MeDirect Bank S.A./N.V.

Pillar 3 disclosures – Annual report
31 December 2024

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1 Introduction

(Article 431 (1), (2) CRR)

The Pillar 3 Disclosures ("the Disclosures") are aimed at providing the stakeholders of MeDirect Bank S.A./N.V. ("MeDirect Belgium" or "the Bank"), with a Legal Entity Identifier code of 0553851093, further insight to its capital structure, adequacy, and risk management practices. This Pillar 3 report provides disclosures for the Bank as required by the global regulatory framework for capital and liquidity, which was established by the Basel Committee on Banking Supervision ("BCBS"), also known as Basel III. The Basel III capital adequacy framework consist of three complementary pillars:

- Pillar 1 ('minimum capital requirements') provides a framework for measuring minimum capital requirements for the credit, market and operational risks faced by banks.
- Pillar 2 ('supervisory review') addresses the principles of the supervisory review process, emphasising the need for a qualitative approach to supervising banks. This requires banks to estimate their own capital through an ICAAP. The ICAAP and Internal Liquidity Adequacy Assessment Process ("ILAAP") are subject to supervisory review from the Regulator, through the Supervisory Review and Evaluation Process ("SREP")
- Pillar 3 ('market discipline') requires banks to publish a range of qualitative and quantitative disclosures to the market aimed at providing further insight on the capital structure, capital adequacy and risk management practices.

The Bank is not a 'large institution' but as a small and non-complex subsidiary of MDB Group Limited (together "the Group"), MeDirect Belgium is subject to mandatory, though limited, Pillar 3 Disclosures (Market Discipline) by the local regulatory supervisor, whereas Pillar 3 is being implemented in full at the Group level. MeDirect Belgium is exempt from full disclosure requirements as laid down in Part Eight of the Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 (Capital Requirements Regulation 2 – "CRR"), but only limited to disclosure requirements in terms of Article 13 and Article 433b of the CRR, on the basis that such disclosures are required at an MDB Group Limited consolidated level. MDB Group Limited publishes full Pillar 3 Disclosures Annual Report are available on the Group's Investor Relations website.

The Group's Pillar 3 Disclosures Annual Report presents information about the Group's exposure to risks and the Group's objectives, policies and processes for measuring and managing risks and the Group's management of capital. These risks principally relate to the MDB Group and are managed by the Board of directors of MeDirect Bank (Malta) plc ("MeDirect Malta"). As a result, the Group's Pillar 3 Disclosures Annual Report provide information about the financial risk management of MeDirect Malta and its principal subsidiary MeDirect Belgium.

The MeDirect Belgium Disclosures have been prepared in accordance with the requirements in Article 433b of Part Eight of the CRR. Given that the Bank is a 'small and non-complex institution; it is required to publish the following disclosures as per Article 433b CRR on an annual basis:

- Points (a), (e) and (f) of Article 435 (1);
- Point (d) of Article 438;
- Points (a) to (d), (h), (i), (j) of Article 450 (1); and
- The key metrics referred to in Article 447.

Despite the Bank is only required to disclose the above, in order to provide comprehensive information to the Bank's stakeholders, it was decided to make certain additional disclosures on a voluntary basis in relation to the following:

- Certain information specified in Articles 437, 438, 440, 442, 450, 451, 451a and 453.

A reference has been added in cases where the information addressing Pillar 3 requirements is included in other parts of the Annual Report. The frequency of Pillar 3 disclosures is determined by the Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 ("Regulation (EU) 2021/637") laying down Implementing Technical Standards ("ITS") with regard to public disclosures by institutions. In this respect, refer to the Group's Semi-Annual and Quarterly Pillar 3 disclosure reports. Given that MeDirect Belgium is categorised as a small and non-complex institution and is not listed, it is not required to publish Semi-Annual and Quarterly Pillar 3 disclosure reports.

Appendix A contains a list of tables and templates disclosed and indicates the section in which they are integrated into the report. All tables and templates are defined according to the names as per European Banking Authority's ("EBA") guidelines. Appendix B contains a list indicating the location of the information disclosed in the Pillar 3 Disclosures or the Annual Report and Financial Statements, for the mandatory disclosure requirements in accordance with the articles of Part Eight of the CRR or why such disclosure is not applicable for the Bank. Appendix C provides a list of regulatory references whilst Appendix D provides a list of abbreviations.

The Pillar 3 Disclosures complement the Annual Report focusing primarily on the supervisory perspective, providing an overview of the Bank's capital adequacy, Risk Weighted Assets ("RWAs"), leverage and other material risks such as but not limited to: credit risk, counterparty credit risk ("CCR"), market risk, liquidity risk, and operational risk.

The MeDirect Group is required to disclose information on Environmental, Social and Governance ("ESG") risks under Article 449a of CRR. On 30 November 2022, the European Commission adopted Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022 ("Regulation (EU) 2022/2453") as regards the disclosure of ESG risks. This regulation adds additional disclosure requirements related to ESG risk. MeDirect Belgium is not required to disclose such information since MeDirect Belgium does not meet the large institutions criteria, thus one may refer to the December 2024 MeDirect Group ESG Pillar 3 Disclosures report.

On 28 November 2024, the Group's immediate parent company, Medifin Finance Limited, entered into a share purchase agreement with Banka CREDITAS a.s. ("Banka CREDITAS"), pursuant to which Banka CREDITAS agreed to purchase 100% of the share capital of MDB Group Limited, subject to receiving all required regulatory approvals.

Banka CREDITAS is a Czech financial institution that is part of CREDITAS Group ("CG"), a privately-owned investment group with investments primarily in financial services, real estate (rental housing and development) and energy (distribution and generation). The financial services arm of CG has investments in banking, investment services, asset management, leasing and other related areas. Banka CREDITAS is interested in using the MeDirect banks to grow and diversify its financial services business into additional European markets. As such, it plans to retain both MeDirect banks and to invest additional capital to enable them to continue to grow their businesses.

<u>Future changes</u>

The amending Regulation (EU) 2024/1623 ('CRR 3') introduces new and amended disclosure requirements stemming from the latest Basel III Pillar 3 reforms, and a mandate for the EBA to develop IT solutions, including templates and instructions, for the disclosure requirements laid down in the banking regulation. The new ITS implements the CRR 3 prudential disclosures by including new requirements on credit risk, Credit Valuation Adjustment ("CVA") risk and operational risk. These changes will be reflected in the Pillar 3 report as from Q1 2025.

1.1 Pillar 3 Disclosure Policy

(Article 431 (3) CRR)

As required under Article 431 (3) of CRR, the Group maintains a Pillar 3 Disclosures Policy, in order to comply with the requirements laid down in Part Eight of the CRR and any associated EBA guidelines, National Bank of Belgium ("NBB") circulars and technical standards. The Pillar 3 Disclosures Policy defines overall objectives, roles, and responsibilities with regards to preparation, verification, and approval processes. The policy is reviewed every twelve months, last approved in December 2024.

<u>Basis of preparation</u>

This Pillar 3 Disclosures Annual Report (the "Disclosures") has been prepared in accordance with the Group's Pillar 3 Disclosures Policy, which requires that this report be prepared in accordance with requirements of Part Eight of the CRR and other associated EBA guidelines, NBB circulars and technical standards. The EBA released detailed guidelines on disclosure requirements which aim to improve the comparability and consistency of Pillar 3 disclosures across the banking industry. These guidelines provide detailed disclosure requirements for credit risk, CCR, market risk and capital requirements.

The information provided in this Pillar 3 report is unaudited by the external auditors but reasonable assurance is provided by the Bank's Internal Audit Function ("IAF") in accordance with the scope determined in the internal audit cycle plan. Refer to Section 'Governance Process – verification and sign-off'.

Unless otherwise stated the amounts have been rounded to euro millions. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures. In the tables, parts that have been greyed out indicate information that is not required.

All the tables were compiled on the basis of regulatory reporting submissions, that were prepared in accordance with International Financial Reporting Standards ("IFRS") values.

In all tables where the term 'capital requirements' is used, this represents the minimum total capital charge set at 8% of RWA by article 92 of the CRR.

<u>Scope of application</u>

These Pillar 3 disclosures are in respect of MeDirect Bank S.A./N.V., which is supervised by the NBB. The Bank also falls within the supervision of the European Central Bank ("ECB"), given that it is a subsidiary of MeDirect Malta, the latter a subsidiary of MDB Group Limited, and the Group is supervised by the ECB on a fully consolidated basis. MeDirect Belgium carries out the Group's activities in Belgium.

The Group is regulated under the SSM. The SSM is the system of banking supervision in Europe, the main aim of which is to ensure the safety and soundness of the European banking system and to increase financial integration, stability and consistency of supervision. Under the SSM, the Group is regulated by a Joint Supervisory Team ("JST") comprising the ECB, the NBB and the Malta Financial Services Authority .

The JST receives information on the capital adequacy requirements and sets capital requirements for the Bank. At a Bank level, capital is calculated for prudential regulatory reporting purposes using the Basel III framework of the Basel Committee on Banking Supervision ("Basel"), as implemented by the European Union ("EU") in the revisions to the CRR.

Frequency of disclosures (Article 433 and 433b CRR)
The EBA published the final ITS on institutions' public disclosures as per its mandate under Article 434 of the CRR to introduce uniform formats and associated instructions for disclosure requirements in order to optimise the Pillar 3 policy framework.

The new ITS aims to reinforce market discipline, by increasing consistency and comparability of institutions' public disclosures, and to implement the CRR regulatory changes in alignment with the revised Basel Pillar 3 standards. These requirements introduced a comprehensive set of disclosure templates, tables and related instructions in order to ensure alignment and consistency with Basel's updated Pillar 3 framework.

The EBA published the mapping of quantitative disclosure data and supervisory reporting, which aims at facilitating institutions' compliance and improving the consistency and quality of the information disclosed. The EBA also published a file summarising the frequency at which each type of institution should disclose each template and table, in accordance with the CRR.

Disclosures in this Pillar 3 include comparative periods in accordance with the requirements of EBA ITS.

In line with regulatory requirements and the Group's policy, the Pillar 3 Disclosures are published on the Bank's website within a reasonable period after the publication of the Bank's annual financial statements.

Means of disclosures (Article 434 CRR)

As required by the CRR, the Bank will continue to make available its Annual Report and Financial Statements and the Pillar 3 disclosure reports on the Bank's website (https://www.medirect.be/about-medirect/facts-and-figures).

Non-material, proprietary or confidential information (Article 432 CRR)

In line with the Group's Policy based on Article 432 CRR, the Bank may omit certain disclosures due to these disclosures being immaterial, proprietary, or confidential. No information was omitted due to being considered proprietary or confidential.

Governance process – verification and sign-off

Consistent with the banking regulations, these Disclosures are not subject to external audit except where they are included within the Financial Statements. However, these Disclosures have been appropriately verified and approved internally by the Bank's management and reasonable assurance has been provided by the Bank's IAF as required by the Group's Pillar 3 Disclosures Policy, including the review and approval of these disclosures by the Bank's Board Audit Committee ("BAC"). Subsequent to the approval of the Board Audit Committee, these disclosures are then submitted to the Board of Directors for authorisation prior to public dissemination.

Based upon the Bank's assessment and verification, the risk and regulatory disclosures presented throughout this Pillar 3 Report and the Group Pillar 3 Report appropriately and comprehensively convey the Bank's overall risk profile as of December 31, 2024.

1.2 Key metrics

(Article 447 (a - g) and Article 438 (b) CRR)

Table EU KM1 provides key regulatory metrics and ratios as well as related input components as defined by the amended versions of CRR and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 (Capital Requirements Directive - "CRD"). They comprise own funds, RWA, capital ratios, additional requirements based on SREP, capital buffer requirements, leverage ratio, liquidity coverage ratio ("LCR") and net stable funding ratio ("NSFR"). They serve as high level metrics and form part of the holistic risk management across individual risk types in addition to the Bank's specific internal risk metrics. Based on this they are fully integrated across strategic planning, risk appetite framework and stress testing concepts and are reviewed and approved by the Management Board at least annually.

EU KM1 - Key metrics

	Amounts in €millions	a 31-Dec-24	b 31-Dec-23
	Available own funds		
1	Common Equity Tier 1 (CET1) capital	189	182
2	Tier 1 capital	189	182
3	Total capital	189	182
	Risk-weighted exposure amounts		
4	Total risk exposure amount	886	823
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	21.3%	22.1%
6	Tier 1 ratio (%)	21.3%	22.1%
7	Total capital ratio (%)	21.3%	22.1%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3.0%	3.0%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.7%	1.7%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.3%	2.3%
EU 7d	Total SREP own funds requirements (%)	11.0%	11.0%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.5%	2.5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.0%	0.0%
9	Institution specific countercyclical capital buffer (%)	1.5%	0.7%
EU 9a	Systemic risk buffer (%)	0.0%	0.0%
10	Global Systemically Important Institution buffer (%)	0.0%	0.0%
EU 10a	Other Systemically Important Institution buffer (%)	0.0%	0.0%
11	Combined buffer requirement (%)	4.0%	3.2%
EU 11a	Overall capital requirements (%)	15.0%	14.2%
12	CET1 available after meeting the total SREP own funds requirements (%)	10.3%	11.1%
	Leverage ratio		
13	Total exposure measure	3,970	3,794
14	Leverage ratio (%)	4.8%	4.8%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)		
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.0%	0.0%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.0%	0.0%
EU 14c	Total SREP leverage ratio requirements (%)	3.0%	3.0%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
EU 14d	Leverage ratio buffer requirement (%)	0.0%	0.0%
EU 14e	Overall leverage ratio requirement (%)	3.0%	3.0%
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	550	404
EU 16a	Cash outflows - Total weighted value	336	280
EU 16b	Cash inflows - Total weighted value	42	50
16	Total net cash outflows (adjusted value)	293	230
17	Liquidity coverage ratio (%)[1]	187.8%	175.36%
	Net Stable Funding Ratio		
18	Total available stable funding	3,542	3,490
19	Total required stable funding	2,945	2,772
20	NSFR ratio (%)	120.3%	125.9%

[1] The LCR uses the simple average of the preceding 12 monthly periods ending on the quarterly reporting date as specified in the table. The Actual LCR reported in December 2024 was 178%.

1.3 Attestation by the Directors

The directors confirm that this Pillar 3 Disclosures Annual Report, to the best of their knowledge, complies with Part Eight of the CRR, including, where relevant, any associated NBB circulars, EBA guidelines and technical standards, and has been prepared in compliance with the Bank's internal governance process including formal policies, internal processes and systems and internal control environment.

On behalf of the Board of Directors

Signed by:	DocuSigned by:
Alain Moreau	Marcia De Wachter
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Alain Moreau	Marcia de Wachter
Chief Executive Officer	Chair

27 June 2025

2 Risk Management

(Article 435 (1) (b) CRR) (EU OVA)

Risk management is at the heart of MeDirect's strategic planning and management processes and has an important part to play in empowering customers navigate the financial world with confidence and autonomy. All business activities involve some degree of risk; to protect members, risks arising from business activities must be managed appropriately by:

- identifying risks through a robust assessment of principal risks and uncertainties facing MeDirect, including those that would threaten its business model, future performance, solvency or liquidity, or increase the potential for customer harm;
- effective decision making, ensuring the right risks are taken, in a way that is considered and supports the strategy, maintaining a reputation for high standards of business conduct;
- ensuring the risks taken are understood and controlled; and
- maintaining an appropriate balance between delivering customer value and remaining a prudent and responsible lender.

To ensure risks are managed consistently and rigorously, the Bank operates a Board approved Enterprise Risk Management Framework (ERMF) which defines how risks are managed across the principal risks. The framework sets out the risk management responsibilities of all colleagues within a Three Lines of Defence model. This ensures risk is properly managed throughout the Bank and that all risks are appropriately identified, assessed, managed, monitored and reported consistently. The Bank's independent risk function, which is led by the Chief Risk Officer, provides oversight and challenge of the Bank's risk management practices, whilst the Internal Audit function provides assurance of the effectiveness of the control environment for the Board. Through the framework, the Board formally sets its risk appetite, articulating how much risk it is prepared to take in the pursuit of its objectives. A robust suite of policies, standards and other resources translates this appetite into the localised risk management activities and controls which are operated on a day-to-day basis to protect MeDirect's customers and their money. The Board and Management committees receive regular reporting on the Bank's risk profile and key risk metrics to support them in monitoring the Bank's position relative to risk appetite. To provide a structure for Board Risk Appetite, MeDirect uses a Financial and Non-Financial risk categorisation model for the principal risks described below.

Principal Risk	Definition	Risk Committee
	FINANCIAL RISK	
Business Model & Strategy Risk	Strategic Risk is the risk to the Bank's current or projected financial position resulting from changes in the macroeconomic environment, competitive landscape, regulatory changes, adverse business decisions, poor implementation, lack of resources, processes and technology to deliver products and services. The Bank's risk taxonomy is embedded in all strategic decision making and financial forecasting activities.	Enterprise Risk Management Committee
Capital Adequacy Risk	The risk that the Bank fails to maintain sufficient capital to absorb losses throughout a full economic cycle and to maintain the confidence of current and prospective investors, customers, the Board, and regulators.	Assets and Liabilities Committee
Liquidity Risk	Liquidity risk is the risk of the Bank being unable to generate sufficient funding resources to meet financial obligations as they fall due in business as usual and stress scenarios. Funding risk arises from higher funding costs or lack of availability of funds.	Assets and Liabilities Committee
Credit Risk	The risk of loss as a result of a customer or counterparty failing to meet their financial obligations.	Management Credit Committee
Market Risk	The risk of an adverse change in its financial situation resulting directly or indirectly, from fluctuations in the level or volatility of market prices of assets and liabilities and from adverse movements in interest rates, credit spreads and foreign exchange rates. This can affect the Bank's profitability (Net Interest Income (NII)) and capital measures.	Assets and Liabilities Committee
	NON-FINANCIAL RISK	
Operational Risk	Operational risks that can arise and impact operational processes, systems and controls, disruptions to customers, damage to reputation and detrimental impact on financial performance.	Enterprise Risk Management Committee
IT & Information Security Risk	IT and Information Security Risk is defined as the loss due to breach of confidentiality, failure of integrity of systems and data, unavailability of systems and data or inability to change IT within a reasonable time and costs when the environment or business requirements change. This includes security risks resulting from inadequate or failed internal processes or external events including cyber-attacks or inadequate physical security.	Enterprise Risk Management Committee
Compliance & Financial Crime Risk	Compliance Risk arises due to risk of financial costs and reputational damage associated with non-compliance with internal policies, procedures and code of business, as well as consequences from non-compliance with specific local or international rules, regulations, prescribed practices or ethical standards.	Enterprise Risk Management Committee
Regulatory Risk	Risks that may arise as consequences from non-compliance with specific local or international rules, regulations, prescribed practices or ethical standards. Regulatory risks may also arise from the failure to meet deadlines for regulatory submissions, queries and/or requests for information from different regulatory bodies and supervisors.	Enterprise Risk Management Committee
Reputational Risk	Reputational risk is the risk of loss resulting from damages to a firm's reputation, in lost revenue; increased operating, capital or regulatory costs; or destruction of shareholder value, consequent to an adverse or potentially criminal event even if the Group is not found guilty.	Enterprise Risk Management Committee
Sustainability Risk	Sustainability risk ("ESG risk") refers to an ESG event or condition that, if it had to occur, could cause an actual or a potential material negative impact on the value of the investment" impacting directly or indirectly the financial value of the business. Sustainability risks might have a negative consequence for MeDirect and its customers and counterparties impacting its financial and market position.	ESG Committee

The Bank's risk appetite is established by the Board of Directors, and it defines the type and quantum of risks the Bank is willing to accept in achieving its strategic objectives. It ensures that business activities provide an appropriate balance of return for the risks assumed, and that they remain within a suitable level for the Bank.

The Bank has in place a Risk Appetite Framework ("RAF") that outlines the overall approach, governance processes, controls and systems through which risk appetite, risk limits and thresholds are established, communicated and monitored. The RAF aligns to the main risks the Bank manages in pursuit of its strategy.

The main component of the RAF is the Risk Appetite Statement ("RAS") which is interlinked with the Bank's strategic and financial plans, as well as remuneration practices. In line with the Bank's Risk Appetite Policy, the RAS evaluates material risks of the Bank in order to produce both qualitative and quantitative metrics, covering financial risks and non-financial risks and providing both entity and business lines specific details. Additionally, Climate-related & Environmental Risks ("CER") are not considered as a stand-alone risk category, but are embedded within the different risk themes. This ensures that CER are integrated into the Bank's overall RAF.

Risk Appetite Limits ("RALs") define the quantitative levels of the risk appetite expressed for specific risks, where quantification is viable, to ensure that the actual levels of risk are within the agreed-upon risk appetite. The Risk Appetite notification thresholds determine the level of risk exposure above which risks are addressed and below which risks may be accepted at Executive Management level.

Capital adequacy	
Risk Metric	Actual (December 2024)
CET1 Capital Ratio	21.3%
Tier 1 Capital Ratio	21.3%
Total Capital Ratio	21.3%
Leverage Ratio	4.8%
Liquidity	
Risk Metric	Actual (December 2024)
LCR	178%
NSFR	120%

Performance and adherence to risk appetite is performed at the Board Committee level (supported by the Board Risk and Compliance Committee ("BRCC"), BAC, and Nomination and Remuneration Committee) and at Executive Committee level, including the Management Executive Committee ("EXCO"), Enterprise Risk Management Committee, Management Credit Committee ("MCC"), Model Governance Committee ("MGC"), Assets and Liabilities Committee ("ALCO"), ESG Committee and Operations Committee ("OpsCo"). The Bank's risk appetite is established by the Board of Directors, and it defines the type and quantum of risks the Bank is willing to accept in achieving its strategic objectives. It ensures that business activities provide an appropriate balance of return for the risks assumed, and that they remain within a suitable level for the Bank.

The Bank has also established a set of Key Risk Indicators ("KRIs") that are additional risk metrics intended to supplement the RALs. These are monitored as part of the holistic risk management across risk types and are intended to measure and reflect the negative impact on the Bank's performance.

In all circumstances, the Bank sets its RALs within its Risk capacity, meaning it limits its appetite within the maximum level of risk the Bank is able to assume given its capital base, its risk management and control capabilities, and its regulatory constraints. The Bank has also implemented early warning notification thresholds to allow sufficient notification time for corrective measures being implemented where required.

2.1 Risk Governance

Point (b) of Article 435(1) CRR

The Bank has a well-established risk governance structure, with an active and engaged Board of Directors supported by an experienced senior management team and a centralised Risk Management Function that is independent of the business lines. Decision-making is primarily conducted through the Board of Directors with oversight from a Board level Risk and Compliance Committee and delegated authority within Executive level Committees.

The key elements of the Bank's risk governance infrastructure are described in the Corporate Governance Memorandum. This governance memorandum supports other internal documents such as the Bank's Articles of Association, Terms of Reference for the Board of Directors and its standing committees, and the Code of Business Conduct and Ethics.

The Board of Directors

The Board of Directors is composed of both executive and non-executive Directors. The Board of Directors, either directly or through its committees, ensure that decision-making is aligned with the Bank's strategies and risk appetite. For each Board meeting, the members are provided with reports covering the key risks of the Bank as well as updates on the Bank's financial performance. The Board of Directors approve key policies, business and sustainability strategy and risk appetite.

The list of members who served on the Board of Directors can be found in the respective "Board of Directors" section of MeDirect Belgium Annual Report and Financial Statements for the financial year ended 31 December 2024.

The Board has established committees to assist it in carrying out its responsibilities, where each committee must act in accordance with a Terms of Reference document as approved by the Board setting out matters relevant to the composition, responsibilities, authority and reporting of the committee, and such other matters as the Board considers appropriate. The Board-level committees may only act with delegated authority from the full Board within the limits of the authority reserved by the Board itself.

The Board has established the following committees:

- Audit Committee;
- Risk and Compliance Committee; and
- Nominations and Remuneration Committee ("NRC").

Board Audit committee

The purpose of the Board Audit Committee ("BAC") is to thoroughly examine, monitor, and offer impartial advice to the Board. The BAC monitors the quality and integrity of the Bank's statutory Financial Statements, and reviews key financial judgments and accounting policies. In addition, the BAC oversees the design adequacy and operating effectiveness of the Bank's internal control framework and governance structure and its financial reporting processes, through the activities of the IAF and the external auditors, as well as issues related to values, ethics, and governance.

In this context the BAC steers the Bank's relationship with External Auditors and other external assurance providers and monitors values, ethics, and governance topics. The MeDirect Finance function, the IAF, External Auditors and other assurance providers present their activities and reports to the BAC for thorough review and examination.

Board Risk and Compliance committee (Article 435 (2)(d) CRR) (EU OVB)

The BRCC is delegated with the authority from the Board to monitor the execution of the risk strategy, with the Board oversight through the review of Management Information ("MI") packs and verbal updates from the Chair of the Risk and Compliance Committee and the Chief Risk Officer ("CRO").

The Board Risk and Compliance Committee is tasked with reviewing and advising on the strategies and policies related to risk management, monitoring, and mitigation for the Bank. It conducts thorough oversight of the Bank's risk management and compliance practices, presenting summaries and recommendations to the Board for action. Additionally, the Committee evaluates the Bank's high-level controls and reporting frameworks to ensure they align with the Bank's risk appetite. It also oversees compliance functions and related party transactions to address specific risk and compliance issues.

The Board Risk and Compliance Committee met nine times during the financial year.

Nominations and remuneration committee

This committee is responsible for making recommendations to the Board regarding key appointments, which include:

- Board appointments including re-elections and succession planning, particularly in respect of Executive Directors;
- Membership of board committees; and
- Endorsement of senior executive appointments.

Additionally, the committee monitors the performance of directors and ensures that their professional development is adequately supported.

The committee also reviews the establishment of remuneration levels - both fixed and variable - as well as the structure of variable remuneration for senior executives and material risk-takers (MRTs) within the Bank, as defined in the Bank's Remuneration Policy. In this context, it receives recommendations from the executive management of the Bank for consideration and approval.

Furthermore, the committee ensures that the Bank's Remuneration Policy, along with the structure and levels of remuneration, complies with applicable laws and regulatory guidance, aligns with best practices, and supports the long-term sound and prudent management of the Bank.

Executive Management Committee

The Board entrusts the Chief Executive Officer ("CEO") with the day-to-day management of the Bank, who also leads the EXCO. This committee is tasked with overseeing the execution and implementation of the strategy approved by the Board. EXCO serves as the primary forum responsible for managing the Bank's business model and regulatory environment across various jurisdictions, ensuring the efficient operation of activities, reporting directly to the Board through the CEO.

While EXCO maintains ultimate responsibility for its actions, it has the authority to delegate responsibilities to various management committees, each operating under their own defined terms of reference.

- Enterprise Risk Management Committee;
- Asset and Liability Committee;
- Wealth Management and Investment Services Committee;
- Group Operations Committee.

Corporate governance memorandum

The Corporate Governance Memorandum, details the structure, management and transparency of the Bank. This includes internal frameworks and policies that promote effective governance, ensuring compliance with national and EU laws. The framework undergoes an annual review or reassessment with significant changes in the business model or internal structure. This memorandum is essential for maintaining sound governance practices, managing risks, and ensuring legal compliance, serving as a reference for the board, management, and stakeholders.

Policy standards

The Bank upholds a centralised policy library designed to provide internal stakeholders with essential transparency, thereby supporting the operational integrity of the organisation. A standardised policy framework delineates the Bank's strategies and best practices for creating new internal documents or revising existing ones. To maintain relevance and compliance with current regulations and developments, annual reviews are conducted on all internal documents. Additionally, training and awareness sessions are organised each year to ensure that staff are informed about any new developments or changes to existing internal processes and controls.

2.2 Risk Management Function

Article 435 (1) (b) CRR) (EU OVA)

The Bank has adopted a risk management and internal control structure, referred to as the 'Three Lines of Defence', to ensure it achieves its strategic objectives while meeting regulatory and legal requirements and fulfilling its responsibilities to shareholders, customers and staff.

*On occasions the Legal team also performs duties within the first line of defence

In the three lines of defence model, business line management is the first line of defence (including those functions that are responsible for day-to-day operations and treasury function), the various risk control and compliance oversight functions established by management represent the second line of defence, and an independent internal audit function is the third. Each of these three "lines" play a distinct role within the Bank's wider governance framework.

Although neither governing bodies nor senior management are considered to be among the three "lines" in this model, these bodies are the primary stakeholders served by the "lines", and they are the parties best positioned to help ensure that the Three Lines of Defence model is reflected in the Bank's risk management and control processes.

The responsibilities of the Risk Management Function are to protect consumers and stakeholders. Risk Management ensures that MeDirect has a robust risk management framework and strategy covering all areas of risk: Business, Credit, Financial, Operational, Conduct and Regulatory. This is supported by a positive culture where the identification and management of risk is ingrained to protect the Bank from unforeseen losses and financial instability. The Risk Management Functions objectives are to:

PROMOTE SUSTAINABLE GROWTH	To protect and act as guardians for the sustainability of the Group's financial standing, capital and liquidity adequacy, reputational standing, operational continuity and customer & stakeholder protection
ENABLE STRATEGIC OBJECTIVES	To enable the Group to prudently deliver its strategic objectives within its defined risk appetite
STRONG RISK CULTURE	Continue to embed a sound risk culture through clearly defined risk policies, balanced objectives, risk-adjusted returns, alongside communication, training and awareness programmes across all stakeholders
ROBUST RISK MANAGEMENT PRACTICES	Drive a continuous improvement culture around risk management practices and tools and systems that encourage timely self service of risk data
SOUND RISK IDENTIFICATION	Ensure suitable systems, methodologies and quantification tools are in place to appropriately assess and identify current and emerging inherent risks
EFFECTIVE RISK CONTROLS	Drive the implementation of suitable risk controls frameworks, including assessment of control effectiveness and residual risks, particularly in significant periods of change
EXCEPTIONAL PEOPLE	Create both depth and breadth of experience across all risk disciplines with a well trained, experienced and supported team

The Bank's Risk Management Function falls under the responsibility of the CRO who is independent from the business lines. The CRO is responsible for a number of sub-functions that represent different risk areas namely, risk analytics, financial and market risk, credit risk, operational risk, IT and information security risk, and data protection.

Risk Management Function	Main responsibilities
Risk Analytics	Oversight of the Bank's capital and liquidity risk, stress testing and performance tracking of the Bank's asset and liability portfolios, including off-balance sheet commitments. The team is responsible for key internal capital and liquidity risk management documents, specifically the Bank's ICAAP, ILAAP and Group Recovery Plan.
Financial & Market Risk	Oversight of all Interest Rate Risk in the Banking Book ("IRRBB"), Credit Spread Risk in the Banking Book ("CSRBB") and Foreign Exchange ("FX") risk, including assessment and analysis of respective asset and liability behavioural modelling related assumptions. It is responsible for leading the ongoing development of market risk models including model design, calibration, stress testing and shock analysis of both earnings and income related interest rate risk scenarios, risk reporting and related model governance.
Credit Risk	Independent review of the corporate credits both when they are initially proposed to the Credit Committee and throughout their lifecycle. It is the role of the Credit Risk team to discuss and challenge credit proposals, credit monitoring and other credit related information presented by the Corporate Credit team. The team is also responsible for the management and monitoring of the structured finance portfolio. The Credit Risk function is additionally responsible for reviewing and assigning internal credit classifications, making recommendations for credit provisioning and/or write offs and the annual review of the credit policy and associated credit framework
Operational Risk	The Operational Risk Management ("ORM") function provides the framework for the business to identify, assess, mitigate and monitor operational risks. The team is responsible for the ongoing management of the Bank's Operational Risk Management Framework ("RMF") covering five main pillars, namely: the identification and categorisation of operational risks, measurement and monitoring of operational risks, reporting of operational risks, incident management process and business continuity. The function also facilitates the Risk & Control Self-Assessments ("RCSAs") process and the control testing methodology. The ORM Function is also responsible to manage the Reputational RMF and the Anti-Fraud Policy.
IT Security Risk	The team is primarily responsible for implementing the Information security strategy of the Bank by ensuring that the Bank adheres to international information security best practices, which includes identifying and keeping visibility of IT security risks affecting the Bank. Responsibilities include the implementation and ongoing management of IT security technologies, coordinating and following up on vulnerability assessments and penetration tests, and managing information security incidents.
Data Protection Risk	The Data Protection function holds the responsibility of the Bank's Data Protection Officer who is responsible for the Bank's Data Protection Policy, the Bank Voice and Teams Recording Policy and the Bank's Data Retention and Archiving Policy. It focusses on advising the Bank and all its employees about their obligations to comply with Data Protection Regulations, namely 'General Data Protection Regulation ("GDPR")', train its staff and conduct internal controls. This function shall maintain a data inventory for all its key business processes where there is extensive processing of personal data.

The CRO is a member of the Board and also has the unchallenged authority to meet members of the BRCC or other Non-Executive Directors without the presence of the CEO or other Executive Directors. Among the list of responsibilities, the CRO is:

- Responsible for promoting a strong risk culture;
- Ensuring that the risk management function is adequately resourced, taking into account the complexity and risks of the Bank as well as their RAF and strategy;
- Actively involved in key strategic decision-making processes from a risk perspective, challenge management's decisions and recommendations, and retains a right of veto for declining transactional decisions such as credit risk originations;
- Responsible for assessing and controlling financial and non-financial risks;
- Involved in the design and setting of risk appetite, risk limits, notification thresholds and KRIs; and
- One of the key contacts for regulatory matters, including supervisory dialogue.

In line with the EBA guidelines on internal governance, the Bank's Risk Management Function has direct access to the members of the Board and the BRCC, as well as all business lines and other internal units that have potential to generate risk as well as oversight of all relevant subsidiaries. Nevertheless, the Risk Management Function is independent of the business lines and units whose risks it controls.

The CRO is a member of the EXCO, Enterprise Risk Management Committee ("ERMC"), MCC and Model Governance Committee ("MGC"); OpsCo and ALCO. The CRO is also involved in various Steering Committees and has delegated approval responsibilities when required.

The CRO works closely with the Group CRO in order to ensure adequate flow of information within the Group structure.

2.3 Management of key risks

(Article 435 (1) (b) CRR) (EU OVA)

Risks are identified in the context of the business model and strategy of the Bank, and within the parameters of the risk appetite of the Board. Other objectives should also be taken into consideration, such as operational objectives and business targets; financial reporting objectives and compliance objectives.

The Risk Management Function has developed methodologies to identify the exposure of the Bank to risk and uncertainty. Each of the Bank's risk functions are responsible for assessing and identifying key risks and themes within their areas of responsibility. Once the key risk exposures and themes are identified, then each respective risk function also evaluates the ability of the Bank to adequately control or mitigate the risk, avoid the risk, or transfer the risk where possible. The Risk Management Function also actively involves both business lines and functions to ensure a holistic assessment of risk identification is undertaken, otherwise referred to as top-down and bottom-up approaches.

The Bank has established a robust and extensive risk management reporting framework, placing high importance on regular and transparent reporting mechanisms that enable the members of the Board, its committees and relevant units to understand the key risks and to take corrective action, when required, in a timely and accurate manner.

The risk reporting for MeDirect Belgium is conducted by the Risk Management function with oversight and direction from the CRO. The monitoring of each risk pillar falls under the responsibility of specific teams within the Risk Management Function. The risk team reviews and updates policies and associated risk frameworks that include information on internal processes and risk reporting responsibilities.

The Bank's risk reporting framework includes various risk management reports. Where possible, the Bank incorporates trended analysis into its risk reports, both to draw attention to the evolution of themes in the portfolio's risk profile and to increase confidence in the integrity of the information shown.

The Bank's formal risk reporting schedule and processes have been designed to comply with Basel's "Principles for effective risk data aggregation and risk reporting" BCBS 239 (June 2012, revised January 2013). In particular, reporting frequencies have been established in accordance with Principle 10, with real time reports produced daily (either system-generated or created by operational departments) and more in-depth reports produced monthly.

<u>Board oversight</u>

The BRCC is responsible for reviewing the Bank's risk in sufficient detail that it can assess whether they are consistent with the Bank's risk appetite, and for reviewing management's proposed course of action if not. It may then endorse these plans or require them to be altered, as appropriate. 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 the level of risk within its appetite.

The Bank has also in place a set of Key Performance Indicators ("KPIs") that are quantifiable measurements with the ultimate purpose of enabling decision-makers to act quickly and continue driving the business forward. The set of financial KPIs are aligned with the Bank's RAF and are benchmarked against industry standards. The set of financial KPIs are approved by the Board.

Reporting to the Board and Board Risk and Compliance Committee

Monthly Risk report

The Board of Directors and BRCC receive a comprehensive risk report for each month, compiled by the Risk Management Function with an executive summary written by the CRO. The content, scope and frequency of the risk disclosures provided to the Board of Directors and the BRCC were determined following discussions with the Board of Directors and the BRCC respectively.

The CRO's executive summary is qualitative in nature and covers each of the material risks. This commentary is also supported by a much more detailed report, the risk management report. The risk management reports are mainly divided into two sections: Risk Shaping Matters and Risk Oversight.

Weekly Risk report

Alongside the monthly risk management report, the members of the Board of Directors and BRCC also receive a risk report on a weekly basis outlining the status of key risks of the Bank, including historical trends of the regulatory capital and liquidity metrics and liquidity position. These risk reports prove that the Bank has a comprehensive risk reporting structure in place covering all the relevant risks. These also act as a centralised and critical means for reporting enterprise-wide risks facing the Bank.

Risk culture

A strong risk-aware culture is defined as all employees of the Bank being aware of their responsibilities towards the clients, colleagues and the institution itself, and their ability to manage risks on a day-to-day basis, taking into account the institution's policies, procedures and controls. The Bank is aware that instilling a risk culture is key to delivering sustainable growth and profitability and strives to continuously improve its risk culture through policies, communication and training of staff, which is done through a number of initiatives. These are namely, continuous training events, risk awareness notifications and campaigns, eLearning and mandatory Employee Training programmes, as well as embedding a culture of speaking-up being encouraged across the institution.

Internal escalation process

The Bank has escalation processes in place that ensure that any information concerning RAL breaches and/or recovery indicator breaches is escalated without delay, to both the Board and the regulatory supervisors.

MeDirect Belgium makes a distinction between RALs and KRIs. Breaches of RALs require prompt notification and escalation to the Board. For consistency, those metrics identified as critical within the RAS, are also considered as critical for recovery planning purposes.

While setting RALs, the Bank adopts a 'traffic light approach' in which each stage of alert triggers a predetermined escalation process. This approach also features two additional stages of alert beyond RALs to inform the Bank's management that the recovery plan could potentially be invoked.

If the Bank were to breach its risk appetite, the Bank has Capital Conservation Plans, Contingency Funding Plans, and if required, a Recovery Plan that outlines a number of management actions that the Executive Committee and the Board should take at different levels of severity. In certain cases, the Crisis Management Group may also be convened. Breaches of any of the risk policies are reported to the Committee that oversees the policy such as MCC or ALCO, with the possibility of escalation to Board Committees as outlined in the respective policies.

Stress testing

Stress testing is an integral element of the Bank's risk management process, strategic planning, capital planning and liquidity planning. The Bank applies various degrees of severity whilst ensuring the plausibility of the assumptions and scenarios. The stress testing methodology covers both idiosyncratic and macro-economic scenarios as well as a combination of both.

Stress testing is used to assess the effect of a given scenario, or shock, on the Bank's statement of financial position, income statement and regulatory capital, leverage and liquidity ratios, and as a result the Bank's ability to sustain any potential loss. In addition, stress testing is also used as a complementary framework to other measures of risk such as Economic Capital ("EC").

The outcome of the stress testing determines the Bank's capacity to sustain any potential loss in an adverse scenario and circumstances in the context of the ICAAP and the ILAAP.

In addition to the traditional internal and regulatory stress testing exercises, the Bank also engages in reverse stress testing by addressing the related question of how severe an adverse event is before the Bank is not able to survive it. Reverse stress testing is used as a regular risk management tool in order to improve the awareness of current and potential vulnerabilities faced by the Bank. Reverse stress tests are also used as part of the Bank's business planning and risk management to understand the viability and sustainability of the Bank's business model and strategy.

These stress testing processes within the ICAAP, ILAAP and Recovery Plan are primarily conducted by the Risk Management Function, under the responsibility of the CRO. The elements of the assumptions and scenarios that are used during the stress testing are discussed during the ALCO and the ERMC. and are then reviewed by the BRCC and approved at Board level.

2.4 Information on risk management, objectives and policies by category of risks

Risks are identified in the context of the business model and strategy of the Bank, and within the parameters of the risk appetite of the Board. Other objectives are also taken into consideration:

- *Financial reporting objectives:* these relate to the preparation of reliable published Financial Statements and regulatory reporting;
- *Operational objectives and business targets:* these relate to the achievement of the Bank's mission statement and address the effectiveness and efficiency of the Bank's operations; and
- *Compliance objectives*: these relate to adherence to laws, rules and regulations to which the Bank is subject, as well as prudential regulatory requirements.

The Risk Management Function has developed methodologies to identify the exposure of the Bank to risk and uncertainty. Each of the risk functions are responsible for assessing and identifying key risks and themes within their areas of responsibility. Once the key risk exposures and themes are identified, each respective risk function also evaluates the ability of the Bank to adequately control or mitigate the risk, avoid the risk, or transfer the risk where possible. The Risk Management Function also actively involves both business lines and functions to ensure a holistic assessment of risk identification is undertaken, otherwise referred to as top-down and bottom-up approaches.

2.4.1 Credit risk

(Article 442 (a) – (b) CRR [EU CRB] and Article 435(1) – As required by Annex XV for the Template EU CRA: 'General qualitative information about credit risk')

Credit risk is the risk of loss for the business or of an adverse change in the financial position, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors in the form of default or other significant credit loss event (e.g. downgrade or default). The willingness to take on credit risk is focussed on risk-adjusted returns, in that the interest margin received after operational costs will outweigh any credit losses incurred, is a key part of the Bank's business model.

Credit risk profile

The Bank's credit risk emanates from four main sources: from its corporate lending activities, its mortgage lending activities, its investment in the Securitisation portfolio and from its treasury activities. The corporate lending activity is composed of its international syndicated corporate loans portfolio.

Credit risk arises primarily in the form of deterioration in credit quality leading to an obligor defaulting on debt instruments held in the Bank's investments portfolio or on loans extended to corporate counterparties or mortgage borrowers in the Netherlands and Belgium.

Apart from these main sources of credit risk, the Bank does take on credit risk in other areas too; these are listed in the following table along with the key risk mitigants. To the extent that new products and services are offered to the Bank's customers that involve the extension of credit, the Bank's approach is to require similar controls and mitigants to be put in place.

Source	Mitigant
Secured financing (high-quality liquid asset securities)	Being a securities lender/cash borrower: intrinsically a risk mitigant since correlation leads to a "right-way" exposure.
	Execution under market-standard Global Master Repurchase Agreement ("GMRA") documentation with major counterparties, or at Eurex, CBM or NBB; with daily margining.
	Concentration limits embedded in the RAS.
Secured financing and revolving credit facilities (less liquid assets)	Execution only with top-tier international counterparties.
	Limits by counterparty.
Exposure to hedging counterparties	Execution under market-standard International Swaps and Derivatives Association ("ISDA") documentation with major counterparties; daily margining. All Interest rate swaps are cleared through Eurex which limits counterparty risk.
	All hedging instruments are highly liquid and based on easily observable market data.

Counterparty credit risk

The CRR defines CCR as the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.

Limits on counterparty exposure are established by the MCC. Such limits relate to net exposure, after application of cash (and cash equivalent) collateral, as provided in industry-standard documentation such as the ISDA and GMRA agreements, and the Credit Policy.

The Bank has not established any credit reserves in relation to CCR.

Credit risk quantification and assessment

The Bank adopts the standardised approach to credit risk as outlined in the CRR in order to apply its capital requirement for credit risk.

Besides allocating capital against its Pillar 1 risks that are based on the Bank's accounting records, the Bank carries out an assessment of any additional capital that is necessary to be set aside in order to withstand economic effects of risk-taking activities based on a capital add-on to the Pillar 1 capital requirements. This assessment is carried out at least on an annual basis as part of the ICAAP.

Credit risk management and control

The lending activities are governed by the credit risk policy and associated credit frameworks, covering the International Corporate Lending portfolio, securities portfolio (including AAA Collateralised Loan Obligation ("CLO") investments) and the Dutch and Belgian Mortgages portfolios. The MDB Group's Corporate Credit Framework, the Credit Risk Policies and procedures are applied uniformly across the Group and its subsidiaries.

The Credit policy sets out a series of controls on how the Bank mitigates its credit risk, covering:

- Credit governance;
- Credit approvals;
- Credit classifications and staging criteria;
- Credit monitoring;
- Deteriorating credits and forborne exposures; and
- Non-performing and default exposures.

All portfolio specific credit frameworks are approved by the CRO and overseen by the BRCC. At minimum, all credit frameworks incorporate the following credit risk themes:

- asset restrictions and definitions, including minimum credit quality, permitted obligor domiciles as well as any required structural features such as seniority or collateral type;
- any limits, restrictions or conditions to the MCC's or delegated approval authority;
- proposed credit monitoring processes and frequency;
- any specific provisioning approaches over and above the Bank's standard credit provisioning policy (incorporating the accounting principles of IFRS 9), including the treatment of non-performing, default and forborne loans; and
- documentation standards, including in particular the expected contents of credit memorandum and the extent (in respect of obligors with a public credit rating) to which third-party credit ratings may be used as a substitute for, or support the business unit's own analysis.

The Bank also operates with an Management Credit Committee that is responsible for approving credit and investment recommendations and making other credit and investment decisions within its authority as delegated by the Board. Its purpose is to approve credit and investment recommendations and oversee the credit and investment strategies and objectives of the Bank's lending portfolios.

As part of the Bank's robust approach to credit risk management, the Bank ensures that close and continuous oversight of each of its respective lending and securities portfolios is undertaken.

The Risk Management Function (2nd Line of Defence ("LOD")) is responsible for ensuring that all significant credit risks are appropriately being identified and managed by the respective business functions (1st LOD) and clearly incorporated into the risk management and reporting framework. Additionally, the risk management function is responsible for overseeing that appropriate monitoring of the credit performance of each lending portfolio, including, amongst other things, monitoring portfolio risk and concentration risk, monitoring credit quality trends and provision levels and reviewing and taking appropriate action in connection with any violations of credit limits and policies.

The CRO assigns ownership and responsibility for the monitoring of such risks and is responsible for ensuring that adequate controls are in place to ensure that risk management is in compliance with regulatory requirements and with the Bank's risk appetite as approved by the Board of Directors.

In addition to allocating specific concentration limits for each asset portfolio it manages, the Bank employs various quantitative credit risk metrics to monitor its lending portfolios, including:

- Single name limits;
- Loan-to-Value ("LTV") at origination; and
- Debt service to income ratio ("DSTI") at origination, amongst others.

The Credit policy outlines the approach to identifying non-performing, impaired and default exposures, as well as provisioning and write-off criteria as defined in accordance with EBA Guidelines Article 178 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 ("Regulation (EU) No 575/2013"), the ECB guidance to banks on Non-performing loans ("NPL") (March 2017) and the EBA report for non-performing and forborne exposures (EBA/GL/2018/06).

The Bank is required to identify Non-Performing Exposures ("NPEs") and to assess the recoverability of the recognised exposure. Assessment is made at an obligor (rather than facility) level. This implies that in those cases where a particular debtor has multiple facilities with the Bank, the Bank considers whether there are indications of unlikeliness to pay at the level of the debtor, irrespective of the different levels of losses that can be incurred in respect of the different facilities resulting from different levels of seniority. Therefore, the Probability of Default ("PD") is measured at the level of the debtor, while the Loss Given Default ("LGD") measures the loss incurred by the different tranches.

The governance of assessing NPEs and Default triggers is undertaken as part of the ongoing credit monitoring processes. Where NPEs or Default indicators are observed, immediate assessment by the respective MCC is required and a ratification of the internal credit classification conducted.

In accordance with the definition of defaulted exposures, provided under Article 178 of the CRR, the Bank identifies a "default" where a financial asset is 90-days past due its contractual repayment for any amount of principal, interest or fee that has not been paid at the date it was due. However, the Bank relies on the definitions of "Unlikeliness-to-Pay" for additional default criteria in terms of article 178 (3) of the CRR, which aligns closely with the definition of NPEs specified above.
Where a non-performing or default trigger has been identified and applied to a financial asset, the obligor's related facilities must also be assessed to determine whether they are also impaired for the same reason and/or are unlikely to pay.

Collateral valuation

LTV limits are applied to any credit extended to real estate related transactions or where real estate is pledged as collateral, given that underlying asset values can be subject to market volatility. LTV limits are defined for retail mortgages across Belgium and the Netherlands, reflecting the different risks associated with the portfolios, in line with market standards.

The bank is active in the Belgian Residential Mortgage Loans ("BRML") market through a collaboration with Allianz Benelux ("AZB"), acting as Lender of Record ("LoR"). In its role as the Lender of Record, AZB formulates guidelines regarding the minimum requirements for collateral valuations ("Onroerende Goederen Waardebepaling Richtlijnen"). The market approach is the primary valuation method, supported where relevant by the cost or income approach depending on the property type and availability of market data. All property valuations are performed on site by an approved appraiser. The drafting and management of a list of appraisers also falls under the responsibility of AZB. Valuation reports have a maximum validity of 12 months.

Revaluations are performed quarterly for all properties serving as collateral by indexing the original on-site valuation to Statbel's (Belgian statistical office) most recent median transaction prices, segmented by province and by property type (houses vs apartments).

The bank is active in the Dutch residential Buy-to-Let Mortgage market through a collaboration with Build Finance, acting as Lender of Record. Receivables ("participating loans") are acquired through silent assignment. In its role as the Lender of Record, Build formulates guidelines regarding the minimum requirements for collateral valuations ("Beleidskader Kredietacceptatie"). The primary valuation method is the Net Initial Yield (NAR) approach, which is based on market rent and capitalization yields derived from comparable transactions; where relevant, a Discounted Cash Flow (DCF) analysis is also used to support the valuation. All property valuations are performed on site by an approved appraiser. Every appraiser is registered with the Dutch Register of Real Estate Appraisers (NRVT) in the Commercial Real Estate section and is committed to complying with the NRVT regulations. Valuation reports have a maximum validity of 6 months.

As outlined in the Build General Terms and Conditions, real estate collateral is revalued every three years to ensure the Bank's security interests remain aligned with current market conditions. These revaluations are performed on site by an approved appraiser.

The bank is active in the Dutch residential (owner occupied) mortgage loan market through a collaboration with Blauwtrust Group ("BTG"), acting as Lender of Record via its subsidiary HollandWoont. Receivables ("participating loans") are acquired through silent assignment. In its role as the LoR, HollandWoont formulates the minimum requirements for collateral valuations. Collateral valuations must comply with NHG standards. The NHG criteria stipulate that the value of a dwelling must be established by a valuation report issued by a certified valuation institution. This valuation report may not precede the date of the binding offer for the loan by more than six months. Three types of valuation reports are accepted in the underwriting process of NHG-backed mortgage loans: a valuation by a qualified appraiser, a desktop valuation or a building and purchase agreement in the context of newly built properties. In the case of a validated valuation, the Netherlands Woning Waarde Instituut (the Dutch Property Value Institute) assesses whether the appraiser and the valuation report meet the established guidelines. Once the valuation report has been approved, the report receives a unique code and the appraiser is no longer able to adjust the report without permission from the institute. In a desktop valuation, the mortgage amount may not exceed 90% of the market value. NHG only considers the lower of the collateral value and the purchase price of the property to mitigate the impact caused by inaccurate collateral valuation.

The value of the dwellings of the portfolio is reviewed on a quarterly basis through an automated indexation method. Indexation is based on Governmental data developed for this purpose on a regional basis (regional NUTS3 average WOZ value).

For individually significant loans, including but not limited to those exceeding €3 million or 5% of the Group's own funds, the value of the property securing such loans shall be reviewed by an independent valuer at least every three years.

If the market is subject to significant changes in conditions and publicly available information indicates that the value of the property may have declined materially relative to general market prices, an update of the valuation of the collateral shall be required.

2.4.2 Capital adequacy

(Article 438 CRR)

Capital adequacy is a measure of the financial strength of the Bank. This is usually expressed as a ratio of its Common Equity Tier 1 ("CET1") capital, Tier 1 Capital (Tier 1), or its Total Capital (Tier 1 + Tier 2 capital) to its total RWAs.

Capital adequacy requirements have increased in importance as regulators seek to ensure that banks and financial institutions have sufficient capital to keep them out of difficulty, even during periods of heightened cyclicality. The Bank has always sought to maintain an appropriate level and quality of capital to support its prudential requirements with sufficient contingency to withstand severe but plausible stress scenarios.

The MDB Group and MeDirect Belgium are subject to prudential requirements under the ECB SREP and are bound by the terms of the capital requirements outlined within the SREP decision. The Bank's management has a significant level of control and oversight over its capital ratios. It uses the capital base as its main constraint for curbing asset growth in reaction to market changes whilst aiming to strike an appropriate balance between risk and sustainable returns.

The Bank has developed an ICAAP to consider the capital required given its businesses and risk profile, both from a normative and economic perspective. This is defined by sound, effective and comprehensive strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that the Bank considers adequate to cover its nature and level of risks to which it is or might be exposed to.

The Bank's ICAAP is aligned with regulatory requirements, as well as best commercial and governance practice, and are demonstrated through the Bank's internal reporting.

The Bank's risk appetite covers capital adequacy and has established a number of RALs and KRIs in order to manage and monitor this risk. Actual performance is monitored against these pre-set limits and are disclosed in the daily, weekly and monthly risk reports.

The Bank actively monitors the following capital ratios and leverage ratios, allocating specific risk appetites supported by quantitative RALs. The ratios below represent the capital metrics the Bank is willing to commit to limiting its appetite to:

- Common Equity Tier 1 ("CET 1") ratio;
- Tier 1 capital ratio;
- Total capital ratio;
- Leverage ratio; and

The Bank has no appetite for breaches of the formal minimum capital ratios as set out by the Governing Council of the ECB under Article 26(8) of Council Regulation (EU) No 1024/2013 of 15 October 2013 ("Regulation (EU) No 1024/2013"), pursuant to Article 16 of Regulation (EU) No 1024/2013, to fulfil the prudential requirements and comply with the Pillar II requirements. In addition, the Bank has no appetite for breaching minimum capital requirements as part of the SREP process and designed to supplement any of these measures with institution specific (Pillar 2) capital.

The Bank has zero tolerance for breaching its Overall Capital Requirement ("OCR") plus the Pillar 2 Guidance ("P2G") as a result of actions that are within its control. The Bank additionally has a very-low risk appetite for breaching its OCR in stressed conditions, although it accepts that in sufficiently adverse scenarios, it might not be able to meet its P2G and combined buffer requirements. The Bank therefore ensures that an adequate management buffer is in place to allow it to comply with the OCR and P2G in business-as-usual conditions, and to stay above its Total SREP Capital Requirement ("TSCR") under adverse conditions. The Bank adopts very stringent procedures and processes to ensure that these minimum requirements are met, and it has therefore set RALs above its OCR and P2G.

Moreover, under the Basel III framework, banks must meet a 3% leverage ratio minimum requirement at all times. The Bank has maintained a Leverage Ratio above the Basel III minimum.

2.4.3 Liquidity and Funding risk

<u>Liquidity risk management strategies and processes</u> (Article 435 (1) (a) CRR) (EU OVA & EU LIQA)

Liquidity risk is the risk of the Bank being unable to generate sufficient funding resources to meet financial obligations as they fall due in business as usual and stress scenarios. Funding risk arises from higher funding costs or lack of availability of funds.

The Bank's liquidity risk management principles are documented in the Liquidity Risk Management Policy. The Liquidity RMF defines the related roles and responsibilities, liquidity and funding risk appetite and escalation process, KPIs, risk management techniques and how it is integrated within risk management and decision making of the Bank. It covers the oversight of liquidity risk across business lines and legal entities, risk analysis of the composition and maturity of assets and liabilities, oversight of intraday liquidity management and risk assumptions on the liquidity and marketability of assets.

Policies for hedging and mitigating liquidity risk (Article 435 (1) (d) CRR) (EU OVA & EU LIQA)

The Bank actively manages stable and efficient access to funding and liquidity to support its ongoing operations. The Bank's appetite for liquidity and funding risk is embedded through the Liquidity RMF and Policy, which stipulates the funding restrictions of the Bank, and the approval thresholds for usage of certain funding instruments.

Liquidity and funding RALs inform the Bank of the potential for, or an actual deterioration of its capacity to meet its current and foreseen liquidity and funding needs. In addition, certain liquidity risk appetite metrics measure and oversee the contingency funding capacity and availability of such management actions, in order to assess and oversee that the Bank has appropriate liquidity buffers in place to mitigate both adverse and severe liquidity scenarios.

The ALCO is responsible for the development and update of Hedging Strategy which takes into consideration the Bank's funding and liquidity strategy. The process is supervised by the risk function to assess the appropriateness of the hedging strategy.

Liquidity risk management structure and organisation (Article 435 (1) (b) CRR) (EU OVA & EU LIQA)

Liquidity risk identification

The Risk Management Function is responsible for designing the RAS that is presented for discussion and challenge by the BRCC members, and ultimately approved by the Board of Directors. This process leads to the creation of granular liquidity RALs that are monitored across the internal functions of the Bank. Notification and escalation processes are in place in order to ensure timely and adequate flow of information up to Committee and Board levels.

The Bank makes use of RCSAs to identify, document and assess its key risk and controls, as is clearly described within the Bank's Risk Register. This bottom-up approach to risk identification is also applied to liquidity risks across the Bank. The RCSA results are then used to help identify KRIs and define risk appetite metrics.

The Bank has identified the following risk drivers related to liquidity:

- *Retail funding risk:* The risk of a potential demand on liquidity from customer deposit flight;
- *Wholesale funding risk:* The risk that wholesale funding is reduced or withdrawn suddenly;
- *Off balance sheet risk:* The risk of an unexpectedly heavy series of utilisation on committed undrawn credit facilities;
- *Maturity mismatch:* A mismatch occurs as banks borrow short-term and lend on a much longer-term basis. This mismatch can become more pronounced under conditions of stress as counterparties might require roll-over at shorter maturities;
- *Currency mismatch:* Liquidity risk exposures arising from the use of foreign currency deposits to fund domestic currency assets as well as the funding of foreign currency assets with domestic currency;
- *Intraday liquidity risk:* The risk that the Bank is unable to meet payment obligations at the time expected, thereby affecting its own liquidity and that of other parties;
- *Intragroup liquidity risk*: The risk that the entity that provides funding to another entity may be unable to continue providing this funding;
- *Contingency liquidity risk:* The risk of not having enough contingency funding options in stressed situations. It is also, the risk that assets cannot be sold in the market quickly or only by incurring a heavy discount, or the risk that funding cannot be raised against these assets, and the risk that committed funding lines are impacted/reduced/with higher haircuts;
- *Short-term liquidity risk:* The risk of an inadequate level of assets which the potential to be used as collateral or are eligible at central banks and as such may potentially be additional sources of liquidity; and
- *Funding concentration risk:* The risk that the Bank is overly reliant on one/small number of funding sources or tenor/structure.

Liquidity risk quantification and assessment

Following the identification of liquidity and funding risks, the Risk Management Function performs a risk analysis to assess the significance and likelihood of these risks. The Bank's assessment of risks to liquidity and funding is primarily done through the ILAAP.

For the ILAAP, the Bank models liquidity stress scenarios on the basis of an idiosyncratic and a market-wide stress scenario together with a reverse liquidity stress test. This also forms part of the Bank's risk reports. The Bank has also extended the range of liquidity stress scenarios in order to explore in more detail the range of liquidity sensitivities the Bank may experience in stress scenarios.

Principle 12 in the BCBS "Principles for Sound Liquidity Risk Management and Supervision" requires banks to maintain a cushion of unencumbered, HQLA to be held as insurance against a range of liquidity stress scenarios. The outcome of the liquidity stress testing is used to determine this cushion or liquidity buffer.

In line with Principle 17 in the BCBS guidelines, the Bank is also required to maintain a prudent funding structure drawn from diverse funding sources in the short-, medium- and long-term. The Bank's funding plan provides a detailed description and quantitative overview of the various funding sources. The Bank has also in place a liquidity contingency funding plan that identifies the various funding sources that the Bank can rely on during a distressed situation.

An analysis of asset encumbrance is also an important consideration and is critical to assess the ability of the Bank to handle funding stress, and its ability to switch from unsecured to secured funding under stressed conditions.

Mismatching of assets and liabilities, and currencies may also lead to a degree of liquidity risk.

The Bank has in place a Liquidity RMF and Policy, that are complemented by other policies such as the Stress Testing Policy, the Liquidity Contingency Plan Policy, the Risk Appetite Policy and the ICAAP and ILAAP Policy. These policies set the standards and rules around liquidity risk management for the Bank. By definition, they provide a cornerstone of the Bank's Risk Management Controls.

Funding strategy

The Bank's funding profile has evolved over the years from a reliance on wholesale funding to deposit funding. The evolution of the funding profile was, in part, a result of a strategic shift on the asset side of the balance sheet. The Bank's intention going forward is to remain mainly deposit funded as it gives more long-term stability to the Bank. In 2020, the Bank entered into its diversification strategy by adding on balance sheet securitisation as part of the funding plan of the new asset class - Nationale Hypotheek Garantie ("NHG") mortgages, as well as developing a broader range of wholesale funding options for contingency funding capacity. MeDirect Belgium entered into three Dutch residential mortgages securitisations to serve as a long-term funding source. Other funding sources such as repo facilities and third-party warehouse lines on mortgages may also be used as bridging instruments to deposits or securitisation in the short to medium-term. The Bank considers bilateral repurchase agreements (i.e. not executed via Eurex) and central bank facilities as alternative sources of funding, which are not intended to be utilised extensively under business-as-usual conditions.

For liquidity management purposes, the Bank's balance sheet, both assets and liabilities, is managed on a day-to-day basis by the Treasury and Asset and Liability Management ("ALM") function, under the leadership of the MeDirect Belgium Chief Financial Officer ("CFO"). The Bank's funding strategy is that management of its day-to-day liquidity position should not require actions that potentially compromise its medium-term or long-term objectives.

The Bank establishes a funding strategy that provides effective diversification in the sources and tenor of funding. The Bank diversifies available funding sources in the short-, medium- and long-term as part of its funding plan, in conjunction with its budgeting and planning processes. The Bank's funding plan takes into account correlations between sources of funds and market conditions.

The Bank's funding strategy for business-as-usual activities is facilitated by maintaining a positive funding gap and by monitoring the Bank's maturity ladder, which is used by the Bank to determine the availability of liquid assets to meet the liquidity gaps across a range of time buckets. The Bank ensures it maintains a significant buffer of HQLAs that can be readily converted into cash or are eligible to be pledged as collateral in order to raise wholesale repo funding to meet liabilities as they fall due. Additionally, the Bank may choose to widen the composition of its contingency buffer to hold other unencumbered liquid assets which can be sold or used as collateral without resulting in excessive losses or discounts.

Liquidity risk management buffers

The Liquidity Risk profile is also a key consideration of the Bank's RALs and KRIs. The Bank controls the appetite it is willing to accept in terms of liquidity risk by ensuring adequate management buffers exist, in conjunction with early notification thresholds, to help avoid the Bank taking on liquidity risk outside of its agreed risk appetite. These liquidity management buffers are additionally embedded into the Liquidity and Funding RAS to ensure regular oversight is in place.

Liquidity stress testing and Contingency funding planning

In conjunction with the above controls, the Risk Management Function performs regular stress testing of its liquidity profile, as well as the availability and viability of contingency funding options through both its ILAAP and monthly risk report each month. These reinforce the Bank's oversight of liquidity risk, by not only focussing its risk reporting on the 'current' state, but also providing regular and timely reporting of the potential 'stress' liquidity profile of the Bank. The monthly risk reports are also a standing agenda item at Executive level for the ALCO and BRCC.

Liquidity risk governance

The Bank's overall liquidity and funding position is managed in the normal course of business by its Treasury and ALM team, under the oversight of the ALCO, the Enterprise Management Risk Committee and the BRCC.

The Risk Management Function ensures that all liquidity risks are identified, measured, overseen and appropriately reported. Additionally, the Risk Management Function has the responsibility of defining potential adverse liquidity scenarios that should be considered for assessing the exposure to these scenarios and for assessing the effectiveness of contingency funding plan measures. Risk is also responsible for ensuring that all significant risks related to liquidity are appropriately identified and clearly incorporated in the risk management and reporting framework. The Risk Management Function is actively involved in all material risk management decisions and is adequately structured to deliver a holistic view of the whole range of risks faced by the Bank in its strategic decision-making. Analysis of liquidity risk is the joint responsibility of the Treasury and Risk functions under the oversight of the ALCO and of the BRCC.

<u>Scope and nature of liquidity risk measurement and reporting system</u> (Article 435 (1) (d) CRR) (EU OVA & EU LIQA)

The Bank's intention is to be able to adhere to its RALs as well as satisfy any regulatory or statutory minimum liquidity requirements even during times of stress. The Bank also seeks to project key liquidity ratios forward through time. While acknowledging that the principal liquidity ratios cover a range of time horizons from one day to one year, the Bank does not solely rely on the regulatory liquidity ratios to ensure it has adequate liquidity when these ratios are above their minimum regulatory levels. In part, this reflects the fact that the Bank's own assumptions on deposit withdrawal or haircuts may differ and are generally more conservative than those mandated by the LCR and NSFR.

Consistent with its practice in other areas of risk analysis and reporting, and also consistent with Principle 10 of Basel's "Principles for effective risk data aggregation and risk reporting", the Bank performs and reports on these projections monthly, to allow for in-depth review and analysis at ALCO and the BRCC. Reliable management reporting provides the EXCO and the Board with timely and forward-looking information on its liquidity position. Reporting of risk measures is done on a frequent basis and compares current liquidity exposures to established limits to identify any emerging pressures and limit breaches.

The Bank has in place a number of quantitative risk appetite metrics to be able to monitor liquidity risk:

- LCR;
- NSFR;
- Core Liquid Asset Buffer;
- Net Deposit Outflows in 1 day and over 1 week;

The Bank will at all times ensure that it is in full compliance with all applicable regulatory requirements.

<u>Qualitative information on LCR</u> (Article 451a CRR) (EU LIQ B)

The Liquidity Coverage Ratio

The LCR is intended to promote the short-term resilience of a bank's liquidity risk profile over a 30-day stress scenario. The ratio is defined as the amount of HQLA that could be used to raise liquidity, measured against the total volume of net cash outflows, arising from both contractual and modelled exposures, in a stress scenario.

This requirement has been implemented into European law, via the Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 ("Regulation (EU) 2015/61"), Compliance with the LCR was required in the EU from 1 October 2015.

All items in the Bank's LCR calculation have been included in the EU LIQ1 table.

Funding and liquidity sources

In line with Principle 17 in the BCBS guidelines, the Bank's objective is to maintain a prudent funding structure drawn from diverse funding sources in the short, medium and long-term. Potential funding sources may include, but are not limited to:

- Deposits from retail customers;
- Secured bond issuance through RMBS structures;
- Issuance of capital instruments;
- Interbank funding (either secured, for example through repo or Total Return Swaps, or unsecured); and
- Central bank funding (although it is the Bank's strategy not to rely on the Central Bank for funding in the normal course of events, but instead only used as a secondary source of financing).

MeDirect Belgium manages its own capital and liquidity position in a manner consistent with its own strategy and planned business growth and with local regulatory requirements, and within the context of the group-level strategy. Capital or liquidity requirements that are necessary to support planned growth, will normally be determined by the Board itself as part of the Bank's budgeting process. If the Board determines that an increase in capital or intercompany borrowing is desirable, either to address current weakness or to support future growth, then it would request such an increase from MeDirect Malta.

MeDirect Belgium holds its liquidity reserve with the NBB and correspondent banks. MeDirect Malta is provided liquidity from MeDirect Belgium through interbank deposit balances; however, intragroup liquidity management is thereby constrained due to the application of Large Exposure Rules under Articles 387-403 of the CRR.

Derivative exposures

With respect to derivatives, as noted in the table EU LIQ1, as part of the Bank's liquidity outflows, an amount is included in relation to additional liquidity outflows corresponding to collateral needs from the impact of an adverse market scenario on derivative transactions, as required in Commission Delegated Regulation (EU) 2017/208 of 31 October 2016 ("Regulation (EU) 2017/208"). This amount corresponds to the largest absolute net 30-day collateral flow realised during the 24 months preceding the reporting date of the LCR calculation.

Currency mismatch in the LCR

The LCR is calculated for Euro which has been identified as significant currency (having liabilities >5% of total liabilities excluding regulatory capital and off-balance sheet liabilities, with approximately 99% of total liabilities being in Euro) in accordance with the Regulation (EU) 2015/61. In this respect, the LCR Regulation only requires the LCR to be met on a total currency basis and is not required to be met on a currency-by-currency basis.

Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile

The Pillar 3 disclosure obligations require Banks to disclose the 12 months rolling averages each quarter. Nothing else is considered relevant for disclosure.

Quantitative information on LCR (Article 451a CRR)

The following table provides an analysis of the data points used in the calculation of the LCR:

EU LIQ1 - Quantitative information of LCR

		a	b	c	d	e	f	g	h
	Amounts in €millions	Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on:	31 December 2024	30 September 2024	30 June 2024	31 March 2024	31 December 2024	30 September 2024	30 June 2024	31 March 2024
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					550	522	478	433
2	Retail deposits and deposits from small business customers, of which:	2,814	2,671	2,532	2,392	253	237	220	202
3	*Stable deposits*	-	-	-	-	-	-	-	-
4	*Less stable deposits*	2,488	2,358	2,193	2,010	253	237	220	202
5	Unsecured wholesale funding	-	-	-	-	-	-	-	-
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	-	-	-	-	-	-	-	-
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	*Secured wholesale funding*					7	8	10	11
10	Additional requirements	77	78	89	101	63	62	62	67
11	*Outflows related to derivative exposures and other collateral requirements*	*45*	*43*	*42*	*42*	*45*	*43*	*42*	*42*
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	*32*	*35*	*47*	*59*	*18*	*19*	*20*	*25*
14	Other contractual funding obligations	17	8	8	6	14	5	4	2
15	Other contingent funding obligations	-	-	-	-	-	-	-	-
16	TOTAL CASH OUTFLOWS					336	311	297	283
CASH – INFLOWS									
17	Secured lending (e.g., reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	40	30	32	30	37	28	29	28
19	Other cash inflows	5	5	6	12	5	5	6	12
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	45	35	37	43	42	33	35	40
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	45	35	37	43	42	33	35	40
TOTAL ADJUSTED BUFFER									
21	LIQUIDITY BUFFER					550	522	478	433
22	TOTAL NET CASH OUTFLOWS					293	278	262	242
23	LIQUIDITY COVERAGE RATIO					188%	187%	182%	179%

As at 31 December 2024 and 2023, the Bank's LCR was above both the regulatory minimum.

The Net Stable Funding Ratio

The NSFR requires banks to maintain a stable funding profile in relation to their on- and off- balance sheet activities. The ratio is defined as the amount of Available Stable Funding (the portion of capital and liquidities expected to be a stable source of funding), relative to the amount of Required Stable Funding (a function of the liquidity characteristics of various assets held).

The following table provides an analysis of the data points used in the calculation of NSFR. The NSFR as of 31 December 2024 calculated in accordance with the CRR stands at 120%.

EU LIQ2: Net Stable Funding Ratio

		a	b	c	d	e
As at 31 December 2024		Unweighted value by residual maturity at 31 December 2024				Weighted value
Amounts in €millions		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	**68**	-	-	**127**	**195**
2	*Own funds*	*68*	-	-	*127*	*195*
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		**2,809**	**127**	**66**	**2,708**
5	*Stable deposits*		-	-	-	-
6	*Less stable deposits*		**2,809**	**127**	**66**	**2,708**
7	Wholesale funding:		**22**	**-**	**639**	**639**
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		*22*	-	*639*	*639*
10	Interdependent liabilities		**-**	**-**	**-**	**-**
11	Other liabilities:	**32**	**213**	**-**	**-**	**-**
12	*NSFR derivative liabilities*	*32*				
13	*All other liabilities and capital instruments not included in the above categories*		*213*	-	-	-
14	**Total available stable funding (ASF)**					**3,542**
15	Total high-quality liquid assets (HQLA)					**165**
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		**-**	**-**	**-**	**-**
16	Deposits held at other financial institutions for operational purposes		**-**	**-**	**-**	**-**
17	Performing loans and securities:		**194**	**33**	**2,976**	**2,523**
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		162	-	-	16
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		15	15	1,406	316
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		-	-	-	-
22	*Performing residential mortgages, of which:*		17	18	1,179	1,859
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		31	31	2.224	1,858
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		-	-	391	332
25	Interdependent assets		**-**	**-**	**-**	**-**
26	Other assets:	-	**291**	**1**	**52**	**251**
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	*1*	*1*
29	*NSFR derivative assets*		*146*	-	-	*146*
30	*NSFR derivative liabilities before deduction of variation margin posted*		*32*	-	-	*2*
31	*All other assets not included in the above categories*		*113*	*1*	*51*	*102*
32	Off-balance sheet items		**129**	**-**	**-**	**6**
33	**Total RSF**					**2,945**
34	**Net Stable Funding Ratio (%)**					**120.3%**

		a	b	c	d	e
As at 31 December 2023		Unweighted value by residual maturity at 31 December 2023				Weighted value
Amounts in €millions		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	**192**	-	-	**-**	**192**
2	*Own funds*	*192*	-	-	-	*192*
3	*Other capital instruments*		**-**	-	-	-
4	Retail deposits		**2,351**	**61**	**97**	**2,387**
5	*Stable deposits*		*2,320*	*61*	*94*	*2,356*
6	*Less stable deposits*		*31*	-	*3*	*31*
7	Wholesale funding:		**279**	**-**	**911**	**911**
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		*279*	-	*911*	*911*
10	Interdependent liabilities		**-**	**-**	**-**	**-**
11	Other liabilities:	**25**	**36**	**-**	**-**	**-**
12	*NSFR derivative liabilities*	*25*				
13	*All other liabilities and capital instruments not included in the above categories*		*36*	-	-	-
14	**Total available stable funding (ASF)**					**3,490**
15	Total high-quality liquid assets (HQLA)					**103**
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		**-**	**-**	**-**	**-**
16	Deposits held at other financial institutions for operational purposes		**-**	**-**	**-**	**-**
17	Performing loans and securities:		**72**	**28**	**2,715**	**2,318**
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		45	-	2	6
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		-	-	246	218
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		-	-	-	-
22	*Performing residential mortgages, of which:*		27	28	2,021	1,714
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		26	26	1,915	1,623
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		-	-	446	379
25	Interdependent assets		**-**	**-**	**-**	**-**
26	Other assets:	-	**502**	**1**	**16**	**347**
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	*1*	*1*
29	*NSFR derivative assets*		*181*	-	-	*181*
30	*NSFR derivative liabilities before deduction of variation margin posted*		*25*	-	-	*1*
31	*All other assets not included in the above categories*		*296*	*1*	*15*	*164*
32	Off-balance sheet items		**78**	**-**	**-**	**4**
33	**Total RSF**					**2,772**
34	**Net Stable Funding Ratio (%)**					**125.9%**

2.4.4 Business model and strategy risk

Strategic risk is directly linked to the business model of an institution and how effectively the institution manages to translate its budget and forecasts into actual performance. Another consideration is the challenging environment that banks operate in and the various factors that each bank has to face, such as declining margins, loss of market position or customers, and higher costs such as reorganisation costs.

The Bank acknowledges that reported earnings inherently carry some level of volatility and seasonality. Hence, even though they are not always the best indicator of the Bank's performance, they do represent a useful risk metric. As many of the risk factors have inter-dependencies and will be influenced primarily as a result of other risks covered elsewhere in the RAS, KPIs are governed by the Financial KPI Policy.

The KPIs include what the Bank considers to be an adequate range of risk-adjusted-return indicators that are proportionate to the size and business model of the Bank. The KPIs are monitored and reported within the monthly financial reporting process and overseen by the Board of Directors. The monitoring of these measures ensures that the business model performance is consistent with the expectations of the stakeholders; to withstand unexpected shocks; and earnings (and cash flows) are consistent with funding strategies.

Different factors that could affect the business model and strategy of the Bank are also taken into consideration in the scenario analysis for the ICAAP.

2.4.5 Market risk
(Disclosures related to market risk according to EU MRA)

The Bank is exposed to the risk of an adverse change in its financial situation, resulting, directly or indirectly, from fluctuations in the level or volatility of market prices of assets and liabilities and from adverse movements in interest rates, credit spreads and FX rates. This can affect the Bank's profitability (i.e. NII) and capital measures.

The Bank has a portfolio of securities (held mainly as HQLA) and other low credit risk bearing assets which give rise to the Credit Spread Risk in the Banking Book ("CSRBB"). Exposure to movements in securities prices can be decomposed into the exposure to interest rates and to spreads which fluctuate on a daily basis as a result of the changes in the market demand and liquidity for certain securities. Additionally, the Bank originates loans and gathers funds in foreign currencies (other currencies than Euro) that are not always offset, creating a small exposure to the FX risk in the Bank.

The Bank does not run a Trading Book and accordingly has limited exposure to market risk in the normal sense that shifts in market variables drive the Bank's income. The Bank is, of course, not entirely immune to the effects of market movements and manages this exposure accordingly.

Market risk identification, quantification and assessment

The Bank assumes three types of market risk, namely:

A) Interest Rate Risk

IRRBB refers to the current or prospective risk to the Bank's net Economic Value of Equity ("EVE"), capital and NII earnings arising from adverse movements in interest rates that affect the Bank's banking book positions.

Exposure to the IRRBB is differentiated by various sub-categories such as:
- Gap risk (repricing risk);
- Option risk;
- Basis risk; and
- Yield risk (exposure to the parallel and non-parallel interest rate curve shifts).

The Bank measures its exposure adopting both contractual and behavioural views (where items without deterministic maturity are assigned certain level of stickiness). The impact of the automatic options embedded in the banking book structure is assessed under ∆NII, ∆EVE and Price Value of a Basis Point ("PV01") sensitivity.

The exposure to interest rate risk arises predominantly from repricing risk emanating from its asset/liability structure. Specifically, a lag exists between the Bank's loans which reprice periodically, the mortgage loans portfolio characterised by its long-term structure and its associated hedging portfolio and the term structure of customer deposits. The exposure to interest rate risk is managed through a hedging strategy which uses a series of plain vanilla interest rate swaps that form a run-off profile matching a mortgage portfolio run-off profile with behavioural pre-payment assumptions. There is also a possible impact of the Mark-to-Market ("MtM") value arising from fixed rate assets if the interest rates increase in case of realisation. As the balance sheet management strategy is not to realise those investments by setting an adequate liquidity and hedging strategy, the materialisation of this risk in the income statement remains low.

The presence of interest rate floors embedded in the majority of the loans enable the Bank to mitigate the repricing risk of its asset/liability structure.

The Bank considers the materiality of IRRBB to be relevant enough to assess the level of Internal Capital required to mitigate such risks. This risk is assessed separately within the IRRBB Internal Capital section of the ICAAP.

CSRBB is a risk that banks need to monitor and assess in their interest rate RMF. CSRBB refers to the risk driven by changes in the market perception about the price of credit risk, liquidity premium and potentially other components of credit-risk instruments inducing fluctuations in the price of credit risk, liquidity premium and other potential components, which is not explained by IRRBB or by expected credit/(jump-to-) default risk.

The Bank quantified the credit spread through the difference between the security's market yield at the valuation date and the risk-free rate and is strengthening its market value risk assessment including metrics related to the Marked-to-Market value sensitivity to spreads. The credit spread is an important market risk category for the Bank given the existence of the securities, mainly held for liquidity purposes which could potentially be used as contingency assets in case of severe liquidity stress. This risk is however mitigated by the high credit quality requirement set in the Treasury's credit framework, the short spread duration of those securities and the hold to maturity-oriented strategy of the Bank.

B) FX Risk

The Bank is mainly exposed to currency risk on FX movements relating to the GB Pound and US Dollar, originating from the Bank's corporate banking business. The Bank hedges this risk by ensuring that its foreign currency-denominated liabilities are matched with corresponding assets in the same currency. Any mismatches that arise are monitored closely within strict RALs.

FX risk is not considered sufficiently material to warrant the calculation of EC for Pillar 2 internal capital. The Bank's principal deposits, and credit portfolio are both concentrated in Euro and the Bank's appetite for taking on FX risk is very low. The Treasury function is responsible for maintaining FX risk for unhedged positions within tight limits set out in the RAS of the Bank. In substance, in the case of FX risk, the threshold is so tight that the associated EC requirement would be negligible.

C) Credit Valuation Adjustment Risk

Under Capital Requirements Directive V ("CRD V")/CRR, institutions are required to hold additional own funds due to the CVA risk arising from Over-The-Counter ("OTC") derivatives, thus resulting in an additional capital charge when entering into such OTC trades. This charge is designed to cover losses arising from the situation where a counterparty's financial position would worsen and thereby the market value of its derivatives obligation would decline, even though there is no actual default. Thus, the CVA charge tries to cover the risk of deterioration in the creditworthiness of a counterparty.

Given the negligible level of Pillar I capital requirements for CVA, no EC calculation is performed and hence no add-on assigned. The Bank has no trading book and no derivatives of the various forms that led to the importance of CVA risk to be recognised.

Market risk management and controls

Treasury, under the oversight of the CFO, is responsible as 1st LOD for managing interest rate risk within the prevailing interest rate risk strategy as set by the ALCO, and subject to internal limits. In order to manage its interest rate risk, the Bank may establish trading lines with counterparties that enable it to execute derivatives transactions approved for this purpose.

The Risk Management Function owns the IRRBB and CSRBB policy and provides 2nd LOD – oversight to ensure the controls are operating adequately and the risk is managed within the Board approved risk appetite limits. The Risk Management Function is responsible for ensuring that the model is reviewed and validated in accordance with the Model Governance Policy.

The IAF, as 3rd LOD, is responsible for periodic reviews in order to assess and review design, effectiveness and adherence to this policy.

Market risk monitoring and reporting

The Bank has established a number of metrics related to IRRBB that are monitored and reported to ALCO on a monthly basis and to the senior management on a weekly basis. Actual performance is assessed against the pre-set limits of these metrics. These metrics are also included in the monthly risk management reports that are circulated to the BRCC and Board members.

The Bank monitors the following quantitative market risk metrics:

- Primary FX unhedged exposure;
- ∆NII under six regulatory scenarios and four management scenarios;
- ∆EVE under six regulatory scenarios and four management scenarios; and
- PV01 to Own Funds.

∆NII and ∆EVE metrics are both evaluated under six regulatory scenarios on both EVE and NII and four management scenarios.

On a monthly basis, the historical evolution of the ΔNII and ΔEVE are examined and reported in the monthly risk pack. The market risk metrics are presented with additional explanatory variables on the variations and sensitive areas to interest rate risks such as maturity and repricing gap analysis and FX unhedged exposure which is marginal.

Although the investments are held at amortised cost (Held to maturity), the sensitivity to spread shocks of tradable assets is measured on a periodic basis.

2.4.6 Operational risk
(Article 435 (1) [EU ORA])

Operational risks can arise from all business lines and from all activities which are carried out by the Bank. Failure to manage these risks may result in a direct or indirect financial loss, reputational damage, regulatory breaches or may even have a negative impact on the management of other risks such as credit, liquidity or market risk.

ORM encompasses the process of identifying operational risks across all areas including Compliance, Financial Crime, Third Party Management, IT, Data Protection, Model Risk, Regulatory, Reputation and Information Security, measuring the Bank's exposures to these risks, ensuring that effective capital planning and monitoring is in place, taking steps to control or mitigate risk exposures, and reporting the risk exposures and capital positions. It also ensures that the Bank's risk appetite for operational risk is translated in a form that can be implemented and managed in practice, by allocating risk appetite levels to the different sub-risk categories.

The Bank seeks to minimise operational risks through its control environment. The ORM team proactively assists the business, operations, technology and other departments in enhancing the effectiveness of controls and managing operational risk across products and business lines. Furthermore, operational risks are considered as new products and business activities are developed and processes are designed or modified.

The objective is to keep operational risk at appropriate levels relative to the characteristics of MeDirect's strategy, its capital and liquidity, and the competitive, economic, and regulatory environment. ORM is an independent, second line function within the Bank's risk management function and actively participates in various governance forums to ensure the Operational Risk Framework is fully embedded in the day-to-day activities of the Bank, whilst providing independent risk challenge across the entities. This is primarily achieved through a collaborative approach to managing operational risks between the first, second and third lines of defence. An Operational Risk Policy is in place, which covers areas related to the identification and categorisation of operational risks, the measurement and monitoring of operational risk, control testing, operational risk reporting and business continuity.

<u>Operational risk identification and categorisation</u>

The Bank carries out a structured analysis of the current and emerging risks that the Bank is facing, in order to understand and manage these risks as appropriate. There are various operational risk subtypes, including but not limited to fraud (internal/external), business disruption due to reduced or non-availability of a system, inadequate outsourcing arrangements, the Bank's inability to attract, retain, train and develop the right people, failed or inadequate business processes, data risk and project execution risk.

<u>Risk control self-assessments</u>

RCSAs are used to identify the key operational risks. The Operational Risk function is primarily responsible for driving the completion of this process. The Operational Risk Policy lists the overall objectives of the RCSAs as follows:

- Identify the key current and emerging operational risks to the business, with risk identification based on both risks that the business has experienced in the past and plausible risks that the business has yet to experience;
- Understand and evaluate the main drivers of the operational risks;
- Consider market trends of top and emerging risks across the industry;
- Assess the operational risks in terms of their overall significance for the business – based on both the likelihood and impact (frequency and severity) of potential losses;
- Drive improvement actions to address control weaknesses; and
- Provide consistent information on operational risks that can be aggregated and reported to senior management to inform decision-making.

The outputs from the RCSA process are reviewed and challenged by the ORM Function and shared with the CRO to provide a top-down challenge. This output is also shared with the BRCC annually.

<u>Operational risk assessment and measurement</u> (Article 446 CRR)

The results of the RCSA analysis are also used to assess and measure the various inherent risks and the effectiveness of the corresponding controls, to derive the residual risks that the Bank is facing. The RCSAs are often presented as matrices of operational risks by business unit i.e. heat maps indicating where the greatest areas of operational risk lie at a given point in time.

The RCSA results and documentation are leveraged for creating KRIs. The risk themes identified during the RCSA process are also used when coordinating the Bank's ICAAP regulatory deliverable and to calculate the internal capital add-on for operational risk. One or more scenarios are assigned to each operational risk category. The operational risk team ensures that each scenario corresponds to plausible risk event or issue that the Bank could expect to face in a stressed environment.

Operational risk control testing

The primary responsibility for the development and implementation of controls to address operational risks is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified;
- Strategic planning and estimation of operational risk losses, including setting of risk appetite;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development; and
- Risk mitigation and risk transfer measures: once the Operational Risk assessment has been carried out, it is important to identify risk mitigation measures to prevent risks from occurring and, if necessary, to take corrective measures to minimise the economic impact of the risks that have occurred. The identification and implementation of such risk mitigating measures is an ongoing process and particularly important for adequate risk management.

Control testing responsibilities fall dually within the remit of the risk owner (i.e., 1st LOD) and the operational risk function (2nd LOD). Following the periodic RCSA process, key controls linked to 'very high' and 'high' inherent risks are tested to assess their effectiveness. Testing of key controls associated to inherently medium and low risks is not mandatory. However, these are monitored to ensure that inherent risk rating remains low.

1st LOD is required to provide mitigating actions to address any control weaknesses identified through the control testing. The Operational Risk team will in turn monitor the implementation of these mitigating actions.

Operational risk monitoring and reporting

Monitoring of operational risks is key to assessing how much the Bank could lose in terms of both the income statement and capital cost due to operational risk losses at various levels of certainty. The Operational risk reporting covers the following objectives:

- Provides the heads of business units and support functions with the data they need to manage their risks and meet their objectives and strategies.
- Provides senior management with the information it needs to establish, review and, where appropriate, modify business strategies and risk profiles.
- Provides the operational risk function with the information necessary to efficiently discharge its duties.
- Complies with the information requests of supervisory and regulatory bodies.

The Bank has in place a number of quantitative RALs to monitor operational risk.

The actual performance against RALs and KRIs is tracked on a daily, weekly and monthly basis, and disclosed in the weekly and monthly risk management reports.

2.5 Risk statement

Declaration on the adequacy of risk management arrangements approved by the Board (Article 435 (1)(e) CRR) (EU OVA)

The Board confirms, for the purpose of Article 435 CRR, that the risk management systems and arrangements are adequate with regard to the risk profile and strategy and maintains appropriate resources to implement selected enhancements.

Concise risk statement approved by the Board (Article 435 (1)(f) CRR) (EU OVA & EU LIQA)

The Board is committed to set the tone from above by instilling a risk-aware culture across the Bank where everyone is aware of the different risks that the Bank faces as well as the risk management processes that should be embedded in key decision-making.

The risk management approach focuses on ensuring continued financial soundness and safeguarding the interests of the stakeholders, while remaining agile to seize value-creating business opportunities in a fast-changing environment. The Bank is committed to upholding high standards of corporate governance, sound risk management principles and business practices to achieve sustainable, long-term growth.

The Bank has a comprehensive Enterprise Wide Risk Management Framework ("RMF") in place that is robust and fit-for-purpose, which outlines the steps to assess, manage and monitor all risks faced today and in the future. The risk management practices continue to evolve and improve to enable better outcomes for all stakeholders and to consider any changes and new and emerging risks. At the centre of the RMF is a strong risk culture and continuously increasing the overall maturity of risk awareness. The Group continues to focus on ESG initiatives with the creation of a new Sustainability principal risk category.

MeDirect has ensured the ongoing effectiveness of its RMF, especially to support and enable the current diversification and transformation strategy. This RMF has ensured that new and proposed business lines, areas of growth, changes in technology and management decisions are well governed and sustainable. The Bank's RMF has been robustly delivered despite the wider external economic challenges faced and the capital and liquidity positions continue to be at healthy levels, above the minimum regulatory requirements.

The Board is aware that it faces a heightened level of strategy execution risk, however the Board believes that the risk management process includes adequate policies, procedures, risk limits and risk controls that ensure timely and continuous identification, measurement and assessment, management, monitoring and reporting of these risks at the business line, consolidated and sub-consolidated levels.

Detailed information on the credit portfolio is found in section 2.2 – Information on risk management, objectives and policies by category of risks.

3 Scope of application of the regulatory framework

Reconciliation of regulatory own funds to the balance sheet according to IFRS (Article 437 (a) CRR)

The Bank issues individual statutory Financial Statements based on Belgian Generally Accepted Accounting Principles ("BE GAAP") requirements and consolidated financial statements in accordance with IFRS, whereas the prudential consolidation in the statement of capital is based on the CRR. The following table shows the balance sheet in the IFRS financial statements and under the regulatory scope of consolidation.

EU CC2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements

		a & b		c
		Balance sheet as in published financial statements and under regulatory scope of consolidation		**Reference**
	Amounts in €millions	**As at 31 December 2024**	**As at 31 December 2023**	
Assets				
1	Balances with central banks	142	177	
2	Derivative financial instruments	175	207	
3	Loans and advances to financial institutions	286	318	
4	Loans and advances to customers	2,514	2,346	
5	Investments – Securities portfolio	437	426	
6	Investments – Securitisation portfolio	394	450	
7	Investments – Asset-Backed securitisation portfolio	132	-	
8	Property and equipment	1	1	
9	Intangible assets	1	2	D
10	Current tax assets	1	-	
11	Deferred tax assets	8	8	
12	Prepayments and accrued income	1	1	
13	Other assets	22	21	
14	**Total assets**	**4,112**	**3,957**	
Liabilities				
1	Derivative financial instruments	32	25	
2	Amounts owed to financial institutions	180	279	
3	Amounts owed to customers	3,052	2,532	
4	Debt securities in issue	642	917	
5	Current tax liabilities	-	1	
6	Accruals and deferred income	5	5	
7	Other liabilities	6	7	
8	**Total liabilities**	**3,917**	3,765	
Shareholders' Equity[2]				
1	Share capital	225	225	A
2	Reserves	1	1	B
3	Accumulated losses	(31)	(34)	C
4	**Total shareholders' equity**	**195**	**192**	

[2] The balance sheet components are used in the calculation of the regulatory capital in table EU CC1 - Composition of regulatory own funds disclosure. This table shows items at their accounting values which might be subject to adjustments in the calculation of regulatory capital.

4 Credit risk and credit risk mitigation ("CRM")

The Bank's RAS and internal policies governing the treasury and the lending portfolios include a list of permitted asset classes, countries and currencies, whilst a high degree of diversification is implemented through single issuer, industry and geography concentration limits.

4.1 Credit quality analysis

The following tables provide a comprehensive picture of the credit quality of the Bank's assets by exposure class as at 31 December in line with EBA guidelines on disclosures, by exposure class, industry and geography.

Performing and non-performing exposures and related provisions (Article 442 (c) CRR)

Table EU CR1 provides asset quality information of the Bank's Debt Instruments and Off-Balance Sheet exposures broken down by Supervisory Reporting counterparty classes.

The amounts shown are based on IFRS accounting values according to the regulatory scope of consolidation. The gross carrying amount reflects the exposure value including accumulated impairment, provisions and accumulated negative changes due to credit risk for NPEs. An exposure is being classified as non-performing (defaulted) according to the criteria in Article 47a (3) (Article 178) of the CRR.

EU CR1: Performing and non-performing exposures and related provisions.

		a	b	c	d	e	f
	As at 31 December 2024	**Gross carrying amount/nominal amount**					
		Performing exposures			Non-performing exposures		
	Amounts in €millions		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3
005	Cash balances at central banks and other demand deposits	371	371	-	-	-	-
010	Loans and advances	2,648	2,628	19	25	-	25
020	*Central banks*	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-
040	*Credit institutions*	*36*	*36*	-	-	-	-
050	*Other financial corporations*	*45*	*45*	-	10	-	10
060	*Non-financial corporations*	*118*	*109*	*9*	12	-	12
070	*Of which SMEs*	-	-	-	-	-	-
080	*Households*	*2,449*	*2,436*	*11*	3	-	3
090	Debt securities	962	962	-	-	-	-
100	*Central banks*	-	-	-	-	-	-
110	*General governments*	*81*	*81*	-	-	-	-
120	*Credit institutions*	*356*	*356*	-	-	-	-
130	*Other financial corporations*	*526*	*526*	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-
150	Off-balance-sheet exposures	109	109	-	1	-	1
160	*Central banks*	-	-	-	-	-	-
170	*General governments*	-	-	-	-	-	-
180	*Credit institutions*	-	-	-	-	-	-
190	*Other financial corporations*	*15*	*15*	-	-	-	-
200	*Non-financial corporations*	-	-	-	1	-	1
210	*Households*	*93*	*93*	-	-	-	-
220	**Total**	**4,090**	**4,071**	**19**	**25**	-	**25**

		g	h	I	j	k	l	m	n	o
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
	Amounts in €millions		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-	-
010	Loans and advances	(1)	(1)	-	(9)	-	(9)	-	2,519	2
020	*Central banks*	-	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	*(8)*	-	*(8)*	-	-	-
060	*Non-financial corporations*	-	-	-	*(1)*	-	*(1)*	-	*70*	-
070	*Of which SMEs*	-	-	-	-	-	-	-	*70*	-
080	*Households*	*(1)*	-	-	-	-	-	-	*2,449*	*2*
090	Debt securities	-	-	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-	-	-
110	*General governments*	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	-	-	-	-	-	-		-	-
160	*Central banks*	-	-	-	-	-	-		-	-
170	*General governments*	-	-	-	-	-	-		-	-
180	*Credit institutions*	-	-	-	-	-	-		-	-
190	*Other financial corporations*	-	-	-	-	-	-		-	-
200	*Non-financial corporations*	-	-	-	-	-	-		-	-
210	*Households*	-	-	-	-	-	-		-	-
220	**Total**	**(1)**	**(1)**	**-**	**(9)**	**-**	**(9)**	**-**	***2,519***	***2***

As at 31 December 2023

		a	b	c	d	e	f
		Gross carrying amount/nominal amount					
		Performing exposures			Non-performing exposures		
	Amounts in €millions		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3
005	Cash balances at central banks and other demand deposits	439	439	-	-	-	-
010	Loans and advances	2,573	2,546	27	4	-	4
020	*Central banks*	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-
040	*Credit institutions*	*44*	*44*	-	-	-	-
050	*Other financial corporations*	*99*	*99*	-	*3*	-	*3*
060	*Non-financial corporations*	*127*	*115*	*12*	-	-	-
070	*Of which SMEs*	-	-	-	-	-	-
080	*Households*	*2,303*	*2,288*	*14*	*1*	-	*1*
090	Debt securities	876	876	-	-	-	-
100	*Central banks*	-	-	-	-	-	-
110	*General governments*	*76*	*76*	-	-	-	-
120	*Credit institutions*	*350*	*350*	-	-	-	-
130	*Other financial corporations*	*450*	*450*	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-
150	Off-balance-sheet exposures	126	126	-	-	-	-
160	*Central banks*	-	-	-	-	-	-
170	*General governments*	-	-	-	-	-	-
180	*Credit institutions*	*22*	*22*	-	-	-	-
190	*Other financial corporations*	*8*	*8*	-	-	-	-
200	*Non-financial corporations*	-	-	-	-	-	-
210	*Households*	*95*	*95*	-	-	-	-
220	**Total**	**4,013**	**3,986**	**26**	**4**	**-**	**4**

		g	h	i	j	k	l	m	n	o
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						**Accumulated partial write-off**	**Collateral and financial guarantees received**	
		Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
	Amounts in €millions		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-	-
010	Loans and advances	(2)	(2)	(1)	-	-	-	-	2,361	1
020	*Central banks*	-	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	*(1)*	*(1)*	-	-	-	-	-	-	-
060	*Non-financial corporations*	*(1)*	*(1)*	-	-	-	-	-	*59*	-
070	*Of which SMEs*	-	-	-	-	-	-	-	*59*	-
080	*Households*	-	-	-	-	-	-	-	*2,302*	*1*
090	Debt securities	-	-	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-	-	-
110	*General governments*	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	-	-	-	-	-	-		-	-
160	*Central banks*	-	-	-	-	-	-		-	-
170	*General governments*	-	-	-	-	-	-		-	-
180	*Credit institutions*	-	-	-	-	-	-		-	-
190	*Other financial corporations*	-	-	-	-	-	-		-	-
200	*Non-financial corporations*	-	-	-	-	-	-		-	-
210	*Households*	-	-	-	-	-	-		-	-
220	**Total**	**(2)**	**(2)**	**(1)**	**-**	**-**	**-**	**-**	**2,361**	**1**

Residual maturity breakdown of credit exposure (Article 442 (g) CRR)

The table EU CR1-A, represents the net credit exposure by maturity and financial instrument. Here exposures refer to on-balance sheet items wherein the "net value of exposure" is calculated by deducting credit risk adjustments from the gross amount. The net exposure is split into 5 categories based on the residual contractual maturity. Below are the categories:

- On demand: where the counterparty has a choice of when the amount is repaid.
- Bucketing:
    - 0 to 1 year;
    - 1 to 5 years; and
    - more than 5 years.
- No stated maturity: where an exposure has no stated maturity for reasons other than the counterparty having the choice of the repayment date.

The following table provides an ageing analysis of exposures as at 31 December:

EU CR1-A: Maturity of exposures

As at 31 December 2024		a	b	c	d	e	f
		Net exposure value[3]					
	Amounts in €millions	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
010	Loans and advances	41	-	83	2,572	-	2,697
020	Debt securities	-	88	609	265	-	962
030	**Total**	**41**	**88**	**692**	**2,837**	**-**	**3,659**

[3] Net exposure value: For on-balance-sheet items, the net value is the gross carrying value of the exposure less allowances/impairments. For off-balance-sheet items, the net value is the gross carrying value of exposure less provisions.

As at 31 December 2023		a	b	c	d	e	f
		Net exposure value[4]					
	Amounts in €millions	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
010	Loans and advances	44	-	168	2,361	-	2,573
020	Debt securities	-	124	597	156	-	876
030	**Total**	**44**	**124**	**765**	**2,517**	**-**	**3,449**

The Bank's NPL ratio as at 31 December 2024 amounted to less than 1%.

Quality of non-performing exposures by geography (Article 442 (c+e) CRR)

Table EU CQ4 provides asset quality information on the Bank's On-Balance Sheet exposures and Off-Balance Sheet exposures broken down by significant countries. The first column in this table represents the total Gross carrying/nominal amount and performing and NPEs. The geographical distribution is based on the legal domicile of the counterparty or issuer.

The amounts shown are based on IFRS accounting values. The gross carrying amount reflects the exposure value including accumulated impairment, provisions and accumulated negative changes due to credit risk for NPEs. An exposure is being classified as non-performing (defaulted) if it meets to the criteria in Article 47a (3) (Article 178) of the CRR.

EU CQ4: Quality of non-performing exposures by geography *

As at 31 December 2024		a	c	e	f	G
		Gross carrying/nominal amount		Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
	Amounts in €millions		Of which defaulted			
010	***On-balance-sheet exposures***	**4,041**	**25**	**10**		**-**
020	*Netherlands*	*2,603*	*11*	*9*		*-*
030	*Ireland*	*394*	*-*	*-*		*-*
040	*Belgium*	*560*	*2*	*1*		*-*
050	*Germany*	*127*	*-*	*-*		*-*
060	*Malta*	*12*	*-*	*-*		*-*
070	*Other countries*	*345*	*12*	*-*		*-*
080	***Off-balance-sheet exposures***	**129**	**1**		**-**	
090	*Malta*	*-*	*-*		*-*	
100	*Belgium*	*31*	*-*		*-*	
110	*United Kingdom*	*1*	*1*		*-*	
120	*Germany*	*-*	*-*		*-*	
130	*Italy*	*-*	*-*		*-*	
140	*Other countries*	*97*	*-*		*-*	
150	**Total**	**4,169**	**25**	**10**	**-**	**-**

* Disclosure of columns b and d of template EU CQ4 is not required given that the gross NPL ratio of MeDirect Belgium was lower than 5% throughout 2024 and 2023.

[4] Net exposure value: For on-balance-sheet items, the net value is the gross carrying value of the exposure less allowances/impairments. For off-balance-sheet items, the net value is the gross carrying value of exposure less provisions.

As at 31 December 2023		a	c	e	f	g
		Gross carrying/nominal amount		**Accumulated impairment**	**Provisions on off-balance-sheet commitments and financial guarantees given**	**Accumulated negative changes in fair value due to credit risk on non-performing exposures**
	Amounts in €millions		Of which defaulted			
010	***On-balance-sheet exposures***	**3,452**	**3**	**3**		**3**
020	*Belgium*	291	-	-		-
030	*Germany*	145	-	-		-
040	*France*	118	-	-		-
050	*Netherlands*	2,204	3	3		1
060	*Ireland*	450	-	-		-
070	*Other countries*	244	-			2
080	***Off-balance-sheet exposures***	**135**	-		-	
090	*Belgium*	20	-		-	
100	*United Kingdom*	-	-		-	
110	*Germany*	-	-		-	
120	*Netherlands*	107	-		-	
130	*United States*	8	-		-	
140	*Other countries*	-	-		-	
150	**Total**	**3,587**	**3**	**3**	**-**	**3**

<u>Credit quality of loans and advances to non-financial corporations by industry</u> (Article 442 (c+e) CRR)

Table EU CQ5 provides asset quality information on the Bank's loans and advances to non-financial corporations broken down by industries. The first column in this table represents the total Gross carrying/nominal amount and performing and NPEs. The industry classification is based on NACE codes. NACE is a European industry standard classification system for classifying business activities.

The amounts shown are based on IFRS accounting values. The gross carrying amount reflects the exposure value including accumulated impairment, provisions and accumulated negative changes due to credit risk for NPEs. An exposure is being classified as non-performing (defaulted) if it meets to the criteria in Article 47a (3) (Article 178) of the CRR.

EU CQ5: Credit quality of loans and advances to non-financial corporations by industry *

	As at 31 December 2024	a	c	e	f
		Gross carrying amount		**Accumulated impairment**	**Accumulated negative changes in fair value due to credit risk on non-performing exposures**
	Financial and insurance activities *Amounts in €millions*		Of which defaulted		
010	Agriculture, forestry and fishing	-	-	-	-
020	Mining and quarrying	-	-	-	-
030	Manufacturing	20	-	-	-
040	Electricity, gas, steam and air conditioning supply	-	-	-	-
050	Water supply	-	-	-	-
060	Construction	16	-	-	-
070	Wholesale and retail trade	8	-	-	-
080	Transport and storage	-	-	-	-
090	Accommodation and food service activities	12	12	1	-
100	Information and communication	3	-	-	-
110	Financial and insurance activities	-	-	-	-
120	Real estate activities	51	-	-	-
130	Professional, scientific and technical activities	17	-	-	-
140	Administrative and support service activities	-	-	-	-
150	Public administration and defence, compulsory social security	-	-	-	-
160	Education	-	-	-	-
170	Human health services and social work activities	-	-	-	-
180	Arts, entertainment and recreation	2	-	-	-
190	Others	-	-	-	-
200	**Total**	**130**	**12**	**1**	**-**

* Disclosure of columns b and d of Template EU CQ5 is not required given that the gross NPL ratio was lower than 5% throughout 2024 and 2023.

	As at 31 December 2023	a	c	e	f
		Gross carrying amount		**Accumulated impairment**	**Accumulated negative changes in fair value due to credit risk on non-performing exposures**
	Amounts in €millions		Of which defaulted		
010	Agriculture, forestry and fishing	-	-	-	-
020	Mining and quarrying	-	-	-	-
030	Manufacturing	29	-	-	-
040	Electricity, gas, steam and air conditioning supply	-	-	-	-
050	Water supply	-	-	-	-
060	Construction	-	-	-	-
070	Wholesale and retail trade	23	-	-	-
080	Transport and storage	-	-	-	-
090	Accommodation and food service activities	12	-	1	-
100	Information and communication	-	-	-	-
110	Real estate activities	-	-	-	-
120	Financial and insurance activities	-	-	-	-
130	Professional, scientific and technical activities	59	-	-	-
140	Administrative and support service activities	-	-	-	-
150	Public administration and defence, compulsory social security	-	-	-	-
160	Education	-	-	-	-
170	Human health services and social work activities	5	-	-	-
180	Arts, entertainment and recreation	-	-	-	-
190	Others	-	-	-	-
200	**Total**	**127**	**-**	**1**	**-**

Credit quality of forborne exposures (Article 442 (c) CRR)

Table EU CQ1 provides an overview of asset quality information for forborne exposures broken down by supervisory reporting counterparty classes.

The amounts shown are based on IFRS accounting values. The gross carrying amount reflects the exposure value including accumulated impairment, provisions and accumulated negative changes due to credit risk for NPEs. Exposures are being classified as forborne according to the criteria in Article 47b of the CRR. An exposure is being classified as non-performing (defaulted) according to the criteria in Article 47a (3) (Article 178) of the CRR.

EU CQ1: Credit quality of forborne exposures

As at 31 December 2024		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**		**Collateral received and financial guarantees received on forborne exposures**	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
	Amounts in €millions			Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	8	23	23	12	-	9	6	-
020	*Central banks*	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	*10*	*10*	*10*	-	*8*	-	-
060	*Non-financial corporations*	-	*12*	*12*	*1*	-	*1*	-	-
070	*Households*	*8*	*1*	*1*	*1*	-	-	*6*	-
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	-	1	1	1	-	-	-	-
100	**Total**	**8**	**23**	**23**	**13**	**-**	**9**	**6**	**-**

As at 31 December 2023		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**		**Collateral received and financial guarantees received on forborne exposures**	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
	Amounts in €millions			Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	17	-	-	-	-	-	7	-
020	*Central banks*	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	10	-	-	-	-	-	-	-
070	*Households*	7	-	-	-	-	-	7	-
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	-	-	-	-	-	-	-	-
100	**Total**	**17**	**-**	**-**	**-**	**-**	**-**	**7**	**-**

4.2 Impairment loss measurement guidelines

(Article 442 (a) – (b) CRR [EU CRB])

The scope of the impairment loss measurement guidelines is to establish effective provisioning standards, internal controls, reporting requirements and approval processes that will govern the on-going monitoring of credit risk exposures inherent in the investment securities and loan and advances portfolios.

An exposure is “past due” when any amount of principal, interest or fee has not been paid at the date it was due. Past due but not impaired loans, as disclosed in the December 2024 Annual Report and Financial Statements, are those loans and advances for which contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the stage of collection of amounts owed to the Bank.

In accordance with the policy, impaired investment securities and loans are either those material exposures that are more than 90 days past due, or those for which the Bank establishes that it is unlikely that it will collect the full principal and/or interest due in accordance with the contractual terms of the underlying agreement(s).

However, as outlined previously where contractual interest or principal payments are past due, but the Bank believes that impairment is not appropriate on the basis of the stage of collection of amounts owed to the Bank, such facilities are considered as past due but not impaired loans. Related credit losses, which may arise, are partly covered by Stage 1 and Stage 2 expected credit loss (“ECL”) allowances.

The Bank’s provisioning approach is forward looking with a view of capturing current and future difficulties of borrowers. The Bank carries out a comprehensive review of its International Corporate Lending portfolio. Such reviews evaluate the portfolio to identify problematic exposures, and impairments are booked to cover all expected future losses. This assessment is conducted based on a thorough review of all borrowers on a name-by-name basis, often involving direct communication with the senior management of individual borrowers and, where applicable, the examination of detailed reviews performed by independent experts. Such reviews are undertaken conservatively with the aim of identifying and providing for all currently ECLs.

Therefore, for loans in the International Corporate Lending the Bank estimates ECL on an individual basis. When assessing impairment for these assets, the recoverable amount corresponds to the present value of estimated future cash flows.

For exposures in the International Corporate Lending portfolio, the Bank deems these assets as very rarely secured by assets whose value is easily observable. Therefore, recoverable amounts are usually calculated by projecting expected cash flows using a Discounted Cash Flow (“DCF”) approach to determine the Enterprise Value (“EV”) under multiple scenarios. The recoverable amount under each scenario is estimated as the EV, plus available cash, less exit fees, discounted using the estimated Weighted Average Cost of Capital (“WACC”) at a borrower level. The latter is determined using multiple assumptions in respect of the cost of debt and cost of equity. The recoverable amount is then compared to the Exposure at Default (“EAD”) in order to determine any expected shortfalls / credit losses.

In respect of the Dutch Mortgage and Belgian portfolios, the key indicator of credit-impairment arises when exposures are past due by more than 90 days taking into account the materiality threshold for Retail exposures as per the EBA regulatory definition of default, with other unlikeliness to pay indicators, such as the extension of forbearance measures, also being taken into consideration. The ECL on Stage 3 exposures is equivalent to the LGD parameter multiplied by the exposure amount, with PD equivalent to 100%.

With respect to the Dutch Mortgages, Securitisation Investment and Securities Investment portfolios, the ECLs on all assets (irrespective of staging) are modelled using statistical models developed by an external vendor. For the Belgian Mortgage Lending portfolio, the ECL for the mortgage portfolio is determined using internally developed statistical models. For the Asset Backed Securitisation Investment portfolio, ECLs are determined utilising historical information and applying applicable credit enhancements.

For the Securities Investment portfolio, recoverable amounts are assessed on a MtM basis, using observable market prices for the instruments held.

Financial assets purchased or originated at a deep discount, classified as Purchased or Purchased or Originated Credit-Impaired (“POCI”), are seen to reflect incurred credit losses. A lifetime ECL is recognised on POCI assets. The Bank does not expect to originate or purchase any financial assets that are credit-impaired. However, there might be rare instances where the Bank originates new assets following a renegotiation or restructure for reasons relating to a borrower’s distressed financial circumstances that otherwise would not have been considered, and which may result in the new assets to be deemed POCI. As at 31 December 2024 and 2023 there were no financial instruments that were classified as POCI.

Credit quality of performing and non-performing exposures by past due days *(Article 442 (c-d) CRR)*

Table EU CQ3 provides asset quality information of the Bank’s on balance sheet exposures and off-balance sheet exposures by past due days broken down by Supervisory Reporting counterparty classes.

The amounts shown are based on IFRS accounting values. The gross carrying amount reflects the exposure value including accumulated impairment, provisions and accumulated negative changes due to credit risk for NPEs.

EU CQ3: Credit quality of performing and non-performing exposures by past due days

As at 31 December 2024		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
Amounts in €millions			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	366	366	-	-	-	-	-	-	-	-	-	-
6	Loans and advances	2,682	2,679	4	25	23	-	1	-	-	-	-	25
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-	-	-	-	-
040	*Credit institutions*	36	36	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	80	80	-	10	10	-	-	-	-	-	-	10
060	*Non-financial corporations*	118	118	-	12	12	-	-	-	-	-	-	12
070	*Of which SMEs*	49	49	-	-	--	-	-	-	-	-	-	-
080	*Households*	2,449	2,445	4	3	1	-	-	-	-	-	-	3
090	Debt securities	962	962	-	-	-	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	81	81	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	356	356	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	526	526	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	129			1								-
160	*Central banks*	-			-								-
170	*General governments*	-			-								-
180	*Credit institutions*	-			-								-
190	*Other financial corporations*	17			-								-
200	*Non-financial corporations*	15			1								-
210	*Households*	97			-								-
220	***Total***	***4,140***	***4,006***	***4***	***25***	***24***	-	-	-	-	-	-	***25***

As at 31 December 2023		a	b	c	d	e	f	g	h	i	J	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
Amounts in €millions			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	439	439	-	-	-	-	-	-	-	-	-	-
6	Loans and advances	2,572	2,558	14	4	3	-	-	-	-	-	-	4
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-	-	-	-	-
040	*Credit institutions*	44	44	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	99	99	-	3	3	-	-	-	-	-	-	3
060	*Non-financial corporations*	127	127	-	-	-	-	-	-	-	-	-	-
070	*Of which SMEs*	-	-	-	-	-	-	-	-	-	-	-	-
080	*Households*	2,303	2,288	14	1	-	-	-	-	-	-	-	1
090	Debt securities	876	876	-	-	-	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	76	76	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	350	350	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	450	450	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	135			-								-
160	*Central banks*	-			-								-
170	*General governments*	-			-								-
180	*Credit institutions*	22			-								-
190	*Other financial corporations*	8			-								-
200	*Non-financial corporations*	10			-								-
210	*Households*	95			-								-
220	***Total***	**4,023**	**3,873**	**14**	**4**	**3**	**0**	**0**	**-**	**-**	**-**	**-**	**4**

Assessments of lending portfolios and the underlying obligors continue to be made on an ongoing basis, and impairments revisited in light of the changed outlook.

Based on the Bank's detailed name by name portfolio analysis, provisions were taken on all borrowers who have defaulted, as well as all non-defaulted borrowers that showed potential future characteristics of unlikeliness to pay. The Bank also amended Stage 1 and Stage 2 provisions to reflect rating migrations and updates to the macroeconomic outlook. As a result of its forward-looking approach to impairments, the Bank believes that it has accounted for all currently ECLs for the financial year ended 31 December 2024.

As per the Article 111 of CRR, the exposure values of assets shall be their accounting values remaining after specific credit risk adjustments while any general credit risk adjustments are treated as part of Tier 2 capital. Commission Delegated Regulation (EU) No 183/2014 of 20 December 2013 ("Regulation (EU) No 183/2014") defines what should be treated as general or specific credit risk adjustments, which can result from impairments, value adjustments or other provisions.

Such adjustments shall be equal to all amounts by which the CET1 capital has been reduced in order to reflect losses exclusively related to credit risk according to the applicable accounting framework and recognised as such in the income statement. Losses which are a result of current or past events affecting certain exposures and losses for which historical experience (on the basis of current observable data) indicates that the loss has occurred, but it is not yet known which individual exposure suffered these losses, are treated as specific credit risk adjustments.

Amounts which are freely and fully available, as regards to timing and amount, to meet credit risk losses that have not yet materialised and amounts which reflect credit risk losses for a group of exposures for which there is currently no evidence that a loss event has occurred, are treated as general credit risk adjustments.

According to these definitions, the Bank's specific and general impairment allowances as calculated under IFRS 9, are classified as specific credit risk adjustments and are deducted from the accounting values to determine the exposure amounts.

The Bank operates a Standardised Approach for credit risk under its CRD V regulatory requirements. For the purpose of calculating its Stage 1 and Stage 2 ECLs, the Bank used both, for its International Corporate Lending portfolio, Treasury portfolio and the AAA Collateralised Loan Obligation portfolio:

- Moody's Risk Calc and Impairment Calc tools to generate internal implied rating; and
- Public ratings from the point of origination and through the lifetime of the financial asset for monitoring and capital calculation

For Dutch Mortgages the Bank utilises loan and borrower characteristics (LTV & LTI) as inputs adjusted to incorporate current and forward-looking macroeconomic variables.

For the Retail Mortgage portfolio, the Bank utilises NPL data issued by the NBB adjusted to incorporate forward-looking macroeconomic variables, as well as incorporate LTVs, with historical reference to loss-rates made to determine LGDs.

If an asset is transferred from IFRS 9 Stage 2 to Stage 3, a specific Lifetime ECL Impairment Assessment is undertaken. The International Corporate Lending Portfolio utilises a DCF model for assessing EV and in turn expected recovery amounts and level of specific impairment provision. As outlined in the internal policy, exposures are rarely secured by assets with an easily observable value, moreover the most likely exit strategy for the distressed business is the sale of the enterprise as a Going Concern. Considering this, the specific impairments are calculated based on the prudent assessment of a going concern EV rather than an estimation of any collateral held. The DCF model output is derived from the following inputs:

- WACC;
- 3-year P&L and cashflow forecasts; and
- The current debt structure.

There are no other amounts apart from the impairment allowances that are classified as specific or general credit risk adjustments. The Bank does not account for any general credit risk adjustments.

The Bank's impaired and past due but not impaired loans and advances to customers were primarily concentrated in Europe.

There were no other adjustments including those determined by business combinations, acquisitions and disposals of subsidiaries, and transfers between credit risk adjustments.

The same approach for Stage 3 mortgages is utilised as for Stage 1 and 2 ECLs, but PDs are floored to 100%.

Changes in stock of non-performing loans and advances (Article 442 (f) CRR)

The following table, provides an analysis of the changes in stock of NPL and advances throughout the financial year. The gross carrying value is inclusive of accrued interest.

EU CR2: Changes in the stock of non-performing loans and advances

	Year ended 31 December 2024	a
	Amounts in millions	**Gross carrying amount**
010	**Initial stock of non-performing loans and advances**	4
020	Inflows to non-performing portfolios	26
030	Outflows from non-performing portfolios	-5
040	*Outflows due to write-offs*	-
050	*Outflow due to other situations*	-5
060	**Final stock of non-performing loans and advances**	**25**

	Year ended 31 December 2023	a
	Amounts in millions	**Gross carrying amount**
010	**Initial stock of non-performing loans and advances**	1
020	Inflows to non-performing portfolios	6
030	Outflows from non-performing portfolios	(3)
040	*Outflows due to write-offs*	-
050	*Outflow due to other situations*	(3)
060	**Final stock of non-performing loans and advances**	**4**

The increase in the loans and debt securities that have defaulted or impaired since the last reporting period is attributable to an increase in the impaired loans in the International Corporate Lending portfolio.

4.3 Exposures with renegotiated terms and the Bank's forbearance policy

The contractual terms of an exposure may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified would be derecognised in certain circumstances and the renegotiated loan recognised as a new loan at fair value.

Forbearance measures always aim to return the exposure to a situation of sustainable repayment. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties").

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') typically as part of a syndicate lender group, to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

A concession is defined in the EBA final draft ITS (2014) and refers to either of the following actions:

- A modification of the previous terms and conditions of a contract which the debtor was considered unable to comply with due to its financial difficulties ("troubled debt") to allow for sufficient debt service ability, that would not have been granted had the debtor not been in financial difficulties; or
- A total or partial refinancing of a troubled debt contract, that would not have been granted had the debtor not been in financial difficulties.

The revised terms usually applied by the Bank include extending the maturity, amending the terms of loan covenants and partial write-offs where there is reasonable financial evidence to demonstrate the borrower's inability to repay the loan in full. The Bank's Credit Committees regularly review underlying trading trends on obligors who have availed of on forbearance measures in order to assess potential 'curing' of such measures and document the 'curing' eligibility periods for each name.

The Bank defines 'restructured exposures' as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Bank has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Bank had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off, unless certain prescriptive conditions are met.

Typically, the Bank initially categorises a forborne exposure as performing and classifies the exposure as forborne non-performing at a later date once unlikely-to-pay indicators are evidenced, as outlined in the Non-Performing and Default Exposure section of the Credit Policy.

4.4 Credit risk mitigation

General qualitative information on credit risk mitigation (Article 453 (a-e) CRR) (EU CRC)

It is the Bank's practice to lend on the basis of the customers' ability to meet their obligations out of their cash flow resources rather than rely on the value of security offered. The majority of the Bank's International Corporate Lending loans are not secured by any type of collateral, and the amount of collateral received is immaterial in terms of the total exposure of the Bank.

However, the Bank still uses various techniques as allowed by the CRD V in order to mitigate credit risks such as netting and set off. CRM is recognised only when it is legally enforceable and effective, which in order to do so requires adequate monitors and valuation of collateral received.

The Bank does mortgage lending in the Netherlands guaranteed by the NHG and buy-to-let mortgages that are risk weighted using the standardised approach to credit risk.

The risk-weights for exposures secured by mortgages on residential property are set by Articles 123 to 125 of the CRR. Thus, the valuation of the collateral is an important component to determine the portion of the Dutch mortgage exposure that should be considered to be secured by property and the portion, if any, of the Dutch mortgage exposure that should be treated as a retail exposure under article 123 of the CRR.

When applying a risk weighting to mortgage loans, the Bank is taking into account the terms and conditions that govern the National Mortgage Guarantee scheme and, hence, the credit protection it provides. In the case of residential mortgage loans that are guaranteed by the NHG, the risk-weights for such exposures are amended in accordance with the CRM framework of Part Three, Title II, Chapter 4 of the CRR, given that the NHG guarantee meets the conditions of, in particular, Articles 213 to 215 of the CRR.

When calculating the risk-weighted exposure amounts under the Standardised Approach in accordance with Article 235 of the CRR, the GA factor that represents the amount of credit risk protection as calculated under Article 233(3), is taken into account. In the case of NHG mortgages, this means that the actual NHG coverage is considered to determine the protected amount.

In addition to the risk-weights and capital charges for NHG-mortgages under Pillar 1, the Bank takes into account under Pillar 2 specific risks of NHG-mortgages in its ICAAP.

Lastly, the Bank purchases, through a partnership with Allianz Benelux S.A/N.V. ("AZB"), acting as Lender of Record ("LoR"), Belgian residential mortgage loans receivables. These mortgage loans and its related activities are regulated by local regulatory bodies (including the Financial Services and Markets Authority ("FSMA") and the NBB). The loans are originated following strict guidelines & acceptance criteria, including those related to LTV and DSTIs, in-line with the best practices of professional responsible lenders.

4.4.1 Capital allocation and capital buffers for credit risk

The Bank adopts the standardised approach to calculate its capital requirement for credit risk. The Bank's credit framework contains enough detail specifying how the Bank calculates the risk weights of the exposures covered by the framework, wherever the regulatory framework permits elections or other choices to be made.

Besides allocating capital against its Pillar 1 risks that are based on the Bank's accounting records, the Bank also carries an assessment of the extra capital proportionate to Pillar 2 risks as part of its annual ICAAP. The ICAAP chapter on EC for credit risk, describes the Bank's approach for allocating capital for this risk. Since the Bank is not rated, it is not required to allocate internal capital or allocate collateral in the eventuality of a downgrade in its credit rating.

4.4.2 Use of On- and off-balance sheet netting and set-off

(Article 453 (a) CRR)

Financial assets and liabilities are offset, and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is the intention to settle on a net basis or realise the asset and settle the liability simultaneously. The level of offsetting within the Bank is deemed to be minimal. Further information regarding the offsetting policies of the Bank can be found in note 2.2.9 of the MeDirect Belgium Annual Report and Financial Statements for the financial year ended 31 December 2024.

4.4.3 Main types of collateral, guarantor and credit derivative counterparties

(Article 453 (c-d) CRR)

The Bank holds collateral against mortgage loans under the Belgian and Dutch mortgage portfolio (NHG and Buy-to-Let) in the form of hypothecary rights over immovable assets.

The financial guarantees received by the Bank relates to the Dutch NHG mortgage portfolio business as the loans are covered by the NHG which covers up to 90% of the losses that remain after a foreclosure. The NHG Guarantee assumes that a mortgage loan amortises over a 30-year period regardless of the actual loan amortisation profile. Consequently, the credit protection amount of the NHG guarantee on mortgage loans decreases over time, assuming repayment of the guaranteed residential mortgage loan within 30 years and according to the annuity method. Thus, depending on the NHG terms and conditions that apply to the individual mortgage loan, the credit protection provided by the NHG guarantee may only be partial and is decreasing over time.

The Bank was not involved in any credit derivative transactions during the year.

4.4.4 Collateral evaluation and management

(Article 453 (b) CRR)

Most of the immovable property collateral received is in the Netherlands (in the frame of the Dutch Mortgage business) and Belgium (in the frame of the Belgian Mortgage business).

This collateral is considered as part of the credit decision process by the LoR, but not in the pricing, as the pricing is based on the NHG guarantee.

In the event of a default of Dutch and Belgian mortgages, the LoR may utilise the collateral as a source of repayment. Depending on its form, collateral can have a significant financial effect in mitigating exposure to credit risk. The Bank follows Articles 123 to 125 of the CRR in order to determine whether exposures are fully and completely secured by immovable property, and which risk weight to apply in order to calculate the own funds requirement.

Overview of credit risk mitigation techniques *(Article 453 (f) CRR)*

The following table EU CR3 shows a breakdown of unsecured and secured credit risk exposures and credit risk exposures secured by various CRM for all loans and debt securities including the carrying amounts of the total population which are in default. Unsecured exposures represent the carrying amount of credit risk exposures (net of credit risk adjustments) that do not benefit from a CRM technique, regardless of whether this technique is recognised in the CRR. Secured exposures represent the carrying amount of exposures that have at least one CRM mechanism (e.g., collateral and financial guarantees) associated with them. Exposure secured by various CRM analysed in the other columns are the carrying amount of exposures (net of credit risk adjustments) partly or totally secured by collateral and financial guarantees (no credit derivatives in place), whereby only the secured potion of the overall exposure is presented. No overcollateralization is considered.

EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

As at 31 December 2024		**Unsecured carrying amount**	**Secured carrying amount**			
				Of which **secured by collateral**	Of which **secured by financial guarantees**	Of which **secured by credit derivatives**
	Amounts in €millions	a	b	c	d	e
1	Loans and advances	3,068	2,206	2,206	-	-
2	Debt securities	962	-	-	-	-
3	Total	**4,030**	**2,206**	**2,206**	**-**	**-**
4	*Of which non-performing exposures*	15	1	1	-	-
EU-5	*Of which defaulted*	-	-			

As at 31 December 2023		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
	Amounts in €millions	a	b	c	d	e
1	Loans and advances	3,012	2,393	2,393	-	-
2	Debt securities	848	28	-	-	28
3	Total	**3,861**	**2,421**	**2,393**	**-**	**28**
4	*Of which non-performing exposures*	3	1	1	-	-
EU-5	*Of which defaulted*	-	-			

Quantitative information on the use of the standardised approach

Standardised approach exposure by risk weight before and after credit risk mitigation (Article 444 (e) CRR and Article 453 (g-i) CRR)

The following table shows the credit risk exposure before, and post Credit Conversion Factors ("CCFs") and CRM obtained in the form of eligible financial collateral and guarantees (no credit derivatives in place) based on the EAD in the standardised approach as well as related RWA and average risk wights broken done by regulatory exposure classes and a split in on- and off-balance sheet exposures.

EU CR4 – standardised approach – Credit risk exposure and CRM effects

	Exposure classes *(Amounts in €millions)*	**Exposures before CCF and before CRM[5]**		**Exposures post CCF and post CRM**		**RWAs and RWAs density**	
	As at 31 December 2024	**On-balance-sheet exposures**	**Off-balance-sheet exposures**	**On-balance-sheet exposures**	**Off-balance-sheet exposures**	**RWAs**	**RWAs density (%)**
	(Amounts in €millions)	a	b	C	d	e	f
1	Central governments or central banks	145	-	1,756	3	5	0%
2	Regional government or local authorities	81	-	81	-		0%
3	Public sector entities	-	-	-	-		-
4	Multilateral development banks	-	-	-	-		-
5	International organisations	-	-	-	-		-
6	Institutions	222	-	222	-	36	16%
7	Corporates	81	15	81	8	125	142%
8	Retail	144	29	121	6	95	75%
9	Secured by mortgages on immovable property	2,283	84	697	16	359	50%
10	Exposures in default	14	1	13	-	19	144%
11	Exposures associated with particularly high risk	-	-	-	-	-	0%
12	Covered bonds	356	-	356	-	35	10%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	-	-	-	-	-	-
15	Equity	-	-	-	-	-	-
16	Other items	22	-	22	-	22	100%
17	**TOTAL**	**3,348**	**129**	**3,348**	**32**	**696**	**21%**

[5] **Exposures before CCF and CRM**: This represents the Bank's on-balance-sheet and off-balance exposures (respectively) under the regulatory scope of consolidation (in accordance with Article 111 in the CRR), net of specific credit risk adjustments (as defined in the Commission Delegated Regulation (EU) No 183/2014) and write-offs (as defined in the applicable accounting framework), but before (i) the application of CCFs as specified in the same article and (ii) the application of CRM techniques specified in Part Three, Title II, Chapter 4 of the CRR.

	Exposure classes *(Amounts in €millions)*	**Exposures before CCF and before CRM**		**Exposures post CCF and post CRM**		**RWAs and RWAs density**	
	As at 31 December 2023	**On-balance-sheet exposures**	**Off-balance-sheet exposures**	**On-balance-sheet exposures**	**Off-balance-sheet exposures**	**RWAs**	**RWAs density (%)**
	(Amounts in €millions)	a	b	C	d	e	f
1	Central governments or central banks	177	-	1,817	6	1	0%
2	Regional government or local authorities	76	-	76	-	-	0%
3	Public sector entities	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-
6	Institutions	344	22	316	11	45	14%
7	Corporates	170	8	170	4	234	135%
8	Retail	169	18	135	5	105	75%
9	Secured by mortgages on immovable property	2,011	95	433	17	210	47%
10	Exposures in default	2	-	1	-	1	100%
11	Exposures associated with particularly high risk	-	-	-	-	-	-
12	Covered bonds	322	-	322	-	32	10%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	-	-	-	-	-	-
15	Equity	-	-	-	-	-	-
16	Other items	18	-	18	-	18	100%
17	**TOTAL**	**3,288**	**143**	**3,288**	**43**	**646**	**19%**

4.5 Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

Mitigation of settlement risk

For all types of investment transactions, the Bank mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process. Furthermore, the Group has a number of master netting agreements covering repurchase transactions and securities with its counterparties.

5 Own funds

<u>*Own Funds composition, prudential filters and deduction items*</u> *(Article 437 (a, d-f) CRR)*

5.1 Total available capital

The Bank adopts the appropriate processes to ensure that the minimum regulatory requirements are met at all times, through the assessment of its capital resources and requirements given current financial projections. The Bank has a strong track record of robust capital ratios and is confident that it will be positioned to maintain its overall capital strength. For regulatory purposes, the Bank's capital base is divided in two main categories, namely CET1 capital and Tier 2 capital.

5.1.1 Common Equity Tier 1 capital – composition

As at 31 December, CET1 capital includes:

- Ordinary share capital;
- Retained earnings;
- Reserves; and
- Other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

5.1.2 Common Equity Tier 1 capital – terms and conditions

i. Ordinary share capital includes equity instruments which fall under the definition of Article 28(1) of the CRR, *Common Equity Tier 1 instruments*. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of MeDirect Belgium. The Bank did not issue multiple classes of shares, but only issued ordinary shares of equal value with equal voting rights and equal profit rights.

ii. Retained earnings are part of the distributable items as per the CRR Article (4)(1)(128) definition, which are amounts of the profits at the end of the last financial year plus any profits brought forward and reserves available for that purpose before distributions to holders of own funds instruments less any losses brought forward, profits which are non-distributable pursuant to provisions in legislation or the institution's bye-laws and sums placed to non-distributable reserves in accordance with applicable national law or the statutes of the Bank. The balance in this reserve is net of tax.

    Subject to the Bank's dividend policy, the directors of the Bank, in the annual general meeting, may from time to time recommend dividends to be paid from the retained earnings of MeDirect Belgium. Such dividends may be in the form of capitalisation of retained earnings to ordinary shares.

iii. Legal reserve – in accordance with article 616 of the Belgium Company Code a company must assign at least 5% of its net retained profits to the legal reserve until such legal reserve amounts to 10% of the share capital.

Refer to Section 1.2 “Key metrics” and table EU KM1 within this section.

5.1.3 Tier 2 capital

The Bank does not have any Tier 2 capital.

5.2 Own funds – other disclosures

The Group does not have items included in the 'Total capital' which have values differing from those reported within IFRS compliant Statement of Financial Position.

Retained earnings form part of (regulatory) own funds only if those profits have been verified by persons independent of the Bank that are responsible for the auditing of the Bank's Financial Statements and the Bank has demonstrated to the satisfaction of the competent authority that any foreseeable charge or dividend has been deducted from the amount of those profits.

5.2.1 Composition of Own Funds

(Article 437 (a, d-f) CRR)

The following shows the composition of the own funds of the Bank in accordance with Article 437 of the CRR.

EU CC1 - Composition of regulatory own funds

		a		b
	Amounts in €millions	**31-Dec-24**	**31-Dec-23**	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
	Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	225	225	A
2	Retained earnings	(34)	(42)	C
3	Accumulated other comprehensive income (and other reserves)	1	1	B
EU-3a	Funds for general banking risk	-	-	
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	-	
5	Minority interests (amount allowed in consolidated CET1)	-	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	3	8	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**195**	**192**	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-	-	
8	Intangible assets (net of related tax liability) (negative amount)	(1)	(2)	D
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	(5)	(7)	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	-	
15	Defined-benefit pension fund assets (negative amount)	-	-	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	-	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	-	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	-	
EU-20c	of which: securitisation positions (negative amount)	-	-	
EU-20d	of which: free deliveries (negative amount)	-	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	-	
22	Amount exceeding the 17,65% threshold (negative amount)	-	-	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	-	

25	of which: deferred tax assets arising from temporary differences	-	-	
EU-25a	Losses for the current financial year (negative amount)	-	-	C
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	-	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	-	
27a	Other regulatory adjustments	-	-	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(6)**	**(10)**	
29	**Common Equity Tier 1 (CET1) capital**	**189**	**182**	
	Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	-	-	
31	of which: classified as equity under applicable accounting standards	-	-	
32	of which: classified as liabilities under applicable accounting standards	-	-	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	-	-	
EU-33a	Amount of qualifying items referred to in Article 494a (1) CRR subject to phase out from AT1	-	-	
EU-33b	Amount of qualifying items referred to in Article 494b (1) CRR subject to phase out from AT1	-	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**-**	**-**	
	Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	-	
42a	Other regulatory adjustments to AT1 capital	-	-	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**	-	
44	**Additional Tier 1 (AT1) capital**	**-**	-	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**189**	**182**	
	Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	-	-	
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	-	
EU-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2	-	-	
EU-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	-	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	-	
50	Credit risk adjustments	-	-	
51	**Tier 2 (T2) capital before regulatory adjustments**	**-**	**-**	
	Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-	

EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	-	
EU-56b	Other regulatory adjustments to T2 capital	-	-	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	**-**	
58	**Tier 2 (T2) capital**	**-**	**-**	
59	**Total capital (TC = T1 + T2)**	**189**	**182**	
60	**Total Risk exposure amount**	**886**	**823**	
	Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	21.3%	22.1%	
62	Tier 1 capital	21.3%	22.1%	
63	Total capital	21.3%	22.1%	
64	Institution CET1 overall capital requirements	10.1%	9.4%	
65	of which: capital conservation buffer requirement	2.5%	2.5%	
66	of which: countercyclical capital buffer requirement	1.5%	0.7%	
67	of which: systemic risk buffer requirement	-	-	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	-	-	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.7%	1.7%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**10.3%**	**11.1%**	
	Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	-	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	-	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	2	-	
	Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	-	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	-	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-	

The Bank's CET1, Tier 1 and total capital ratios were 21.3% as at 31 December 2024. The Bank's total capital ratio remain above the TSCR benchmark of 11%.

The intangible assets in the above table, were in particular recalculated in terms of the Commission Delegated Regulation (EU) 2020/2176 of 12 November 2020 ("Regulation (EU) 2020/2176"), whereby a portion of the prudential valued software asset would be risk-weighted at 100% and the remainder is subject to a CET1 deduction. Under the old rules, software assets were deducted in full from CET1.

In line with Article 437 (e) of the Regulation (EU) No 575/2013, MeDirect confirms that no restrictions have been applied to the calculation of own funds.

Furthermore, as shown in the table above, there were no other items requiring deduction that were not deducted from the own funds in accordance with Section 3, Chapter 2, Title I, Part Two of CRR. In particular, in terms of article 48 and 473a (7) of CRR, the Bank's deferred tax assets dependent on future profitability and arising from temporary differences did not exceed the 10% threshold and therefore were not required to be deducted from own funds. The Bank does not have any systemic risk buffer as at 31 December 2024.

Capital ratios different to CRR (Article 437 (f) CRR)

The own funds capital ratios of the Bank are built upon the CRR regulations.

Main features of capital instruments *(Article 437 (b-c) CRR)*

In line with Part Eight Article 437 of the CRR the following table discloses the main features and the terms and conditions of Tier 1 instruments.

EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments

	Capital instruments' main features	
	Instruments	**MeDirect Bank S.A./N.V. Ordinary shares**
1	Issuer	MeDirect Bank S.A./N.V.
2	Unique identifier	N/A
3	Governing law(s) of the instrument	Belgian Law
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-) consolidated/solo & (sub-) consolidated	Solo
7	Instrument type	Tier 1 as published in Regulation (EU) No 575/2013 articles 26 and 28
8	Amount recognised in regulatory capital	EUR225 million
9	Nominal amount of instrument	EUR225 million
9a	Issue price	EUR1 per share
9b	Redemption price	N/A
10	Accounting classification	Share capital (*Geplaatst kapitaal/Capital souscrit*)
11	Original date of issuance	13 June 2014
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates, and redemption amount	No
16	Subsequent call dates, if applicable	No
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory - in terms of timing	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory - in terms of amount	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
30	Write-down features	No
35	Position in subordination hierarchy in liquidation	N/A
36	Non-compliant transitioned features	No

6 Capital requirements

Capital requirements represent the amount of capital resources that a bank must hold as required by the regulator. In line with the CRR, the Bank is placing much of its emphasis and monitoring on CET1 capital.

The scope of permissible CRR approaches and those adopted by the Bank are described below:

- Credit risk – The Bank calculates its risk weighted credit risk exposure in accordance with the Standardised Approach, described in Chapter 2 of Title II of Part Three of the CRR. To calculate the risk-weighted exposure amounts, risk weights are applied based on the exposure class and the related credit quality. Credit quality may be determined by reference to the credit assessments of External Credit Assessment Institutions ("ECAIs") that have been determined as eligible by the EBA. In the Bank's calculations, Senior Secured Loans and other corporate credit exposures and for the remainder of its securities investment portfolio the Bank has nominated well-known risk rating agencies such as Standard & Poor's and Moody's. Accordingly, the Bank complies with the standard association of the external ratings of ECAIs with the credit quality steps prescribed in the CRR.

- Operational risk – The Bank calculates its capital requirement using the Basic Indicator Approach, in terms of Article 315 of the CRR. The own funds requirement amounts to 15% of the average three years of the relevant indicator, as defined in Article 316 of the CRR. Elements within the relevant indicator include interest receivable and similar income, interest payable and similar charges and other variable/fixed-yield securities, commissions and fees receivable/payable, net profit or net loss on financial operations and other operating income, adjusted for, amongst others stipulated in the CRR, profits on sale of non-trading book items and extraordinary or irregular items.

- CCR – The Bank reported the CCR calculations under the Simplified Standardised Approach (as defined in CRR II, Article 281).

- FX risk – The Bank has adopted the Basic Method to determine its FX risk requirement in accordance with Article 351 of the CRR. In terms of this Article, the Bank does not calculate the capital requirement for FX risk as its net FX position is less than 2% of its own funds.

- CVA risk – The Bank uses the Standardised Approach, as per Article 384 of the CRR.

Overview of capital requirements (Article 438 (d) CRR)

The following table provides an overview of the total RWA and the capital requirement for credit risk (derived from the RWA by an 8% capital ratio) split by the different exposure classes as well as capital for operational risk, FX risk and CVA risk. No capital is allocated to market risk as the Bank does not operate a trading book. Moreover, the capital allocated to settlement risk and commodities risk is nought. The exposure value is equal to the total on-balance sheet and off-balance sheet net of value adjustments and provisions and post CCF. The most significant changes between the two periods were due to an increase in the size of the mortgage portfolios mitigated by a decrease in RWA in the International Corporate Lending portfolio.

EU OV1 – Overview of total risk exposure amounts

Amounts in €millions		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		31 December 2024	31 December 2023	31 December 2024
1	Credit risk (excluding CCR)	696	646	56
]2	Of which the standardised approach	696	646	56
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple risk weighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	Counterparty credit risk - CCR	7	7	1
7	Of which the standardised approach	-	-	-
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	6	8	
EU 8b	Of which credit valuation adjustment - CVA	-	-	-
9	Of which other CCR	-	(1)	
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	91	102	7
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	91	102	7
EU 19a	Of which 1250% / deduction	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	-	-	-
21	Of which the standardised approach	-	-	-
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	93	68	7
EU 23a	Of which basic indicator approach	93	68	7
EU 23b	Of which standardised approach	-	-	-
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	**5**	**1**	
29	**Total**	**886**	**823**	**71**

<u>Capital buffers</u> *(Article 440 CRR)*

Minimum capital requirements and additional capital buffers

In light of the fact that the MDB Group is supervised by the ECB as part of the SSM, MeDirect Belgium is subject to the SREP, which determines the capital requirement by the ECB.

MeDirect Belgium is required to meet a TSCR of 11% on a consolidated level. The TSCR of 11% is composed of a minimum own funds requirement of 8% to be maintained at all times in accordance with Article 92(1) of the CRR, and an own funds requirement of 3% required to be held in excess of the minimum own funds requirement and to be maintained at all times. Banks are allowed to partially use capital instruments that do not qualify as CET1, to meet the Pillar 2 Requirements. In fact institutions shall meet the additional own funds requirements imposed by the ECB with own funds that satisfy the following conditions: i) at least 75% shall be met with Tier 1 capital; and ii) at least 56.25% with CET1 capital. The Bank is also subject to the OCR, in addition to TSCR, which includes the Combined Buffer Requirement.

The SREP decision also included a P2G in addition to the OCR. The ECB has stated that it expects banks to meet the P2G although it is not legally binding, and failure to meet the P2G does not lead to automatic restrictions of capital distributions.

The Bank is required to maintain a capital conservation buffer of 2.5%, made up of CET1 capital, on its risk weighted exposures.

In addition to the measures above, CRD V sets out a ‘systemic risk buffer’ for the financial sector as a whole, or one or more sub-sectors, to be deployed as necessary by each EU member state with a view to mitigate structural macro-prudential risk. The ‘systemic risk buffer’ may range between 0% and 5%.

Geographical distribution of credit exposures (Article 440 (a) CRR)

CRD V also contemplates a countercyclical buffer in line with Basel III, in the form of an institution-specific countercyclical buffer and the application of increased requirements to address macro-prudential or systemic risk. This is expected to be set in the range of 0 - 2.5% of relevant credit exposure RWA, whereby the rate shall consist of the weighted average of the 'countercyclical buffer' rates that apply in the jurisdiction where the relevant exposures are located.

The Bank held a countercyclical buffer requirement of 1.5% as at 31 December 2024.

The following table represents the Bank's geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer at 31 December.

EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer*

As at 31 December 2024		**General credit exposures**	**Securitisation exposures**		**Own funds requirement**					
		a	*e*	*f*	*g*	*h*	*j*	*k*	*l*	*m*
		Exposure value for SA	*Exposure value for SA*	*Total exposure value*	*of which: general credit exposures*	*of which: securitisation exposures*	*Total*	*Risk weighted exposure amounts*	*Own funds requirement weights*	*Counter cyclical capital buffer rate*
	Amounts in €millions								**%**	**%**
010	**Breakdown by country:**									
	Austria	66	2	68	1	-	1	7	0.95%	0.00%
	Belgium	353	5	358	11	-	11	134	18.30%	1.00%
	Canada	-	1	1	-	-	-	-	0.03%	0.00%
	Denmark	5	1	6	-	-	-	-	0.04%	2.50%
	Finland	10	4	14	-	-	-	2	0.25%	0.00%
	France	115	81	196	2	1	3	38	5.24%	1.00%
	Germany	78	52	130	2	1	3	35	4.74%	0.75%
	Ireland	-	6	6	-	-	-	1	0.17%	1.50%
	Italy	15	19	34	-	-	-	5	0.72%	0.00%
	Japan	-	1	1	-	-	-	-	0.02%	0.00%
	Luxembourg	19	25	43	2	-	3	33	4.44%	0.50%
	Malta	21	-	21	2	-	2	21	2.89%	0.00%
	Netherlands	2,154	47	2,201	30	1	31	388	53.09%	2.00%
	Norway	37	2	38	-	-	-	4	0.54%	2.50%
	Portugal	-	2	2	-	-	-	-	0.04%	0.00%
	Slovakia	19	-	19	-	-	-	2	0.25%	1.50%
	Spain	10	19	29	-	-	-	5	0.66%	0.00%
	Sweden	10	15	25	-	-	-	4	0.53%	2.00%
	Switzerland	-	4	4	-	-	-	1	0.11%	0.00%
	United Kingdom	12	63	74	1	1	2	30	4.11%	2.00%
	United States	7	49	56	1	1	2	21	2.85%	0.00%
020		**2,930**	**398**	**3,328**	**52**	**6**	**59**	**732**	**100.00%**	

* Missing columns since the Bank does not use the IRB approach and does not hold a trading book.

	As at 31 December 2023	General credit exposures	Securitisation exposures		Own funds requirement					
		a	e	f	g	h	j	k	l	m
		Exposure value for SA	Exposure value for SA	Total exposure value	of which: general credit exposures	of which: securitisation exposures	Total	Risk weighted exposure amounts	Own funds requirement weights	Counter cyclical capital buffer rate
	Amounts in €millions								%	%
010	**Breakdown by country:**									
	Austria	58	2	60	-	-	1	6	0.90%	0.00%
	Australia	-	-	-	-	-	-	-	0.00%	0.00%
	Belgium	247	5	252	8	-	8	98	13.91%	0.00%
	Bulgaria	-	1	1	-	-	-	-	0.02%	2.00%
	Canada	-	1	1	-	-	-	-	0.02%	0.00%
	Czech Republic	-	1	1	-	-	-	-	0.03%	2.00%
	Denmark	5	2	7	-	-	-	1	0.15%	2.50%
	Finland	10	5	15	-	-	-	2	0.30%	0.00%
	France	118	87	205	5	2	6	77	10.92%	0.50%
	Germany	103	57	160	3	1	4	51	7.21%	0.75%
	Hong Kong	-	-	-	-	-	-	-	0.00%	0.00%
	Ireland	-	8	8	-	-	-	2	0.25%	1.00%
	Italy	15	20	35	-	-	-	6	0.86%	0.00%
	Japan	-	1	1	-	-	-	-	0.02%	0.00%
	Lithuania	-	-	-	-	-	-	-	0.00%	1.00%
	Luxembourg	31	30	61	3	1	4	47	6.65%	0.50%
	Malta	17	1	18	1		1	17	2.45%	0.00%
	Netherlands	2,021	57	2,078	22	1	23	294	41.83%	1.00%
	Norway	16	2	19	-	-	-	2	0.31%	2.50%
	Poland	10	-	10	-	-	-	1	0.14%	0.00%
	Portugal	-	2	2	-	-	-	-	0.06%	0.00%
	Hong Kong	-	-	-	-	-	-	-	0.01%	1.00%
	Singapore	-	-	-	-	-	-	-	0.01%	0.00%
	Slovakia	15	-	15	-	-	-	2	0.22%	1.50%
	Slovenia	-	-	-	-	-	-	-	0.00%	0.50%
	Spain	12	23	34	1	-	1	18	2.51%	0.00%
	Sweden	10	16	26	-	-	-	5	0.66%	2.00%
	Switzerland	-	5	5	-	-	-	1	0.16%	0.00%
	United Kingdom	26	69	95	2	1	4	45	6.40%	2.00%
	United States	10	55	65	1	1	2	28	3.97%	0.00%
020		**2,726**	**450**	**3,176**	**48**	**8**	**56**	**702**	**100.00%**	

Institution specific countercyclical buffer (Article 440 (b) CRR)

The following table shows an overview of the institution specific countercyclical exposure and buffer requirements:

EU CCyB2 - Amount of institution-specific countercyclical capital buffer

		As at 31 December 2024
		a
1	Total risk exposure amount (€millions)	886
2	Institution specific countercyclical buffer rate (%)	1.5%
3	Institution specific countercyclical buffer requirement (€millions)	13

		As at 31 December 2023
		a
1	Total risk exposure amount (€millions)	824
2	Institution specific countercyclical buffer rate (%)	0.7%
3	Institution specific countercyclical buffer requirement (€millions)	6

7 Leverage

Leverage ratio according to CRR/CRD framework

Article 429 of CRR requires financial institutions to calculate a non-risk based leverage ratio, to supplement risk-based capital requirements. The leverage ratio measures the relationship between the capital resources of the organisation and its total assets. The leverage ratio is a regulatory supervisory tool for the Regulator, to constrain the build-up of excessive leverage in the banking sector – one of the drivers of the banking crisis – previously not captured within Basel II. It helps to avoid destabilizing deleveraging processes which can damage the broader financial system and the economy, and to reinforce the risk-based requirements with a simple non-risk based "backstop measure".

The leverage ratio is calculated by taking capital as a proportion of total exposures at the end of each quarter. Capital is defined as Tier 1 capital in line with Article 25 of the CRR, whilst total exposure relates to the total on and off-balance sheet exposures, less deductions applied to Tier 1 capital.

The CRD V package introduced a binding 3% leverage ratio. CRR broadly reflects the Basel leverage ratio. It sets the Tier 1 capital-based leverage ratio requirement at 3% for all EU banks as per the EBA's recommendation. The final framework confirmed that firms are allowed to use any CET1 capital that they use to meet their leverage ratio requirements to also meet their Pillar 1 and Pillar 2 capital requirements.

The total leverage ratio exposures include derivatives, Securities Financing Transactions ("SFTs"), off-balance sheet exposure and other on-balance sheet exposure (excluding derivatives and SFTs).

Leverage ratio (Article 451 (1) (a-c), (2) and (3) CRR)

The following table provides a summary of the Bank's leverage ratio exposure and the leverage ratio calculation, determined in accordance with the requirements stipulated by Commission Implementing Regulation (EU) 2016/200 of 15 February 2016 ("Regulation (EU) 2016/200").

The following table provides a reconciliation of accounting assets as per IFRS and the leverage ratio exposure.

EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		A	
	Amounts in €millions	**31 December 2024**	**31 December 2023**
1	Total assets as per published financial statements	4,111	3,963
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a (1) CRR)	-	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-	-
7	Adjustment for eligible cash pooling transactions	-	-
8	Adjustment for derivative financial instruments	-	-
9	Adjustment for securities financing transactions (SFTs)	20	11
10	Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	32	43
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)		-
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a (1) CRR)		-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a (1) CRR)		-
12	Other adjustments	(193)	(224)
13	**Total exposure measure**	**3,970**	**3,794**

The following table presents the constituents of the leverage exposure, the leverage ratio on a fully-loaded and phase-in basis with the fully-loaded and phase-in Tier 1 Capital, respectively as at 31 December.

EU LR2 - LRCom: Leverage ratio common disclosure

Amounts in €millions		CRR leverage ratio exposures	
		a	b
		31 December 2024	**31 December 2023**
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	3,924	3,748
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(6)	(9)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	**3,918**	**3,739**
8	Replacement cost associated with SA-CCR derivatives transactions (i.e., net of eligible cash variation margin)	-	-
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	244	290
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	-	-
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	45	50
EU-9b	Exposure determined under Original Exposure Method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (Simplified Standardised Approach)	(289)	(341)
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivatives exposures**	**-**	**-**
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	20	11
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	**Total securities financing transaction exposures**	20	11
19	Off-balance sheet exposures at gross notional amount	129	143
20	(Adjustments for conversion to credit equivalent amounts)	(96)	(100)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22	**Off-balance sheet exposures**	**32**	**43**
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a (1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a (1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	(Total exempted exposures)	-	-
23	**Tier 1 capital**	**189**	**182**
24	**Total exposure measure**	**3,970**	**3,794**
25	Leverage ratio (%)	4.76%	4.79%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	4.76%	4.79%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	4.76%	4.79%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	-	31

29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4,001	3,825
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4,001	3,825
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4.72%	4.76%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4.72%	4.76%

The following table provides a split of the on-balance sheet exposures as at 31 December in relation to the calculation of the leverage ratio (excluding derivatives, SFTs and exempted exposures).

EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		CRR leverage ratio exposures	
		a	B
	Amounts in €millions	**31 December 2024**	**31 December 2023**
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**3,944**	**3,760**
EU-2	Trading book exposures	-	-
EU-3	Banking book exposures, of which:	3,944	3,760
EU-4	Covered bonds	356	322
EU-5	Exposures treated as sovereigns	227	253
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	-	-
EU-7	Institutions	288	356
EU-8	Secured by mortgages of immovable properties	2,283	2,011
EU-9	Retail exposures	144	169
EU-10	Corporates	81	170
EU-11	Exposures in default	12	1
EU-12	Other exposures (e.g., equity, securitisations, and other non-credit obligation assets)	553	477

Factors that had an impact on the leverage ratio (Article 451 (1) (e) CRR) (EU LRA)

The leverage ratio remained relatively constant during the year ended 31 December 2024 at 4.7%.

Process used to manage the risk of excessive leverage (Article 451 (1) (d) CRR) (EU LRA)

The Bank has maintained a leverage ratio above the 3% minimum requirement.

The Bank has no appetite for approaching this threshold, however, is willing to accept some volatility to this ratio if suitable lending or investment opportunities arise, provided that the overall goal of maintaining significant headroom to the regulatory minimum is not threatened. The RAS includes early warning indicators and limits for the leverage ratio with a defined escalation process in case of risk of excessive leverage. In such instances, management is required to provide an action plan whilst keeping the Board updated with progress as outline in the RAF The leverage ratio is reported to ALCO, EXCO and the Board on a regular basis. This ensure senior management are kept informed of any changes, in particular deterioration of the leverage ratio.

8 Intragroup Interconnectedness

(Article 446 CRR [EU ORA])

The principal activities of the MeDirect Group comprise investing in Dutch and Belgian mortgages, lending to international corporates, and the provision of banking services primarily to the mass affluent sector in Malta and Belgium, focusing primarily on deposit savings products and wealth management, as well as corporate banking and lending and mortgage lending in Malta.

The Group is made up as follows:

- MDB Group Limited – the holding company.
- MeDirect Bank (Malta) plc – referred to as MeDirect Malta.
- MeDirect Bank SA – referred to as MeDirect Belgium, a wholly owned subsidiary that handles the Group's operations in Belgium.
- MeDirect Tech Limited (leases computer hardware and software to group entities).
- Medifin Estates - a property leasing partnership.

The principal customer-related activities of MeDirect Belgium include an easy-to-use wealth platform with access to fund houses and mutual funds, a suite of wealth products available digitally through digital channels, attractive and innovative savings products in Belgium and senior secured loans and Revolving Credit Facilities ("RCFs") to finance the business of European corporates. MeDirect Belgium invests in Dutch residential mortgages via an established third-party mortgage originator in the Netherlands.

In December 2021, MeDirect Belgium launched a Belgian residential mortgage loan product in partnership with AZB. This offering is underpinned by a robust credit risk framework and will continue to diversify the asset base of MeDirect Belgium into the residential mortgage sector. Also as from November 2022, MeDirect Belgium launched its Dutch buy-to-let mortgage business.

The Bank has retained substantially all risks and rewards pertaining to the activities of Bastion 2020-1 NHG B.V., Bastion 2021-1 NHG B.V. and Bastion 2022-1 NHG B.V., three controlled special purpose entities utilised as part of the Bank's funding strategy in respect of the Dutch Mortgage business, and hence to assets, liabilities and related income and expenditure attributable to these entities, and as such, all assets, liabilities and related income and expenditure have been reflected within the Bank's financial statements.

On April 30, 2025, MeDirect Belgium successfully closed Bastion 2025-1 NHG, its fourth and largest Dutch Residential Mortgage-Backed Securities transaction, backed by a portfolio of Dutch prime NHG mortgage loans. The Bank retained both the Class A1 notes and the Class A2 notes amounting to €616.7 million and €76.6m respectively, providing MeDirect Belgium with a contingency funding source and offering the potential to secure external funding through future remarketing. Furthermore, on the first optional redemption date at the end of April 2025, MeDirect Belgium fully redeemed the remaining outstanding notes of its first RMBS transaction, Bastion 2020-1 NHG, equivalent to €278.8 million.

This section provides a detailed description of the legal and financial structures of the Group entities, including an explanation of main intra-group interconnectedness with respect to all existing material intra-group exposures and funding relationships, legal interconnectedness covering material legally binding agreements; operational interconnectedness, including centralised operational agreements.

8.1 Intragroup Funding Arrangements

As at 31 December 2024e, MeDirect Belgium had outstanding the following material intra-group financial support agreements:

Revolving Loan Agreement

The Revolving Loan Agreement is a €70 million unsecured RCF made available by MeDirect Malta for drawdown in one or more tranches by MeDirect Belgium. The purpose of the loan facility is to provide liquidity to finance business operations of MeDirect Belgium if such contingency financing is required. This agreement has never been utilised so far.

Deposit of Funds agreement

Under the Deposit of Funds Agreement, MeDirect Belgium may deposit funds with MeDirect Malta. A portion of the excess liquidity of MeDirect Belgium is placed with MeDirect Malta in the form of inter-company deposits and margins.

8.2 Operational Interconnectedness

Operationally, MeDirect Belgium is provided with resources, technology and personnel by MeDirect Malta pursuant in accordance with a staff sharing arrangement and a SLA. MeDirect Malta employees are made available to act for MeDirect Belgium under a staff sharing agreement. Certain IT services are provided by MeDirect Malta to MeDirect Belgium through a Service Level Agreement ("SLA"). Moreover, infrastructure is made available to support MeDirect's operations under leasing agreements, mainly by the group company MeDirect Tech Limited but also by MeDirect Malta.

Staff sharing agreement

Through a staff sharing agreement MeDirect Malta agrees to make available to MeDirect Belgium such employees as are needed in order to enable MeDirect Belgium to operate. Under this agreement, MeDirect Belgium reimburses MeDirect Malta an agreed percentage of the remuneration and social security paid by it in relation to such employees. Throughout the financial year ended 31 December 2024, MeDirect Malta recharged employee compensation and benefits to MeDirect Belgium amounting to €5.7 million.

Leasing and service level agreements

The leasing structure through MeDirect Tech ensures that the IT infrastructure (hardware, software and systems) is made available for use by MeDirect Malta and MeDirect Belgium. Each of MeDirect Malta and MeDirect Belgium have entered into a lease agreement with MeDirect Tech, whereby MeDirect Tech leases to MeDirect Malta and MeDirect Belgium certain assets mainly IT equipment/hardware, and provides them with the use, maintenance and third-party support services under any software licences and other products and/or services. MeDirect Malta also provides similar leasing and support services to MeDirect Belgium. Throughout the financial year ended 31 December 2024, MeDirect Belgium incurred IT support charges and lease charges from MeDirect Tech and MeDirect Malta equivalent to €2.6 million.

Recharging of expenses agreement

MeDirect Malta and MeDirect Belgium have also entered into a Recharging of Expenses Agreement, pursuant to which certain fees, costs and expenses relating both to recurring as well as ad hoc operational services which are used by both MeDirect Malta and MeDirect Belgium in the course of their respective business activities are initially incurred and paid for by MeDirect Malta. These costs relate, by way of example, to payment systems maintenance and licence fees, credit advisory fees, legal advisory fees, custodian fees and management fees. Under the Recharging of Expenses Agreement, MeDirect Belgium has agreed to reimburse MeDirect Malta for the portion of such fees and expenses which are paid by MeDirect Malta, but which relate to or otherwise benefit MeDirect Belgium.

9 Recruitment and diversity policy statement

The Bank recognises that a robust and professional approach to recruitment and selection helps it to attract and appoint individuals with the necessary skills and attributes to support its business goals. All prospective staff members are subject to a rigorous selection process, taking into account the key activities, tasks and skills required for the position. Multiple interviews are conducted, and the candidate's knowledge, experience, skills, temperament and competency are evaluated against other candidates.

The Bank's aim is to develop an effective and efficient recruitment process that recruits the best talent, helps employees identify their potential, promotes a transparent, merit-based selection process and develops a cost effective recruitment process. The Bank endeavours to ensure that all appointments (at any level) are made based on the actual knowledge, skills, expertise and merit of the individual involved, in compliance with local legislation and in adherence to the Group Diversity Policy.

The Group's Diversity Policy states that its objectives are to ensure that the Group:

- has a workforce profile that delivers competitive advantage through the ability to garner a deep understanding of customer needs;
- has an inclusive workplace where every individual can succeed regardless of gender, cultural identity, age, physical ability, religious beliefs, family status and sexual orientation; and
- leverages the value of diversity for all the Group's stakeholders to deliver the best customer experience, improved financial performance and a stronger corporate reputation.

To achieve these objectives the Group sets goals for achieving diversity and the Board will:

- assess annually both the objectives and progress in achieving them;
- assess pay equity on an annual basis;
- encourage and support the application of diversity into practice across the business; and
- endeavour to provide employment opportunities for people with disabilities.

With these goals in mind, the Bank aims to promote equal opportunities for all employees and to ensure that they are treated fairly and consistently. All candidates are assessed against various selection criteria designed to match the requirements of the position to the skills and experience of an applicant, including professional qualifications and expertise, any past work experience in relation to the requirements of the job, key capabilities, adaptability and flexibility, cultural fit, open mindedness, level of self-motivation and proactivity. The Bank is committed to attracting, developing and retaining diverse leaders. Diversity of thought provides tangible business benefits, including innovation, risk mitigation, better problem solving and improved customer service. To ensure that the Bank can foster these talents in an inclusive culture, it continues to recruit and develop the best person for the job, regardless of gender, age, race, family or caring responsibilities, disability and sexual orientation, identity or preference.

Kindly refer to the Non-Financial Information report in the MDB Group Annual Report.

Recruitment and diversity policy for board members
(Article 435 (2) (b) and (c) CRR) (EU OVB)

All Board appointments are made based on merit, taking into account the skills, experience, independence and knowledge required for the Board to function effectively.

The Bank acknowledges and values the advantages of establishing a diverse and inclusive Board, viewing diversity as a crucial element in sustaining a competitive edge. A diverse Board will leverage the differences in skills, industry experience, backgrounds, and other distinctions among Directors. These differences will be considered when determining the optimal composition of the Board, and efforts will be made to achieve a balanced representation whenever feasible.

Regarding the representation of underrepresented genders, the Group commits to ensuring that female representation on the Belgium Board reaches a minimum of 20%. Continuous efforts are being made to enhance female representation through replacements or additions. If necessary, search firms are engaged to help meet these diversity objectives. It is important to note that these targets may be adjusted in response to any structural changes arising from the revised strategic plan.

The following were the changes in directorships during the financial year and after the end of the reporting period:

- Jean-Marcel Phe Funchal was appointed as CFO and Executive Director on 14 May 2024 and on 1 January 2024, Marija Fenech, the CRO, was officially appointed as an Executive Director.
- Jean-Claude Maher resigned from his position as Executive Director and COO of MeDirect Belgium, effective from 1 February 2025. He was appointed as Group CEO on 13 March 2025.
- Mr Jean Dessain was appointed as an Independent Non-Executive director on 19 February 2025.
- John Zarb ceased to be a director of MeDirect Belgium given that his term expired on 29 May 2025.

For an overview of the directors and other key officers of the Bank, their expertise, actual knowledge and skills, kindly refer to the following link:

https://www.medirect.be/about-medirect/our-team

10 Remuneration policy and practices

(EU REMA – Remuneration policy (points (a) to (d) of Article 450(1))

Remuneration governance

The primary purpose of the NRC of the Bank is to review remuneration levels in the Bank and to consider whether to approve performance-related bonus and other variable awards that may be delivered in cash or share linked instruments. As at present, the members of the NRC are Marcia de Wachter, Bart Bronselaer and Jean Dessain with the Human Resources representative in attendance. Throughout the financial period the NRC met eight times.

The Bank's NRC is charged with aligning the Bank's remuneration policy and in particular performance-related elements of remuneration, with the Bank's business strategy and risk tolerance, objectives, values and long-term interests. The key objectives of the NRC in this regard are the following:

- annual review of the proposals put forward by management relating to the principles of the remuneration policy and verification with 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
- 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 NRC.

One of the NRC's primary functions is to ensure that the Bank is able to attract and retain suitable employees at all levels at an acceptable cost. It may request market-related information from time to time, to verify the recommendations made by management.

On an annual basis, the NRC reviews the budget allocated to the fixed salary increases for the forthcoming year and the variable remuneration pool for the previous financial year and review the individual remuneration of senior management and staff members who are employed in control functions such as Risk and Compliance, as well as that of staff with total remuneration above a threshold fixed by the NRC.

Remuneration policy statement

The purpose of the remuneration policy is to set out the overall principles that the Bank, whether direct or indirect, must follow when determining the remuneration and compensation of its management and staff members. This policy establishes an effective framework for determining role descriptions, performance measurement, risk adjustment of compensation and the linkages to reward. The Bank's Board is responsible to ensure that the remuneration practices are based on sound governance processes that take into account the Bank's risk strategy and profile.

The policy was developed in conjunction with the Group's principal shareholder and the NRC of the Bank and its parent company. The policy is reviewed on an annual basis by the NRC or when significant changes occur in related directives, guidance, best practice and technical standards. The policy is also reviewed on an annual basis by the IAF to ensure that it is in compliance with all applicable legal and regulatory requirements. The NRC may also require review of this policy by external advisors to the extent it is deemed necessary or appropriate.

The Board, directly and through the NRC, carries out effective monitoring and evaluation of adherence to the Bank's remuneration policy and remuneration system on an on-going basis. The NRC and the Board monitor the on-going performance by executive directors and senior management and determine the design and implementation of an effective remuneration system. They also ensure that the 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 MRTs are subject to malus and clawback arrangements and are otherwise consistent with the remuneration policy.

MRTs, that consist of members of staff whose actions have a material impact on the risk profile of the Bank, are identified on the basis of the qualitative and quantitative criteria set out in the Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 ("Regulation (EU) 2021/923"). MRTs are also identified on the basis of additional criteria developed internally.

This category would include a member of the Board of directors, a member of senior management and the Heads and key personnel active in the independent control functions such as the internal audit, compliance and risk management functions.

MRTs would also include:

- Staff members authorised to approve or veto the introduction of new products;
- Staff members authorised to take decisions on material credit risk exposures or who is a member of a committee which has authority to take decisions on material credit risk exposures; and
- Staff members that have been awarded total remuneration in the previous financial year equal to or in excess of other MRTs (excluding non-executive, support function and control function roles).

The list of MRTs is reviewed and reconsidered by the NRC on at least an annual basis.

Remuneration consists of base salary and, where applicable, performance based or other variable bonus awards. Performance-related compensation is determined both on (i) a Bank wide basis, and (ii) an individual employee basis.

Compliance with the Bank's rules and requirements and ongoing involvement in risk management are taken into account when determining performance-based remuneration for all employees. Other non-financial factors are considered such as skills acquired, personal development, commitment to the Bank's business strategies and policies and contribution to the performance of the team. Performance is measured in relation to non-financial and financial goals and, where appropriate, failure to perform in non-financial areas of responsibility outweighs success in profit generation in determining compensation. The remuneration of staff in control functions should allow the Bank to employ qualified and experienced personnel in those functions and to take into account the nature of their responsibilities.

The Risk team provides 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 Bank. The Risk team provides input into the process for determining bonus pools and the allocations of variable remuneration awards, to ensure that all relevant factors are considered in determining awards. The Risk team also validates and assesses risk adjustment data, and a member of the BRCC provides input to the NRCs on this matter.

The Compliance function analyses how the remuneration policy affects the Bank's compliance with legislation, regulations and internal policies and conducts an annual review of the implementation of the remuneration policy. The Compliance function would report all identified compliance risks and issues of non-compliance and these findings are taken into account during the approval and review procedures and oversight of the remuneration policy.

The IAF carries out an independent annual review on the design, adequacy, control effectiveness and sound monitoring of the Remuneration policy. The IAF also informs the NRC of any negligent or unacceptable behaviour of key staff and management members, to be considered during the review of remuneration levels and approval of performance-related and other variable bonus awards.

The Remuneration Policy includes malus and clawback provisions applicable to all MRTs and key personnel in control functions, including variable compensation paid in cash. Clawback, if applied requires employees to pay back all or some of an amount they have already received. It can be applied for five years from the date of award or until the end of the applicable retention period, as applicable. Malus, if applied, permit reduction of incentive awards before they become payable or before they vest. Malus may be applied at any time during the applicable deferral period.

It is possible for the Bank to apply malus and clawback provisions to variable remuneration if the affected employees were responsible for significant losses to the Bank or if standards of fitness and propriety were not met during the period for which the performance or retention bonus was awarded.

Variable remuneration is paid or vests only if it is sustainable in relation to the financial and regulatory capital situation of the Bank as a whole. Without prejudice to the general principles of national contract and labour law, the total variable remuneration may be reduced in the event of negative financial performance of the Bank. Reductions may affect , both current remuneration and payouts of amounts previously earned.

Conflicts of interests with regard to the implementation of this Remuneration Policy and the award of remuneration in accordance with the provisions of this policy are identified and appropriately mitigated.

In 2024 the Group reviewed the remuneration policy and the Deferred Bonus plan, but there were no material changes.

The Bank's reward strategy

The quality and long term-commitment of all employees is fundamental to the Bank's success. The Bank therefore aims to attract, retain and motivate the very best people who are committed to maintain a long-term career with the Bank and who will perform their role in the long-term interest of the shareholders. The Bank's reward package may comprise fixed remuneration and variable remuneration.

Fixed remuneration

The fixed remuneration reflects the individual's role, experience and responsibility. It comprises the base salary and in some cases a pay allowance. Base salaries are expected to comprise the majority of the Bank's overall compensation cost, are benchmarked on an annual basis, and are paid by direct credit to an employee's personal account on a monthly basis. Allowances are also paid by direct credit on a monthly basis.

Fixed remuneration also includes benefits (of a fixed nature as these are pre-determined). Benefits take account of market practice and include the provision of pension contributions, medical insurance and life assurance and others. The Bank provides defined contribution pension schemes whereby the Bank's fixed contribution is set for each employee on the basis of the relevant salary and the payment of such contributions would stop on termination of employment by the employee.

Variable remuneration

Variable remuneration may consist of performance bonuses and other variable bonuses awarded in cash or share linked instruments and severance payments awarded in cash. In accordance with Article 92(1) (q) of CRD, variable remuneration is not paid through vehicles or methods that facilitate the non-compliance with CRD or Regulation (EU) No 575/2013. A number of employees opted to be paid the performance bonus in warrants or options rather than in cash.

Performance bonuses represent additional remuneration payable to employees as a reward for achieving specific goals or hitting predetermined targets. All variable remuneration is discretionary, irrespective of performance, and the amount of variable remuneration is not determined in advance. The Bank may also award ad hoc bonuses that are linked to pre-set KPIs in relation to specific projects.

Any consideration given to granting variable bonuses is made in light of the applicable regulatory requirements in order to ensure that such remuneration is only awarded where to do so is compliant with the applicable regulatory requirements and any such remuneration is 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 a share-linked instruments and the application of malus and clawback).

10.1 Determination of the performance bonus variable remuneration pools

A performance bonus pool is established for the Bank as a whole and is calculated at Bank level based on the success of the Bank in meeting its business objectives. In determining the variable remuneration pool, the Bank applies a prudent, forward-looking approach, consistent with maintaining a sound capital base. The Bank expects that in aggregate variable remuneration will not materially affect the capital position or ability to strengthen the capital base of the Bank.

The variable remuneration pool is determined based on the following factors:

- Financial results of the Bank 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 Bank's capacity to meet its objectives in terms of capital requirements; and
- Qualitative factors such as market practices, conditions under which activities are carried out and risk management.

The pool would be further adjusted to reflect all relevant identified current and future risks and the Bank's capital position. Such an adjustment may include the NRCs 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 MRT) who the NRC determines has caused or contributed to any such breach (or risk of a breach).

The variable remuneration pool is approved by the NRC.

10.2 Measures of performance as basis for awarding of bonuses

All personnel are compensated out of the variable remuneration bonus pool based on their contribution to the achievement of the Bank's business objectives as well as personal objectives. The allocations of individual variable remuneration awards are correlated to the staff member's formalised annual individual appraisal, that takes into consideration quantitative and qualitative objectives known to the employee, as well as risk management considerations.

Individuals are compensated out of that bonus pool based on their contribution to the achievement of the Bank's business objectives. Such individual criteria will also depend on the role of the individual in the Bank. The amount of variable remuneration will vary depending on the performance of the staff member, as well as of the staff member's business unit and the institution as a whole.

The appraisal process for all employees is a continuous process which involves the following stages:

- Objective setting at the beginning of the year.

  Goals are set for the development of the employee. Objectives may be technical (related to area of expertise and day-to-day role) or behavioural (related to personal objectives).

- End of year appraisal.

  Employees prepare a self-appraisal, and the employee's manager prepares an appraisal. The employee and the manager meet to discuss performance and rating.

10.3 Individual allocation of the variable remuneration

i. All staff (including material risk takers)

The Human Resources Team initiates the process of gathering recommendations for salary revisions, bonuses and promotions from EXCO members. A variable remuneration pool is allocated per department based on the bonus pool of the Bank. The individual departments then allocate the pool amongst their employees based on performance.

All staff are eligible for performance related variable remuneration, though the Bank has full discretion as to whether or not to pay variable remuneration on a Bank -wide or an individual basis. It takes into account quantitative and qualitative criteria and is not directly or solely linked to the amount of profits or revenues generated. Assessment of performance is made taking into account the business cycle and the Bank's business risks. The criteria used to set variable remuneration pools, as well as their allocation, takes into account all risks, both qualitative and quantitative.

In exceptional circumstances, the allocation of variable remuneration may differ from the pre-determined criteria set forth in the End of Year procedure, on a case-by-case basis. Furthermore, depending on the performance of the employee and the financial performance of the Bank, variable remuneration can also be reduced to zero. Variable remuneration may be significantly reduced or nullified in the case of any kind of unethical or non-compliant behaviour.

The Human Resources Team ensure that recommendations for salary revisions and bonuses do not exceed the allocated pool. The CRO confirms that the bonus allocation is consistent with sound and effective risk management practices and does not impact the capital adequacy of the Bank. Recommendations are then discussed with the CEO for approval before presenting to the NRC.

Internal control functions

Whilst the overall bonus pool of the Bank is based on the Bank's financial results, compensation of control functions is not directly tied to the results of any business unit but should provide incentives for such staff to deliver the best performance in their role. Thus, control functions are judged on success in developing and implementing appropriate policies, developing effective risk management controls and procedures, monitoring risk and building control systems. The Bank's remuneration practices shall ensure that no material conflict of interest arise in respect or remuneration for staff in the Bank's control functions.

The methods used for determining the variable remuneration of control functions are designed to encourage staff not to compromise their objectivity and independence. When control function staff receive variable remuneration, it is determined separately from the business units they control, including the performance which results from business decisions where the control function is involved. The criteria used for assessing performance and risk is based exclusively on internal control objectives.

Other matters on variable remuneration

In accordance with applicable remuneration regulations, the ratio between the variable components of remuneration and the fixed components is limited to 50%.

Without prejudice to the de-minimis carve-out of variable remuneration not exceeding €75,000 provided in the NBB Circular NBB_2016_44 of 10 November 2016 ("EBA/GL/2015/22"), where variable remuneration is more than €50,000 or for lower values which are more than 100% of the fixed remuneration, a minimum of 50% of the variable remuneration cannot be delivered in the form of cash. There were no instances throughout the financial year when the 50% ratio for the MeDirect Belgium Staff was exceeded.

Variable remuneration may be paid in the form of the following: 1) upfront cash; 2) an upfront share-linked instrument award and/or 3) a deferred award representing an award granted in respect of cash or share-linked instruments subject to deferral. Such award of share-linked instruments for the purpose of Article 94 (1) (i) of CRD entitles the MRT to a cash payment based on the market value of a share of the MDB Group at a given date but does not entitle the employee to shares or any interest in or right over such shares. In the case of upfront share-linked awards and deferred share-linked award linked to a retention bonus, these awards would be subject to a retention period as determined by the NRC, of not less than 1 year but not greater than 5 years.

Variable remuneration awarded in cash is normally paid out in the first quarter of the subsequent financial year as determined by the NRC. Variable remuneration paid to MRTs is subject to malus and clawback provisions.

The clawback provisions state that the bonus may have to be repaid if the recipient of an award participated in or was responsible for conduct which resulted in significant losses to the Group and/or a business unit, in case of failure to meet appropriate standards of fitness and propriety, including cases of fraud, dishonesty or gross negligence, or in the case of significant reputational damage to the Group or a business unit or where such conduct would lead to regulatory actions. Clawback provisions may be applied ex post to variable remuneration paid in cash and share-linked instruments.

Malus may be applied at the discretion of the NRC, and examples of the circumstances in which such discretion to impose malus may be exercised are included in the Remuneration Policy. Malus provisions may be applied ex ante to share linked instruments.

Subject to regulatory de minimis limits, for MRTs deferral will apply to at least 40% of annual variable remuneration (and up to at least 60% in certain circumstances as determined in accordance with applicable regulations determined by the NRC), including both cash and instrument payments. The deferral period is five years, with one-fifth of the deferred amount vesting at the end of each of the first five anniversaries of the award date.

ii. Material risk takers

The remuneration elements for all MRTs are detailed in the tables below in accordance with Article 450 CRR.

MRTs are classified as follows:

• Supervisory function

The supervisory function consists of non-executive directors. They are responsible for providing a monitoring role and thus their remuneration is not performance based and is not linked to the Bank's results. Non-executive directors are non-employees and receive a fee for their services as directors. They are not eligible to receive a base salary, fixed pay allowance, pension or any variable pay.

The fee levels payable reflect the time commitment and responsibilities required of a non-executive director. It is determined based on remuneration levels for directors of similar financial companies and takes into account factors such as time invested and responsibilities.

• Management function

The management function consists of members of the board of directors who have executive functions and may be responsible for certain business units, and includes all executive directors of the board. Throughout the year members of the management function were awarded a performance bonus delivered in cash and certain members of the management function were also awarded performance bonuses delivered in cash and share linked instruments.

• Retail and Corporate Banking

This category would include the following people that would benefit from a performance bonus delivered in cash.
- Heads and key personnel of retail and corporate banking material business units/business lines.
- Staff members responsible for initiating credit proposals or structuring credit products which relate to material credit risk exposures.

• Corporate functions

Heads and key personnel within Finance, Administration, Treasury and Human Resources are included in this category and they benefit from a performance bonus delivered in cash.

• Independent control functions

As described in the EBA's guidelines on internal governance, this category would consist of the Heads and key personnel active in the independent control functions such as the internal audit, compliance and risk functions of the Bank. They benefit from performance bonuses. Compensation of control functions is not directly tied to the results of any business unit but should provide incentives for such staff to deliver the best performance in their role.

The Bank's remuneration practices shall ensure that no material conflict of interest arise in respect or remuneration for staff in the Bank's control functions.

EU REM1 - Remuneration awarded for the financial year

	Year ended 31 December 2024		a	b	C	d
	Remuneration in €millions		MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	6	4	4	3
2		Total fixed remuneration	-	1	1	1
3		Of which: cash-based	-	1	1	1
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)				
7		Of which: other forms	-	-	-	-
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	-	3	3	3
10		Total variable remuneration	-	-	-	-
11		Of which: cash-based	-	-	-	-
12		Of which: deferred	-	-	-	-
EU-13a		Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a		Of which: deferred	-	-	-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		Of which: deferred	-	-	-	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration (2 + 10)		-	1	1	1

	Year ended 31 December 2023		a	b	C	D
	Remuneration in €millions		MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	5	5	3	3
2		Total fixed remuneration	-	2	-	1
3		Of which: cash-based	-	1	-	-
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)				
7		Of which: other forms	-	-	-	-
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	-	3	3	3
10		Total variable remuneration	-	-	-	-
11		Of which: cash-based	-	-	-	-
12		Of which: deferred	-	-	-	-
EU-13a		Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a		Of which: deferred	-	-	-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		Of which: deferred	-	-	-	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration (2 + 10)		-	2	-	1

EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

	Year ended 31 December 2024	a	b	c	d
	Remuneration in €millions	MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards – Number of identified staff	-	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year – Number of identified staff	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year – Total amount	-	-	-	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year – Number of identified staff	-	-	-	-
7	Severance payments awarded during the financial year – Total amount	-	-	-	-
8	Of which paid during the financial year	-	-	-	-
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
11	Of which highest payment that has been awarded to a single person	-	-	-	-

	Year ended 31 December 2023	a	b	c	d
	Remuneration in €millions	MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards – Number of identified staff	-	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year – Number of identified staff	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year – Total amount	-	-	-	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year – Number of identified staff	-	-	-	-
7	Severance payments awarded during the financial year – Total amount	-	-	-	-
8	Of which paid during the financial year	-	-	-	-
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
11	Of which highest payment that has been awarded to a single person	-	-	-	-

As per Article 450 of the CRR, the Bank confirms that there was remuneration that was subject to deferral, that will vest over a maximum period of five years and that is subject to malus or clawback provisions.

EU REM3 - Deferred remuneration

	Year ended 31 December 2024	a	b	c	d	e	f	EU – g	EU – h
	Deferred and retained remuneration *in €millions*	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e., Changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	-	-	-	-	-	-	-	-
2	Cash-based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	MB Management function	-	-	-	-	-	-	-	-
8	Cash-based	-	-	-	-	-	-	-	-
9	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
10	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	Other senior management	-	-	-	-	-	-	-	-
14	Cash-based	-	-	-	-	-	-	-	-
15	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	Other identified staff	-	-	-	-	-	-	-	-
20	Cash-based	-	-	-	-	-	-	-	-
21	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
22	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	Total amount	-	-	-	-	-	-	-	-

	Year ended 31 December 2023	a	b	c	d	e	f	EU – g	EU – h
	Deferred and retained remuneration *in €millions*	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e., Changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	-	-	-	-	-	-	-	-
2	Cash-based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	MB Management function	-	-	-	-	-	-	-	-
8	Cash-based	-	-	-	-	-	-	-	-
9	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
10	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	Other senior management	-	-	-	-	-	-	-	-
14	Cash-based	-	-	-	-	-	-	-	-
15	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	Other identified staff	-	-	-	-	-	-	-	-
20	Cash-based	-	-	-	-	-	-	-	-
21	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
22	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	Total amount	-	-	-	-	-	-	-	-

EU REM4 - Remuneration of 1 million EUR or more per year

No identified staff within MeDirect Belgium earns a total remuneration that exceeds €1 million.

EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

	Year ended 31 December 2024	a	b	c	d	e	f	g	H	i	j
		Management body remuneration			Business areas						
	Remuneration in €millions	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff										12
2	Of which: members of the MB	6	4	10							
3	Of which: other senior management				-	2	-	2	-	-	
4	Of which: other identified staff				-	-	-	1	2	-	
5	Total remuneration of identified staff	-	1	2	-	-	-	1	-	-	
6	Of which: variable remuneration	-	-	-	-	-	-	-	-	-	
7	Of which: fixed remuneration	-	1	2	-	-	-	-	-	-	

	Year ended 31 December 2023	a	b	c	d	e	f	g	H	i	j
		Management body remuneration			Business areas						
	Remuneration in €millions	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff										16
2	Of which: members of the MB	5	.5	10							
3	Of which: other senior management				-	2	-	1	-	-	
4	Of which: other identified staff				-	-	-	1	2	-	
5	Total remuneration of identified staff	-	2	2	-	-	-	-	-	-	
6	Of which: variable remuneration	-	-	-	-	-	-	-	-	-	
7	Of which: fixed remuneration	-	2	2	-	-	-	-	-	-	

11 Number of directorships held by board members

(Article 435 (2) (a) CRR) (EU OVB)

The number of other directorships held by members of MeDirect Belgium's Board as at 31 December 2024 (excluding the functions exercised in companies ultimately owned by Anacap Financial Partners II L.P., in personal patrimony/management companies, and in non-profit associations) are listed in the table below. A full list of the external functions exercised by the directors of the Bank is available in the Annual Report for the financial year ended 31 December 2024 that can be found in the following website https://www.medirect.be/about-medirect/facts-and-figures.

Directors as at 31 December 2024		Number of other directorships held
Marcia De Wachter	Independent Non-Executive Chairman	1 NED
Bart Bronselaer	Independent Non-Executive Director	1 NED*
Frederic Hannequart	Independent Non-Executive Director	1 NED**
Jean Dessain	Independent Non-Executive Director	1 ED
John Zarb	Independent Non-Executive Director	2 NED
Alain Moreau	Executive Director	-
Marija Fenech	Executive Director	-
Jean-Marcel Phe Funchal	Executive Director	-

* Directorship approved by FSMA
** Directorship approved by the NBB

NED stands for Non-Executive Director
ED stands for Executive Director

Appendix A – List of templates

Appendix B: CRR 2 References for mandatory disclosures

CRR Ref.	High-level summary	Applicable to MeDirect Belgium [Yes/No]	Compliance reference
Article 431: Scope of disclosure requirements			
431 (1)	Requirement to publish Pillar 3 disclosures	Yes	MeDirect Belgium publishes these Pillar 3 disclosures.
431 (2)	Firms with permission to use specific operational risk methodologies must disclose operational risk information.	No	No specific permissions in respect of the calculation of specific operational risk granted to the Bank.as it does not use the Advances Measurement Approaches for operational risk.
431 (3)	Institution must have a policy covering frequency of disclosures, their verification, comprehensiveness and overall appropriateness. Additionally, Institution must have written attestation of at least one member of the management body or senior management that the required disclosures have been made.	Yes	The Bank compiles the Additional Regulatory Disclosures in accordance with the requirements emanating from the CRR and relevant EBA guidelines. Refer to Section 1.1 – "Pillar 3 Disclosure Policy" and section 1.3 – "Attestation by the directors".
431 (4)	Quantitative disclosures must be accompanied by qualitative narrative and any other supplementary information required to understand the disclosures.	Yes	Evidenced throughout these Pillar 3 disclosures.
431 (5)	Explanation of ratings decision upon request	No	Not applicable for MeDirect Belgium.
Article 432: Non-material, proprietary or confidential information			
432 (1)	Institutions may omit information that is not material if certain conditions are respected.	No	MeDirect Belgium complies with all relevant disclosure requirements. No information is omitted due to being considered proprietary or confidential as is noted in Section 1.1 – "Pillar 3 Disclosure Policy" of this Report. No item required to be disclosed was purposely fully omitted.
432 (2)	Institutions may omit information that is proprietary or confidential if certain conditions are respected.	No	
432 (3)	Where 432 (1) and (2) apply this must be stated in the disclosures, and more general information must be disclosed.	No	
Article 433: Frequency of disclosure			
433	Disclosures must be published once a year at a minimum, and more frequently if necessary.		Compliance with this provision is covered by the Disclosure policy. Refer to Section 1 "Introduction". MeDirect Belgium is only required to publish annual Pillar 3 disclosures.
Article 433a: Disclosure by large institutions			
433a1	Disclosures under specified articles must be made on an annual, semi-annual or quarterly basis as is identified in this article.	No	MeDirect Belgium is not a large institution.
433a2	Non-listed G-SIIs are required to disclose information relating to specified articles on an annual or semi-annual basis as identified in this article.	No	MeDirect Belgium is not a G-SII.
433a3	Large institutions subject to articles 92a or 92b must make additional disclosures on a semi-annual or quarterly basis as identified in this article.		
Article 433b: Disclosures by small and non-complex institutions			
433b (1)	Disclosures under specified articles must be made on an annual or semi-annual basis as is identified in this article.	Yes	MeDirect Belgium is a small and non-complex institution. As specified in Section 1 "Introduction" MeDirect Belgium is required to publish the disclosures as required by Article 433b of the CRR. However, MeDirect Belgium decided to make certain additional disclosures on a voluntarily basis.
433b (2)	Non-listed small and non-complex institutions are required to disclose information relating to specified articles on an annual basis as identified in this article.		

Article 433c: Disclosures by other institutions			
433c (1)	Disclosures under specified articles must be made on an annual, semi-annual basis as is identified in this article.	No	MeDirect Belgium is a small and non-complex institution.
433c (2)	Non-listed other institutions are required to disclose information relating to specified articles on an annual basis as identified in this article.		
Article 434: Means of disclosures			
434 (1)	To include of disclosures in one appropriate medium or provide clear cross-references.	Yes	Most disclosures are contained within this document. Any cross-references to accounting or other disclosures are clearly signposted in this document. Signposting directs the reader to the MeDirect Belgium 2024 Annual Report where appropriate. Refer to Section 1.1 – "Pillar 3 Disclosure Policy". All documents are available on the following website: https://www.medirect.be/about-medirect/investor-relations/
434 (2)	Disclosures made under other requirements (e.g., accounting) can be used to satisfy Pillar 3 if appropriate.		
Article 434a: Uniform disclosure formats			
434a	EBA shall develop implementing technical standards specifying uniform disclosure formats and associated instructions in accordance with the disclosures required under CRR.	Yes	Evidenced throughout this Report via standardised templates and tables applicable to MeDirect Belgium. Also refer to Appendix A.
Article 435: Risk management objectives and policies			
435 (1) (a)	Disclose information on strategies and processes; organisational structure, reporting systems and risk mitigation/hedging.	Yes	Refer to Section 2 "Risk Management".
435 (1) (e)	declaration approved by the management body on the adequacy of risk management arrangements with regard to the institution's profile and strategy.	Yes	Refer to Section 2.5 "Risk statement".
435 (1) (f)	Inclusion of a concise risk statement approved by the Board.	Yes	Refer to 2.2 "Management of key risk" and Section 2.5 "Risk Statement". This statement covers the principal risks.
Article 438: Disclosure of own funds requirements and risk-weighted exposure amounts			
438 (d)	Total risk-weighted exposure amount and corresponding total own funds requirement, broken down by risk categories, and explanation of effect on calculations resulting from application of capital floors.	Yes	The Bank uses the Standardised Approach - Refer to Section 6 "Capital requirements" and table EU OV1.
Article 447: Disclosure of key metrics			
447 (a)	Composition of own funds and own funds requirements.	Yes	Refer to Section 1.2 "Key metrics" and table EU KM1 within this section.
447 (b)	Total risk exposure amount.		
447 (c)	Amount and composition of additional own funds required to be held.		
447 (d)	Combined buffer requirement which institutions are required to hold.		
447 (e)	Leverage ratio and total exposure measure		
447 (f)	The following information on the liquidity coverage ratio: (i) average(s) of liquidity coverage ratio based on end of month observations over preceding 12 months. (ii) average(s) of total liquid assets, after applying haircuts, in the liquidity buffer. (iii) average liquidity outflows, inflows and net liquidity outflows based on end of the month observations over the preceding 12 months		
447 (g)	The following information on the net stable funding requirement:		

	(i) NSFR ration and end of each quarter of the relevant period. (ii) Available stable funding at end of each quarter of the relevant period. (iii) Required stable funding at the end of each quarter of the relevant period.		
447 (h)	The own funds and eligible liabilities ratios and their components, numerator and Denominator.	No	MeDirect Belgium is not a G-SII.
Article 450: Remuneration policy			
450 (1) (a)	information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, if applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;	Yes	Refer to Section 10 “Remuneration policy and practices”.
450 (1) (b)	Information on link between pay and performance;		
450 (1) (c)	the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria;		
450 (1) (d)	the ratios between fixed and variable remuneration set in accordance with Article 94(1)(g) of Directive 2013/36/EU;	Yes	Refer to Section 10 “Remuneration policy and practices” and table EU REM1.
450 (1) (h)	(h) aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution, indicating the following: (i) the amounts of remuneration for the financial year, split into fixed and variable remuneration, and the number of beneficiaries; (ii) the amounts and forms of variable remuneration, split into cash, shares, sharelinked instruments and other types separately for the part paid upfront and the deferred part; (iii) the amount of deferred remuneration awarded for previous performance periods, split into vested and unvested portions; (iv) the amount of deferred remuneration due to vest in the financial year that is paid out during the financial year, and that is reduced through performance adjustments; (v) the guaranteed variable remuneration awards during the financial year, and the number of beneficiaries of those awards; (vi) the severance payments awarded in previous periods, that have been paid out during the financial year; (vii) the amounts of severance payments awarded during the financial year, split into paid upfront and deferred, the number of beneficiaries of those payments and highest payments that has been awarded to a single person;	Yes	Refer to Section 10 “Remuneration policy and practices” and tables EU REM1 and EU REM3 within this section.
450 (1) (i)	the number of individuals being remunerated EUR 1 million or more per financial year, for remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and	Yes	Refer to Section 10 “Remuneration policy and practices” and table EU REM4 within this section.

	for remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million;		
450 (1) (j)	Upon demand from the Member State or competent authority, the total remuneration for each member of the management body or senior management.	No	Upon demand, the Bank will provide to the Member State or competent authority, the total remuneration for each member of the management body or senior management.

Appendix C – List of Regulatory References

Reference	Full regulatory description
Regulation (EU) No 183/2014	Commission Delegated Regulation (EU) No 183/2014 of 20 December 2013 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, with regard to regulatory technical standards for specifying the calculation of specific and general credit risk adjustments
Regulation (EU) 2015/61	Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions
Regulation (EU) 2017/208	Commission Delegated Regulation (EU) 2017/208 of 31 October 2016 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for additional liquidity outflows corresponding to collateral needs resulting from the impact of an adverse market scenario on an institution's derivatives transactions
Regulation (EU) 2020/2176	Commission Delegated Regulation (EU) 2020/2176 of 12 November 2020 amending Delegated Regulation (EU) No 241/2014 as regards the deduction of software assets from Common Equity Tier 1 items
Regulation (EU) No 680/2014	Commission Delegated Regulation (EU) No 183/2014 of 20 December 2013 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, with regard to regulatory technical standards for specifying the calculation of specific and general credit risk adjustments
Regulation (EU) 2016/200	Commission Implementing Regulation (EU) 2016/200 of 15 February 2016 laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions, according to Regulation (EU) No 575/2013 of the European Parliament and of the Council
Regulation (EU) 2021/637	Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295
CRD	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
CRD V	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
EBA/GL/2015/22	EBA Guidelines of 27 June 2016 on sound remuneration policies
EBA/GL/2018/06	EBA Guidelines on management of non-performing and forborne exposures
Regulation (EU) No 575/2013	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
GDPR	Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC
CRR	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

Appendix D – List of Abbreviations

ALCO	Asset & Liability Committee
Allianz / AZB	Allianz Benelux S.A/N.V.
ALM	Asset and Liability Management
Basel	Basel Committee on Banking Supervision
BCBS	Basel Committee on Banking Supervision
BE GAAP	Belgian General Accepted Accounting Principles
BRCC	Board Risk and Compliance Committee
CCF	Credit conversion factor
CCR	Counterparty Credit Risk
CRR	Capital Requirements Regulation 2
CEO	Chief Executive Officer
CER	Climate-related & Environmental Risk
CET 1	Common Equity Tier 1
CFO	Chief Financial Officer
CLO	Collateralised Loan Obligation
CRM	Credit Risk Mitigation
CRO	Chief Risk Officer
CSRBB	Credit Spread Risk in the Banking Book
CVA	Credit Valuation Adjustment
DCF	Discounted Cash Flow
DSTI	Debt service to income ratio
EAD	Exposure at Default
EBA	European Banking Authority
EC	Economic Capital
ECAIs	External Credit Assessment Institutions
ECB	European Central Bank
ECL	Expected Credit Loss
ESG	Environmental, Social and Governance
Eurex	Eurex Clearing AG
EV	Enterprise Value
EVE	Economic Value of Equity
EXCO	Executive Committee
FSMA	Financial Services and Markets Authority
FX	Foreign Exchange
GMRA	Global Master Repurchase Agreement
HQLA	High-Quality Liquid Assets
IAF	Internal Audit Function
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IRRBB	Interest Rate Risk in the Banking Book
ISDA	International Swaps and Derivatives Association
ITS	Implementing Technical Standards
JST	Joint Supervisory Team
KPI	Key Performance Indicator
KRI	Key Risk Indicator
LCR	Liquidity coverage ratio
LGD	Loss Given Default
LOD	Line of Defence
LoR	Lender of Record
LTV	Loan-To-Value
MCC	Management Credit Committee
MRTs	Material risk-takers
MtM	Mark-to-Market
NBB	National Bank of Belgium
NHG	Nationale Hypotheek Garantie
NII	Net Interest Income
NPEs	Non-Performing Exposures
NPL	Non-performing loans
NRC	Nominations and Remuneration Committee
NSFR	Net stable funding ratio
OCR	Overall Capital Requirement
OpsCo	Operations Committee
ORM	Operational Risk Management
OTC	Over-The-Counter
P2G	Pillar 2 Guidance
PD	Probability of Default
POCI	Purchased or Originated Credit-Impaired
PV01	Price Value of a Basis Point
RAF	The Risk Appetite Framework
RAS	Risk Appetite Statement
RCF	Revolving Credit Facility
RCSA	Risk & Control Self-Assessment
RMBS	Residential Mortgage-Backed Securities
RMF	Risk Management Framework
RWAs	Risk weighted assets
SFTs	Securities Financing Transactions
SLA	Service Level Agreement
SSM	Single Supervisory Mechanism
TSCR	Total SREP Capital Requirement
WACC	Weighted Average Cost of Capital