Cayman National Bank

Pillar 3 Disclosure Report

As at 31 March 2024

CAYMAN NATIONAL

A Subsidiary of Republic Financial Holdings Limited

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1. INTRODUCTION

1.1. Cayman National Bank Ltd. ("CNB") was incorporated under the Companies Act of the Cayman Islands on November 21, 1973. CNB is a wholly owned subsidiary of Cayman National Corporation Ltd. ("CNC") (incorporated in the Cayman Islands). The shares of CNC are listed and publicly traded on the Cayman Islands Stock Exchange ("CSX").

1.2. CNC is majority owned (74.9%) by Republic Bank Trinidad and Tobago (Barbados) Limited ("RBTTBL"), a subsidiary of Republic Financial Holdings Limited ("RFHL"). The shares of RFHL are listed and publicly traded on the Trinidad and Tobago Stock Exchange Limited ("TTSE").

1.3. CNB holds a category 'A' banking license subject to the provisions of the Banks and Trust Companies Act of the Cayman Islands and provides full-service banking facilities. CNB owns the entire issued share capital of Cayman National Property Holdings Ltd. ("CNPH"), a company incorporated under the Companies Act of the Cayman Islands on June 4, 1996. The principal business of CNPH is to provide office space for CNC and its subsidiary companies and to hold other leased premises in the Cayman Islands. CNPH is fully consolidated into CNB's Financial Statements, as such, any reference to CNB throughout this document refers to CNB's consolidated position inclusive of CNPH.

1.4. This Semi-Annual CNB Pillar 3 Disclosure Report includes CNB's data as at 31 March 2024 and has been developed to meet the requirements of the Cayman Islands Monetary Authority's ("CIMA") ***Market Discipline Disclosure Requirements (Pillar 3), Rules and Guidelines*** ("CIMA's Pillar 3 Rules"). CNB's consolidated position, inclusive of CNPH, is subject to CIMA's Pillar 3 Rules, and as such is included throughout this Semi-Annual CNB Pillar 3 Disclosure Report. Please note that certain total amounts in the tables in this report may not sum up due to rounding and all amounts are reported in Cayman Islands dollars ("KYD"), unless otherwise specified.

1.5. This CNB Pillar 3 Disclosure Report has been reviewed and approved by CNC's Executive Committee ("ExCo").

2. CAPITAL MANAGEMENT

2.1. Overview of Risk Weighted Assets – OV1

2.1.1. Table 1 provides an overview of Risk Weighted Assets ("RWA") and Minimum Capital Requirements per risk type. As is evident in Table 1, Total RWA decreased by 0.54% from KYD 832.1 million as at 31 December 2023 to KYD 827.61 million as at 31 March 2024. The decrease in Total RWA was driven by a 0.65% decrease in Credit Risk RWA from KYD 686.56 million as at 31 December 2023 to KYD 682.07 million as at 31 March 2024.

Table 1: OV1 – Overview of RWA

OV1: Overview of RWA				
KYD ('000)		a	b	c
		RWA		Minimum capital Requirements
		31-Mar-24	31-Dec-23	31-Mar-24
1	**Credit risk (excluding counterparty credit risk) (CCR)**	**682,067**	**686,555**	**102,310**
2	**Securitisation exposures**	-	-	-
3	**Counterparty credit risk**	-	-	-
4	Of which: current exposure method	-	-	-
5	Of which: standardized method	-	-	-
6	**Market risk**	**97**	**97**	**15**
7	Of which: Equity risk	-	-	-
8	**Operational risk**	**145,449**	**145,449**	**21,817**
9	Of which: Basic Indicator Approach	145,449	145,449	21,817
10	Of which: Standardised Approach	-	-	-
11	Of which: Alternative Standardised	-	-	-
12	**Total (1 + 2 + 3 + 6 + 8)**	**827,613**	**832,101**	**124,142**

2.2. Capital Overview - CAP

2.2.1. CNB's policy is to diversify its sources of capital, to allocate capital within the bank efficiently and to maintain a prudent relationship between capital resources and the risk of its underlying business. CNB's objectives when managing capital are:

a. To comply with the capital requirements set by its regulator CIMA;
b. To safeguard its ability to continue as a going concern while maximizing the return to stakeholders; and

c. To maintain a strong capital base to support the development of the business.

2.2.2. Tables 2 and 3 provide detail on CNB's capital position. As noted in Table 2, the majority of CNB's capital is Retained Earnings as the General Reserve represents amounts appropriated by the Directors from Retained Earnings to a separate component of shareholder's equity. The General Reserve is intended for dividend equalization and general banking risks including potential future losses or other unforeseeable risks. To the extent that the General Reserve is considered by the Directors to be surplus to requirements, the reserve is distributable at the discretion of the Directors, subject to CNB's capital adequacy requirements.

Table 2: CAP – Capital Structure

CAP: Capital Structure	
KYD ('000)	**31-Mar-24**
Tier 1 Capital	
Paid up capital	2,437
Disclosed reserves	203,997
Share premium	1,696
Retained earnings	162,763
Current year's earnings (audited)	-
General Reserves	39,500
Foreign currency translation adjustment	-
Paid-up perpetual non-cumulative preference shares	-
Eligible innovative instruments	-
Minority Interest	-
Other Tier 1 Capital	-
Total Tier 1 Capital	**206,434**
Deductions from Tier 1 Capital	
Goodwill	4,172
Intangible assets	-
Increase in equity capital resulting from a securitisation exposure	-
Pro-rata basis deduction	-
Unrealised Losses on AFS Equity Securities	-
Other Tier 1 Deductions	-
Total Deductions from Tier 1 Capital	**4,172**
Net Tier 1 Capital	**202,262**
Net Tier 2 Capital	**13,961**
Net Tier 3 Capital	**-**
Total Eligible Capital	**216,223**

Table 3: CAP – Scope of Capital

CAP: Scope of Capital	
KYD ('000)	**31-Mar-24**
The aggregate amount of surplus capital of insurance subsidiaries (whether deducted or subjected to an alternative method) included in the capital of the consolidated group.	-
The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation i.e. that are deducted and the name(s) of such subsidiaries.	-
The aggregate amounts (e.g. current book value) of the firm's total interests in insurance entities, which are risk-weighted rather than deducted from capital or subjected to an alternate group-wide method, as well as their name, their country of incorporation or residence, the proportion of ownership interest and, if different, the proportion of voting power in these entities. In addition, indicate the quantitative impact on regulatory capital of using this method versus using the deduction or alternate group-wide method.	-

2.2.3. CNB's Board aims to hold sufficient capital to remain adequately capitalized from both an Internal Capital and a Regulatory Capital perspective. To assess its capital adequacy from a Regulatory Capital perspective, CNB uses CIMA's rules for the calculation of RWA for the Pillar 1 Risks: Credit Risk, Operational Risk and Market Risk. In assessing its capital adequacy from an Internal Capital perspective, CNB uses the same calculations for RWA for the Pillar 1 Risks, but also includes RWA for other risks not included within the scope of CIMA's rules, such as Strategic Risk, Interest Rate Risk in the Banking Book, Governance Risk. In calculating its Capital Adequacy Ratio ("CAR"), CNB uses the same definition of qualifying capital for both the Internal Capital and Regulatory Capital calculation.

2.2.4. Table 4 below provides CNB's Regulatory Capital Requirement for Credit Risk, Market Risk and Operational Risk, as well as CNB's Tier 1 and Total Capital Adequacy Ratios. As is evident in Table 4, CNB remained adequately capitalized as at 31 March 2024.

Table 4: CAP – Capital Adequacy

CAP: Capital Adequacy	
KYD ('000)	**31-Mar-24**
Capital Requirement	
Capital Requirement: Credit Risk: ***Standardised Approach***	102,310
Capital Requirement: Market Risk: ***Standardised Approach***	15
Capital Requirement: Operational Risk: ***Basic Indicator Approach***	21,817
Capital Adequacy Ratio	
Tier 1 Capital Adequacy Ratio	**24.44%**
Total Capital Adequacy Ratio	**26.13%**

2.3. Leverage Ratio – LR1 & LR2

2.3.1. The Leverage Ratio regulatory measure is a non-risk based measure to restrict the build-up of leverage in the banking sector. The Leverage Ratio is derived as Tier 1 Capital against a measure of exposure as prescribed by CIMA.

2.3.2. Table 5 provides a reconciliation between the regulatory exposure measure and the financial statements of CNB.

Table 5: LR1 – Summary comparison of accounting assets vs leverage ratio exposure measure

LR1: Summary comparison of accounting assets vs leverage ratio exposure measure		
	KYD ('000)	**31-Mar-24**
1	Total consolidated assets as per published financial statements	1,818,960
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)	4,947
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	(4,172)
12	Other adjustments	7,961
13	**Leverage ratio exposure measure**	**1,827,696**

2.3.3. The following provides detail on the adjustments identified in Table 5:

a. Row 10 - Off-Balance Sheet items post the Credit Conversion Factor and Credit Risk Mitigation are not reflected on the balance sheet and are therefore an adjustment item reported in row 10 of Table 5 above.

b. Row 11 - Includes Goodwill and a deduction of related party exposures, as approved by CIMA.

c. Row 12 - Other adjustments consists of unearned loan origination fees. As unearned loan origination fees are reflected as contra accounts against gross loan balances, and for regulatory purposes, these accounts are reclassified as liability items on balance sheet as gross loan balances, not net loan balances, are used to calculate the capital adequacy ratio. Other adjustments also include general provisions, where general provision is a contra account against the loan portfolio, which is added to Tier 2 capital and not deducted from Tier 1 capital.

2.3.4. As evident in Table 6 below, the Basel III leverage ratio decreased from 11.41% reported as at 31 December 2023 to 11.07% reported as at 31 March 2024. The decrease in the Leverage Ratio is due to an increase in Total Exposures, which was attributable to overall growth in CNB's placements and investment portfolio.

Table 6: LR2 – Leverage Ratio common disclosure

LR2: Leverage Ratio common disclosure			
KYD ('000)		**a**	**b**
		31-Mar-24	**31-Dec-23**
On-Balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	1,832,703	1,776,644
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)	(5,782)	(5,709)
6	(Asset amounts deducted in determining Basel III Tier 1 capital and regulatory adjustments)	(4,172)	(4,172)
7	**Total on balance sheet exposures** (excluding derivatives and SFTs) (sum of rows 1 to 6)	**1,822,749**	**1,766,763**
Derivative exposures			
13	**Total derivative exposures** (sum of rows 8 to 12)	-	-
Securities financing 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	124,476	120,461
20	(Adjustments for conversion to credit equivalent amounts)	(119,529)	(114,813)
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)	**4,947**	**5,648**

LR2: Leverage Ratio common disclosure			
KYD ('000)		a	b
		31-Mar-24	31-Dec-23
Capital and total exposures			
23	**Tier 1 capital**	**202,262**	**202,262**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**1,827,696**	**1,772,411**
Leverage ratio			
25	**Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**11.07%**	**11.41%**
25a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	11.07%	11.41%
26	National minimum leverage ratio requirement	3.00%	3.00%
27	**Applicable leverage buffers**	**8.07%**	**8.41%**

3. CREDIT RISK

3.1. Credit Quality of Assets - CR1, CR2

3.1.1. Table 7 provides a holistic view of the credit quality of CNB's assets. The paragraphs that follow provide definitions for key terms.

Table 7: CR1 – Credit Quality of Assets

CR1: Credit Quality of Assets						
31 March 2024 KYD ('000)		a	b	c	d
		Gross carrying values of:		Allowances/ Impairments	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		
1	Loans	20,050	935,992	8,623	947,419
2	Debt Securities	-	566,437	471	565,966
3	Off-balance sheet exposures	-	124,476	703	123,773
4	**Total**	**20,050**	**1,626,905**	**9,797**	**1,637,158**

3.1.2. CNB considers a financial instrument defaulted, and therefore Stage 3 (credit-impaired) for Expected Credit Loss ("ECL") calculations, when the borrower becomes 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, CNB also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, CNB carefully considers whether the event should result in treating the customer as defaulted or not.

3.1.3. CNB defines an exposure as being past due when any amount due (i.e. interest, principal and/or fees), as per the contractual terms, has not been received in full when it was due. The definition of "Past-Due" is the same from both a regulatory and accounting perspective and therefore all exposures past-due for more than 90 days will be considered Impaired and consequently in "Default". However from an accounting perspective "Impaired" is defined as a financial instrument being 90 days past due on its contractual payments and therefore all "Impaired" accounts will be "Defaulted" but not all "Defaulted" accounts will be "Impaired".

3.1.4. It is CNB's policy to consider a financial instrument as "recovered" and therefore reclassified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. CNB's accounting policy is for financial assets to be written off either partially or in their entirety only when CNB has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is passed against the credit loss on financial assets. Any subsequent recoveries are credited to credit recovery on financial assets.

3.1.5. Table 8 shows the movement in defaulted loans between 30 September 2023 and 31 March 2024. The increase in defaulted loans from KYD 18.23 million reported as at 30 September 2023 to KYD 20.05 million reported as at 31 March 2024, is mostly due to KYD 3.27 million financial assets that have defaulted since the last reporting period.

Table 8: CR2 – Changes in Stock of Defaulted Loans and Debt Securities

CR2: Changes in Stock of Defaulted Loans and Debt Securities		
	KYD ('000)	31-Mar-24
1	**Defaulted loans and debt securities at end of the previous reporting period**	**18,231**
2	Loans and debt securities that have defaulted since the last reporting period	3,274
3	Returned to non-defaulted status	978
4	Amounts written off	73
5	Other changes	(404)
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**20,050**

3.2. Credit Risk Mitigation - CR3

3.2.1. Credit risk mitigation ("CRM") refers to the actions taken to manage credit risk exposures. Various CRM methods can be used such as holding collateral, using credit derivatives, using netting agreements or obtaining guarantees. As CNB does not engage in derivative type activities or securities financing transactions, CNB's CRM is mainly focused on the collection and management of collateral and the use of financial guarantees. On a case-by-case basis, CNB will accept financial guarantees when approving a lending request.

3.2.2. Table 9 provides an overview of CNB's CRM techniques as at 31 March 2024. There were no significant movements since 30 September 2023 other than the increases in unsecured Debt Securities and "Exposures secured by collateral". Debt Securities increased from KYD 520.8 million reported as at 30 September 2023 to KYD 565.97 million reported as at 31 March 2024, reflecting deposit growth and CNB's Liquidity management strategies over the same period. "Exposures secured by collateral" increased from KYD 891.12 million reported as at 30 September 2023 to KYD 917.3 million reported as at 31 March 2024, mostly due to an increase in Commercial & Corporate Lending.

Table 9: CR3 – Credit Risk Mitigation Techniques

CR3: Credit Risk Mitigation Techniques - Overview								
31 March 2024 KYD '(000)		a	b	c	d	e	f	g
		Exposures						
		Un-secured: carrying amount	Secured By Collateral		Secured by Financial Guarantees		Secured by Credit Derivatives	
			Total Carrying Amount	of which: secured amount	Total Carrying Amount	of which: secured amount	Total Carrying Amount	of which: secured amount
1	Loans	30,116	917,303	917,303	3,612	1,554	-	-
2	Debt securities	565,966	-	-	-	-	-	-
3	**Total**	**565,082**	**917,303**	**917,303**	**3,612**	**1,554**	**-**	**-**
4	Of which defaulted	905	19,145	19,145	-	-	-	-

3.3. Credit Risk - Regulatory RWA - CR4 & CR5

3.3.1. Table 10 provides an overview of the regulatory risk weighted assets including the effects of CCF and CRM techniques. There were no significant movements since 30 September 2023 in terms of RWA Density on both an aggregate or individual asset class basis. On an aggregate basis the RWA Density decreased from 38.63% reported as at 30 September 2023 to 37.23% reported as at 31 March 2024. The largest movement on an individual asset class basis relates to "Sovereigns and their central banks" where the on-balance sheet exposure increased from KYD 255.61 million reported as at 30 September 2023 to KYD 292.59 million whereas the RWA Density decreased from 8.83% to 2.94% over the same period.

Table 10: CR4 – Credit Risk Exposure and CRM Effects

CR4: Standardised Approach - Credit Risk Exposure and CRM Effects							
31 March 2024 KYD ('000)		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA Density
1	Sovereigns and their central banks	292,593	-	292,593	-	8,616	2.94%
2	Non-central government public sector entities	34,502	-	34,502	-	22,724	65.86%
3	Multilateral development banks	79,461	-	79,461	-	2,587	3.26%
4	Banks	312,728	-	312,728	-	78,859	25.22%
5	Securities firms	-	-	-	-	-	0.00%
6	Corporates	180,321	93,108	180,321	4,936	95,542	51.57%
7	Regulatory retail portfolios	67,090	31,368	67,090	11	54,612	81.39%
8	Secured by residential property	671,920	-	671,920	-	252,034	37.51%
9	Secured by commercial real estate	112,204	-	112,204	-	111,589	99.45%
10	Past-due exposures	14,268	-	14,268	-	14,266	99.99%
11	Higher-risk categories	-	-	-	-	-	0.00%
12	Other assets	61,833	-	61,833	-	41,238	66.69%
13	**Total**	**1,826,920**	**124,476**	**1,826,920**	**4,947**	**682,067**	**37.23%**

3.3.2. Table 11 provides a breakdown of CNB's credit risk exposures by asset class and risk weight. There were no significant movements since 30 September 2023. The largest movement on both an individual asset class and risk weight basis, relates to zero percent risk weighted "Sovereigns and their central banks" exposures. The exposure increased from KYD 224.18 million reported as at 30 September 2023 to KYD 269.92 million, mostly due to CNB shifting to higher investment grade securities in accordance with CNB's Liquidity management strategies.

Table 11: CR5 – Exposures by Asset Class and Risk Weights

	CR5: Standardised Approach - Exposures by Asset Class and Risk Weights										
	31 March 2024 KYD '(000)	**a**	**b**	**c**	**d**	**e**	**f**	**g**	**h**	**i**	**j**
	Risk Weight / Asset classes	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposure amount (post CCF and post CRM)**
1	Sovereigns and their central banks	269,919	-	17,573	-	-	-	5,101	-	-	**292,593**
2	Non-central government public sector entities	-	-	13,990	-	1,172	-	19,340	-	-	**34,502**
3	Multilateral development banks	66,527	-	12,934	-	-	-	-	-	-	**79,461**
4	Banks	-	-	258,350	-	54,378	-	-	-	-	**312,728**
5	Securities firms	-	-	-	-	-	-	-	-	-	**-**
6	Corporates	-	-	56,259	-	89,415	-	39,583	-	-	**185,257**
7	Regulatory retail portfolios	4,806	-	-	-	-	30,735	31,560	-	-	**67,101**
8	Secured by residential property	2,060	-	-	625,900	-	43,960	-	-	-	**671,920**
9	Secured by commercial real estate	616	-	-	-	-	-	111,588	-	-	**112,204**
10	Past-due exposures	-	-	-	-	-	-	14,268	-	-	**14,268**
11	Higher-risk categories	-	-	-	-	-	-		-	-	**-**
12	Other assets	20,128	-	584	-	-	-	41,121	-	-	**45,293**
13	**Total**	**364,056**	**-**	**359,690**	**625,900**	**144,965**	**74,695**	**262,561**	**-**	**-**	**1,831,867**

4. LIQUIDITY RISK

4.1. Liquidity Coverage Ratio – LIQ1

4.1.1. The Liquidity Coverage Ratio ("LCR") is designed to ensure that a bank has sufficient unencumbered high-quality liquid assets ("HQLA") that can be converted into cash to meet its liquidity needs for a 30-calendar day liquidity stress scenario. Table 12 below provides a breakdown of CNB's LCR as at 31 March 2024, which has been derived by using the simple average balances of month end balances for January 2024, February 2024 and March 2024.

4.1.2. CNB's total HQLA of KYD 376.47 million consists of KYD 257.52 million of Level 1 HQLA, KYD 69.47 million of Level 2A HQLA and KYD 49.11 million of Level 2B HQLA. 43.58% of funding is attributable to Retail Deposits, 28.14% to Small Business Customers, 9.36% to Sovereign deposits, 8.41% to Other Financial Institutions, 6.92% to Banks and 3.58% to Non-Financial Institutions. 94.33% of HQLA is denominated in USD and 2.92% of HQLA is denominated in KYD. 63.49% of Total Net Cash Outflows is denominated in KYD, 29.61% of in USD, 3.61% in EUR, 1.75% in GBP, 0.88% in CAD, 0.64% in JPY and 0.03% in CHF.

4.1.3. CNB's LCR ratio increased from 139% reported as at 31 December 2023 to 168% reported as at 31 March 2024, due to an increase in Total HQLA and a decrease in Net Cash Outflows. The increase in Total HQLA was mostly attributable to CNB's increased investment into assets with higher levels of liquidity. This increase is reflective of CNB's Liquidity risk management strategies related to the Automated Clearing House (i.e. "ACH") settlement function it provides to the Banking sector. Furthermore, a shift in deposit positions, where more clients are establishing Term Deposits for extended periods in excess of 3 months, contributed to the decrease in Net Cash Outflows.

Table 12: LIQ1 – Liquidity Coverage Ratio as at 31 March 2024

LIQ1: Liquidity Coverage Ratio ("LCR")		a	b
31 March 2024 KYD ('000)		**Total unweighted value**	**Total weighted value**
High-quality liquid assets			
1	**Total HQLA**		**376,100**
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which;	**996,767**	**73,708**
3	Stable deposits	-	-
4	Less stable deposits	996,767	73,708
5	Unsecured wholesale funding, of which:	**392,960**	**234,159**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	114,892	28,723
7	Non-operational deposits (all counterparties)	278,068	205,436
8	Unsecured debt	-	-
9	Secured wholesale funding		
10	Additional requirements, of which:	**119,382**	**5,024**
11	Outflows related to derivative exposures and other collateral requirements	-	-
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	93,485	4,674
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	25,897	350
16	**TOTAL CASH OUTFLOWS**		**312,891**
Cash Inflows			
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	-	-
19	Other cash flows	177,619	89,156
20	**TOTAL CASH INFLOWS**		**89,156**
			Total adjusted value
21	**Total HQLA**		**376,100**
22	**Total net cash outflows**		**223,735**
23	**Liquidity Coverage Ratio (%)**		**168%**

4.2. Net Stable Funding Ratio – LIQ2

4.2.1. The Net Stable Funding Ratio ("NSFR") promotes resilience over a longer-term horizon by requiring funding of its activities with stable sources of funding on an ongoing basis. Table 13 below provides a breakdown of CNB's NSFR as at 31 March 2024.

4.2.2. The NSFR ratio increased from 141% as at 30 September 2023 to 148% as at 31 March 2024. This increase is due to a proportionally larger increase in Available Stable Funding ("ASF"), in comparison with the increase in Required Stable Funding ("RSF"). ASF increased from KYD 1.32 billion as at 30 September 2023 to KYD 1.42 billion as at 31 March 2024, whereas the RSF increased from KYD 939.88 million to KYD 958.4 million over the same period. This was mostly attributable to a shift in deposit positions, where more clients are establishing Term Deposits for longer periods in light of the high interest rate environment whilst CNB has maintained its allocation across its investment portfolio.

Table 13: LIQ2 – Net Stable Funding Ratio as at 31 March 2024

LIQ2: Net Stable Funding Ratio ("NSFR")						
31 March 2024 KYD ('000)		a	b	c	d	E
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) Item						
1	**Capital:**	**220,395**	**-**	**-**	**-**	**220,395**
2	*Regulatory capital*	220,395	-	-	-	220,395
3	*Other capital instruments*	-	-	-	-	-
4	**Retail deposits and deposits from small business customers:**	**-**	**901,383**	**92,668**	**6,297**	**900,942**
5	*Stable deposits*	-	-	-	-	-
6	*Less stable deposits*		901,383	92,668	6,297	900,942
7	**Wholesale funding:**	**-**	**429,348**	**59,920**	**86,430**	**273,407**
8	*Operational deposits*		124,839	-	-	62,420
9	*Other wholesale funding*		304,508	59,920	86,430	210,988
10	**Liabilities with matching interdependent assets**	**-**	**-**	**-**	**-**	**-**
11	**Other liabilities:**	**-**	**8,801**	**-**	**21,680**	**21,680**
12	*NSFR derivative liabilities*	-	-	-	-	-
13	*All other liabilities and equity not included in the above categories*	-	8,801	-	21,680	21,680
14	**Total ASF**	**220,395**	**1,339,531**	**152,588**	**114,407**	**1,416,425**

LIQ2: Net Stable Funding Ratio ("NSFR")						
31 March 2024 KYD ('000)		a	b	c	d	E
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Required Stable Funding (RSF) Item						
15	**Total NSFR high-quality liquid assets (HQLA)**				-	**75,973**
16	**Deposits held at other financial institutions for operational purposes**	-	-	-	-	**35,733**
17	**Performing loans and securities:**	**83**	**230,291**	**87,817**	**910,146**	**751,614**
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	-	-	-	-
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	138,731	36,917	5,421	44,689
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*	-	69,354	18,715	336,225	295,101
21	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	-	23	-	173,623	112,866
22	*Performing residential mortgages, of which:*	-	8,914	4,359	492,984	327,076
23	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	-	8,914	4,359	492,984	327,076
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	83	13,292	27,826	75,516	84,747
25	**Assets with matching interdependent liabilities**					
26	**Other assets:**	**-**	**7,832**	**232**	**57,293**	**65,357**
27	*Physical traded commodities, including gold*	-				-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	-	-
29	*NSFR derivative assets*		-	-	-	-
30	*NSFR derivative liabilities before deduction of variation margin posted*		-	-	-	-
31	*All other assets not included in the above categories*		7,832	232	57,293	65,357
32	**Off-balance sheet items**					**29,723**
33	**Total RSF**					**958,398**
34	**Net Stable Funding Ratio (%)**					**148%**

5. MARKET RISK

5.1. Market Risk – Regulatory RWA– MR1

5.1.1. CNB's exposure to Market Risk RWA is purely driven by its exposure to Foreign Exchange ("FX") Risk. FX Risk is the risk that the value of a financial instrument will fluctuate due to changes in FX rates.

5.1.2. Table 14 provides a breakdown of the regulatory capital requirement for Market Risk as calculated based on CIMA's Standardised Approach for Market Risk. As is evident in Table 14, all of CNB's regulatory capital requirement for Market Risk is due to Foreign Exchange Risk.

Table 14: MR1: Market Risk – Standardised Approach

MR1: Market risk under the standardised approach		
	KYD ('000)	31-Mar-24 RWA
	Outright products	
1	Interest rate risk (general and specific)	-
2	Equity risk (general and specific)	-
3	Foreign exchange risk	97
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	**Total**	**97**

6. SECURITISATION

6.1. CNB currently does not have any exposure to securitization risk.

7. ASSET ENCUMBRANCE

7.1. Asset Encumbrance - ENC

7.1.1. As can be seen from Table 15 below, all of CNB's assets are unencumbered. Furthermore, there have been no changes in classification since the prior reporting period.

Table 15: ENC: Asset Encumbrance – 31 March 2024

ENC: Asset Encumbrance			
31 March 2024 KYD ('000)	**a**	**c**	**d**
	Encumbered assets	**Unencumbered assets**	**Total**
Cash and cash equivalents	-	-	-
Cash on hand	-	15,956	15,956
Operating accounts	-	71,466	71,466
Due from banks	-	65,377	65,377
Advances	-	942,770	942,770
Retail lending	-	29,161	29,161
Commercial & Corporate lending	-	341,934	341,934
Mortgages	-	543,879	543,879
Overdrafts	-	16,152	16,152
Credit Cards	-	11,644	11,644
Investment securities	-	672,302	672,302
Equities and mutual funds	-	83	83
Government securities	-	319,870	319,870
Corporate bonds/debentures	-	242,099	242,099
Placements over 3 months	-	110,250	110,250
Investment interest receivable	-	5,795	5,795
Investment property	-	98	98
Premises and equipment	-	33,325	33,325
Other assets	-	11,871	11,871
Total assets	**-**	**1,818,960**	**1,818,960**