communications by the Corporate Credit function to the CRO are related to the credit quality aspects of the assets with a view to ensure that the CRO always disposes of the most up to date information concerning the bank’s credit portfolio

Summary

The CRO shall have responsibility for undertaking the full range of risk management tasks of the Bank including, without limitation credit risk, market risk, regulatory risk, operational risk, reputational risk, product management risk and all other risks to which the Bank is exposed.

Governance

The CRO shall report on a day-to-day basis to the Bank's Chief Executive Officer and shall coordinate with the group's CRO but shall be directly accountable to the Audit and Risk Committee for the performance of his or her responsibilities and shall involve this committee in the event that any risk-related issues cannot be resolved satisfactorily at the EXCO level.

The CRO shall be a member of the Executive Committee, the Board of Directors and the following committees:

- MCC;
- WMISC; and
- ALCO.

The CRO shall have a right to veto any proposition put to the MCC.

The CRO shall be invited to attend the meetings of the Board Audit and Risk Committee.

The CRO is also responsible for interaction with regulatory authorities in respect of risk related matters for the Bank.

Main responsibilities

- Defining risk policies and procedures appropriate to the business of the Bank and the Belgian market (to be coordinated with the group's overall risk strategy so long as the CRO retains independent decision-making authority);
- Developing the Bank's risk strategy (to be coordinated with the group's overall risk strategy so long as the CRO retains independent decision-making authority);
- Defining and implementing policies, processes and procedures to ensure that the Bank's risk profile remains within its risk appetite and that inconsistencies with the Bank's risk appetite are promptly and properly reported and addressed;
- Taking part in all key decision-making forums to ensure that decisions are consistent with the Bank's risk appetite;
- Developing, implementing and maintaining a risk reporting framework that will bring all material risks to the CRO's attention, reviewing such risks and reporting to the appropriate Bank committees (including the MCC in respect of credit risk, ALCO in respect of market and liquidity risk and EXCO and the WMISC in respect of operational risk and the Audit and Risk Committee for all types of risk);
- Analysing and working with the other members of the MCC to manage risks associated with extensions of credit proposed by the corporate credit team and the group credit committee;

- Performing periodic portfolio reviews, providing recommendations to the MCC based on an analysis of the proposal. The CRO has a veto right in the MCC;
- Recommending quantitative and qualitative criteria to be used by the MCC when it considers extensions of credit or reviews the performance of existing assets;
- Reviewing periodic performance information in respect of individual exposures and recommending whether credit classifications or risk related decisions are warranted or appropriate
- Reviewing and making recommendations to ALCO in respect of the Bank's liquidity and market risk positions and making recommendations consistent with the prudent management of these positions in accordance with the Bank's risk appetite;
- Making recommendations to the WMISC in respect of management of risks related to the Bank's investment and wealth management products and services and monitoring whether MiFID-related risks are managed appropriately; and
- Reviewing and proposing changes, as appropriate, to processes and procedures to manage operational, reputational and other similar risks.

3.4. Other Management Committees

MeDirect has established following committees under the authority of the Executive Committee to support the day-to-day management of the Bank:

3.4.1. MeDirect Management Credit Committee ("MCC")

The members of the MCC are the CEO, the Head of Corporate Credit, the CFO and the CRO. The committee is chaired by the CEO. Other persons can be invited to the committee in case this would be useful or required.

The MCC is responsible for reviewing and approving credit recommendations from the group credit committee and making other credit decisions on the corporate credit loan book, including:

- discussion of possible down-/upgrades of credit status;
- discussion of possible impairments;
- discussion of possible changes in expected maturity; and
- any other relevant credit updates.

In addition, the MCC will review and make recommendations to the Board in respect of provisioning and lending policies and undertake periodic reviews of the Bank's investment portfolios.

Meetings of the MCC will be held periodically as required for the proper fulfilment of its duties. It will meet at least quarterly to review MeDirect's corporate credit portfolio and will make recommendations on any impairments to be taken at least semi-annually.

The discussions and decisions of the Credit Committee are minuted.

3.4.2. Asset and Liability Committee (“ALCO”)

The members of ALCO are the Head of Treasury, the CEO, the CRO and the CFO. The committee is chaired by the Head of Treasury. Other persons can be invited to the committee in case this would be useful or required.

The committee has the following responsibilities:

- Asset and liability management, including the management of funding and liquidity as well as interest rate and currency risk;
- Capital management and allocation;
- Capital usage and efficiency;
- Transfer pricing;
- Recognition of any impairment in respect of the Bank’s treasury assets;
- Risk management, including the implementation of the decisions of the Board of Directors in relation to of market, interest rate and currency risk; and
- Managing treasury and investment activities within the parameters of the risk appetite set by the Board of Directors.

Meetings of ALCO will be held at least monthly at a time and date determined by its chairman. The discussions and decisions of the ALCO are minuted.

3.4.3. Wealth Management and Investment Services Committee (“WMISC”)

The Wealth Management and Investment Services Committee is composed of the CEO, the CRO and the Group Head of wealth management. The committee is chaired by the Group Head of wealth management. Other persons can be invited to the committee in case this would be useful or required.

The Wealth Management and Investment Management Committee is responsible for:

- Monitor client portfolios;
- Managing and rebalancing discretionary management portfolios in accordance with the client’s investment profile, risk capacity and stated risk tolerance;
- Proposing, reviewing and recommending new investment products;
- Reviewing existing investment products; and
- Monitoring and managing all aspects of the Bank’s activities regarding the investments by clients or by the Bank on behalf of its clients.

The Wealth Management and Investment Services Committee shall meet at least quarterly to discuss the updates of the model portfolios and discretionary management portfolios and shall meet more often as required in order to monitor and discuss such portfolios and MeDirect’s overall wealth management and investment services products and services.

The discussions and decisions of the WMISC are minuted.

4. OTHER KEY FUNCTIONS

In the context of this Governance memorandum the independent control functions are further highlighted. Indeed, MeDirect Bank Belgium operates with a “three lines of defence” model in identifying the functions within the institution responsible for addressing and managing risks:

- The business lines, as the first line of defence, take risks and are responsible for the operational management directly and on a permanent basis. As risk owner, the first line of defence should ensure that risks are identified, analysed, measured, monitored, managed, reported and kept within the limits of the risk appetite set by the Board of Directors, and that the business activities are in compliance with external and internal requirements.
- The risk management function and compliance function form the second line of defence. The risk management function challenges and assists in the implementation of risk management measures by the business lines in order to ensure that the process and controls in place at the first line of defence are properly designed and effective. The compliance function monitors compliance with legal and regulatory requirements and internal policies, provides advice on compliance to the managing bodies and other relevant staff, and establishes policies and processes to manage compliance risks and to ensure compliance.
- The internal audit function, as the third line of defence, conducts risk-based and general audits and reviews the internal governance arrangements, processes and mechanisms to ascertain that they are sound and effective, implemented and consistently applied.

To ensure their proper functioning, the internal control functions need to be independent of the business they control, have the appropriate resources to perform their tasks, and report directly to the Board of Directors.

For an overview of other key functions, see chart under point 3.

4.1. Internal audit

The Bank has a distinct Internal audit function which acts as a third line of defence. The Head of Internal Audit shall report on a day-to-day basis to the Bank’s Chief Executive Officer but shall be directly accountable to the Audit and Risk Committee for the performance of his or her responsibilities and shall involve this committee in the event that any internal audit issues cannot be resolved satisfactorily at the EXCO level.

The Internal audit function establishes a multi-annual internal audit plan based upon a holistic risk assessment of the Bank’s activities which is presented and validated by the Audit and Risk Committee. This multi-annual plan is then translated into an annual internal audit plan and executed accordingly.

The Head of Internal Audit is the officer responsible for management of the internal audit function and shall have expertise in following areas:

- audits of financial institutions;
- bank internal control systems;
- regulatory reporting process;
- risk management;

- ICAAP and ILAAP; and
- stress-testing and back-testing.

4.2. Legal and Compliance

The Bank has a distinct Legal and Compliance function. Together with the Risk Management function, the Compliance function acts as a second line of defence. The Head of Legal and Compliance shall report on a day-to-day basis to the Bank's Chief Executive Officer but shall be directly accountable to the Audit and Risk Committee for the performance of his/her responsibilities and shall involve this committee in the event that any legal or compliance issues cannot be resolved satisfactorily at the EXCO level.

The Compliance function is key within the functioning of the Bank and this in order to preserve the rights and interests of the clients in particular, and the integrity of the Bank more broadly.

The Legal and Compliance function establishes a compliance monitoring plan ensuring that the main compliance domains and responsibilities are effectively managed within the Bank.

The Head of Legal and Compliance is the officer responsible for the legal and compliance functions, shall also serve as Money Laundering Reporting Officer and shall have experience in the following areas and:

- legal and corporate governance matters;
- compliance and regulatory matters, especially in relation to MiFID and related rules;
- internal anti-money laundering controls; and
- handling suspicious transactions and activities.

4.3 Risk management

Besides the information provided above at the level of the CRO function, as part of the EXCO, the risk management function facilitates the implementation of a sound risk management framework throughout the bank and has responsibility for further identifying, monitoring, analysing, measuring, managing and reporting on risks and forming a holistic view on all risks on an individual and consolidated basis. The risk management function protects and enables in delivering sustainable income through facilitating and monitoring the implementation of effective risk management practices and assisting risk owners in defining and controlling risk exposures.

The managing bodies must ensure that the risk management function is adequately resourced and possesses the right knowledge and experience to provide relevant independent information, analysis and expert judgement on risk exposures, as well as decision making capabilities on proposals and recommendations made by business lines and other internal units, as well as to the management body. The Chief Risk Officer is fully involved in the oversight of strategy and reputational risks by virtue of his seat on the Management Executive Committee.

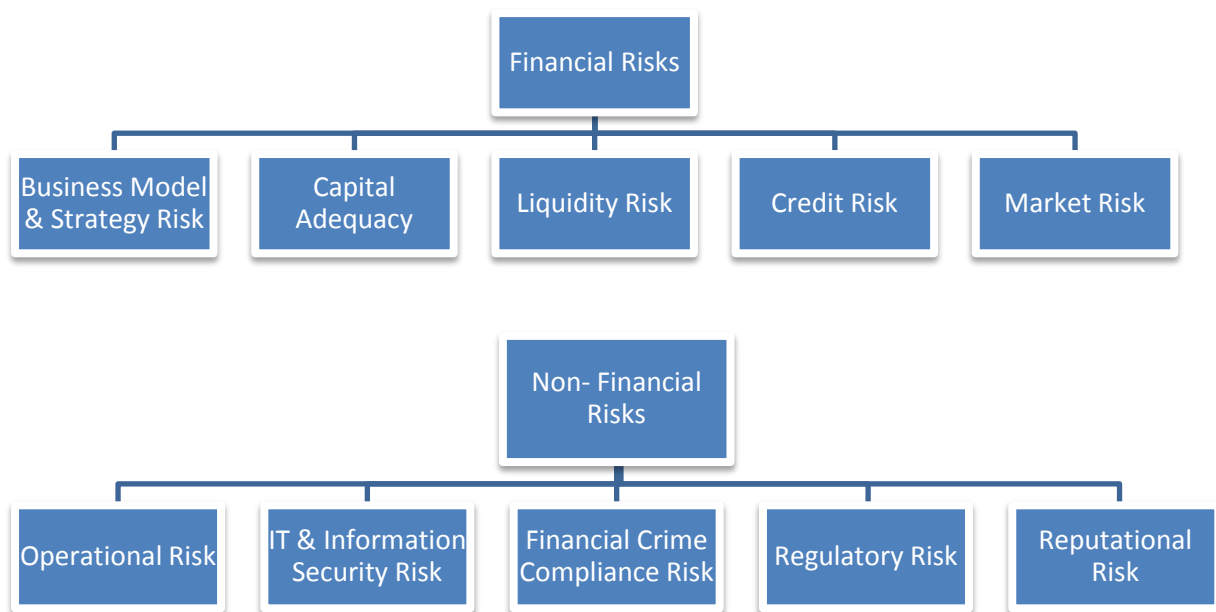
5. KEY ASPECTS OF THE RISK MANAGEMENT POLICY OF THE BANK

5.1 Significant risks for the Bank

The core business activities of MeDirect Bank Belgium can be summarized as follows:

- deposit taking;
- the provision of wealth management and investment services; and
- the granting of loans to international corporates.

In light of these activities, MeDirect Bank Belgium is exposed to a number of risks. The Bank has divided its significant risks under two main headings: Financial and Non-Financial Risks, each made up of a number of risk sub-categories. These risk sub-categories are depicted below:



5.2 Risk Governance

The Board of Directors sets the risk tolerance of the Bank for all its operations. In this respect, the Board approves and regularly reviews the strategies and policies governing taking, managing, monitoring, and mitigating risks to which MeDirect Bank Belgium is exposed or could be exposed. The Board of Directors devotes a material proportion of its activity to the supervision of the management of all significant risks.

The Board has delegated specific powers and authority to the Audit and Risk Committee which is responsible for reviewing the Bank's risks in sufficient detail that it can assess whether they are consistent with the Bank's risk appetite, and for reviewing management's proposed courses of action if not. It is also responsible for assessing the Bank's high-level controls, limits, and risk aggregation and reporting framework to ensure that these are sufficient to maintain its level of risk (including, but of course not limited to, operational risk) within its appetite. In addition, this Committee oversees the quality and integrity of the Bank's financial reports, particularly the key financial judgements within them. The Committee also reviews accounting policies and assesses the effectiveness of the Internal Audit.

The Audit and Risk Committee determines the nature, scale, form and frequency of the risk information it must be forwarded. It has direct access to the risk management function of the Bank and to the advice of external experts.

The Board of Directors has also established the following senior management committees in the context of which different risks are discussed and measures taken to mitigate these:

- Executive Committee (“EXCO”);
- MeDirect Management Credit Committee (“MCC”);
- Asset & Liability Committee (“ALCO”).

5.3 Risk profile of the Bank

The risk profile is articulated through the Risk Appetite Statement (RAS). The principal objective of the RAS, which is expressed both in terms of qualitative and quantitative metrics, is to outline the level and types of risk that the Bank is willing to assume, within its risk capacity, to achieve its strategic objectives and business plan. Risk capacity is the maximum amount of risk the Bank is able to support, taking into account its capital and liquidity requirements, access to financial markets, as well as consideration of the dynamics of the markets and regulatory environments in which it operates. In this way, the RAS seeks to establish a clear reference between the level of risk it has “appetite” for; and the maximum level of risk it has “capacity” for.

The RAS is designed to align processes embedded within the Governance Framework, which allows for regular references to performance against risk appetite as part of the key planning and internal management process. The associated monitoring responsibilities are integrated into the mandates of existing governing bodies, both at the Board level and the Executive level. The RAS is therefore implicitly a material part of the decision-making processes of MeDirect Bank Belgium.

Practically, performance and adherence to risk appetite is evaluated at the Board Committee level (inclusive of the Board Audit and Risk Committee, and the Board Nominations and Remunerations Committee) and at Executive Committee level.

6. THE ORGANISATIONAL STRUCTURE

6.1. Operational structure, business lines, matrix management and allocation of competences and responsibilities

For an overview of the operational structure, business lines and allocation of responsibilities, referral is made to the charts and wording included above.

With regard to the overall operational structure of the Bank, it is worth noting that the Bank is part of a European banking group which is supervised by the ECB and has offices in Brussels, London and Malta. For operational efficiencies and economies of scale, the Bank shares a number of systems and employees with its parent group. The sharing of employees is documented in a Disbursement Agreement between the MeDirect Bank NV (Belgium) and MeDirect Bank Malta and effectively results in a regime of co-employment. This means that employees allocate a portion of their time to the Bank and are remunerated proportionally by the Bank. Such co-employed staff directly or indirectly report to the Executive Committee of the Bank and are evaluated through procedures which ultimately resort under the Bank’s Remuneration

Committee. The Bank does not provide any regulated banking services in Malta. However, the activities and staff in Belgium are supported by colleagues located in Malta. Technically this means that the Bank has an Overseas Company in Malta.

6.2. Outsourcing

The principal activities outsourced or partially outsourced by MeDirect are:

- Investment services and related services (brokerage, custody)
- Storage of documents

The Bank considers these activities within the remit of “outsourcing” as defined by Circular PPB 2004/5 of 22 June 2004 regarding sound management practices in outsourcing by credit institutions and investment firms. With all of these counterparties an agreement has been signed in order to define roles and responsibilities.

6.3. Product and service range

MeDirect is an online service provider that offers a variety of savings and investment products online. The products and services provided through its website include:

- Saving products

A savings platform that offers:

- o Term deposits with a maturity between 1 year and 5 years;
- o An Express savings account, which can be withdrawn on demand on two days’ notice;
- o Me3 savings account, with a minimum notice period for withdrawal of three months;
- o Me12 savings account, with a minimum notice period for withdrawal of twelve months.

Deposits can be denominated in EUR, USD or GBP.

- Investment products

An easy to use e-brokerage platform that offers brokerage of equities, ETFs, Mutual Funds and bonds. Execution is done at competitive rates. The platform also offers research as well as diversified static risk-based portfolios of mutual funds that customers can purchase on an execution only basis.

- Wealth products

MeDirect offers discretionary management services whereby MeDirect invests in diversified investment portfolios that are suitable for the customer’s personal circumstances and risk tolerance. As part of the discretionary management service, MeDirect offers continuous monitoring and periodic rebalancing.

The e-Wealth discretionary management platform is powered by Morningstar, an independent investment research firm with particular expertise in fund products.

The investment advice architecture used by MeDirect to provide discretionary management is based on two pillars:

- The engine creates an asset allocation based on responses by the client to questions about the client's personal and financial circumstances and risk preferences; and
- The engine generates a diversified portfolio of mutual funds (each vetted and approved by the MeDirect Wealth Management and Investment Services Committee taking into account Morningstar recommendations and research) suitable for the clients given their personal and financial circumstances and risk tolerance.

All MeDirect brokerage, investment and wealth services are undertaken in full compliance with applicable MiFID rules.

7. REMUNERATION POLICY

Reference is made to the Remuneration Policy of the Group which is currently being updated and will be submitted to the Group Remuneration Committee in April 2018. Once approved at Group level, this Policy will be submitted to the Board of Directors of the Bank. In case local regulation would require a local addendum, the latter will be submitted for approval to the Board together with the Group policy.

8. INTEGRITY POLICIES

8.1. Strategic objectives and corporate values

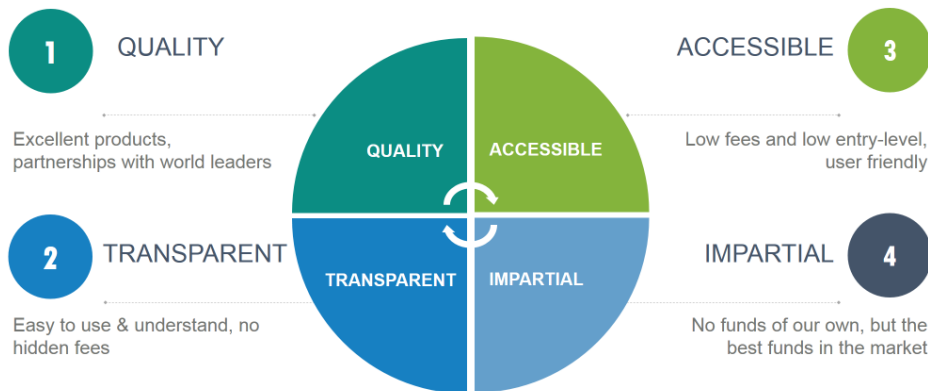
Strategic objectives

MeDirect Bank NV/SA is a fully licensed Belgian bank, which forms part of a privately held ECB regulated banking group that was established in its current form in 2009.

Senior management of the group, including the CEO of MeDirect Bank SA/NV, built the financial group from the beginning with a view to provide a superior banking experience by offering transparent services that foster the confidence of our stakeholders, build long-term client relationships and exceed the expectations of our clients.

At MeDirect Bank we want to offer everyone the opportunity to get the most out of their savings. For that purpose MeDirect offers high-quality savings products and investment solutions, accessible to all thanks to low costs, low entry fees and a user-friendly online platform.

Client proposal



For our clients we focus on these four main principles:

1) Quality

We offer transparent and simple savings products on which we strive to pay competitive interest rates. We do not offer in-house investment products but instead we aim to be the distribution platform of choice for clients who are looking for high quality investment products and solutions from the best providers worldwide.

2) Transparency

Our products and services are easy to understand. There are no hidden fees or costs. From the start of the Belgian bank in 2013 we took the view that communicating on all fronts with our clients in a transparent manner is key to establishing a relationship of trust for the long term.

3) Accessibility

MeDirect offers services and products principally online, supported by largely automated and thus scalable operations. This means that we can offer the same high quality service to all clients and enable clients to start saving or investing from small amounts, in products that traditionally were reserved for wealthier clients only.

4) Impartiality

MeDirect does not offer in-house products and instead distributes the best products from worldwide leading providers. We do not push products to clients but instead give them a choice between quality products from third parties and offer advice if desired. We partnered with Morningstar, one of the leading independent investment research firms, to underpin unbiased selection and analysis of investment solutions for our clients.

MeDirect Group Corporate Values

Teamwork - We work together to achieve success

Excellence - We deliver what we promise and add value that goes beyond what is expected

Adaptability - We eagerly anticipate, respond to, and take advantage of changes in our environment

Ambition - We are passionate about doing things well and we challenge ourselves to achieve higher goals

Innovation - We encourage creativity in our employees and embrace the dynamics of change

Integrity - We uphold trustworthiness and business ethics

Knowledge - We aim to be at the forefront of industry related developments to add value to our customers

8.2. Internal codes and regulations, prevention policy, etc.

The code rules to which management, employees and contractors of the Bank should adhere are integrated in a certain number of policies, such as the Conflict of Interest Policy, the Anti-Bribery Policy, the Whistleblowing Policy, the Rules regulating external functions and the Financial Transactions of Staff Members Policy. This policy relating to Financial Transactions of Staff Members places restrictions on employees or directors to ensure that all personal dealing activity within MeDirect is appropriate and will not create an actual or potential disadvantage or loss to a client of the group. All employees and directors are expected to manage their personal financial arrangements in such a way that their personal exposure is not excessive or hazardous in performing their role as a fit and proper person.

8.3. Conflict of interest policy

MeDirect has put in place a conflict of interest policy to safeguard its clients' interests. MeDirect is potentially exposed to conflicts of interest in relation to investment and wealth management services it provides. It is, however, MeDirect's obligation to ensure that each client's interest is safeguarded. To this effect, MeDirect has established, implemented and continuously maintains an effective conflict of interest policy set out in writing and appropriate to the size and organisation of MeDirect and commensurate to the nature, scale and complexity of its business.

MeDirect's Conflict of Interest Policy sets out the way how MeDirect's Compliance Department identifies and prevents conflict of interest which may arise between MeDirect's managers, or employees and the clients of MeDirect or its affiliates ("**the group**"), or between one client and another. MeDirect's conflict of interest policy applies to all MeDirect directors, employees and any person directly or indirectly linked to MeDirect business and refers to all interactions with clients.

More concretely, the Bank has undertaken following initiatives:

- Assessment of its potential conflicts of interest which may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more clients of the group, and logged these in a register of potential conflicts of interest. Measures, controls and procedures have been identified to prevent these conflicts of interest to take place;
- Prepare measures to manage conflicts of interest in case these effectively occur and which may prevent damage to the the group's clients' interests through identified conflicts;
- Organize the disclosure of non-manageable MiFID conflicts to interest to clients;
- Report in a correct way the occurred conflicts of interest in a dedicated register of occurred Conflicts of interest;

- A periodic reporting to the Senior management of the Bank with regard to the register of potential and occurred conflicts of interest;
- Training of the Affiliated Persons as identified in the Conflicts of Interest Policy.

8.4. Whistleblowing Policy

End 2017, a new Whistleblowing Policy has been approved by the Board of Directors. This policy details the procedure any employee or contractor of the Bank can follow in order to raise or escalate any issue or misbehaviour.

8.5. Treatment of customers' complaints

Until the review of the Complaints Handling Policy has been finalised, the current policy continues to apply. This policy outlines how clients can raise complaints to the Bank and the way they are dealt with within the Bank.

9. POLICY FOR THE DISCLOSURE OF CORPORATE GOVERNANCE INFORMATION

With publishing the current document on the public website of the Bank, MeDirect discloses the following information on its website:

- the shareholding and group structure;
- the composition of the management bodies;
- the organisational structure, including the functions of independent control;
- the principles of its policy concerning risk management, the prevention of conflicts of interest, integrity and continuity of the services, as well as the information on its remuneration policy according to Regulation 575/2013 ('the Capital Requirements Regulation').

The information regarding the objectives and corporate values of the institution are disclosed separately on the website.

10. BUSINESS CONTINUITY

MeDirect Belgium manages its organisation so that, in the case of a major, unscheduled business interruption, its critical functions can be preserved or restored as quickly as possible, and the normal provision of services and activity can be resumed within a reasonable period of time. The Board of Directors approved the Business Continuity Plan and the principles of the continuity policy and the EXCO reviewed and implemented these principles.

The Business Continuity Plan is periodically tested (at least annually), and the EXCO reports to the Board of Directors on the operation and effectiveness of the Bank's business continuity planning.

11. STATUS OF GOVERNANCE MEMORANDUM

11.1. Latest changes

This governance memorandum was updated in May 2018. This concerns minor changes as compared to the version as validated by the Board of Directors hereunder.

11.2. Latest approval

This version of the governance memorandum was approved by the EXCO and Board of Directors on 21 March 2018 and 26 March 2018 respectively.