FirstCaribbean International Bank and Trust Company (Cayman) Limited

Market Discipline Disclosures (Pillar 3)

For the period ended October 31, 2022

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1. Overview and Purpose[1]

This document contains the Market Discipline Disclosures (Pillar 3) for the period ended October 31, 2022, in respect of capital and risk management for FirstCaribbean International Bank and Trust Company (Cayman) Limited ("the Company").

The information contained in this Pillar 3 disclosure has been prepared in accordance with the Market Discipline Disclosure Requirements (Pillar 3) Rules and Guidelines (September 1, 2021) issued by the Cayman Islands Monetary Authority.

The aim of Pillar 3 is to encourage market discipline by allowing market participants to access key pieces of information regarding capital adequacy and risk management of institutions through a prescribed set of disclosure requirements.

These disclosures were reviewed and approved internally in line with our Board approved disclosure policy. The level of internal control processes for these disclosures are similar to those applied to the Company's Annual Financial Statements.

All amounts in this document are in thousands of United States dollars, unless otherwise stated.

[1] The information contained in this disclosure has not and is not required to be audited by the Group's external auditors and does not constitute any form of financial statement. The information should not be relied on in the making any judgement on the Group.

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

2.1 OVA – Bank Risk Management Approach

Provides a description on the Company's strategy and how senior management and the Board assess and manage risks, giving a clear understanding of the Company's risk tolerance/appetite in relation to its main activities and all significant risks.

Risk Management Governance and Structure

FirstCaribbean International Bank Limited ("the Parent") has a dedicated central Risk function, headed by the Chief Risk Officer, which is responsible for the risk management framework and risk management of FirstCaribbean Bank Limited and its subsidiaries, otherwise referred to as the Group including the Company. This includes developing risk policies and procedures and provides independent oversight, analysis and adjudication through centrally based teams which manage credit risk, market risk and operational risk. The Risk Management Department is made up of sub-functions covering financial and non-financial risks. It is independent from the businesses to provide appropriate oversight and balance in risk/return decisions. The Risk function operates in line with the three lines of defence model.

The approach to risk management is based on sound banking principles and a robust governance structure. Risk is managed within tolerance levels established by our management committees and approved by the Board of Directors and its committees (the Board). This is achieved through a comprehensive framework of measurement, monitoring and control policies, procedures and processes.

Primary responsibility for the identification and assessment of risk lies with line management in our various strategic business units. The risk management policies and procedures are designed to identify and analyse these risks, to set appropriate risk limits and to monitor and enhance risk management practices to reflect changes in markets, products and evolving best practice.

A robust control and governance structure is embedded within each strategic business unit. Representatives from Risk Management interact with the senior leadership of each strategic business unit to identify and manage risks in the respective businesses. This approach is supported by comprehensive enterprise-wide reporting.

The Risk and Control Governance Framework sets out the structure and tone for the risk and control environment within the Company. It states the allocation of authority and responsibilities from the Board level, Executive Management and staff, and documents how the Company's Risk and Control Management Activities are structured. The Risk Appetite Statement (RAS), defined by management, and approved by the Board of Directors, is the cornerstone for the Company's approach to risk management and guides all risk-taking activities.

Key assumptions on which the Risk and Control Governance Framework have been established are:

- Maintain sufficient capital relative to all material risks;
- The Company's risk appetite, including supporting operating metrics for evaluation of risk profile against risk appetite, must be clearly defined and communicated and reflect the Company's mission, vision and values; and
- Ensure the Company's activities are consistent with the business strategy, risk appetite, values and policies approved by the Board.

The Company's management is aware of the Group's RAS, but does not monitor those metrics, but rather to specific business objectives, which are determined through the application of risk tolerance levels (which were used to devise the RAS). Moreover, risk metric categories such as Capital, Operational, Market and Liquidity are presented to the Senior Management. Whilst the metrics are not Company specific, management supports that the Group metrics for regulatory breaches for Return on Equity, Past Due Deficiencies, Unsatisfactory Audits, Customer Complaints and Talent are appropriate for the major territories within the Group, inclusive of the Company. As at the December Board meeting in 2022, a Company Risk Appetite Statement has been approved by the Board of Directors for implementation in fiscal 2023.

The Company's Risk Appetite Statement (RAS) defines how we will conduct business; it includes targets, limits and measures for evaluating performance and the Company's risk profile, primarily in the following areas: Capital Risk, Operational Risk, Market Risk, Liquidity Risk and Regulatory Risk. Despite not reporting a Risk Appetite Statement to the Board, the Company through the Senior Management Team still monitors all its key risk against tolerable Board levels. It is the cornerstone of our approach to risk management and control, with the key element being that all material risks are considered (with both qualitative and quantitative elements used to define an acceptable risk level within the Bank's risk capacity). The Company manages risk and related balance sheet resources to achieve the metrics established in the Company's RAS, with this process being evaluated on an ongoing basis.

The Company's approach to risk management aligns with the three lines of defence model:

- 1st line of defence – defined as management control and risk owners, this is the Company's Line of Businesses (LOBs) who are responsible for identifying and managing all risks associated with their activities;
- 2nd line of defence - this is the Company's oversight functions which are responsible for independent oversight and the effective challenge of the group-wide risks inherent in the Company's business activities;
- 3rd line of defence – defined as an independent third party assessment, this function is performed by the Internal Audit Unit and provides an independent assessment of the design and operating effectiveness of the controls for the identification, measurement, monitoring and control of risks.

Measures to ensure the Company's activities are aligned with its risk appetite and the desired risk culture is achieved:

- Setting the appropriate "tone at the top" by clearly communicating its risk appetite and expected behaviors with respect to risk taking including risk identification, measurement, monitoring and control activities across the organisation;
- Apply the three lines of defence model to the management of risks;
- Require that risk appetite be given due consideration in key decisions in avoiding business activities that are not aligned with the risk appetite, the Company's values or that do not provide an appropriate balance of risk and reward; and in assessing business opportunities, including new business/ segments/markets and acquisitions;
- Integrate risk appetite with strategic, financial and capital plans to ensure they are aligned;
- Promote shared accountability for risk identification, management and mitigation, where all employees feel responsible for identification and proactive management of risks;
- Cultivate an environment of transparency, open communication and robust discussions of risk, including enabling challenges of the effectiveness of risk mitigation strategies and proactive identification and discussions of negative risk trends;

- Regularly measure and monitor its risk profile to ensure compliance with the risk appetite targets and limits;
- Identify behaviors that are and are not aligned with risk appetite and reinforce appropriate behaviors, including linking into performance management, compensation programs and assessments that give appropriate consideration to the alignment of risk taking; and

Conduct Risk Appetite training for all employees as part of the annual Corporate Mandatory Testing and Training (CMTT) module.

The Company's risk and control systems are designed to ensure the achievement of three categories of objectives:

- **Effective Operations** - The operations of the Company are effective in meeting its strategic objectives;
- **Reliable Reporting** - The financial reports provided to the shareholder and other external stakeholders are accurate and reliable in all material respects; and
- **Regulatory Compliance** - The conduct and actions of the Company's Board of Directors, executives, employees and contingent workers comply with all applicable laws and regulations.

The key departments involved in the risk management process include;

- **Operational Risk** - Responsible for ownership, management and maintenance of the following enterprise–wide operational risk assessment programmes:
    - Operational Risk Profiles;
    - Risk and Control Quarterly Assertion Process;
    - Change Initiatives Risk Assessment Process;
    - Management Key Control Testing Programme;
    - Deficiency Management;
    - Operational Loss Management; and
    - Corporate Insurance Programme.

In addition, the team performs second line of defence responsibilities, relationship based advice and guidance to all Line of Business (LOBs).

- **Compliance Unit** - responsible for establishing and maintaining control processes to ensure the compliance with AML/ATF regulations and legislations, regulatory compliance framework as well as governance of insider trading, anti-bribery and anti-corruption, whistleblower and privacy and data protection.

- **Regulatory Affairs** - responsible for maintaining the primary relationship with the Regulators, as well as act as the subject matter expert on all regulatory compliance activities. The unit partners with the business leaders throughout the various business functions to ensure full compliance with all Risk and regulatory requirements across the region.

- **Risk Management Services** - Responsible for the following;
    - **Market Risk Management -** This includes enhancement and administering of the Company's market risk policies, measurement, monitoring and controls, as well as, the application of the middle office procedures and independent controls over the activities of the Company's trading rooms, including foreign exchange (forex) & derivatives sales (FDS) and treasury.
    - **Risk Reporting -** This includes the credit risk provisioning process, inclusive of accurate calculations and update of risk management models, and provision of key management information.
    - **Risk Policy & Projects, Risk Management -** This team assures that the Company's policies are fit for purpose and are socialized, as well as the efficient and effective operation of the Risk Management Unit by managing the following business function pillars namely Financial and Expense Management; Strategic Risk Project Management; Communication; Risk Human Resource Management.

Risk culture dissemination channels

Annually, the Risk team will work with the various business unit heads as well as other key stakeholders across the Company to determine the appropriate level of risk (metric) that can be accepted, taking into account the following;

- The current macro-environment
- Historical performance
- Industry best practices
- The Company's strategic plans/objectives
- Any other relevant qualitative factors

After the appropriate risk levels have been assessed, these are then submitted to EXCO and subsequently to the Board for approval.

Quarterly, the actual results are submitted to the Board in conjunction with the approved levels, highlighting breaches and corrective measures.

Staff are often reminded of the various risks and how best to approach scenarios through the use of emails from the Internal Communications unit.

Risk Reporting Process

Quarterly, the Board is appraised of all risks that currently affect the Company as well as any potential emerging risks.

Senior Management is updated more frequently through the use of the following;

- Monthly preparation of Management Information decks
- Monthly Executive Committee meetings

Risk Management Systems

- As outlined above, the RAS has been approved for implementation. The risks which the Company faces will be continuously measured against the approved level and reported to the Board on a quarterly basis. The scope and main features of the risk measurement systems include the Company striving to be a relationship-oriented Company for the modern world with sound risk management practices creating enduring values for its stakeholders:
- Build a strong client focused culture

- Have effective control environment to ensure sound risk management, supported by strong capital and finding positions
- Deliver consistent, sustainable earnings over the long term, growing systematically where we have or can build competitive business and risk management capabilities.

This is supported by the nine guiding principles;

What we are doing:
- Maintaining a balance of risk and reward
- Sharing responsibility for risk management
- Making business decisions that are based on an understanding of risk
- Being customer centric; providing suitable services that are understood by our clients
- Using good judgement and common sense
- Enhancing governance and accountability
- Safeguarding the Company's reputation and brand
- Escalating issues on a timely basis to the appropriate risk, governance or control function
- Not following a tick the box mindset when managing the client and risk

Risk Mitigation Strategies

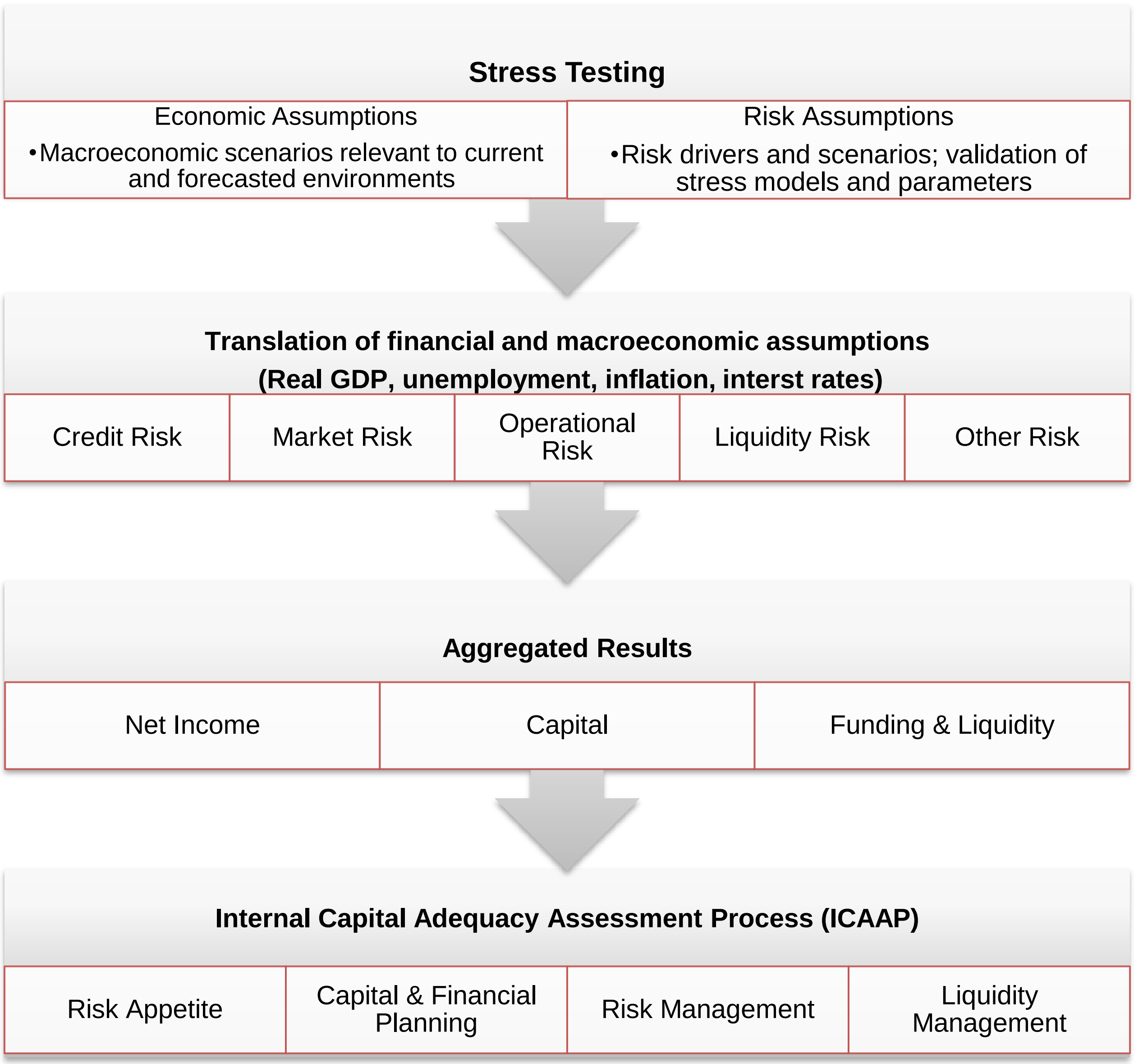
As mentioned above, the Risk and Control Governance Framework sets out the structure and tone for the risk and control environment within the Company, from the identification, management and reporting of risks.

Stress Testing Methodology

The Company performs stress tests and scenario analyses to gain a better understanding of the significant risks the Company potentially faces under extreme conditions and to provide important input into the determination of related regulatory and economic capital requirements. Stress testing refers to shifting the values of individual parameters that affect our financial position and determining the effect on the business (for example, a doubling of staff turnover in a key, high dependence business function). Scenario analysis refers to a wider range of parameters being varied at the same time.

Stress testing in the Company covers credit, market, liquidity and financial/capital risks. Stress testing supplements the other risk and control management activities by providing an estimate of losses in the event of a particular scenario becoming a reality.

Stress Testing Model



2.2 OV1 - Overview of Risk Weighted Assets

The Risk Weighted Assets (RWA) are categorized under various risk frameworks and are calculated based on regulatory requirements.

Template OV1

US$'000

		a	b	c
		RWA		Minimum capital requirements
		Oct-22	**Jul-22**	**Oct-22**
1	Credit risk (excluding counterparty credit risk) (CCR)	55,704	58,321	6,684
2	Securitisation exposures	-	-	-
3	Counterparty credit risk	-	-	-
4	Of which: current exposure method	-	-	-
5	Of which: standardized method	-	-	-
6	Market risk	1,041	882	125
7	Of which: Equity risk	-	-	-
8	Operational risk	35,704	35,704	4,284
9	Of which: Basic Indicator Approach	-	-	-
10	Of which: Standardised Approach	35,704	35,704	4,284
11	Of which: Alternative Standardised	-	-	-
12	Total (1+2+3+6+8)	**92,449**	**94,907**	**11,094**

Decrease in the risk weighted assets for credit risk was mainly due to reduction in balances held with of other Banks.

3. Linkages between Financial Statements and Regulatory Exposures

3.1 LI1 – Differences between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk categories

Template LI1
US$'000

	a	b	c	d	e	f	g
			Carrying values of items:				
	Carrying values as reported in 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							
Cash and cash equivalents	227,147	227,147	227,147	-	-	112,286	-
Debt securities measured at FVOCI	69,703	69,703	69,703	-	-	-	-
Investments in subsidiary company	1	1	1	-	-	-	-
Accounts receivable and other assets	6,373	6,373	6,373	-	-	-	-
Property and equipment	3,901	3,901	3,901	-	-	-	-
Total assets	**307,125**	**307,125**	**307,125**	**-**	**-**	**112,286**	**-**
Liabilities							
Customer deposits	265,838	265,838	-	-	-	-	265,838
Accounts payable and other liabilities	1,538	1,538	-	-	-	-	1,538
Post-retirement benefit liability	2,477	2,477	-	-	-	-	2,477
Total liabilities	**269,853**	**269,853**	**-**	**-**	**-**	**-**	**269,853**

The Assets are subject to multiple risk framework for example foreign currency cash and cash equivalents will fall under the credit risk and market risk frameworks.

3.2 LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Provides information on the main sources of differences (other than due to different scopes of consolidation) between the financial statements' carrying value amounts and the exposure amounts used for regulatory purposes.

Template LI2
US$'000

		a	b	c	d	e
			Items subject to:			
		Total	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) (as per template LI1)**	307,125	307,125	-	-	112,286
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	307,125	307,125	-	-	112,286
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	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	**Exposure amounts considered for regulatory purposes**	307,125	307,125	-	-	112,286

3.3 LIA – Explanations of differences between accounting and regulatory exposure amounts

There is no difference in the accounting treatment of the carrying values as reported in the Financial Statements versus the carrying values under the scope regulatory consolidation.

4. Capital

4.1 CAP – Details on the Company's Capital, including specific Capital Instruments

The top corporate entity to which these rules and guidelines apply is FirstCaribbean International Bank and Trust Company (Cayman) Limited

Entities within the Company include the following, which are all fully consolidated:

- *FirstCaribbean International Bank and Trust Company (Cayman) Limited:* a wholly owned subsidiary of FirstCaribbean International Bank Limited ("Parent"), a company incorporated in Barbados. The major shareholder and ultimate parent of the Parent is CIBC, a company incorporated in Canada.

The Company holds a Category A Banking and Trust License issued under the Banks and Trust Companies Act of the Cayman Islands and is principally engaged in the business of fund administration, management of companies and trustee services. The Company holds a separate mutual fund administrator's license issued under the Mutual Funds Act of the Cayman Islands and engages in all aspects of mutual fund administration.

- *CIBC Fund Administration Services (Asia) Limited:* a limited liability company domiciled and incorporated in Hong Kong and is wholly owned by FirstCaribbean International Bank and Trust Company (Cayman) Limited.

  The Company's principal activities consist of providing sales promotion support in the Asian market to FirstCaribbean International Bank and Trust Company (Cayman) Limited and subsequently depending on the growth potential for these services may further engage in the provision of fund administration services.

- *Commerce Advisory Services Limited; Commerce Corporate Services limited; and Commerce Management Services Limited:* are wholly owned subsidiaries of FirstCaribbean International Bank and Trust Company (Cayman) Limited and are used for nominee purposes only.

There are no differences in the basis of consolidation applied for accounting and regulatory purposes.

There are no restriction or other major impediments, on transfer of funds or regulatory capital, subject to applicable regulatory requirements.

The profile consists of standard equity components (Paid up Capital, Reserves and Retained Earnings) adjusted by components of the balance sheet as called for by prevailing regulatory guidelines. There are no complex or hybrid capital instruments in the Company's capital profile.

Overall, the company seeks to employ a strong and efficient capital structure while optimizing return on equity profile and capital utilisation. The Company's capital profile and related exposures are managed to ensure that prescribed regulatory requirements are met at all times including during periods of mild and severe economic stress based on internal models.

The Company utilises a formal Internal Capital Adequacy Assessment Process (ICAAP) in assessing its capital needs annually. This process incorporates projected earnings and financial results over a three year planning horizon, assessment of all relevant key risks and stress testing to ensure the adequacy of the capital profile to satisfy business growth objectives, unplanned losses if any and minimum regulatory requirements.

Capital utilisation is continually monitored and evaluated to ensure that strategic business objectives and regulatory requirements are satisfied. Capital profiles and risk exposures are routinely analyzed, measured and reported internally within the organisation with focused discussions held monthly at formal management meetings. Capital metrics are reported to the Board of Directors quarterly.

The Company is subject to Minimum Capital Requirement set out in the Cayman Islands Monetary Authority's Rules, Conditions and Guidelines on Minimum Capital Requirements. The Minimum Capital Requirement principally comprises of Credit Risk, Market Risk and Operational Risk requirements.

The table below highlights the composition of capital, minimum capital required and capital adequacy ratios.

Capital Composition
US$'000

	FirstCaribbean International Bank and Trust Company (Cayman) Limited		
	Oct-22	**Jul-22**	**Apr-22**
Tier 1 Capital			
Paid up capital	25,921	25,921	25,921
Disclosed Reserves			
Share Premium	825	825	825
Retained Earnings	8,454	8,954	10,954
General Reserves	(642)	(609)	(640)
Total Tier 1 Capital	**34,558**	**35,091**	**37,060**
Tier 2 Capital			
Current year's earnings	2,715	827	698
Total Tier 2 Capital	**2,715**	**827**	**698**
Available Capital Base	**37,273**	**35,918**	**37,758**

Minimum Capital Required

Credit Risk	6,684	6,998	7,080
Market Risk	125	106	117
Operational Risk	4,284	4,284	4,284
Total	**11,093**	**11,388**	**11,481**

Capital Adequacy Ratios

Tier I	**37.4%**	**37.0%**	**38.7%**
Total Tier I & II	**40.3%**	**37.9%**	**39.5%**

As seen above the increase in the available capital base was driven by the current year earnings.

5. Credit Risk

5.1 CRA – Credit Risk

Effective management of credit risk is critical to the Company's success as credit losses are a key driver of Company profitability and earnings volatility. Credit risk is defined as "the risk of financial loss due to a borrower or counterparty failing to meet its contractual obligations in accordance with terms." This risk originates from the debt security facilities.

The Company's credit risk management strategy is a function of our overall business strategy. Risk appetite and business strategy are approved by the Company's Board.

Credit risk management starts with the establishment of sound credit risk management principles and an effective framework for managing credit risk, including an appropriate organisational structure and documented policies, standards and guidelines, processes, procedures and controls.

The purpose of the Credit Risk Management Policy is to set out the Company's over-arching, enterprise-wide principles and requirements for credit risk management that form the foundation for segment-specific policies, standards and guidelines, processes, procedures and controls all in alignment with the Company's Risk Appetite Statement (RAS) and Risk and Control Governance Framework, and also to comply with the respective laws and regulations in the jurisdictions in which the Company operates.

This Policy and the supporting standards, guidelines, processes, procedures and limits are intended to:

- Promote a disciplined approach to risk taking, and to ensure that we manage credit risk in a manner that is consistent with our approved risk appetite and business strategy;
- Facilitate sound decision making by all those involved in originating, adjudicating (evaluation of soundness) and monitoring credit risk;
- Prevent adverse concentrations of credit risk on a portfolio basis; and
- Comply with the relevant laws and regulations in the jurisdictions in which the Company operates.

Credit risk limits are established for debt securities for the purposes of diversification and managing concentration. Limits are also established for individual counterparties, industry sectors, individual countries and geographic regions. Such risks are monitored on a revolving basis and the limits are subject to review at least annually.The criteria and approach used for defining the credit risk management policy and for setting credit risk limits include: applicable regulatory guidance and banking best practices; risk ratings and scores; the bank's Risk Appetite Statement; and subject matter expertise.

The credit risk management process contains

- Portfolio Management - At a Company-wide level, credit exposures are managed to promote alignment to the Risk tolerance established by the Company, maintain the target business mix and ensure that there are no undue concentrations of risk. These activities are key to the achievement of the Company's strategic objectives, such as reductions in earnings volatility.

  Portfolio quality measures, including score band and risk rating distribution, economic losses and capital and default levels, are used to track the performance of the portfolios throughout the year against targets established via annual planning processes.

  Portfolio management requirements also include:
    - Monitoring compliance with credit portfolio limits;
    - Reviewing changes in the credit risk segmentation of credit portfolios to identify adverse trends such as undue concentrations, higher default probabilities, increased volatility of expected and unexpected losses and shifts in product mix;
    - Monitoring industry, demographic and economic trends to proactively identify risks/opportunities and incorporate into credit risk management activities;
    - Identifying and monitoring for potential events that could impact the level of credit risk of specific portfolios and trigger a reassessment of the portfolio as necessary; and

- Stress testing portfolios to determine expected impact of extreme but plausible events and analyze the impact of extreme economic events.

- Monitoring/Oversight Mechanism - The Company's Board reviews and monitors the performance of the debt securities and other risks of the entity including review of management reports on compliance, or material deficiencies of policies relating to the management of credit risks.

  The Chief Risk Officer (CRO) oversees and evaluates proposed changes to credit risk policies and standards and/or risk rating systems to determine potential impacts, including risks and benefits. Changes must be approved by the officer(s) or governance body with the appropriate authority. The CRO also develops reports, with an appropriate distribution protocol, in order to facilitate delivery against the Portfolio Management requirements documented herein.

Risk Management's Operational Risk Unit provides advice and assistance to management on the design, implementation, and maintenance of internal controls based on specialist knowledge of the current state of internal controls, risk management and governance processes as it relates to credit risk management. In executing against its independent mandate approved by the Board, Internal Audit regularly conducts risk-based audits. As part of these audits, Internal Audit assesses and opines on the overall effectiveness of management's control environment within the scope of the engagement, including testing management controls in executing and monitoring compliance to this policy.

5.2 CR1 – Credit Quality of Assets

Provides information on the credit quality of the Company's (On and Off Balance Sheet) Assets.

Template CR1
US$'000

	Item	Gross carrying values of:		Impairments/ Allowances (c)	Net values (a+b-c) (d)
		Defaulted exposures (a)	Non-defaulted exposures (b)		
1	Loans	-	-	-	-
2	Debt Securities	-	69,703	-	69,703
3	Off-balance sheet exposures	-	-	-	-
4	**Total**	-	69,703	-	69,703

5.3 CR2 – Changes in Stock of Defaulted Loans and Debt Securities

Provides information on the changes in the Company's stock of defaulted exposures, the flows between non-defaulted and defaulted exposure categories and reductions in the stock of defaulted exposures due to write-offs. The Company has no defaulted loans and debt securities.

5.4 CRB – Additional disclosure related to the Credit Quality of Assets

The scope and definition of "past due" and "impaired" exposures used for accounting purposes are defined as follows;

- Past Due - the Company considers a financial instrument past due, if contractually payment is due and none is made. Instruments will remain performing from 1-89 days past due unless other factors determined it should be impaired. The Company only has debt securities, which will not be applicable for days past due.
- Impaired Exposure - The Company considers a financial instrument defaulted/impaired and therefore credit-impaired for Expected Credit Loss (ECL) calculations in all cases when the customer becomes 90 days past due on its contractual payments. As it relates to debt securities, when one of the rating agencies (Moody's & S&P) downgrades the debt securities to default status or the counterparty declares their inability to repay (self-identified default).

<u>Expected Credit Loss 3 Stages of Classification</u>

- Stage 1 (Performing): Low credit risk or no significant increase in credit risk since initial recognition (12-month ECL).
- Stage 2 (Under Performing): Significant increase in credit risk sine initial recognition (Lifetime ECL).
- Stage 3 (Non-Performing): Default (Lifetime ECL).

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

- Internal rating of the customer indicating default or near-default
- The counterparty requesting emergency funding from the Company
- The counterparty having past due liabilities to public creditors or employees
- A material decrease in the counterparty's turnover or loss of a major customer
- A covenant breach not waived by the Company
- The counterparty (or any legal entity within the debtor's Bank) filing for bankruptcy application/protection

Debt Securities by Residual Maturity and Sector

US$'000

Sector	0-3 months	3-12 months	1-5 years	Over 5 years	Total
Sovereigns and Central Banks	69,703	-	-	-	69,703

5.5 CRC – Credit Risk Mitigation (CRM) Techniques

The Company's exposure relates to high quality debt securities andno credit risk mitigation technique is currently being used..

5.6 CR3 – Credit Risk Mitigation Techniques

Disclose the extent of use of Credit Risk Mitigation (CRM) techniques

Template CR3

US$'000

	Item	Exposures unsecured: carrying amount (a)	Exposures secured by collateral (b)
1	Loans	-	-
2	Debt securities	69,703	-
3	**Total**	**-**	**-**
4	Of which defaulted	-	-

5.7 CRD – Company's use of External Credit Ratings under the Standardised Approach for Credit Risk

Currently the Company uses Fitch Rating Inc., Moody's Corporation and Standard and Poor's (S&P Global) as its External Credit assessment institutions (ECAIs). These rating agencies continue to provide frequent updates on the credit worthiness of current and potential exposures. There have been no changes year over year of the Company's ECAIs.

Fitch Rating Inc., Moody's Corporation and Standard and Poor's are used for the following;

- Multi-Development Banks investments
- Debt Securities
- Treasury Bills

The Company implements the following process:

- The rating of an asset is obtained from the external credit assessment agencies and this rating is aligned to an internal rating which corresponds to similar type of risks.
- Credit Risk Management department independently reviews the rating proposed by the front line and re-assesses, to confirm or adjust the rating accordingly based on current variables.
- All similar facilities are then provided a similar rating.

5.8 CR4 – Standardised Approach – Credit Risk Exposure and CRM effects

This disclosure illustrates the effect of CRM (comprehensive and simple approach) on standardised approach capital requirements' calculations. The risk weighted assets (RWA) density provides a synthetic metric on riskiness of each portfolio.

Template CR4

US$'000

		a		c		e	
		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	
1	Sovereigns and their central banks	69,704	-	69,704	-	-	0%
2	Non-central government public sector entities	-	-	-	-	-	0%
3	Multilateral development banks	-	-	-	-	-	0%
4	Banks	227,147	-	227,147	-	45,429	20%
5	Securities firms	-	-	-	-	-	0%
6	Corporates	-	-	-	-	-	0%
7	Regulatory retail portfolios	-	-	-	-	-	0%
8	Secured by residential property	-	-	-	-	-	0%
9	Secured by commercial real estate	-	-	-	-	-	0%
10	Past-due exposures	-	-	-	-	-	0%
11	Higher-risk categories	-	-	-	-	-	0%
12	Other assets	10,274	-	10,274	-	10,274	100%
13	**Total**	**307,125**	**-**	**307,125**	**-**	**55,703**	18%

5.9 CR5: Standardised Approach – Exposures by Asset Class and Risk

Provides Information on the breakdown of credit risk exposures under the standardised approach by asset class and risk weight (corresponding to the riskiness attributed to the exposure according to the standardised approach).

Template CR5

US$'000

		a	b	c	d	e	f	g	h	i	j
	Asset classes / **Risk weight***	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposure amount (post CCF and post-CRM)**
1	Sovereigns and their Central Banks	69,703	-	1	-	-	-	-	-	-	**69,704**
2	Non-Central Government Public Sector Entities	-	-	-	-	-	-	-	-	-	**-**
3	Multilateral Development Banks	-	-	-	-	-	-	-	-	-	**-**
4	Banks	-	-	227,147	-	-	-	-	-	-	**227,147**
5	Securities Firms	-	-	-	-	-	-	-	-	-	**-**
6	Corporates	-	-	-	-	-	-	-	-	-	**-**
7	Regulatory Retail Portfolios	-	-	-	-	-	-	-	-	-	**-**
8	Secured by Residential Property	-	-	-	-	-	-	-	-	-	**-**
9	Secured by Commercial Real Estate	-	-	-	-	-	-	-	-	-	**-**
10	Past-due Loans	-	-	-	-	-	-	-	-	-	**-**
11	Higher-risk categories	-	-	-	-	-	-	-	-	-	**-**
12	Other Assets	-	-	-	-	-	-	10,274	-	-	**10,274**
13	**Total**	**69,703**	**-**	**227,148**	**-**	**-**	**-**	**10,274**	**-**	**-**	**307,125**

6. Counterparty Credit Risk

6.1 CCRA – Counterparty Credit Risk (CCR)

The main objective of risk management as it relates to Counterparty Credit Risk is to ensure the Company is protected from any losses. In cases where this is not possible, we seek to minimise the impact as much as possible.

The Risk Management objectives:

- Maintain a disciplined approach to risk taking while managing risk in a manner consistent with approved risk appetite and business strategy;
- Facilitate sound decision making by all those involved in originating, adjudicating and monitoring;
- Prevent adverse concentrations of risk on a portfolio basis; and
- Comply with the relevant laws and regulations.

The Company does not have a CCR specific policy, however, there are policies which are related to counterparty credit risk. These policies include:

- Country Risk Policy
- Single Name/Common Risk Policy
- Reputational and Legal Risks Policy
- Pledging Policy
- Investment Policy

Methods used to assign operating limits for counterparty exposures:

- The Company has in place a credit risk management process with well-defined roles and accountabilities for all key functions across the end-to-end process including origination, adjudication, and fulfillment and monitoring.
- Credit risk limits are assigned following completion of reasonable and customary due diligence by business sponsors on proposed exposures and approval thereof by adjudication teams.
- A governance framework is also in place to ensure that exposures above defined thresholds are escalated to progressively senior levels of the organisation for approval, up to and including, the Board of Directors.

The Company does not have a capital allocation specifically for its CCR.

Policies relating to guarantees and other risk mitigants:

- Related Party Policy
- Single Name Common Risk Policy
- Pledging Policy
- Other – operationally, transactions giving rise to CCR are executed on a Delivery Versus Payment (DVP) basis

Policies with respect to wrong way risk exposures

- Market Risk Management Policy

The Company does not currently have CCR exposures with collateral requirements that are linked, or subject to, its credit rating.

6.2 CCR1 – Analysis of counterparty credit risk exposure by approach

The Company currently has no counterparty credit risk exposures for Derivative contracts.

6.3 CCR3: CCR Exposures by Regulatory Portfolio and Risk Weights

The Company currently has no counterparty credit risk exposures for Derivative contracts.

6.4 CCR5 – Composition of collateral for CCR exposure

The Company currently has no collateral for counterparty credit risk exposures for Derivative contracts.

6.5 CCR6 – Credit derivatives exposures

The Company currently has no credit derivatives exposures.

7. Leverage Ratio

7.1 LR1 – Summary Comparison of Accounting Assets vs Leverage Ratio Exposure

Reconciliation of the total assets in the financial statements with the leverage ratio exposure measure.

The exposure measure is calculated based on the regulatory requirements and comprises of on and off balance assets.

Template LR1
US$'000

		Oct-22
1	Total consolidated assets as per quarterly financial statements	307,125
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
4	Adjustments for temporary exemption of central bank reserves	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
6	Adjustments for regular way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustments for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	-
9	Adjustment for securities financing transactions (i.e. repurchase agreements and similar secured lending)	-
10	Adjustment for off balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	-
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	-
13	**Leverage ratio exposure measure**	307,125

7.2 LR2 – Leverage Ratio Common Disclosure

The leverage ratio is a non-risk-based ratio established to supplement the risk-based capital requirements. The ratio is calculated using the regulatory capital and on/off balance sheet figures at a point in time.

The Company continues to manage its exposures to remain above the regulatory requirement as seen below.

Template LR2
US$'000

		Oct-22	Jul-22
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	307,125	313,890
2	Gross up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3	(Deductions of receivable 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	(Specific and general provisions associated with on balance sheet exposures that are deducted from Basel III Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Basel III Tier 1 capital and regulatory adjustments)	-	-
7	**Total on balance sheet exposures** (excluding derivatives and SFTs) (sum of rows 1 to 6)	**307,125**	**313,890**
Derivative exposures			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	-
9	Add on amounts for potential future exposure associated with all derivatives transactions	-	-
10	(Exempted central counterparty (CCP) leg of client cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add on deductions for written credit derivatives)	-	-
13	**Total derivative exposures** (sum of rows 8 to 12)	**-**	**-**
Securities financing transaction exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	**Total securities financing transaction exposures** (sum of rows 14 to 17)	**-**	**-**
Other off-balance sheet exposures			
19	Off-balance balance sheet exposure at gross notional amount	-	-
20	(Adjustments for conversion to credit equivalent amounts)	-	-
21	(Specific and general provisions associated with off balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	**Off-balance sheet items** (sum of rows 19 to 21)	**-**	**-**
Capital and total exposures			
23	**Tier 1 capital**	34,558	35,091
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	307,125	313,890
Leverage ratio			
25	**Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	11%	11%
25a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	11%	11%
26	**National minimum leverage ratio requirement**	3%	3%
27	**Applicable leverage buffers**	-	-

8. Liquidity

8.1 LIQA – Liquidity Risk Management

Overview

Liquidity risk management is governed by the Liquidity Risk Management Policy.

The Liquidity Risk Management Policy, in conjunction with the capital position, contribute to the Company's safety and soundness in times of stress by ensuring that:

- Sufficient and appropriate liquidity is maintained to ensure the Company is able to meet its financial obligations as they come due, and to sustain its operations under normal and stressed conditions;
- Liquidity risks are effectively and appropriately identified, measured and monitored to ensure they are managed in alignment with the Company's Risk Appetite Statement (RAS); and
- The Company has diverse, reliable, and cost-effective funding strategies in all currencies.

The Policy seeks to ensure the Company's adherence to the Board approved RAS, with consideration to the Basel Committee on Banking Supervision's Sound Principles for Liquidity Risk Management and Supervision.

The Policy also reflects regulatory requirements in Cayman where the Company operates.

Board Defined Liquidity Risk Tolerance

The Company's Board of Directors defines an overall liquidity risk appetite which is:

- Appropriate for the Company's business strategy and its role in the financial system;
- Consistent with the size, sophistication, business objectives, relevant funding markets and overall risk appetite of the Company;
- Clearly communicated throughout the Company; and
- Integrated throughout the Company's liquidity risk management processes

The Company has established clear roles and responsibilities of key stakeholders in the liquidity management process. Relevant activities include:

- Ongoing reviews and assessments of the liquidity profile by senior management and the Asset and Liability Committee (ALCo)

The Funding Strategy, including policies on diversification in the sources and tenor of funding and whether the funding strategy is centralised or decentralised

The funding strategy is guided by the Liquidity Risk Management Policy. The Bank's funding needs are satisfied primarily through raising of customer deposits, capital (retained earnings) and short-term inter-company borrowings. Funding strategies are centrally managed within the Treasury Department which works collaboratively with relevant business units to ensure effective execution of fund raising activities. Deposit funding consists of both core demand and term (fixed) deposits which vary in tenors ranging from one week up to five years. Deposit concentration metrics and internal limits are employed to mitigate concentration risks with close monitoring and reporting internally to senior management and the Board.

Liquidity risk mitigation techniques

Liquidity risk mitigation techniques are outlined in the Liquidity Policy and include risk assessment, funding planning, liquidity metrics adherence, liquid asset management, collateral management, contingency funding planning, monitoring and oversight.

An explanation of how stress testing is used

Liquidity stress testing applies name-specific and market-wide stress scenarios that are applied to the foreign currency balance sheet. The Company entity also measures liquidity risk through the Minimum Liquidity Ratio (MLR) on a monthly basis. This process allows the Company entity to assess the amount of available liquidity relative to its prescribed liabilities. Results are reviewed by Treasury and the ALCo to ensure surplus buffers are maintained at all times.

Outline of the Company's contingency funding plans

The Contingency Funding Plan (CFP) provides coverage for the Company and sets out the strategies for addressing liquidity shortfalls in emergency and unexpected situations. The CFP sets out the requirements necessary to manage a range of stress conditions, establishes clear lines of responsibility and articulates invocation and escalation procedures. It is tested and updated annually to ensure it is operationally robust and is aligned to the Risk Appetite Statement.

The table below analyses the assets and liabilities of the Company into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date.

Template LIQA
US$'000

	0-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Assets					
Cash and cash equivalents	227,147	-	-	-	227,147
Debt securities measured at FVOCI	69,703	-	-	-	69,703
Accounts receivable and other assets	6,373	-	-	-	6,373
Total Assets	**303,223**	**-**	**-**	**-**	**303,223**
Liabilities					
Customer deposits	265,838	-	-	-	265,838
Account payables and other liabilities	1,538	-	-	-	1,538
Total Liabilities	**267,376**	**-**	**-**	**-**	**267,376**
Net assets	35,847	-	-	-	35,847

Assets and liabilities without any contractual maturity date were excluded from the table above. These include property and equipment and post-retirement benefit liability.

9. Market Risk

9.1 MRA – Market Risk

Market risk is the risk of losses in value of financial instruments, assets or value of the company due to changes in market variables, such as interest rates, credit spreads and foreign exchange rates. The Company's market risk exposure is generated from client deposits, interbank placements and nostro accounts. The key driver of market risk is changes in interest rates. Currently, there is no Credit Spread risk exposure.

Interest rate risk exposure is managed and monitored using sensitivity measures and stress testing.

The Company is inherently exposed to hard currency interest rate risk from the mismatch between the repricing of cash flows. Cash flows are generated from interest income and interest expense.

The Company can employ strategic actions to help mitigate its hard currency interest rate exposures, such as hedging, through the use of interest rate swaps.

Stress testing and scenario analysis are designed to add insight to possible outcomes of abnormal (or tail event) market conditions and to highlight where risk concentrations could be a concern.

For the hard currency testing, position sensitivities are subjected to a suite of measures that the parent company has developed. The stress testing measures the effect on our hard currency portfolio values over a wide range of extreme moves in market prices. The stress testing methodology assumes no actions are taken or are available to be taken during the event to mitigate the risk, reflecting the decreased liquidity that frequently accompanies market shocks. The scenario analysis approach for the Company's hard currency exposures simulates an impact on earnings of extreme market events up to a period of one month. Scenarios are developed using actual historical data during periods of market disruption or are based upon hypothetical occurrence of economic or political events or natural disasters and are designed by economists, business leaders and risk managers. Examples of these would include the 1998 Russian led crisis, Fed Reserve tightening of 1994 and potential effects of revaluation of the Chinese currency.

The Company adheres to the Market Risk Management Policy related to the identification and to the measurement, monitoring and control of those risks. This policy is reviewed and approved every two years by the Board of Directors. The Board limits, which are approved annually, are used by the Company to establish explicit risk tolerances expressed in terms of the main risk measures mentioned above. There is a three-tiered approach to limits at the Company. The highest level is set at the Board. The second tier is delegated by the Chief Risk Officer and the third tier to the Business Unit, which limits traders to specific products and size of deals. These limits are documented through a formal delegation letter and monitored using the Group's treasury system.

9.2 MR1: Market Risk under the Standardised Approach

Displays the components of the capital requirement under the standardised approach for market risk.

Template MR1

US$'000		Oct-22
		RWA
	Outright products	
1	Interest rate risk (general and specific)	-
2	Equity risk (general and specific)	-
3	Foreign exchange risk	1,041
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	**Total**	1,041

10. Operational Risk

10.1 OPR – Operational Risk

Operational risk is the risk of loss resulting from people, inadequate or failed internal processes and systems, or from external events. Operational risks are inherent in all activities within the Company, including outsourced activities and all interactions with external parties. Our comprehensive Operational Risk Management Policy, supported by policies, tools, systems and governance structure, is used to mitigate operational risks. We continuously monitor our operational risk profile to ensure we are operating within the Company approved risk appetite.

Governance and management

Operational risk is managed through the three lines of defence model and articulated in the Operational Risk Management Policy.

(iii) The first line of defence, the Company's Lines of Business (LOBs) and functional groups own the risks and are accountable and responsible for identifying and assessing risks inherent in their activities in accordance with the company's risk appetite. In addition, they establish and maintain controls to mitigate such risks.

Within the Company, the first line is divided into two groups: **1a** and **1b**. The **1a** line would be the first gatekeepers for risk management, that is, those persons who are the risk takers and would be faced with making decisions on a day to day basis with the Company's policies and risk appetite in mind. Therefore the **1a** group would be the first line to accept or decline a transaction/relationship. The **1b** line is accountable to **1a** management but has the authority to challenge the risk management processes and decisions of the business.

(ii) The second line of defence, defined as the Company's oversight functions, is independent from the first line of defence and provides an enterprise-wide view of specific risk types, guidance and effective challenge to risk and control activities.

Risk Management may leverage or rely on Business Control Support Groups i.e. subject matter expertise of other groups to better inform their independent assessments, as appropriate

(iii) The third line of defence, the Company's internal audit function provides reasonable assurance to senior management and the Audit Committee of the Board on the effectiveness of the company's governance practices, risk management processes, and internal control as part of its risk-based audit plan and in accordance with its mandate.

A strong risk culture and communication between the three lines of defence are important characteristics of effective risk management.

The Operational Risk Management team within the Risk Management Group oversees the enterprise-wide operational risk assessment programmes for identifying, monitoring and controlling operational risks. The team, through the Director, Operational Risk provides relationship based advice and guidance to the business units in managing their operational risks and control related issues.

The Director, Operational Risk maintains line of sight of the Specialist Support units responsible for Operational Risk programs like Information Security, including cybersecurity; Business Continuity Management; Corporate Security; Fraud Management; and Outsourcing.

The Chief Risk Officer chairs the Operational Risk and Control Committee (ORCC), which serves as a forum for management information sharing, discussion and input on the design and assessment of the Company's internal control, emerging operational risk and operational risk management programs and tools. The ORCC is a supporting Committee of the company's Executive Committee. The Director, Operational Risk is responsible for supporting the Chair and the Committee.

Operational risk management approach

Information transparency, timely escalation, clear accountability and a robust internal control environment are the principles forming the basis of the Operational Risk Management Policy, which supports and governs the processes of identifying, measuring, mitigating, monitoring, and reporting operational risks. The Company's loss prevention program (which includes manuals, policies, guidelines and procedures) combines loss prevention principles designed for daily operations with specific techniques to prevent losses.

Risk Assessment

The Company's business units regularly conduct reviews of operational risks inherent in their products, services or processes and assess ways to mitigate and manage them in alignment with the company's risk appetite. These reviews include operational risk profile reviews for LOBs, audit findings, past internal and external loss events, change initiative risk assessments etc. Under the three lines of defence model, the Operational Risk unit and oversight functions challenge business lines' risk assessments and mitigation actions.

Operational loss is one of the key operational risk metrics informing us of areas of heightened risk. We collect and analyse internal operational loss event data for themes and trends. The occurrence of a material or potential material loss triggers an investigation to determine the root causes of the incident and the effectiveness of existing mitigating controls, as well as the identification of any additional mitigating actions. Additionally, we monitor the external environment for emerging or potential risks to FirstCaribbean. The analysis of material operational risk events is performed by the first line of defence and the outputs of the analysis are subject to formal independent challenge by our second line of defence. The analysis of material operational risk events forms one component of our ongoing operational risk reporting to senior management and the Board.

The business units conduct change initiative risk assessment on risks inherent to the initiatives (for example, new product launches or major system changes). Identified inherent risks of the change initiative and related mitigation actions are challenged by the Operational Risk unit and other relevant second line of defence groups, as well as business control support groups, to ensure residual risks remain within the approved risk appetite.

The Company uses the basis indicator method to quantify our operational risk exposure in the form of operational risk regulatory capital, as agreed with local regulators.

Risk mitigation

Our primary tool for mitigating operational risk exposure is a robust internal control environment. The Company’s internal control environment outlines key principles, structure and processes underpinning the Company’s approach to managing risks through effective controls. All key controls are subject to ongoing testing and review to ensure they effectively mitigate our operational risk exposures. In addition, our corporate insurance program affords extra protection from loss while our enterprise-wide business continuity management program ensures that under conditions of interruption or crisis, the Company’s critical business functions could continue to operate and normal operations are restored in a highly effective and efficient manner.

The Company's Market Risk Policy governs the management of Interest Rate Risk in the Banking Book (IRRBB) within the risk limits determined in Bank’s Risk Appetite Statement. The Bank's IRRBB exposures are measured, monitored, reported, and managed within established management and Board approved risk limits. The Company's hedging strategies are designed to ensure that risk exposures remain within established policy limits. Where hedges are deployed, their effectiveness at mitigating risk is assessed independently of the front-line.

Risk monitoring and reporting

The first and second lines of defence are responsible for the ongoing monitoring of risk to facilitate compliance. Additionally LOBs and functional groups are responsible for the design and implementation of internal controls within their area of accountability and must capture any business environment factors (i.e. external events, regulatory and industry reviews) and internal control factors as identified through the Company’s Quarterly Assertion process.

Our risk monitoring processes support a transparent risk-reporting program, informing both senior management and the Board of our control environment, operational risk exposures, and mitigation strategies.

As seen below the company continues to maintain its operational risk losses to a minimal amount.

Operational Risk Losses

US$'000

Oct-22	Oct-21	Oct-20	Average
1	3	-	1

Standardised Approach for Operational Risk

The Company currently applies the Standardised Approach in its calculation of operational risk capital.

Standardised Approach for Operational Risk
US$'000

	Gross Income				Weighted Income			Capital Requirement
Business Lines	First Year	Second Year	Third Year	Beta factors	First Year	Second Year	Third Year	
Corporate finance	123	90	90	18%	22	16	16	
Trading and Sales	-	-	-	18%	-	-	-	
Retail Banking	7,201	7,741	7,675	12%	864	929	921	
Commercial Banking	-	-	-	15%	-	-	-	
Payment and Settlement	241	291	256	18%	43	52	46	
Agency Services	11,400	11,040	11,313	15%	1,710	1,656	1,697	
Asset Management	1,884	1,720	1,356	12%	226	206	163	
Retail Brokerage	-	-	-	12%	-	-	-	
Total	20,849	20,882	20,690		2,866	2,860	2,843	2,856

Operational Risk Equivalent Assets	35,703
Minimum Capital Requirements	4,284

11. Interest Rate Risk in the Banking Book

11.1 IRR – Interest Rate Risk in the Banking Book

Objectives and Standards for Managing Interest Rate Risk in the Banking Book

Non-trading interest rate risk (Banking Book) consists primarily of a combination of the risks inherent in asset and liability management activities. Interest rate risk results from differences in the maturities or re-pricing dates of assets both on and off balance sheet. The Company has no trading interest rate risk.

The Company measures the interest rate sensitivity of its entire balance sheet for the effect of a one basis point (1bp) parallel move down in the underlying yield curve (DV01). The Company has contractual-based exposures which are interest rate sensitive as well as exposures and products which are non-interest rate sensitive in nature. Products such as core deposits balances do not have defined maturity or repricing profiles; as a result, term structures must be assumed. Similar assumptions are required for the investment of common equity and retained earnings. These structural assumptions are designed to balance earnings sensitivity with exposure to changes in economic value.

The Company uses post structural values for calculating its interest rate sensitivity and for input into its own stress models.

The structural interest rate risk positions of the balance sheet are managed by Treasury against the benchmarks set, through structural assumptions.

The periodicity of the calculation of the bank's IRRBB measures, and a description of the specific measures that the bank uses to gauge its sensitivity to IRRBB.

IRRBB is measured and monitored daily within the Market Risk Management and Treasury Departments at a consolidated level for FirstCaribbean Group. Management monitors exposures on a monthly basis at the Group Asset and Liability Committee ("ALCo") against established risk limits. The Bank's Interest Rate Risk Sensitivity is measured as the economic gain or loss in value to its assets and liabilities following a 1 basis point decline in yields.

A description of the interest rate shock and stress scenarios that the bank uses to estimate changes in the economic value and in earnings

Stress scenarios are designed at the currency level with various shocks applied to each currency's yield curve. Hard Currency Stress test scenarios are based on historical events and replicate the immediate changes in the yield curves during these market events. The Hard Currency stress scenario employed replicates the shocks to yields during the Federal Reserve 94 Tightening. Stress Testing is performed daily and monthly and reported at Asset Liability Management Team meetings on a monthly basis.

The scope and nature of risk reporting and/or measurement systems

Management monitors Interest Rate Risk Sensitivity exposures on a monthly basis at the Group ALCo against limits. Stress Testing is performed daily and monthly and reported at Asset Liability Management Team meetings on a monthly basis.

Policies for hedging and/or mitigating IRRBB as well as the associated accounting treatment and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants

Where the Bank deploys hedges, it uses the "dollar offset" approach to demonstrate on a prospective or retrospective basis that a hedge relationship is expected to be effective. This is performed monthly and/or on occurrence. Treasury is then advised of the results. The Bank follows IFRS 9, where recognition of any ineffectiveness in a hedge relationship flows through income even if it is effective overall. If a transaction is determined to be ineffective, the derivative will be marked to market without any P&L offset from the underlying instrument. Currently, there are no ineffective hedges.

A description of key assumptions, including assumptions regarding loan prepayments and behaviour of non-maturity deposits, and any other assumptions

Assumptions are applied regarding the life of non-maturing deposits. USD non-maturing deposits, which represent a significant component of the exposure, are assumed to have a life of 3 years. No assumptions are made regarding loan prepayments.

Interest Rate in the Banking Book Economic Value Sensitivity

US$'000

Curve Change	Short Rate (bps)	Long Rate (bps)	Total
Parallel shifts			
- 1 bps instantaneous shift	-1	-1	(5)
- 200 bps instantaneous shift	-200	-200	(1,073)
+ 200 bps instantaneous shift	+200	+200	1,073

12. Remuneration

12.1 REM – Remuneration

Bodies overseeing remuneration

The Company delegates oversight of the compensation process to the Compensation Committee. The Committee is comprised of individuals who are all members of the Board of Directors of FirstCaribbean International Bank Limited, the immediate parent of the Company. The Committee oversees the compensation process for all entities within the FirstCaribbean Group, including the Company. The Executive Committee also maintains a Compensation Philosophy, and reviews country specific base salary scales and merit increases, as well as incentive compensation annually. These responsibilities include:

- Establishing the compensation governance process;
- Determining incentive compensation funding and allocations to the business units;
- Approving incentive compensation plans or changes to existing material plans; and
- Reviewing the Bank's adherence to risk appetite and the underlying risks associated with business performance.

The Chief Administrative Officer (CAO) has ongoing responsibility for the compensation strategy and process, with aspects of the role delegated to the Director, HR Centralized Services.

External advice is sought from McLagan, a company within the Aon Group, in the form of an annual salary survey/market analysis for the region. They are commissioned by the Director, HR Centralized Services on behalf of the CAO in collaboration with our major competitors across the region.

The compensation philosophy and approach provide the framework for remuneration across all territories in the region, all segments, and all levels of executive and employee.

The Company's Compensation Philosophy covers all employees including material risk takers (MKTs) and aim to strike a balance between short and long-term business performance and reward employees across all business units while meeting our legal and regulatory requirements. Remuneration, including any variable remuneration, is linked to business performance, and assessed against financial and non-financial criteria including risk management related metrics. To ensure that salaries reflect individuals' skills and experience, the Bank conducts research to determine competitive market rates in the regions in which we operate.

We see MRTs as individuals whose professional activities have a material impact on the company's risk profile. These are limited to our executive management and senior leadership team.

Information relating to the design and structure of the remuneration processes

The objectives of the remuneration approach are set out in our Compensation Philosophy which:

- Supports the Company's ability to attract, motivate and retain the right talent
- Pay for performance and encourage alignment with the Company's behaviours of Agility, Collaboration, Integrity, Ownership and Urgency
- Align with the Company's business strategy, risk appetite and the creation of sustainable shareholder value

Key features include: Base salary; variable incentive compensation based on Company, business unit and individual performance; other benefits (Employee Share Purchase Plan, Pension, Health and Life)

The remuneration approach has been reviewed during the past year at the Executive Committee level, in particular salary scales/market analysis and incentive compensation. These are reviewed every year.

These processes are centralised within HR. Risk and Compliance provide feedback on the process as part of the annual incentive compensation process for risk and compliance and individuals as a whole for the Company wide Senior Leadership Team via the Chief Risk Officer's membership and attendance at the Executive Committee compensation sessions.

Description of the ways in which current and future risks are taken into account in the remuneration processes

The Company considers remuneration risk in its approach, base salary is not incentivised as and as part of the year-end compensation review process, the Risk and Compliance units report to the Executive Committee on any activities, incidents or events that warrant consideration in making compensation decisions. Individuals are not involved in setting their own remuneration.

Incentive Compensation (IC) and Long-Term Incentive Programmes (LTIP) for eligible employees are non-contractual and are linked to the Company's performance as well as personal performance. Personal performance includes monitoring based on adherence to the Company's behaviours and values as well as other aspects.

All employees have clearly identified levels of delegated authority which vary by role and segment. These are shared with individuals and their acknowledgement of this is confirmed.

We review our approach for appropriateness on a regular basis. Salary scales are reviewed on an annual basis with adjustments made in locations where we are seen to below market. Our measures for appropriateness are reviewed regularly.

While employees are compensated based on their performance, they are required to adhere to the risk management practices of the Bank. Remuneration practices do not provide undue incentives for short-term planning or short-term financial rewards, do not reward unreasonable risk and provide a reasonable balance between the many and substantial risks inherent within the Company's services.

Future business performance impacts the final payouts as measured by Company's absolute business performance relative to its long-term financial plans.

Description of the ways in which the Company seeks to link performance during a performance measurement period with levels of remuneration

A formal process of Performance Management and Monitoring takes place throughout the year for all employees, regardless of level of seniority.

Employees work with their direct managers to agree a set of objectives at the start of the year based on their role profile and requirements for the position. These objectives are both role based and behavioural based. Employees are monitored against performance throughout the year including formal meetings at 6 months and at the end of the period. This culminates in an employee grading being awarded. Incentive Compensation amounts available are percentage based within a range that varies depending on grade and performance.

Incentive compensation is linked to both Company wide and individual performance which includes the Company's behaviours. Company-wide performance determines the monies available for incentive compensation.

Description of the ways in which the Company seeks to adjust remuneration to take account of longer-term performance

The most senior grades within the Company may, subject to both Company and personal performance, receive a portion of Incentive Compensation in the form of a Long-Term Incentive Performance payment.

These payments are awarded as part of our annual year end compensation process and vest for a period of 3 years. Final awards are subject to business performance factors during the vesting period and paid provided the employee remains in active employment.

The deferred amounts vary between 25-50% of total Incentive Compensation paid at year end, depending on the grade of the employee.

Claw-back clauses apply to Incentive Compensation and Long-Term Incentive Programme awards in relation to performance (negligence or failure to comply with policies or procedures) and/or misconduct that results in significant loss.

Description of the different forms of variable remuneration that the Company utilises and the rationale for using these different forms

Variable remuneration is as follows:

- Incentive Compensation – year end Incentive Compensation and Long-Term Incentive Compensation
- Commission based payments – sales staff only and represents a small portion of total compensation in majority of cases.

All other aspects of remuneration are not variable. Whilst a share plan exists this is not variable. It is based on set percentages an employee may wish to contribute where the Company will provide a certain level of matching. It is optional.

Incentive Compensation - as described earlier in this document. Incentive Compensation amounts available differ depending on the performance measure achieved by an employee and by the grade of the employee. More senior employees have the potential to earn a larger percentage of Incentive Compensation.

Incentive compensation is linked to both Company wide and individual performance which includes the Company's behaviours. Company-wide performance determines the monies available for incentive compensation.

<u>Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its members</u>

The Board and relevant sub-committees meet quarterly. Executive Committees take place weekly with remuneration being the topic of discussion circa 4 times per year. The members of our executive committee are not remunerated solely for the purpose of this role.

<u>Variable remuneration award, guaranteed bonus, sign-on awards and severance payments</u>

During the financial year 57 employees received variable renumeration for the period ended October 31, 2022. No guaranteed bonuses were awarded and no severance payments made during the period ended October 31, 2022.

<u>Deferred remuneration</u>

Deferred remuneration would only apply to our most senior positions.

<u>Breakdown of amount of remuneration awards for the financial year</u>

- Total amount spent on remuneration – US$6,580,000
- Fixed = US$5,649,000
- Variable (including payments to ESPP) = US$931,000

<u>Quantitative information about employees' exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. claw-backs or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration</u>

For senior employees for whom Long Term Incentive applies, 100% of payments are subject to explicit adjustment in a situation of clawback (e.g. misconduct or relevant performance issues).

13. Asset Encumbrance

13.1 ENC – Asset Encumbrance

An asset shall be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralize or credit enhance any transaction from which it cannot be freely withdrawn. The Company currently has no encumbered assets.

14. Glossary

Term	Definition
ALCo	Asset and Liability Committee
CAO	Chief Administrative Officer
CCF	Credit Conversion Factor
CCR	Counterparty Credit Risk
CFP	Contingency Funding Plan
CRM	Credit Risk Mitigation
CRO	Chief Risk Officer
ECL	Expected Credit Losses
ORCC	Operational Risk and Control Committee
RAS	Risk Appetite Statement
RWA	Risk Weighted Assets
SFT	Security Financing Transaction
The Company	FirstCaribbean International Bank and Trust Company (Cayman) Limited
The Group	FirstCaribbean International Bank Limited (Parent Company)