

TENET BANK LTD.

PILLAR 3 DISCLOSURE 2025

TABLE OF CONTENTS

1. INTRODUCTION..... 3

2. OVERVIEW OF RISK MANAGEMENT AND RISK WEIGHTED ASSETS (RWA)..... 3

3. CREDIT RISK 5

4. MARKET RISK..... 9

5. OPERATIONAL RISK 9

6. LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES..... 10

7. CAPITAL 12

8. LEVERAGE RATIO..... 13

9. LIQUIDITY..... 16

10. INTEREST RATE RISK IN THE BANKING BOOK (IRRBB) 17

11. REMUNERATION 18

12. ASSET ENCUMBRANCE 18

13. COUNTERPARTY CREDIT RISK 18

14. SECURITISATION 18

1. INTRODUCTION

Tenet Bank Ltd. (the “**Bank**”), formerly known as Prova One Bank Ltd., was incorporated on 12 July 2022 and changed its name to Tenet Bank Ltd. on 14 March 2023. On 28 March 2023, the Bank was granted a Category “B” Banking Licence pursuant to the Banks and Trust Companies Act (2021 Revision) (the “**Act**”) by the Cayman Islands Monetary Authority (the “**Authority**”). On 30 October 2023, the Bank commenced operations.

In September 2021, the Authority introduced the Market Discipline Disclosure Requirements (Pillar 3), Rules and Guidelines (the “**Pillar 3 Rules**”) for all banks incorporated in the Cayman Islands and regulated by the Authority under the Act. This Pillar 3 Disclosure Report (the “**Report**”) is provided by the Bank as at 30 June 2025 to meet the requirements of the Pillar 3 Rules.

The Report has been reviewed and approved by the Board of Directors (the “**Board**”).

2. OVERVIEW OF RISK MANAGEMENT AND RISK WEIGHTED ASSETS (RWA)

The Bank is a banking institution that takes in client deposits and has a simple treasury and banking book. The Bank does not have a trading book and does not have any exposures to derivatives, counterparty credit risk, securitisation, or regulatory market risk exposure. The Bank’s functional currency is United States Dollars and does not have any exposure or transactions in foreign currencies. The Bank does not perform lending, and limits mismatches between assets and liabilities. All client deposits have matching assets with the same time horizon. The Bank operates a straightforward, liquid banking model without exposure to trading, lending, derivatives, or foreign currencies.

The Bank’s risk management approach starts with the Corporate Governance Policy. This policy sets out the Board’s responsibilities, objectives, and governance structure necessary to ensure effective oversight and management of the Bank. The Board’s key responsibilities include providing prudent oversight, setting strategic goals, ensuring legal and regulatory compliance, and maintaining an appropriate Board and senior management structure that aligns with the Bank’s size, complexity, and risk profile.

The Board has also established a Risk and Audit Committee (the “**RAC**”). The responsibilities of the RAC are to review the risk management activities of the Bank, ensure an appropriate enterprise risk management framework commensurate to the size, complexity, and risk profile of the Bank, serve as an independent body to monitor the Bank’s compliance with legal, regulatory, and risk assessment requirements, hold management accountable for establishing and maintaining effective internal control system and processes, and submit any recommendations to the Board.

Risk management at the Bank is the identification, evaluation, and prioritisation of risks followed by coordinated and economical application of resources to minimise, monitor and control the probability or impact of unfortunate events or to maximise the realisation of opportunities. Risk assessment is an integral function to risk management as it helps identify gaps for improvements, make more informed decisions about risk appetite, allocate resources and technical needs, and implement control efforts.

The Bank’s risk appetite statement defines the level of risk the Bank is willing to undertake to achieve its strategic goals while ensuring financial stability and regulatory compliance. This statement serves as a critical guide for decision-making, aligning the Bank’s risk-taking activities with its strategic vision and stakeholder expectations. By establishing clear risk limits and maintaining a conservative approach to risk management, the Bank aims to support sustainable growth, protect its financial health, and ensure operational resilience.

The Bank’s risk appetite is rooted in a commitment to maintaining a robust capital position, prioritising liquidity, and safeguarding against excessive risk exposures. It reflects the Bank’s objective to operate within a well-defined risk framework, ensuring that all business activities and decisions are aligned with its strategic goals and risk tolerance levels.

The following points are the Bank's Statement of Risk Appetite:

- Ensuring that all prudential, risk management, and supervisory measures and thresholds are maintained in excess of regulatory thresholds.
- Maintaining a low impact of adverse events by limiting high-risk asset exposures.
- Ensuring sufficient liquidity is available to meet obligations, even under stress scenarios, by maintaining a liquid asset portfolio.
- Maintaining a low tolerance for regulatory risk and ensuring compliance with all applicable laws and regulations.

The Bank's risk measures, thresholds, and key risk management elements above are reviewed and evaluated regularly during quarterly Board meetings to provide continuous oversight and alignment with strategic priorities. This structured approach to risk appetite ensures that the Bank is well-positioned to achieve its strategic objectives while protecting its financial integrity and sustaining long-term growth.

Furthermore, key risks are governed by their own policies that are reviewed and approved by the Board annually. These policies set the principles, rules, and guidelines to achieve the Bank's long-term goals, guide decisions, and ensure consistent and appropriate actions across the organisation. These policies include comprehensive governance frameworks, such as corporate governance policy, cybersecurity framework, internal controls, and business continuity; financial risk management policies, such as credit risk management, interest rate risk management, investment securities risk management, and liquidity risk management; and operational risk management policies, such as compliance manual, enterprise risk management, operational risk management, management succession, and risk assessment.

An overview of total risk weighted assets forming the denominator of the risk-based capital requirements is provided below. The Bank has elected the following approaches:

- Standardised approach for credit risk;
- Standardised approach for market risk; and
- Basic indicator approach for operational risk.

The following table provides the Bank's credit, market, and operational risk weight assets as at 30 June 2025.

Table: OV1 – Overview of RWA

		a	b	c
		RWA		Minimum Capital Requirements
		30 June 2025	30 June 2024	30 June 2025
1	Credit risk (excluding counterparty credit risk) (CCR)	38,649,667	11,576,900	5,797,450
2	Securitisation exposures	-	-	-
3	Counterparty credit risk	-	-	-
4	Of which: current exposure method	-	-	-
5	Of which: standardised method	-	-	-
6	Market risk	-	-	-

7	Of which: equity risk	-	-	-
8	Operational risk	2,748,318	6,431,774	412,248
9	Of which: basic indicator approach	2,748,318	6,431,774	412,248
10	Of which: standardised approach	-	-	-
11	Of which: alternative standardised	-	-	-
12	Total (1+2+3+6+8)	41,397,985	18,008,674	6,209,698

Risk-weighted assets (RWA) increased from USD 18.0 million as at the prior reporting date to USD 41.4 million as at 30 June 2025. The primary driver of this increase was a material growth in customer deposit balances during the period.

3. CREDIT RISK

The Bank is focused on accumulating client deposits while preserving capital and minimising credit risk exposures. As a result, the Bank operates a simple treasury management programme with exposures currently limited to overnight exposures with investment grade banks and short-term exposures to investment grade sovereigns. The Bank does not engage in lending activities, does not maintain a loan book, and does not hold any defaulted securities.

Credit risk management is the timely identification, assessment, and mitigation of credit risk. Credit risk is the potential for loss resulting from the failure of borrowers and other counterparties to meet their obligations and the risk that the collateral held by the Bank does not sufficiently cover these obligations. The Credit Risk Management Policy, which is approved by the Board, sets out the governance framework, risk appetite, and procedures to ensure effective oversight and control of these exposures. It sets out the factors for credit decisions, the risk assessment process to evaluate credit opportunities, and compliance with clients and credit counterparties. The Board retains ultimate responsibility for credit risk oversight, while the Risk and Audit Committee monitors compliance with approved limits and policies. Senior Management is responsible for daily monitoring of exposures, reporting quarterly to the Board. Exposures are managed against approved counterparty, jurisdictional, and concentration limits to ensure that no undue risks are assumed.

Given the Bank's simple business model, credit risk is currently limited to placements with regulated financial institutions, U.S. Treasury securities, and balances held with highly rated banks.

Table: CR1 – Credit quality of assets

		a	b	c	d
		Gross Carrying Values of:		Allowances/ Impairments	Net Values (a+b-c)
		Defaulted Exposures	Non-Defaulted Exposures		
1	Loans	-	-	-	-
2	Debt securities	-	40,923,293	-	40,923,293
3	Off-balance sheet exposures	-	-	-	-
4	Total	-	40,923,293	-	40,923,293

Debt securities referred to in the table are short-term exposures to liquid investment grade sovereigns.

Exposures are considered defaulted where any contractually due payment is more than 90 days past due.

The Bank applies the Standardised Approach to Credit Risk in accordance with the CIMA Rules. For exposures where external credit ratings are required, the Bank uses ratings issued by Fitch Ratings as its chosen External Credit Assessment Institution (ECAI).

For sovereign exposures, including U.S. Treasury securities, the Bank applies Fitch's long-term sovereign credit ratings to determine the applicable risk weights. U.S. Treasuries are currently rated investment grade by Fitch, resulting in a 0% risk weight assignment.

For bank exposures, including cash and cash equivalents placed with regulated financial institutions, Fitch's counterparty credit ratings are applied under the standardised approach to determine the relevant risk weights. These exposures are limited to short-term placements with investment grade banks, consistent with the Bank's conservative risk appetite.

At present, the Bank does not use multiple ECAIs for any exposure class, and no transfer of ratings to comparable assets is required. Where counterparties are unrated, the Bank applies the regulatory standardised approach treatment for unrated exposures.

The Bank reviews its use of external ratings periodically to ensure compliance with regulatory requirements and alignment with its internal credit risk management framework.

Table: CR4 – Standardised approach – credit risk exposure and CRM effects

		a	b	c	d	e	f
		Exposures Before CCF and CR		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	40,923,293	-	40,923,293	-	-	0%
2	Non-central government public sector entities	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-
4	Banks	191,571,374	-	191,571,374	-	38,314,275	20%
5	Securities firms	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-
7	Regulatory retail portfolios	-	-	-	-	-	-
8	Secured by residential property	-	-	-	-	-	-
9	Secured by commercial real estate	-	-	-	-	-	-
10	Past-due exposures	-	-	-	-	-	-
11	Higher-risk categories	-	-	-	-	-	-
12	Other assets	335,392	-	335,392	-	335,392	100%
13	Total	232,830,059	-	232,830,059	-	38,649,667	16.60%

Table: CR5 - Standardised approach – exposures by assets classes and risk weights

		a	b	c	d	e	f
Risk weight		0%	20%	50%	100%	150%	Total Credit Exposure Amount (Post CCF and Post CRM)
Asset classes							
1	Sovereigns and their central banks	40,923,293	-	-	-	-	40,923,293
2	Non-central government public sector entities	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-
4	Banks	-	191,571,374	-	-	-	191,571,374
5	Securities firms	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-
7	Regulatory retail portfolios	-	-	-	-	-	-
8	Secured by residential property	-	-	-	-	-	-
9	Secured by commercial real estate	-	-	-	-	-	-
10	Past-due exposures	-	-	-	-	-	-
11	Higher-risk categories	-	-	-	-	-	-
12	Other assets	-	-	-	335,392	-	335,392
13	Total	40,923,293	191,571,374	-	335,392	-	232,830,059

4. MARKET RISK

Market risk refers to the potential for financial losses due to fluctuations in market prices, such as interest rates, exchange rates, commodity prices, and equity prices. The objective of the Bank is to limit any exposure to market risk. The Bank has not made any investments in commodities, equities, or other securities with intent to trade, and no trading book has been established. The Bank also operates solely in its functionality currency, United States Dollars, and does not have exposure to foreign currencies.

As a result, the Bank does not have regulatory exposure to market risk.

5. OPERATIONAL RISK

Operational risk refers to the potential for loss resulting from inadequate or failed internal processes, people, systems, or external events. The Board manages operational risk through board-approved operational risk policy, enterprise risk management policy, and risk assessment policy. The risk appetite for operational risk is low, and risk assessment policy identifies areas of operational risk, the mitigation mechanism, and subsequent actions if the risk tolerance is exceeded.

Senior management is responsible with the implementation of the operational risk policies. The objective is to actively monitor, report, and control operational risks, as well as to minimise potential operational losses at the Bank.

To measure its regulatory operational risk exposure, the Bank has elected to use the Basic Indicator Approach. The operational risk capital charge is 15%. The sum of net interest income and net non-interest income for the twelve month period ending 30 June 2024 has been used. This amount was 1,465,769 and the operational risk capital charge is 219,865.

The Bank did not incur any operational risk losses during the reporting period.

6. LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES

Table: LI1 – Differences between accounting and regulatory scopes of consolidation

	a	b	c	d	e	f	g
	Carrying Values as Reported in Published Financial Statements	Carrying Values Under Scope of Regulatory Consolidation	Carrying Value of Items:				
			Subject to Credit Risk Framework	Subject to Counterpart 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	191,571,374	191,571,374	191,571,374	-	-	-	-
Investment securities	40,923,293	40,923,293	40,923,293	-	-	-	-
Property and equipment	21,880	21,880	21,880	-	-	-	-
Other assets	313,512	313,512	313,512	-	-	-	-
Total assets	232,830,059	232,830,059	232,830,059	-	-	-	-
Liabilities							
Due to customers	223,494,761	223,494,761	-	-	-	-	-
Other liabilities	296,557	296,557	-	-	-	-	-
Total liabilities	223,791,318	223,791,318	-	-	-	-	-

Table: LI2 – Main sources of differences between regulatory exposure amounts and carrying values

		a	b	c	d	e
		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)	232,830,059	232,830,059	-	-	-
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	232,830,059	232,830,059	-	-	-
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	232,830,059	232,830,059	-	-	-

7. CAPITAL

The Bank's capital management framework is guided by its Internal Capital Adequacy Assessment Process (ICAAP), which ensures that capital levels remain appropriate relative to its risk profile and strategic objectives. The Bank maintains a conservative risk appetite focused on preserving strong capital ratios, safeguarding liquidity, and limiting exposures to excessive risks. Capital planning is integrated into the Bank's planning process, with assumptions made regarding economic conditions, interest rates, credit quality, and liquidity availability. Stress and sensitivity testing are used to assess vulnerabilities under adverse scenarios and to ensure that adequate capital buffers are maintained. The Bank operates a simple and liquid balance sheet, with assets concentrated in cash and high-quality investment securities, enabling it to meet obligations under both normal and stressed market conditions. This approach ensures compliance with regulatory requirements, supports operational resilience, and positions the Bank to manage risks effectively while maintaining confidence among stakeholders.

The Authority sets the minimum capital requirements for credit risk, market risk, and operational risk in the Rules, Conditions and Guidelines on Minimum Capital Requirements (Pillar I). The Bank is subject to a Minimum Capital Adequacy Ratio of 15%.

Table: CAP – Capital structure

		a
1	Tier 1 capital	8,387,534
2	Deductions from Tier 1 capital	-
3	Upper Tier 2 capital	-
4	Lower Tier 2 capital	651,206
5	Deductions from Tier 2 capital	-
6	Total net Tier 1 and net Tier 2 capital (1+2+3+4+5)	9,038,740
7	Tier 3 capital	-
8	Total eligible capital (6+7)	9,038,740

Table: CAP – Capital adequacy

		a
Capital Requirement		
1	Credit risk (standardised approach)	5,797,450
2	Market risk (standardised approach)	-
3	Operational risk (basic indicator approach)	412,248
4	Total minimum capital requirement	6,209,698
5	Tier 1 capital	8,387,534
6	Total eligible capital	9,038,740

Capital Ratios		
7	Tier 1 capital adequacy ratio	20.26%
8	Total capital adequacy ratio	21.83%

8. LEVERAGE RATIO

In December 2019, the Authority introduced a simple, transparent, non-risk based leverage ratio to supplement its risk-based capital requirements in its Pillar 1: Rules, Conditions and Guidelines on 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. A bank is required to maintain a minimum leverage ratio of 3% at all times. At its discretion, the Authority may set different leverage ratio requirements on a case-by-case basis.

The Bank is required to maintain a minimum leverage ratio of 3% at all times. As at 30 June 2025, the Bank's leverage ratio was 3.60%. The tables below provide a summary comparison of accounting assets against the leverage ratio exposure measure.

Table: LR1 – Summary comparison of accounting assets vs. leverage ratio exposure measure

		a
1	Total consolidated assets as per published financial statements	232,830,059
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 (if applicable)	-
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	232,830,059

Table: LR2 – Leverage ratio common disclosure template

		a	b
		30 June 2025	30 June 2024
On-Balance Sheet Exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	232,830,059	94,118,338
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)	232,830,059	94,118,338
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	-	-
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	8,387,534	6,000,000
24	Total exposures (sum of rows 7, 13, 18 and 22)	232,830,059	94,118,338
Leverage Ratio			
25	Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	3.60%	6.37%
25a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	3.60%	6.37%

26	National minimum leverage ratio requirement	3.00%	3.00%
27	Applicable leverage buffers	-	-

The Bank's leverage ratio decreased during the reporting period, moving from 6.37% at the prior reporting date to 3.60% at 30 June 2025.

During the period, the Bank's Tier 1 capital base increased as a result of a new share issuance, reflecting the Bank's proactive approach to capital management and its commitment to maintaining strong capitalisation. The Bank continues to maintain a leverage ratio comfortably above the minimum regulatory requirement and considers its overall capital and leverage position to remain sound.

9. LIQUIDITY

Liquidity risk refers to the risk that a financial institution will not be able to meet its short-term financial obligations due to an inability to convert assets into cash quickly or without significant loss in value.

The Bank manages its liquidity risk through its Liquidity Risk Management Policy, which is approved by the Board. The governance of liquidity risk management at the Bank is structured to ensure robust oversight and effective communication across all levels of the organisation. The Board sets the strategic direction and risk tolerance, while Senior Management manages daily and long-term liquidity risks in line with these guidelines. Internal liquidity reporting occurs regularly, with reports provided monthly to Senior Management and quarterly to the Board, ensuring both are well-informed of the bank's liquidity risk exposure and compliance. The bank's liquidity strategy, policies, and practices are communicated across business lines, ensuring all personnel understand their responsibilities in managing liquidity risk.

The Bank's liquid assets are composed predominantly of cash and bank balances with regulated investment-grade banks, and short-term U.S. Treasury securities; these assets are unencumbered and readily monetisable.

The Bank has low to medium risk appetite for liquidity risk and as a result, maintains a highly liquid asset portfolio. Other than time horizon matched client deposits, the Bank conservatively places deposits that typically have overnight liquidity.

In February 2022, the Authority introduced a comprehensive Liquidity Risk Management framework for banks, including the Minimum Liquidity Ratio (MLR). The MLR states that all Category "A" Non-Retail banks and Category "B" banks shall hold at all times, Liquid Assets, as defined in section 34, denominated in any currency, amounting to no less than 15% of the value of its Qualifying Liabilities, as defined in section 35, denominated in all currencies. requirements define a bank's liability items that qualify for the minimum MLR ratio.

The MLR for the Bank as at 30 June 2025 is significantly greater than 100%.

The table below analyses financial assets and liabilities into relevant maturity groupings based on the remaining period to the contractual maturity dates as of 30 June 2025.

	Repayable on demand	Up to 3 months	3 to 12 months	12 months to 5 years	More than 5 years	Total
Assets						
Cash and cash equivalents	190,508,787	514,551	-	-	-	191,023,338
Investment securities	-	41,000,000	-	-	-	41,000,000
Other assets	647,209	-	-	-	-	647,209
Total financial assets	191,155,996	41,514,551	-	-	-	232,670,547
Liabilities						
Deposits from customers	223,494,761	-	-	-	-	223,494,761
Other liabilities	296,557	-	-	-	-	296,557
Total financial liabilities	223,791,318	-	-	-	-	223,791,318
Net assets/(liabilities)	(32,635,322)	41,514,551	-	-	-	

Non-financial assets including property and equipment and prepaid expenses are excluded from the table above.

10. INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

Interest rate risk in the banking book (IRRBB) refers to the potential impact on a bank's earnings and economic value due to changes in interest rates that affect the banking book. Interest rate risk is managed by the Interest Rate Risk Management Policy, which is approved by the Board.

The Bank manages interest rate risk by limiting mismatches between assets and liabilities, and all client deposits have matching assets with the same time horizon, thereby minimising exposure to re-pricing risk. The Board sets duration-weighted gap limits consistent and commensurate with the Bank's approach to risk appetite, size, complexity, earnings performance, and capital adequacy.

Oversight is exercised through regular reporting: Senior Management monitors interest rate risk, with exposures reported at least quarterly to the Risk & Audit Committee and the Board. These reports assess exposures and trends, compliance with limits, and the adequacy of capital given the Bank's simple balance sheet.

The Bank operates a simple treasury management programme with exposures currently limited to overnight exposures with investment grade banks and short-term exposures to investment grade sovereigns. As a result, a parallel rate shock of 200 basis points results in change of in economic value of \$200,000. The impact on net interest income (NII) under the same standardised shocks is assessed to be immaterial, as the Bank currently does not pay interest on deposits and holds only short-term, highly liquid assets.

11. REMUNERATION

Remuneration refers to the total compensation or payment that an individual receives in exchange for their services or work.

The Bank's Corporate Governance Policy is approved by the Board and sets out the remuneration policies and practices for the Bank. It is the responsibility of the Board to determine base salaries and annual bonuses to senior management after an evaluation of various factors, including:

- Salaries paid to senior management with comparable qualifications;
- Experience and responsibilities at other financial institutions;
- Individual job performance.
- Market conditions; and
- An assessment of the overall financial performance and operating results of the Bank.

Remuneration of employees is set to be compatible with its risk management framework, its strategy, and its values. The remuneration package is determined by several factors, including but not limited to the role, experience, level of responsibility, and competitive industry market rates. The key components to a remuneration package include:

- Fixed salary or remuneration;
- Performance bonuses or performance-based remuneration;
- Pension scheme;
- Other benefits; and
- Severance payment.

12. ASSET ENCUMBRANCE

Encumbered assets are assets that the bank is restricted or prevented from liquidating, selling, transferring or assigning due to legal, regulatory, contractual or other limitations.

The Bank does not have any encumbered assets.

13. COUNTERPARTY CREDIT RISK

The counterparty credit risk is defined as the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.

The Bank does not have any counterparty credit exposures.

14. SECURITISATION

A securitisation is a structure where the cash flow from an underlying pool of exposures is used to service at least two different stratified risk positions or tranches reflecting different degrees of credit risk.

The Bank does not act as an originator, sponsor, or investor in any securitisation products, nor has any securitisation activities or exposure.