Republic Bank (Cayman) Limited
Pillar 3 Market Discipline Disclosure Requirements

Terms

Listed below are some of the terms and acronyms used in this document and its appendices:

ALCO	The Asset and Liability Committee
Bank	Republic Bank (Cayman) Limited
CIMA	The Cayman Island Monetary Authority
ICAAP	Internal Capital Adequacy Assessment Process – the process followed to arrive at a Bank's self-assessment of capital requirements
MLRO	Money Laundering Reporting Officer
Parent	Republic Bank Trinidad and Tobago (Barbados) Limited
Ultimate Parent	Republic Financial Holdings Limited
RSA	Rate-Sensitive Assets
RSL	Rate-Sensitive Liabilities
RWA	Risk Weighted Asset
SREP	Supervisory Review and Evaluation Process
AOCI	Accumulated Other Comprehensive Income
SOFP	Statement of Financial Position
ECL	Expected Credit Loss
ECAI	External Credit Assessments Institutions

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1. <u>Scope of Application</u>

Republic Bank (Cayman) Limited (the "Bank") was incorporated as an exempted company in the Cayman Islands on 13 January 1992 and holds a Trust licence and an Unrestricted Class B Banking licence under the Banks and Trust Companies Law (2013 Revision). The Bank is also registered as a securities investment business under the Securities Investment Business Act (Revision 2020).The Bank commenced operations in June 1992 and its principal activity is the provision of offshore banking facilities. The Bank's registered office is located at Citrus Grove, 106 Goring Avenue, George Town, Grand Cayman..

The Bank is a wholly owned subsidiary of Republic Bank Trinidad & Tobago (Barbados) Limited (the "Parent Company"); a wholly owned subsidiary of Republic Financial Holdings Limited (the "Ultimate Parent Company"), formerly known as Republic Bank Limited.

Republic Financial Holdings Limited and its group of companies (the "Group") is a financial services group comprising several subsidiaries and associated companies. The Group is engaged in a wide range of banking, financial and related activities in the Caribbean Community (CARICOM) region, Cayman Islands, Ghana, St. Maarten, Anguilla and the British Virgin Islands. It has recently launched an insurance subsidiary in Trinidad and Tobago.

Republic Financial Holdings Limited is incorporated in the Republic of Trinidad and Tobago and its registered office is located at Republic House, 9-17 Park Street, Port of Spain, Trinidad and Tobago. Republic Financial Holdings Limited is listed on the Trinidad and Tobago Stock Exchange.

Subject to all regulatory approvals, Cayman National Bank Ltd. (CNB) will acquire by way of merger, the banking operations of the Bank. In addition, the securities operations of the Bank will also be merged into the operations of Cayman National Securities Ltd. ("CNS"). CNB and CNS will be the remaining entities following the mergers.CNB, CNS, and the Bank are all indirectly owned by the Ultimate Parent Company. The merger of these entities rationalizes operations in the Cayman Islands and creates efficiencies, with no loss of service to clients.

Principals of Consolidation and Basis of Presentation

The consolidated financial statements of the Bank are prepared in accordance with International Financial Reporting Standards ("IFRS") and are stated in thousands of United States Dollars. The consolidated financial statements have been prepared on a historical cost basis and represent the results of Republic Bank (Cayman) Limited and its five wholly owned subsidiaries: Dextra Registrars Ltd, Caribbean Investors Ltd., Dextra Management Ltd., Dextra Secretaries Ltd., and Dextra Holdings Ltd, all Cayman Islands ordinary non-resident companies. Separate financial statements are not prepared for the subsidiaries.

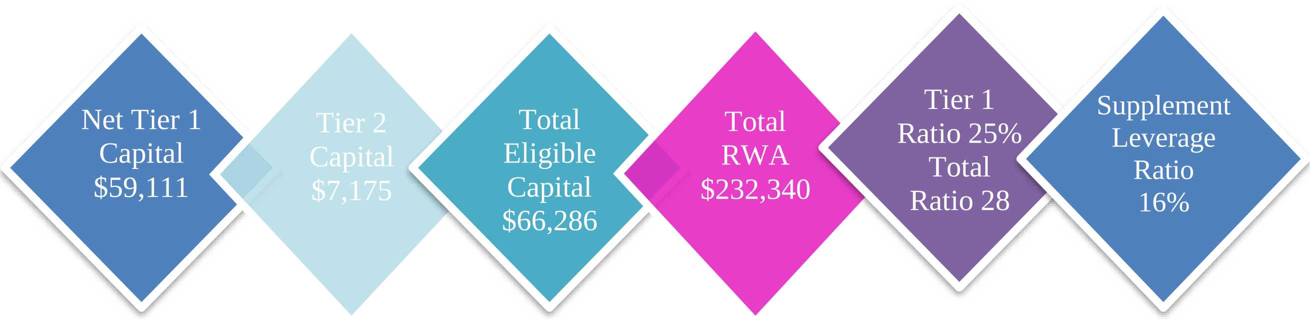
Basel 3 Regulatory Capital Standards and Disclosures

As a Class B Bank incorporated as an exempted company in the Cayman Islands, the Bank is subject to regulatory capital rules, including Basel 3 issued by the Cayman Islands Monetary Authority ("CIMA"). Basel 3 is a regulatory capital framework composed of three pillars :

- Pillar 1 addresses capital adequacy and provides minimum capital requirements, defines eligible capital instruments and prescribes rules for calculating RWA.
- Pillar 2 requires banks to have an internal capital adequacy assessment process ("ICAAP") and requires banking supervisors to evaluate each bank's overall risk profile as well as its risk management and internal controls processes
- Pillar 3 promotes market discipline through prescribed regulatory public disclosures on capital structure, capital adequacy and RWA, which allow market participants to assess the risk and capital profiles of banks.

This document seeks to meet the objective of the Pillar 3 market discipline disclosure requirements. The Bank's Board and senior management has attested to the reliability of the information disclosed herein.

2. Capital Management



2.1 Capital Structure

The Bank's policy is to diversify its sources of capital and to allocate capital efficiently to maintain a prudent relationship between capital resources and the risk of its underlying business.

Under capital adequacy guidelines issued by CIMA and prescribed under The Banks and Trust Companies Law (2021 Revised) of the Cayman Islands, the Bank must meet specific guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by CIMA about components and risk weightings. Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and capital ratios.

Under the Banks and Trust Companies Law (2021 Revised), the minimum capital adequacy ratio is 12% for Banks subject to supervision in the Cayman Islands.

The Basel II framework applies to the consolidated results of Republic Bank (Cayman) Limited. The basis of consolidation used for regulatory reporting is the same as that used under IFRS. There are no material entities within the Bank that are deconsolidated for regulatory capital purposes and whose capital is deducted.

Under Basel II, total capital consists of two tiers of capital, Tier 1 and Tier 2. Tier 1 capital is further composed of Common equity tier 1 capital and additional tier 1 capital. Common equity tier 1 capital primarily includes common stock, retained earnings and AOCI. Goodwill and disallowed intangible assets are excluded from Common equity tier 1 capital. Additional tier 1 capital primarily includes qualifying non-cumulative preferred stock. Tier 2 capital primarily consists of unaudited current year's profit and a limited portion of eligible credit reserves. The Bank's total capital is the sum of Tier 1 capital and Tier 2 capital.

The following table presents the capital composition as at September 30, 2022.

Table 2 - Regulatory Capital Structure

(USD '000)	30-Sep-22
Tier 1 Capital	
Paid up capital	3,300
Disclosed reserves	60,818
Retained earnings	60,818
Other Tier 1 Capital	
Total Tier 1 Capital	**64,118**
Deductions from Tier 1 Capital	
Goodwill	5,007
Other Tier 1 Deductions	-
Net Tier 1 Capital	**59,111**
Tier 2 Capital	
General Provisions	1,066
Other Upper Tier 2 instruments (unaudited current year profits)	6,109
Total Tier 2 Capital	**7,175**
Deductions from Tier 2 Capital	
50/50 pro rata basis deduction	-
Other tier 2 deductions	-
Total Deductions from Tier 2 Capital	**-**
Net Tier 2 Capital	7,175
Total Eligible Capital	**66,287**

2.2 Capital Adequacy

The Bank manages its capital position so that its capital is more than adequate to support its business activities and aligns with risk, risk appetite and strategic planning. Additionally, the Bank seeks to maintain safety and soundness at all times, even under adverse scenarios, take advantage of organic growth opportunities, meet obligations to creditors and counterparties, maintain ready access to financial markets, and satisfy current and future regulatory capital requirements. Capital management is integrated into our risk and governance processes, as capital is a key consideration in the development of our strategic plan, risk appetite and risk limits.

The Bank conducts an Internal Capital Adequacy Assessment Process (ICAAP) on an annual basis. The ICAAP is a forward-looking assessment of our projected capital needs and resources, incorporating earnings, balance sheet and risk forecasts under baseline and adverse economic and market conditions. The Bank utilizes periodic stress tests to assess the potential impacts to the balance sheet, earnings, regulatory capital and liquidity under a variety of stress scenarios. Qualitative risk assessments are performed to identify and assess material risks not fully captured in the forecasts or stress tests. Senior management and the Board of Directors approves the ICAAP and attest to the adequacy of our capital guidelines and capital position.

The following table represents the Bank's capital adequacy positions under Basel II as at September 30, 2022:

Table 3 - Capital Adequacy	
(USD'000)	**30-Sep-22**
Capital Requirement	
Capital Requirement: Credit Risk: Standardised Approach	25,653
Capital Requirement: Market Risk: Standardised Approach	2,099
Capital Requirement: Operational Risk: Basic Indicator Approach	129
Minimum Capital Requirement	**27,881**
Total Risk Weighted Assets	232,340
Leverage Exposure	378,779
Tier 1 Capital	59,111
Total Eligible Capital	66,287
Capital Ratios	
Tier 1 Capital Adequacy Ratio	**25.00%**
Total Capital Adequacy Ratio	**29.00%**
Supplementary Leverage Ratio	**16.00%**

As at September 30 2022, the Bank was well capitalized and met all capital requirements to which it is subjected to. The Bank's total eligible capital (that is, Tier I, Tier 2 and Tier 3 capital) was $66M, whilst $30M represents the capital required. As such, it has been determined that the Bank has significant capital headroom of $36M which represents 54% of the total eligible capital. The capital headroom was calculated as the difference between the Bank's total eligible capital and the regulatory capital requirement. Additionally, in accordance with the Basel II, Pillar 3 requirements, a minimum leverage ratio of 3% is required. The Bank's ratio stood at 16% which is well above the minimum and acts as a supplementary buffer to the capital adequacy ratio.

3. Overview of Risk Management and Risk Weighted Assets (RWA)

3.1 Bank Risk Management Approach

The Bank's Enterprise Risk Assessment framework is based on Committee of Sponsoring Organizations' (COSO). The Bank acknowledges that an effective risk control system requires that all material risks, that can adversely affect the achievement of the Bank's strategic objectives, be recognized and continually assessed.

The enterprise risk assessment (ERA) process follows the following steps:

Step 1: Risk Identification
Step 2: Risk Assessment
Step 3: Control Assessment
Step 4: Residual Risk Response

The Bank engages in quarterly Risk Assessments to identify, assess and manage the significant risks to which the Bank is exposed. The ERA includes:

► The input of Executive Management and other key members of the management team to consider internal/external factors that may influence the risk profile of the Bank, both through the identification of new risks and by the removal of risks that are no longer relevant.

► The classification of relevant risks based on their inherent impact and likelihood and the effectiveness of risk management responses and controls.

► A finalized key risk listing that includes a list of prioritized risks which are mapped in terms of their residual risk.

3.1.1 Risk Appetite

The Bank defines "risk appetite" as the amount of risk the Bank is willing to take in pursuit of its strategic objectives. A formalized "Risk Appetite Statement (RAS)" is reviewed by the bank's Audit and Enterprise Risk Committee before final review and approval is done by the Board of Directors.

The RAS includes qualitative statements, exposure limits, guidelines and quantitative metrics. It outlines the risk tolerance (specific maximum applicable to each category of risk that the firm is willing to take), supported by risk targets (optimum level of risk taken, aligned to expected returns) and risk limits (thresholds set for monitoring tolerances and targets at a granular level).

Articulating, communicating and monitoring the Bank's risk appetite is treated as an integral component of the Risk Management framework and is the basis for decision-making by Executive Management and the Board.

3.1.2 Enterprise Risk Governance Structure

The Bank has established a risk management governance framework which is consistent with generally recognized basic principles of sound risk management practices:

1) Clear accountability, role and responsibility structures and segregation of duties through the application of the “Three Lines of Defense” model.

2) Closer alignment and consideration of risks in decision-making and performance management.

3) Holistic risk management, harnessing synergies of the different functions involved in risk management.

In consideration of the “Three Lines of Defense” model, the Bank distinguishes among three Groups (or lines) responsible for effective risk management:

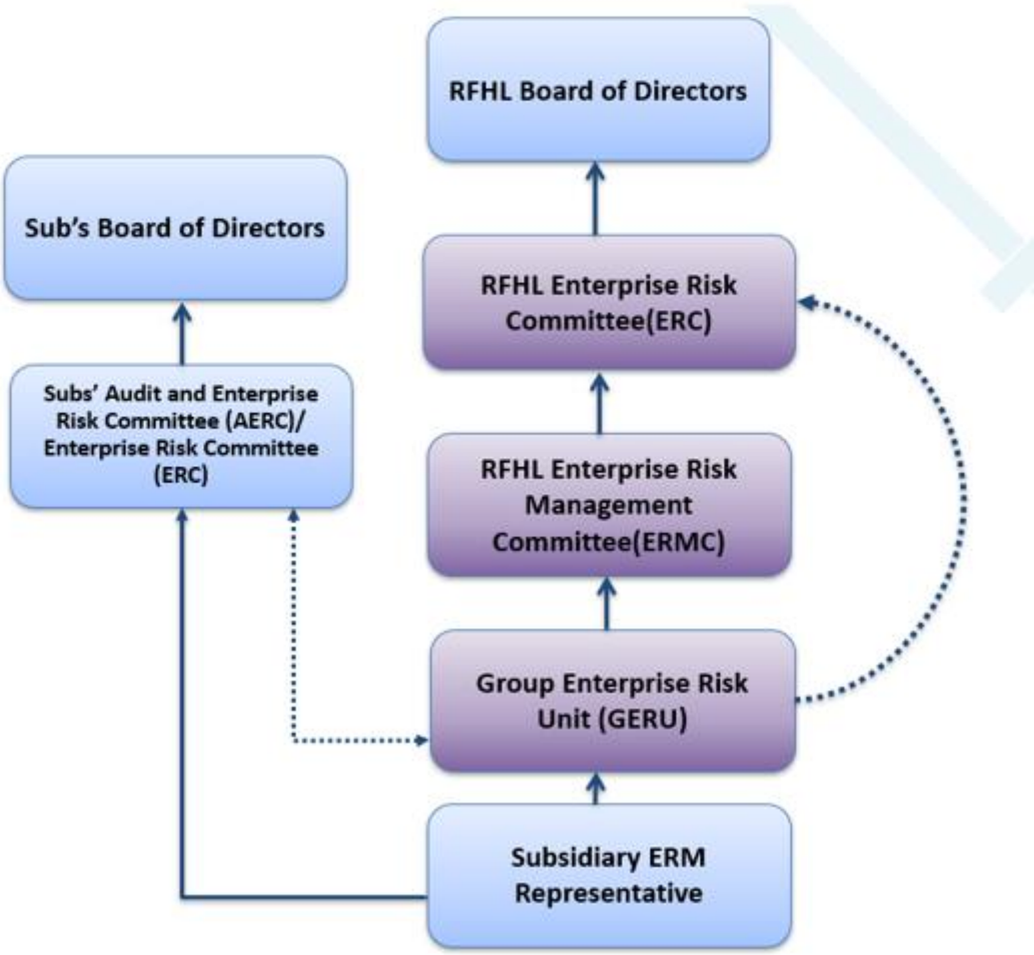
► First line of defense - Functions that own and actively manage risks.

► Second line of defense - Functions that oversee risks, challenge the completeness and accuracy of risk assessments as well as reporting and mitigation activities (Legal and Compliance will be included in this line of defense).

► Third line of defense – Internal Audit will provide independent assurance

3.1.3 ERM Roles and Responsibilities

The following table represents the roles and responsibilities of the Enterprise Risk Management function :



The Bank reports into its Ultimate Parent Company, Republic Bank Financial Holding's Group Enterprise Risk Unit (GERU). A standardized approach to risk management is disseminated throughout the Group considering each subsidiaries unique risks and challenges. The Bank has leveraged on this structure as there are many realized benefits such as access to key expertise, economies of scale and better resource allocation as the staff complement at the Bank is relatively small.

3.1.4 Subsidiary ERM Representative

Within this structure, a ERM representative at the Bank (Group level) has been selected who is responsible for the following :

► Identifying, assessing and managing current and emerging risks and opportunities, utilizing agreed risk language in the ERM risk universe, risk criteria and policies.

► Monitoring and reporting on risk profile to ensure activities are within the Group's Risk Appetite and policies.

► Evaluating and escalating changes to the risk profile caused by changes in business models, initiatives, strategies and external events (ongoing to quarterly).

► Defining measures to tie risk management to business performance

The representative then reports into GERU and the AERC who's responsibilities are detailed below.

3.1.5 Chief Risk Officer (CRO) & Group Enterprise Risk Unit (GERU)

The Chief Risk Officer (CRO) who resides at the RFHL level, is responsible for ensuring consistent application of the risk management framework across the RFHL group, whilst monitoring how effectively risk is being managed. The Group's CRO leads the Group Enterprise Risk Unit (GERU) and reports to the Enterprise Risk Committee. Responsibilities of the CRO and by extension the GERU are as follows:

► Establishing best-practice risk policies and procedures, risk metrics and risk reports, championing enhancements to ERM policies and procedures.

► Facilitating enterprise-wide risk assessments and monitoring significant risks across the organization.

► Reviewing risk matrices related to specific lines of business and providing aggregated reports in line with risk appetite and limits.

► Promoting a risk culture that supports transparency and alignment of risks and returns within the agreed risk appetite.

► Implementing appropriate systems and controls, to ensure that risks are managed effectively and cost efficiently.

► As a key member of the senior management team, identifying risks and opportunities in key decision-making processes and strategies as well as compensation programs being pursued.

► Training and supporting lines of business and subsidiaries in establishing, maintaining, and continuously improving risk management capabilities.

3.1.6 Audit & Enterprise Risk Committee (AERC)

The Board delegates its authority for risk oversight to the Audit Enterprise Risk Committee (AERC). The role of the Audit and Enterprise Risk Committee is to provide oversight and advice to the RBKY Board in relation to current and potential risk exposures of the Bank and future risk strategies, including determination of risk appetite and tolerance.

The AERC's primary responsibilities include:

► Review the adequacy and effectiveness of the Bank's risk management strategies.

► Review annually the Bank's risk management framework and recommend it to the Board for approval.

► Consider and recommend for approval by the Board the Bank's Risk Appetite and mandates considering the Bank's capital adequacy and the external risk environment.

► Provide oversight and set the correct tone to embed and maintain a supportive risk culture throughout the Bank.

► Review incentives created by the Bank's remuneration system and impact on the Group's risk profile.

3.1.7 Board of Directors

The Board of Directors (the Board) oversees the Bank's strategic direction, the implementation of an effective risk management culture and the implementation of a strong internal control environment across the Bank. They approve and enforce the risk management framework, inclusive of the overall risk appetite and the Bank's philosophy on risk taking.

On an ongoing basis, the Board's role is to:

► Set the "tone from the top" and promote an appropriate and sound risk culture.

► Establish business strategy (strategic plan) incorporating risk appetite, risk tolerance and capital management activities.

► Approve the risk management framework, methodologies, policies, roles and responsibilities.

► Regularly receive and review key risk management information, as well as question, challenge and, when necessary, oppose recommendations and decisions made by management.

► Evaluate lines of business on a risk-adjusted basis and hold management accountable for risk management decisions.
► Ensure an independent evaluation of the risk management governance and framework is in place.

3.1.8 Risk Communication

Risk reporting and monitoring processes have been established to confirm that risks are effectively assessed, relevant controls are in place, emerging risks are identified, and approved risk limits are adhered to. Additionally, the bank has well established systems and procedures that are easily accessible within the institution. Changes to these systems and procedures are communicated via email to all relevant persons.

Monitoring and reporting are the responsibilities of each line of defense.

1) Lines of Business are responsible for continually scanning the internal and external environments to identify both current issues and emerging risks/opportunities. These include risks and opportunities that are present in "day to day" operations, strategic execution and emerging risks. Risk matrices, outlining all identified risks, are submitted to GERU on a quarterly basis and reviewed for progression of risks and/or to confirm that controls are still sufficient.

2) The GERU analyses the matrices provided by the Lines of Business to validate the accuracy of assessments and emerging risks, and to identify enhancements to the risk management framework. Procedures are in place to escalate risks whose residual risks are assessed as "high", deficiencies that have not been adequately addressed, non-compliance with risk management policies and risk appetite metrics that do not align with established risk tolerances.

3) Internal Audit independently validates the effectiveness of controls and assesses the adequacy of risk management activities to provide assurance that procedures are understood, adhered to, and that appropriate controls are in place.

4) Group Compliance – Monitors compliance related activities, providing guidance and support as well as quarterly reporting of same to Board subcommittees.

3.1.9 Risk Monitoring and Reporting

Risk reporting is a critical element of the enterprise risk management framework as it provides the Board and Executive Management with the information needed to make risk aware decisions that align with the Bank's risk appetite in pursuit of its strategic objectives.

Reporting places emphasis on key risks i.e., any event or circumstance that creates a chance of loss or danger to the expected achievement of business objectives, operational efficiency and effective strategy execution. As well as threats and situations where future outcomes are unknown.

Enterprise Risk Assessments and reporting are comprehensive, timely forward-looking, integrated, appropriate and relevant. Both qualitative and quantitative factors are utilized in these assessments.

Risk assessment and reporting focus on risk analysis based on the following:

- Severity or impact.
    - The potential magnitude of the effect on business operations should the risk occur, consideration given to the effectiveness of risk management or control activities.
- Probability or Likelihood.
    - The measure of the expected frequency of a risk occurring within a specified time horizon, considering the effectiveness of any controls in place to mitigate the risk.
- Adherence to Bank appetite thresholds

  - Alignment both financial and non-financial to approved risk appetite thresholds

- Control Effectiveness.

  - Measurement of the effectiveness of existing controls at managing the risk. Consideration given to noted trends, internal and external audit results and key risk indicator and risk appetite breaches.

Elements	**Frequency (minimum)**
Assessment of on-going risk management actions and practices	Monthly
Assessment of risks, previously identified and newly recognized	Quarterly
Action plans, timelines and accountabilities for further enhancements	Quarterly
Residual risk occurrences, exposures, uncertainties or opportunities in excess of prescribed tolerance levels are to be escalated to Management, should the significance of the risk issue warrant it	Quarterly

The Country Manager is responsible for reviewing and challenging risk reports. Once completed, he will prepare a summary report, highlighting the Bank's overall adherence to risk appetite and current risk profile, which will be submitted to the Board of Director for review.

3.1.10 Risk Mitigation

Risk mitigation is a major component of the Bank's risk management framework. For all risks that have been identified, strategies and processes have been developed to manage, hedge and mitigate the risks. The table below displays a few of the Bank's key risks and mitigants.

Key Risk	**Mitigants**	**Monitoring Framework**
Concentration	ALCO Policies and guidelines	Monthly Monitoring ALM quarterly reports
Interest	ALCO Policies and guidelines	Monthly Monitoring ALM quarterly reports
Customer Expectation / Preferences	Market and Communication guideline and policies	Media monitoring Customer Feedback ERM Reports ALCO quarterly meetings
Capital	Capital Management Plan Monthly Capital Monitoring ICAAP	ERM and Finance Reports Basel II framework
Project Management	Project Management Framework	Monthly project reporting

		Executive Management oversight
Liquidity	ALCO Policies and guidelines	Daily Monitoring ALM quarterly reports
Regulatory Compliance	AML / KYC policies and guidelines	Daily Monitoring Compliance quarterly reports
Cyber Security	IT Governance Policy and guidelines IT Security Framework	Daily Monitoring via IT tools ERM Reports
Workforce	Human Resources Polices, Procedures.	ERM Reports Executive Management oversight.

3.1.11 Stress Testing

The Bank performs stress testing in the following formats :

- Regulatory capital requirements for budgeted growth projections from the Bank's rolling five-year plans.
- Liquidity is also stress tested via the liquidity coverage ratio. Although this is not a mandatory calculation prescribed by CIMA for Class B Banks, the Bank still carries out this calculation on a quarterly basis as a form of its stress testing.
- Interest rate sensitivities and its potential impact to profits is done on an annual basis and more frequently as needed.

3.2 Overview of RWA

Basel II utilizes the standardized approach when calculating capital requirements for credit, market and operational risk. The Bank has elected the simplified approach in calculating credit risk and market risk and the basic indicator approach for operational risk. The table below is a depiction of the Bank's RWA broken down into credit, market and operational risk as at September 30th 2022 with the corresponding balance and percentage change from June30th 2022.The minimum capital requirements per the Basel II guidelines is also included which demonstrates the strength of the Bank's balance sheet as compared to the minimum requirements.

OV1: Overview of RWA					
USD ('000)		a	b	c	Change
		RWA		Minimum capital Requirements	
		30-Sep-22	30-Jun-21	30-Sep-22	%
1	**Credit risk (excluding counterparty credit risk) (CCR)**				
2	**Securitisation exposures**	**-**	**-**	**-**	
3	**Counterparty credit risk**	**213,779**	**214,827**	**25,653**	-0.5%
	Of which: current exposure method	-	-	-	
5	Of which: standardized method	213,779	214,827	25,653	-0.5%
6	**Market risk**	**1,073**	**1,073**	**129**	0.0%
7	Of which: Equity risk	-	-	-	
8	Of which: FX & Gold	1,073	1,073	129	0.0%
9	**Operational risk**	**17,488**	**18,068**	**2,098**	-3%
10	Of which: Basic Indicator Approach	**17,488**	**18,068**	**2,098**	-3%
11	Of which: Standardised Approach	-	-	-	
12	Of which: Alternative Standardised	-	-	-	
13	**Total (1 + 2 + 3 + 6 + 9)**	**232,340**	**233,968**	**27,880**	**-1%**

The RWA of the Bank amounted to $232M as at September 30th 2022 which represents a -1% decrease from the prior quarter's value of $233M. This is due to changes in portfolio value, composition and credit quality of financial products. The decrease in market risk is due to a decline in foreign exchange balances held between both periods. Further analysis of credit, market and operational risks will be covered in sections 5-9 of this document.

4. Financial Statements and Regulatory Exposure Differences

4.1 Linkage between Financial Statements and Regulatory Exposures

In assessing the Bank's regulatory risk categories, it is important for stakeholders to understand the main differences between its financial statements and its regulatory exposures under the Basel II framework. Additionally, the various risk frameworks under which the Bank is assessed should be noted.

The main difference between the Bank's Statement of Financial Position ("SOFP") and its regulatory exposures is the treatment of its Expected credit losses ("ECLs") on its investments and loans book. The carrying values per the SOFP are shown net of ECLs whilst the regulatory exposures are assessed on a gross basis. Additionally, the liabilities of the Bank is not subject to capital requirements under the framework, therefore those exposures are excluded.

The bank carries it financial assets at amortized cost net of ECLs. A mark to market assessment is done on an annual basis for the purpose of disclosure in the annual audited financial statements. The valuation method used for amortized cost consists of principal balances plus discounts and accrued interest less unamortized premiums and ECLs.

4.1.1 Valuation of Financial Instruments

The Bank uses the general probability of default approach when calculating ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. During this assessment, the instrument is categized as either Stage 1, 2 or 3. Stage 1 being the lowest probability of default and Stage 3 being the highest.

This calculation of the ECLs are conducted jointly by the Financial Controller of the Bank and the Group's Treasury department. This process as well as the IFRS 9 model is reviewed independently by the Bank's internal and external auditors.

The Bank is only subject to the credit risk and market risk framework under Basel II. The Bank does not have exposures to or are engaged in OTC Derivatives, Exchange Trade Derivatives or Securities financing transactions and therefore are not exposed or subject to counterparty credit risk. Additionally, there is no exposure to securitization risk.

The tables below 4.1.2 and 4.1.3 depicts the carrying values on the Bank's SOFP as at September 30 2021 and the values used under the scope of regulatory reporting. It also shows the exposures assigned to the risk relevant framework under which each value is assessed.

4.1.2 Mapping of Financial Statement Categories with Regulatory Risk

USD ('000	a	b	c	d	e	f	g
			Carrying values of items:				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Due from banks	32,291	32,291	32,291	-	-	10,333	
Investment interest receivable	2,826	2,826	2,826	-	-	3	
Treasury Bills	4,106	4,106	4,106				
Advances	8,523	8,649	8,649	-	-	126	
Investment securities	326,458	327,397	327,397	-	-	939	
Premises and equipment	754	754	754	-	-	-	
Right-of-use assets	553	553	553	-	-	-	
Goodwill	5,007	5,007	5,007	-	-	-	
Other Assets	320	320	320	-	-	-	
Total assets*	380,838	381,903	381,903	-	-	11,401	-
Liabilities							
Customers deposits	309,506	309,506	-	-	-	26,388	307,139
Accrued interest payable	333	333	-	-	-		392
Lease Liabilities	578	578	-	-	-	-	63
Other liabilities	194	194	-	-	-	-	312
Total liabilities	310,611	310,611	-	-	-	26,388	307,906

*As noted above, the main difference between the carrying values per the financial statements and regulatory consolidation is the treatment of the Bank's ECLs.

4.1.3 Difference between Accounting and Regulatory Scope of Consolidation

LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements						
		a	b	c	d	e
USD ('000)		Total	Items subject to:			
			Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	**380,837**	**380,837**	**-**	**-**	**43,826**
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	26,338[(1)]	-	-	-	26,338
3	Total net amount under regulatory scope of consolidation	-	-	-	-	-
4	Off-balance sheet amounts	-	-	-	-	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	1,066	1,066	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	**Exposure amounts considered for regulatory purposes**	**408,241**	**381,903**	**-**	**-**	**17,488[(3)]**

(1) Foreign currency depositor balances which feeds into the market risk - foreign exchange risk.
(2) Total On balance sheet gross exposures subject to credit risk.
(3) Total FX exposure subject to market risk.

5. Credit Risk

5.1 Overview of Credit Risk

Credit risk is the risk of loss arising from the inability or failure of a borrower or counterparty to meet its obligations. Economic or market disruptions, insufficient credit loss reserves or concentrations of credit risk may result in an increase in the provision for credit losses, which could have an adverse effect on our financial condition and results of operations. A number of our products expose us to credit risk, including amounts due from banks, loans, letters of credit and debt securities. A deterioration in the financial condition of our consumer and commercial borrowers, counterparties or underlying collateral could adversely affect our financial condition and results of operations.

Our credit portfolios may be impacted by global and U.S. macroeconomic and market conditions, events and disruptions, including a sustained weakness in global gross domestic product (GDP), consumer spending declines, asset price corrections, increasing consumer and corporate leverage, increases in corporate bond spreads, rising or elevated unemployment levels, fluctuations in foreign exchange or interest rates, widespread health emergencies and/or pandemics.

The objective of the Bank's credit risk management function is to maximize the Bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The effective management of credit risk is a key element of a comprehensive approach to risk management and is considered essential to the long-term success of the Bank.

The Bank's credit risk management process operates based on a hierarchy of discretionary authorities. A Board Credit Committee at the Ultimate Parent level, chaired by the Chairman of the Board and including executive and non-executive directors, is in place, with the authority to exercise the powers of the Board on all risk management decisions. Every credit request tabled must comprehensively divulge the assessment of risks/strengths and weaknesses. Further to this, internal controls at the Bank level are in place whereby the Country Manager must review and approve all additions to the Bank's Investment Portfolios that exposes the Bank to credit risk. Subsequent to approval, all decisions are then ratified by the Board of Directors at the Quarterly Board meetings.

The role of the Board is not to originate credit proposals but rather to ratify and express a second opinion on proposals recommended by the business line. It follows therefore that every credit advanced has a proposing party and a ratifying party.

The Credit Risk Management unit at the Ultimate Parent company is accountable for the general management and administration of the Bank's credit portfolio, ensuring that lendings are made in accordance with current legislation, sound banking practice and in accordance with the applicable general policy of the Board. The Credit Risk Management function is kept separate from and independent of the business development aspect of the operations.

The Bank's credit control processes emphasize early detection of deterioration and prompt implementation of remedial action and where it is considered that recovery of the outstanding amounts may be doubtful or unduly delayed, such accounts are transferred from performing to non-performing status.

The debt securities within the Bank's investment security portfolio are exposed to credit risk and are managed by investment grading or country exposure with preset exposure limits as approved by the Board. The credit quality of each individual security is assessed based on the financial strength, reputation and market position of the issuing entity and the ability of that entity to service the debt.

Loan loss provisions are set aside to cover any potential loss in respect of debts that are not performing satisfactorily. A review of these provisions is conducted quarterly in accordance with established guidelines and recommended provisions arising out of this review are submitted to the Board for approval. Non-performing debts recommended for write-off are also reviewed annually and action taken in accordance with prescribed guidelines.

The Bank avoids exposure to undue concentrations of risk by placing limits on the amount of risk accepted from a number of borrowers engaged in similar business activities, or activities in the same geographic region or with similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Such risks are controlled and monitored on a revolving basis and are subject to annual or more frequent review. Limits on the level of credit risk by product, industry sector, client and geography are approved by the Board.

5.2 Credit Quality of Assets

The table below represents a comprehensive picture of the credit quality of assets for which the Bank is exposed to credit risk, and their respective ECLs.

30-Sep-22					
CR1: Credit Quality of Assets					
USD ('000)		**a**	**b**	**c**	**d**
		Gross carrying values of:		**Allowance/ Impairment**	**Net values (a+b-c)**
		Defaulted exposures	**Non-defaulted exposures**		
1	Due from Banks	-	32,291	-	32,291
2	Investment interest receivable	-	2,826	-	2,826
3			4,106	-	4,106
4	Loans	-	8,523	126	8,397
5	Debt Securities	-	326,458	940	325,518
6	Off-balance sheet exposures	-	21,759	-	21,759
7	**Total**	**-**	**395,963**	**1,066**	**394,897**

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in cases when the borrower becomes 90 days past due on its contractual payments.

As part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

The Bank occasionally makes modifications to the original terms of large commercial and corporate loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. These modifications are made only when the Bank believes the borrower is likely to meet the modified terms and conditions. Indicators of financial difficulties include defaults on covenants, overdue payments or significant concerns raised by the Credit Risk Department. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms.

It is the Bank's policy to consider a financial instrument as 'recovered' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once recovered depends on the updated credit grade, at the time of the recovery, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

As at September 30 2022 the Bank has not classified any of its exposures as Stage 3 i.e., defaulted (2021: $0). However, there was one loan which has been classified as Stage 2.

5.2.1 Supplemental Credit Quality Disclosures

The credit quality of the bank's assets has been further stratified by its geographical and industry sectors.

30-Sep-22		
Credit Quality of Assets: Geographical Distribution of Exposures		
USD ('000)		
Country	**Gross Exposure**	**% of Total Gross**
Latin America	69,172	17%
United States	124,658	31%
Europe	55,785	14%
Trinidad & Tobago	58,537	15%
Cayman Islands	278	0%
Barbados	6,347	2%
Other Countries	82,251	21%
Total	397,028	100%

30-Sep-22		
Credit Quality of Assets: Distribution of Exposures by Industry		
USD ('000)		
Country	**Gross Exposure**	**% of Total Gross**
Financial sector	175,506	44%
Government & Government Bodies	47,088	12%
Energy and mining	15,434	4%
Transport storage and communication	23,285	6%
Manufacturing	-	-
Distribution	-	-
Personal	1,331	-
Electricity and water	6,901	2%
Other services	121,584	32%
Total	397,028	100%

An ageing analysis of the assets are as follows :

30-Sep-22								
Credit Quality of Assets: Distribution of Exposures by Residual Maturity								
USD ('000)								
Country	**Sight - 8 Days**	**8 days - 1 Month**	**1 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**1 - 5 Years**	**Over 5 Years**	**Total**
Gross Exposure	32,627	7,811	6,055	22,381	52,183	275,875	96	397,028

Restructured advances are carefully monitored. As at 30, September 2022 there were no restructured commercial and corporate advances (2021: 2.9 million) with a corresponding ECL of $0.83 million.

5.3 Credit Risk Mitigation

The Bank maintains credit risk exposure within acceptable parameters using collateral as a risk-mitigation tool. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are cash. Management monitors the value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors its value during its review of the adequacy of the allowance for impairment losses.

The Bank holds a small demand loans portfolio which amounted to $1.6M as at September 30, 2022 and $3.0 September 30th 2021 which is fully cash secured. All other financial assets are unsecured which amounts to approx. $397M (2021 : $397M). As a result of this the credit risk mitigation adjustments allowed under Basel II does not have a material effect on the regulatory ratios of the Bank.

The Bank avoids exposure to undue concentrations of risk by placing limits on the amount of risk accepted from a number of borrowers engaged in similar business activities, or activities in the same geographic region or with similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Such risks are controlled and monitored on a revolving basis and are subject to annual or more frequent review. Limits on the level of credit risk by product, industry sector, client and geography are approved by the Board of Directors.

5.4 Credit Risk – Standardized Approach

The Bank has adopted the standardized approach when assessing its credit risk under the Basel II framework. Under this approach, Bank’s must apply risk-weights to their on-balance sheet assets and off-balance sheet exposures in accordance with the risk classes as set forth by the regulator’s guidelines on Minimum Capital Requirements.

Risk-weights are based on credit rating grades that are broadly aligned with the likelihood of counterparty default. In determining the risk weights in the standardized approach, Banks may use assessments by external credit assessments institutions (ECAIs) recognised by the regulator as eligible for capital purposes.

The Bank has consistently used the following ECAIs for both its loan and investment portfolios since the implementation of the Basel framework

Long Term		
Standard and Poors	Fitch	Moodys Investors Service
AAA to AA-	AAA to AA-	Aaa to Aa3
A+ to A-	A+ to A-	A1 to A3
BBB+ to BBB-	BBB+ to BBB-	Baa1 to Baa3
BB+ to B-	BB+ to B-	Ba1 to B3
Below B-	Below B-	Below B3
Unrated	Unrated	Unrated

Short Term		
Standard and Poors	Fitch	Moodys Investors Service
A-1	A-1	P-1
A-2	A-2	P-2
A-3	A-3	P-3

S&P is the primary rating used by the Bank followed by Moody's and Fitch. On a quarterly basis, all three ratings are analyzed for consistency.

The Bank reviews its Investments and Loans portfolio on a monthly basis. At the time of purchase of an asset, the asset class is determined based on the sector the issuer operates in which is advised by our Group Treasury department at Head office and research done at the local level. Once the asset class is determined, the applicable credit rating as per the table above is assigned to the security.

Credit ratings on all issuers are reviewed on a quarterly basis during the preparation of the Bank's Basel reporting. The credit rating of each security is mapped to its risk weight which allows the calculation of the risk weighted asset value. Once a rating has changed, the security is updated and moved to its new risk weighting bucket.

The asset classes and its equivalent risk weighted asset values are shown below for the years September 30 2022 and September 30 2021.

From a review of the Table 1 below, the following should be noted :

1) RWA increased by 3% YOY due to the increase in new customer deposit funding. The Bank invests all new funding received into its high-grade investments portfolio and its Loan portfolio.
2) The RWA density remained fairly consistent at 58% and 59% in 2021 and 2020 respectively.
3) The Bank's non-central government PSE asset class showed a small decline of 1% due to maturities within this portfolio over this period. New investments in this class were not purchased due to a combination of factors such as yield to maturity, tenor and risk approvals maintained at the risk department.
4) There was a noted shift between the Banks asset class and the Corporate as investments matured from the Bank bucket and was reinvested into Corporates. The factors noted in 3 above also contributed to this, in addition to efforts to diversify the Bank's holdings.

Table 1

CR4: Standardised Approach - credit risk exposure and CRM effects							
9/30/2022							
USD ('000)		**a**	**b**	**c**	**d**	**e**	**f**
		Exposures before CCF and CRM		**Exposures post-CCF and CRM**		**RWA and RWA density**	
	Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA Density**
1	Sovereigns and their central banks	30,196	-	30,196	-	15,123	4%
2	Non-central government PSE	12,416	-	12,416	-	7,744	2%
3	Banks	227,440	-	227,440	-	94,033	24%
4	Corporates	116,139	-	116,139	-	103,581	26%
5	Regulatory retail portfolios	2,220	6,782	2,220	6,782	2,220	1%
6	Higher-risk categories	6,021	-	6,021	-	6,021	2%
7	Other assets	2,973	-	2,973	-	2,973	1%
8	**Total**	**397,405**	**6,782**	**397,405**	**6,782**	**231,695**	**58%**

30-Sep-20							
USD ('000)		**a**	**b**	**c**	**d**	**e**	**f**
		Exposures before CCF and CRM		**Exposures post-CCF and CRM**		**RWA and RWA density**	
	Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA Density**
1	Sovereigns and their central banks	34,772	-	34,772	-	15,903	4%
2	Non-central government public sector entities	20,596	-	20,596	-	10,195	3%
3	Banks	227,245	-	227,245	-	103,096	27%
4	Corporates	85,375	-	85,375	-	83,808	22%
5	Regulatory retail portfolios	2,108	3,558	2,108	3,558	2,108	1%
6	Higher-risk categories	6,044	-	6,044	-	6,044	2%
7	Other assets	3,053	-	3,053	-	3,053	1%
8	**Total**	**379,193**	**3,558**	**379,193**	**3,558**	**224,207**	**59%**

Table 2

CR5: Standardised Approach - exposures by asset class and risk										
30-Sep-21	USD ('000)	a	b	c	d	e	f	g	h	j
		Risk Weight								Total credit exposure amount
	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	
1	Sovereigns and their central banks	-	-	4,980	-	22,179	-	3,037	-	30,196
2	Non-central government PSEs	-	-	3,579	-	3,617	-	5,220	-	12,416
3	Banks	-	-	74,882	-	147,003	-	5,555	-	227,440
4	Corporates	-	-	3,006	-	20,306	-	92,827	-	116,139
5	Regulatory retail portfolios	-	-	-	-	-	-	2,220	-	2,220
6	Higher-risk categories	-	-	-	-	-	-	6,021	-	6,021
7	Other assets	-	-	-	-	-	-	2,973	-	2,973
8	**Total**	**-**	**-**	**86,447**	**-**	**193,105**	**-**	**117,853**	**-**	**397,405**

30-Sep-20	USD ('000)	a	b	c	d	e	f	g	h	j
		Risk Weight								Total credit exposure amount
	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	
1	Sovereigns and their central banks	-	-	4,942	-	29,830	-	-	-	34,772
2	Non-central government PSEs	-	-	3,640	-	14,978	-	1,978	-	20,596
3	Banks	-	-	57,242	-	156,712	-	13,292	-	227,246
4	Corporates	-	-	-	-	6,218	-	76,073	3,084	85,375
5	Regulatory retail portfolios	-	-	-	-	-	-	2,108	-	2,108
6	Higher-risk categories	-	-	-	-	-	-	6,044	-	6,044
7	Other assets	-	-	-	-	-	-	3,053	-	3,053
8	**Total**	**-**	**-**	**65,824**	**-**	**207,738**	**-**	**102,548**	**3,084**	**379,194**

The main variances and drivers of the change between both years are as follows :

1) Total credit exposure increased by $18M YOY due to an increase in customer deposits which were invested in the Loans and Investments portfolios.
2) Investments which attracted a 20% risk weighting increased mainly due to the reinvestment of bonds from the 50% and 100% category into the 20% bucket.
3) The 50% risk weight saw a decline by 7% as a result of maturities which were shifted to the 20% bucket. Additionally, there was an increase in the purchase of bonds issued by corporates which resulted in an increase in that risk weight category.
4) The 100% risk weight increased by 15% mainly due to the increase in purchases of corporate bonds during the year.

6. Leverage Ratio

In 2021, CIMA introduced a simple, transparent, non-risk-based leverage ratio to supplement its risk-based capital requirements in its Rules, Conditions and Guidelines on Minimum Capital Requirements (Pillar I) (the "Minimum Capital Requirements").

The leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage. The Bank is required to maintain a minimum leverage ratio of 3% at all time and it is reported to the Authority on a quarterly basis.

The capital measure represents the Bank's Tier 1 capital only considering any deductions. The exposure measure represents the Bank's total assets at gross accounting values less any balance sheet assets which have been deducted from the Tier 1 capital.

At at September 30 2022 and the previous quarter end June 30, 2022, the Bank's leverage ratio stood at 15%. The table below provides a reconciliation from the Bank's total consolidated assets per the audited financial statements and the leverage ratio exposure measure.

LR1: Summary comparison of accounting assets vs leverage ratio exposure measure		
	USD ('000)	**30-Sep-22**
1	Total consolidated assets as per published financial statements	380,838
2	Other adjustments	(5,007)
3	**Leverage Ratio Exposure Measure**	**375,831**

The following table details the components of the exposure measure as well as the calculation of the leverage ratio for the last two reportable quarters :

LR2: Leverage Ratio Common Disclosure			
USD ('000)		a	b
		30-Sep-22	30-Jun-22
On-Balance Sheet Exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	396,904	386,531
2	(Specific and general provisions associated with on balance sheet exposures that are deducted from Basel III Tier 1 capital)	(1,066)	(1,160)
3	(Asset amounts deducted in determining Basel III Tier 1 capital and regulatory adjustments)	(5,007)	(5,007)
4	**Total on balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**390,831**	**380,364**
Other Off-Balance Sheet Exposures			
5	Off-balance balance sheet exposure at gross notional amount	21,759	21,759
6	(Adjustments for conversion to credit equivalent amounts)	(21,759)	(21,759)
7	(Specific and general provisions associated with off balance sheet exposures deducted in determining Tier 1 capital)		
8	**Off-balance sheet items (sum of rows 19 to 21)**	**-**	**-**
Capital and Total Exposures			
9	**Tier 1 capital**	**59,111**	**59,104**
10	**Total exposures (sum of rows 7, 13, 18 and 22)**	**390,831**	**392,787**
Leverage Ratio			
11	**Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**16%**	**15%**
12	National minimum leverage ratio requirement	3%	3%
13	**Applicable leverage buffers**	**0**	**0**

There has been no change in the leverage ratio over the past two quarters.

7. <u>Liquidity Risk Management</u>

The Bank's liquidity management policy which forms part of its overarching Treasury Risk and Investment Policies (TRIM) is primarily designed to ensure that funding requirements can be met, including the replacement of existing funds as they mature or are withdrawn, or to satisfy the demands of customers for additional borrowings. Liquidity risk is defined as the risk that the Bank either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due or can access these only at excessive cost. Liquidity management focuses on ensuring that the Bank has enough funds to meet all of its obligations

Adequacy of liquidity positions per currency will be evaluated based on the following factors:

- Current liquidity positions
- Future funding needs
- Identification of primary and contingent funding sources needed to meet daily operations, seasonal and cyclical cash flow fluctuations
- The stability and concentration of deposits
- The degree of funding diversification re short-medium-long-term borrowings and instruments available
- Present and anticipated asset quality and the ability to convert to cash without undue loss

7.1 Responsibilities & Monitoring

Responsibilities

Board of Directors

The Board of Directors of RBKY has the ultimate responsibility for the implementation of and ensuring adherence to the liquidity management policy. The risk tolerance of the Board of Directors is in line with the limits and tolerance bands set out within the TRIM policy.

Asset and Liability Committee (ALCO)

RBKY ALCO is ultimately responsible for the administration of the policy, with primary oversight and authority for monitoring the Bank's liquidity profiles and ensuring that all liquidity reports include accurate, timely and relevant information on risk exposures, including but not limited to:

- Reviewing the Bank's liquidity risk parameters (static ratios and cash-flow projections) and monitoring compliance against policy limits.
- Reviewing the Bank's deposit structure, including types of deposits, volumes, trends, wholesale versus retail, maturity profile, market competition etc.
- Reviewing all other funding sources
- Reviewing at least annually Liquidity Policy and limits, including Contingency Plans

The Bank

The Bank, in consultation with Group Treasury, is ultimately responsible for the day-to-day management of liquidity risk, including:

- Reporting all liquidity risk parameters and tolerances (static ratios and cash-flow projections) to ALCO
- Reporting on deposit and funding profiles to ALCO
- Developing and managing risk mitigating strategies to prudently manage liquidity
- Managing the investment portfolio as it relates to liquidity management
- Reviewing contingency funding plans
- Developing and proposing policy changes as required

Monitoring

A review of liquidity risk and market risk (interest rate risk and currency risk) is done and presented to the Ultimate Parent's Asset and Liability Committee (ALCO) on a monthly basis. The ALCO Committee was created at the Bank in 2017, this Committee meets on a quarterly basis. ALCO reports are prepared by the Financial Controller and reviewed by the Country Manager. Key metrics reported describe asset liquidity, funding liquidity and contingency liquidity of the Bank. After review of the current situation, management will devise various strategies to minimize these risks while maximizing earnings and net worth. In managing the asset and liability mix, the following are key considerations :

- Annual benchmark comparisons against other domestic commercial banks (risk ratios)
- The structure and mix of the Bank's liabilities.
- The growth, structure and maturity profile of the Bank's balance sheet
- Monitoring of customer and counterparty concentration limits.
- Monitoring of key liquidity ratios and cost of funding.

Audit and Enterprise Risk Committee (A&ERC)

The Bank also established an Enterprise Risk Committee (ERC) in 2018 which was integrated with the Audit Committee. Enterprise Risk Management is a framework of systematic management practices to assess and monitor risks. On a quarterly basis, all risks which fall under the domains of financial, operational, strategic and compliance are reviewed. ERM reports are prepared by the Financial Controller and reviewed by the Country Manager. These reports are provided to the Group's Enterprise Risk Unit which are vetted and analyzed for trends in existing risks as well as any new and emerging risks. Based on this analysis, heat maps are provided which allows Management to make better risk informed decisions.

7.2 Liquidity Risk Tolerance

The Ultimate Parent's Asset/Liability Committee (ALCO) sets targets for allowable liquid assets and funding diversification in line with liquidity trends and best practice. While the primary asset used for short-term liquidity management is short term deposits, the Bank also holds significant investments in government and other highly marketable securities, which can be used for liquidity support. The Bank continually balances the need for short-term assets, which carry lower yields, with the need for higher asset returns.

Liquidity risk is monitored by the following ratios including but not limited to :

- The Minimum Liquidity Ratio (MLR) of 15% as prescribed by the Authority.
- Top 10 Deposits to Total Deposits: Limit 15%
- (Short-Term Investments + Cash) to Total Deposits: Limit 25% (min)
- (Available for Sale Securities + Cash) to Total Deposits Limit 80% (min)

Non-compliance with the above ratios trigger the following respective actions:Heat Map	Tolerance Limit	Required Actions
Red	**More than 10% non-compliance**	**Immediate actions taken to return to yellow levels within the next 3 months and green within 9 months, monitoring and reporting monthly until yellow levels are achieved**
Yellow	**5-10% non-compliance**	**Define a plan to return to more stable levels in the coming 6 months, monitoring and reporting quarterly on plan to actual**
Green	**0-5% non-compliance**	**No change required**

7.3 Funding Strategy & Liquidity Risk Mitigation Strategies

The Bank offers an array of savings, and demand accounts as well as Certificates of Deposit (Time Deposits), with interest rates paid on these deposits priced according to prevailing market conditions.

The Bank seeks to diversify its deposit funding base across various products such as chequing, savings, and certificates of deposit, with a focus on more stable funding i.e., chequing and savings accounts. The deposit profile is monitored quarterly.

A significant reduction in cash balances may be temporary or may have a longer-term impact. The following are among the options available to regularize temporary liquidity deficiencies (these may be considered day-to-day liquidity management tools):

i. Liquidation of Short-term assets

If available, the Bank can liquidate short-term liquid assets such as treasury bills, term deposit placements and short-term bonds.

ii. Support from Parent Company

The Bank can request liquidity support from its parent company

The Bank will monitor its liquidity position daily by monitoring the balances of its correspondent and custody accounts in all operating currencies.

The following reports are prepared to support the monitoring of liquidity:

- Liquidity Reports (Table 1)
- Maturity Gap Report (Table 2 & 3)

These reports will be presented to the ALCO quarterly. Apart from the measures highlighted above, the ALCO will discuss more aggressive solutions in the event of longer-term liquidity issues. The following table shows the daily liquidity report prepared as at September 30, 2022

Table 1	**30-Sep-22**			
	USD	**GBP**	**EUR**	**CAD**
Liquid Assets:				
Cash (1)	43,586,189	2,102,768	1,696,498	864,937
Upcoming matured Investments (T-Bills / Bonds/Advances)	-	-	-	
Term Deposits	-	-	-	-
Expected Inflows	136,474	4,650	3,766	1,257
Confirmed Inflows (5	-	-	-	-
Other	-	-	-	-
Total (1)	**43,722,663**	**2,107,418**	**1,700,264**	**866,194**

Liquidity Requirements:				
Expected Outflows [4]	(43,627)	(4,123)	(6,629)	(2,824)
Confirmed Outflows [5]	-	-	-	-
Confirmed Investments [6]	-	-	-	-
Confirmed Outflows - RBL	-	-		-
Other	-	-	-	-
Total (2)	**(43,627)**	**(4,123)**	**(6,629)**	**(2,824)**
Surplus/(Deficit) 3=1-2	**43,679,037**	**2,103,295**	**1,693,636**	**863,370**

This table represents the daily cash balances held and the expected outflows per day. The USD position reveals a large liquidity position due to maturities within the portfolio which was reinvested in October 2021.

In terms of the impact of Liquidity Risk on capital adequacy, the impacts described in the table below reflect the impact of financial liabilities on the SOFP.

The table below summarizes the maturity profile of the Bank's financial liabilities at 30 September based on contractual undiscounted repayment obligations, over the remaining life of those liabilities. These balances include interest to be paid over the remaining life of the liabilities and will therefore be greater than the carrying amounts on the consolidated statement of financial position.

Table 2

Financial liabilities - SOFP	On- demand	Up to one year	1 to 5 years	Total
2022 $'000				
Customers Deposits	86,132	223,707	–	309,839
Lease Liabilities	–	161	417	578
Other liabilities	–	194	–	194
Total financial liabilities 2021	**86,132**	**224,062**	**417**	**310,611**

The following maturity gaps were noted as at September 30,2021 :

Table 3

USD					
RBL Cayman **As at Sept 30 2022**	**< 3 mths**	**4 – 6 mths**	**7 mths – 1 yr**	**13 mths –3 yrs**	**> 3yrs**
Gap (RSA-RSL)/ (Average Earning Assets)	-23.68%	-6.26%	-4.05%	37.49%	15.85%
Risk Limits	**+/-25%**	**20%/-25%**	**20%/-25%**	**50%/-20%**	**45%/-20%**

GBP					
RBL Cayman **As at Sept 30 2022**	**< 3 mths**	**4 – 6 mths**	**7 mths – 1 yr**	**13 mths –3 yrs**	**> 3yrs**
Gap (RSA-RSL)/ (Average Earning Assets)	-27.19%	-10.64%	38.14%	0.00%	0.00%
Risk Limits	**+/-30%**	**+/-20%**	**40%/-20%**	**+/-10%**	**+/-10%**

EUR					
RBL Cayman **As at Sept 30 2022**	**< 3 mths**	**4 – 6 mths**	**7 mths – 1 yr**	**13 mths –3 yrs**	**> 3yrs**
Gap (RSA-RSL)/ (Average Earning Assets)	0.38%	0.00%	0.00%	0.00%	0.00%
Risk Limits	**+/-10%**	**+/-10%**	**+/-10%**	**+/-10%**	**+/-10%**

CAD					
RBL Cayman **As at Sept 30 2022**	**< 3 mths**	**4 – 6 mths**	**7 mths – 1 yr**	**13 mths –3 yrs**	**> 3yrs**
Gap (RSA-RSL)/ (Average Earning Assets)	14.16%	-0.51%	13.05%	0.00%	0.00%
Risk Limits	**+/-20%**	**+/-20%**	**+/-20%**	**+/-20%**	**+/-10%**

All gaps were noted as being within the Bank's limits.

7.4 Liquidity Stress Testing

The Bank utilizes The Liquidity Coverage Ratio (LCR) as outlined in the Authority's Liquidity Risk Management Statement of Guidance. Although this ratio is not mandatory for Class B Bank, it has been adopted as a form of stress testing. The LCR is based on a stress scenario for a short-term period. In a long-term funding crisis, the Bank will calculate its cash flow needs taking into consideration various scenarios that involves a contraction in funding sources.

7.5 Contingency Funding Plan

Funding decisions can be influenced by unplanned events. Such events include, but are not limited to, the inability to fund asset growth; difficulty renewing or replacing funding as it matures; the exercise of options by customers to withdraw deposits or to draw down lines of credit; legal or operational risk and the demise of a business line and market disruptions. As such, the Bank monitors its liquidity position and funding strategies on an ongoing basis.

One of the building blocks in the process of liquidity management is liability management, wherein the Bank seeks to maintain a wide range of deposit and other funding products with a diverse customer base.

There are five important factors to consider in managing liquidity on the liability side:

1. Diversification of funding sources – taking deposits from as many different types of customers, in as many different industries, as possible.

2. Diversity of instruments – provide a suite of products with differing risk profiles, thus further diversifying the funding base of the Bank.

3. Maturities – The Bank's deposit liabilities will as far as possible be staggered to avoid a concentration of maturities on any given day or in a week.

4. Marketing and Relationship Management-The Bank will monitor balances of its largest depositors and manage its relationships in order to be aware of large inflows and outflows of funds.

5. Reporting- Providing Liquidity Reports to various parties including Senior Management, The Board of Directors, the relevant Authority and the Assets and Liabilities Committee (ALCO).

6. Stress Testing-Preparing reports for managing their liquidity in stress scenarios

7.5.1 Funding Crisis

A funding crisis occurs when the Bank's liquidity has deteriorated, impacting its ability to meet its daily obligations including the MLR prescribed by CIMA. A funding crisis may be triggered from various events including but not limited to:

- Large withdrawals from clients;
- Negative publicity of the Bank;
- Unplanned asset growth (loans and investments);
- Loan/investment delinquencies;
- Poor cash flow management;
- Loss of funding sources.

The Bank has determined that such a crisis can either be short term or long term in nature.

Short Term

A short-term funding crisis would most likely result from a shock to the financial system, either internal or external, which disrupts the orderly short-term funding operations of the Bank. It can also be caused by withdrawals from a few large clients or poor cash flow management which may lead to an inability to meet some short-term obligations.

Long Term

A funding situation which extends in excess of one month which may result from a negative perception of the Bank's stability by the public, continuous large withdrawals from clients, unplanned asset growth, loan/investment delinquencies and loss of funding sources.

7.5.2 Funding Plan

In the event of a funding crisis, the Bank's Assets and Liability Committee (ALCO) will have an emergency meeting to discuss implementing this Contingency Funding Plan as outlined below. The plan will be dependent on the nature of the crisis which can be either short term or long term. The members of the Asset and Liabilities Committee are as follows:

Member	Responsibilities
Country Manager	• Evaluates the situation and ensure that the Contingency Funding Plan is implemented; • Updates the Board of Directors; • Update the Parent Company based on the severity of the crisis.
Financial Controller	• Advise Country Manager of the liquidity position; • Prepare reports to the ALCO; • Co-ordinates liquidity and interest rate strategies, term funding and asset sales; • Prepares analysis of key liquidity providers; • Provide economic analysis of actual and potential scenarios; • Present to Country Manager a plan for reduction of assets if required.
Investment Manager	• Oversees and manages deposits; • Monitors market development; • Contact prime clients to raise funding; • Contact the Parent Company or affiliate companies for funding.

It is the responsibility of the Financial Controller to inform the Country Manager of the crisis and to make an early assessment of the situation. If such an event is deemed to have occurred any one or all following steps shall be implemented: -

1. <u>Short Term Crisis</u>

a. The Financial Controller will prepare a Liquidity Report in all currencies and review it with the Bank’s Asset and Liability Committee (ALCO). The Financial Controller will confirm that a short-term crisis has occurred and will present information to support this assertion.

b. The ALCO will discuss any regulatory requirements that are non-complaint and will determine a strategy for meeting compliance.

c. The Country Manager and the Investment Manager will review with ALCO, short term sources of liquidity available from direct and indirect sources. Should a disruption occur, liquidity may be derived from the following:

   i. <u>Short-Term Fund-Raising Initiative</u>

   The Investment Manager will prepare a proposal to the ALCO for special interest rate offerings in the short-term. The Financial Controller will present a list of key liquidity providers. These clients will be contacted to provide liquidity. The Bank will target high net-worth individuals.

   ii. <u>Liquidation of Short-term assets</u>

   If available, the Bank can liquidate short-term liquid assets such as treasury bills, term deposit placements and short-term bonds.

   iii. <u>Funding from Parent Company</u>

   The Bank can request a short-term loan from Parent Company.

d. The Country Manager will update the Board of Directors of the situation and how it affects the Bank.

e.

2. Long Term Funding Crisis

As a long-term funding crisis becomes apparent to the Bank's management, it is important that early steps are taken to mitigate the impact to the Bank. It is the responsibility of the ALCO to make an early assessment of the situation and declare the Bank in a long-term funding crisis. If in the ALCO's judgment the Bank has reached that point, the following steps shall be implemented.

a. The ALCO will meet at least on a weekly basis so that the Country Manager can ensure the proper flow of information.

b. The Financial Controller will prepare an additional liquidity worksheet (Stress Test), taking into consideration the projected contraction in funding sources and review it with ALCO.

c. The Financial Controller will present the reports that are required for the regulatory authority. The ALCO will discuss any regulatory requirements that are non-complaint and will determine a strategy for compliance.

d. The ALCO shall implement the following:

    i. Provide a funding concentration report detailing significant institutional and individual sources of funding;

    ii. Identify all assets that can provide liquidity;

    iii. Begin to carefully lengthen the maturities of all funding alternatives;

    iv. Stay in close contact with all funding sources and work with the Client Service Managers of the Bank to determine any changes in interest rates;

f. The Country Manager shall update the Bank's Board of Directors and Regulators.

g. A report will be submitted to the Parent Company highlighting the situation and the way forward. If needed, a request will be made for funding support from the parent company.

8. Market Risks

Market risk is defined as the risk of losses in on and off-balance-sheet positions arising from movements in market prices. The risks subject to this requirement are:

a) The risks pertaining to interest rate related instruments and equities in the trading book.
b) Foreign exchange risk and commodities risk throughout Banks (i.e. the trading book and the non-trading book).

The Bank's exposure to interest rate risk is minimal given that it does not operate a Trading Book. The foreign exchange risk is also minimal as the Bank seeks to match all currencies as close as possible.

The Bank's exposure to the effects of fluctuations of foreign currency exchange rates arises mainly from its cash holdings, short term investments, customer advances and deposits. The Bank's policy is to match foreign currency assets with funding in the same currency. The Bank also monitors its foreign currency position for both overnight and intra-day transactions.

The table below shows the Bank's quantitative assessment of its market risk under the standardized approach per the Basel II framework :

MR1: Market Risk Under the Standardised Approach			
USD ('000)		a	a
		30-Sep-22 RWA	9/30/2021
	Outright products		
1	Interest rate risk (general and specific)	-	-
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	17,487	679
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-

8	Securitisation	-	-
9	**Total**	**17,487**	**679**

There were no significant movements between the current and prior year's risk weighted assets.

9. Operational Risks

The growing sophistication of the banking industry has made the Bank's operational risk profile more complex. Operational risk is inherent within all business activities and is the potential for financial or reputational loss arising from inadequate or failed internal controls, operational processes or the systems that support them. It includes errors, omissions, disasters and deliberate acts such as fraud.

9.1 Identification, measurement, controls and mitigants

The Bank recognizes that such risk can never be eliminated and manages the risk through a combination of systems and procedures to monitor and document transactions. The Bank's oversees this and where appropriate, risk is transferred by the placement of adequate insurance coverage.

The Bank has developed contingency arrangements and established facilities to support operations in the event of disasters via a disaster recovery and business continuity plan. This plan provides both protection to the Bank's continued operations following physical disasters and an assessment of potential costs. Business continuity contingency plans are tested, at least annually, with any identified failings in plans highlighted and priority given to resolving those failings. Independent checks on operational risk issues are also undertaken by the internal audit function.

Given the location of the Bank, the invocation of the Disaster Recovery and Business Continuity Plan in the event of a severe disaster with widespread implications has been considered although the circumstances of invoking the plan are likely to be less severe. However, in the event of a catastrophe or sequence of events that could prove terminal, the Bank would proceed in accordance with its Ultimate Crisis Planning.

9.2 Controls & mitigation

The Bank operates a three line of defense to deal with operational risk exposure. The first line of defense is business line management. It has the primary responsibility for the identification, management and mitigation of the risks associated with the products and processes of its business. It engages in regular testing and certification of the adequacy and effectiveness of controls and compliance with the bank's policies, including the bank's disaster recovery plans. These procedures also ensure that data is adequately backed up and replicated to disaster recovery servers.

The second line of defense is via insurance. A significant portion of the potential exposure to operational risk management is mitigated by insurance.

The third line of defense is audit. Independent IT audits guard against potential failures and security threats. The Bank's internal auditors monitor the effectiveness of systems and controls.

The following table shows the operational risk charge for the year ended September 30,2022:

Operational Risk: Basic Indicator Approach				
USD('000)	**Gross Income**	**α Factors**	**Weighted Income**	**Capital Requirement**
First Year	9,297	15%	1,395	1,578
Second Year	10,220		1,533	
Third Year	12,047		1,807	

The Bank's operational losses for the year were minimal, see table below :

Operational Risk Losses SEPT 2022								
Business Lines	**Internal Fraud**	**External Fraud**	**Employment Practices and Workplace Safety**	**Clients, Products and Business Practices**	**Damage to Physical Assets**	**Business Disruption and System Failures**	**Execution, Delivery and Process Management**	**Total**
Company Admin	0	0	0	569.13	0	0	0	$569.13
Securities	0	0	0	298.83	0	0	0	$298.83
Total	**$0.00**	**$0.00**	**$0.00**	**$867.96**	**$0.00**	**$0.00**	**$0.00**	**$867.96**

10. Renumeration

The remuneration principles at the Bank are designed to attract and retain to the Company's management persons that possess relevant skills, industry knowledge and experience to oversee the Bank's achievement of its performance and strategy goals with emphasis on long-term shareholder value creation. The structure of the total renumeration should be aligned with the long-term value of the Bank , the business strategy, financial results as well as to the employees contribution. Renumeration is based on predetermined and measurable performance and result criteria.

Renumeration Bodies and Roles

The Board together with the Country Manager oversees the renumeration policy of the Bank. The Board comprises of five (5) Directors, all of which are non-Executive. This Committee is responsible for establishing formal and transparent procedures for the selection of employees, reviewing the Management Succession Plan, developing and implementing processes to assess and improve effectiveness, and addressing issues which from time to time may emerge. This Committee is also responsible for reviewing the remuneration, performance and incentive rewards of staff members to ensure that the remuneration framework is relevant and balanced.

Salaries for non-managerial staff is determined by the Country Manager, based on the post and commensurate with the experience of the successful candidate.

The Group Human Resources Department of Republic Bank Limited is consulted for Managerial Staff compensation and will be based on the job responsibilities, experience and education of the candidate and market rates.

The material risk takers for the Bank include all senior level management; (the Country Manager and Senior Investment Manager) as they are charged with governance to plan, direct and implement all strategic business objectives as approved by the Board of Directors. Additionally, as the Investment Manager acts in the capacity of the Country Manager in his absence and is therefore considered a risk taker.

Design and Structure of Renumeration Process

The Bank has a Human Resources Policy which encompasses renumeration. The key features of this policy relates to salary and bonus payments, hours of work, overtime, performance measures, and other benefits such as medical and pension.

This policy is approved by the Board of Directors and is reviewed on an annual basis. There have been no changes to this policy over the past year

Employees are required to work a standard 150 hours per month except for circumstances whereby approved leave is granted in line with the policy. The Bank will pay employees on a monthly basis, less the usual and necessary statutory and other deductions payable in accordance with the Bank's standard payroll practices. Overtime is approved at the discretion of the country manager in advance of being worked and will be paid at time and a half.

The Bank has an approved fixed bonus structure which is based on the employee's performance for the recently completed fiscal year and their respective position. All employees are paid their salary times a multiplier which is done annually in December of each year. Temporary staff are not eligible for bonus payments. Bonus payments are subject to the review and approval from the Board of Directors and may be amended at the discretion of the Board.

The Board of directors comprises of three directors based at the Group level whose compensation is assessed and paid at that level. The other two directors are based on the Cayman Islands and are do not form part of the Group operations. Director fees are paid to these individuals which is fixed and is evaluated at the Group level.

Current and Future Risks

The Bank is cognizant of the risks that is faces as it pertains to renumeration. The main risk relates to exposing the Bank to the onboarding and servicing of unscrupulous customers and business activity. This risk is heightened when performance bonuses are tied the achievement of financial targets such as meeting budget, commission and new client funding. Currently, all client facing managers are exposed to this risk however the Bank mitigates this in the following ways:

I. Performance bonuses are fixed in nature. As described above, metrices are tied to ratings which equate to a multiplier that is applied to the employee's monthly salary. There are no variable drivers in the calculation.
II. The remuneration of RBKY Investment Services and Investment Management employees will not include any commission-based, variable or incentive pay.
III. Although bonus payments are dependent on the Bank meeting its overall financial budget, controls are in place to ensure "bad actors" are not onboarded. These controls include:
    a. The Country Managers final approval of the onboarding of all clients.
    b. The Compliance Manager attesting to such approval ensuring all the Bank's compliance measures are followed.
    c. Monthly reports prepared for the Board advising of all new business and securities business activity.
    d. Monthly compliance reports sent to the Group's Compliance team at the ultimate parent.
    e. Annual internal and external audits which act as an independent check of the Bank's processes and activity.

Performance Measurement

The main performance metrics for the bank include but are not limited to:

I. Achievement of the Bank's annual financial budget.
II. Meeting and exceeding staff members individual objectives such as
   a. Meeting statutory and regulatory deadlines.
   b. Smooth facilitation of daily audits as well as independent internal and external audit.
   c. Accuracy of work processed.
   d. New funding targets.
   e. Timely cash flow management.
   f. Managing customer expectations / Customer Service
   g. Strict adherence to all regulatory laws and license requirements such as AML/PF/TF, BTCL, Securities etc.
   h. Following the Bank's code of conduct

These bank wide metrics filters down into each staff members performance appraisal which is assessed on an annual basis or more frequently as required.

Job performance expectations are given to staff at the beginning of each fiscal year. These expectations will be reviewed by management and amended as necessary. At the time of the performance appraisal, the Bank and employee will review the objectives and the results achieved. Throughout the year, the employee and Bank may refer to job performance expectations document to track progress made toward objectives, highlight areas of concern and indicate challenges identified along the way.

Job performance reviews, for all employees, will occur near the end of October, and annually thereafter. This meeting is to review successes and challenges from the preceding year, and to establish the performance objectives for the coming year. This review meeting would also serve as an opportunity for either party to identify and recommend professional development opportunities which may assist the employee in their day-to-day work or to grow within the organisation.

At the time of the review, an overall rating is weighted based on the number of key objectives met. Unmet objectives will result in a lower overall weighting as it will be an indicator that the Bank's overall objectives have not been met. This rating then equates to the fixed bonus structure as approved by the Board.

The bank does not use any form of variable remuneration to rewards its employees.

Below shows the Bank's renumeration of its key risk takers:

Key management compensation	**2022**	**2021**
Salaries and bonuses	238	247
Post-employment pension	5	5
Non-monetary benefits	60	55
	303	**307**

11. Other Information

The document, which summarizes the Bank's capital adequacy, risk exposures, risk management policies and renumeration, is reviewed initially by senior management prior to being presented to and reviewed by the Audit & Enterprise Risk Committee followed by the Board on an annual basis. All policies and processes within this document are reviewed on an annual basis by the Board or as the need arise. It is also reviewed by our external and internal audit on an annual basis.