Citco Bank Canada
Pillar 3 Market Disclosure and Liquidity Disclosure

May 2023

CITCO

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1. Introduction

Pillar 3 in the Basel III framework covers the disclosure of information from Senior Management assessment around risks and the required capital to the relevant stakeholders. B6 Liquidity Principles Guidelines of OSFI stipulates liquidity disclosure requirement that an institution should publicly disclose information on a regular basis that enables market participants to make an informed judgement about the soundness of its liquidity risk management framework and liquidity position.

This document describes/contains the relevant elements of disclosure of Citco Bank Canada (the "Bank") to its stakeholders.

This disclosure has been established and approved by the Board of Directors of Citco Bank Canada.

2. Stakeholders

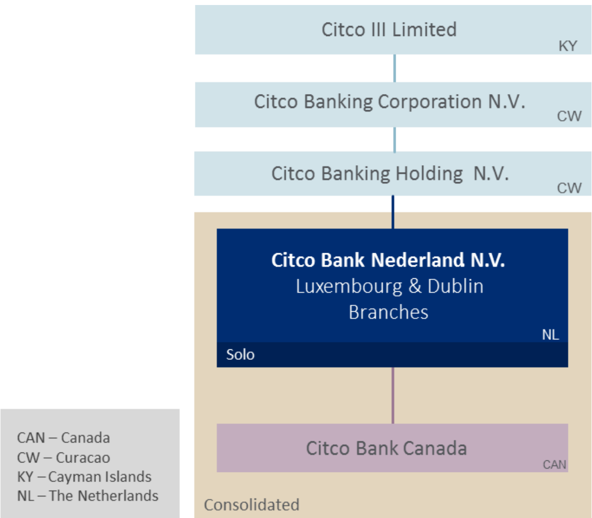
The main stakeholders of Citco Bank Canada are the following groups:

- the clients;
- the Board of Directors;
- the employees;
- the parent, Citco Bank Nederland N.V;
- the regulator, Office of the Superintendent of Financial Institutions ("OSFI").

3. Group structure

Citco Bank Canada is a wholly owned subsidiary of Citco Bank Nederland N.V. The ultimate parent company is Citco III Limited. Please refer to the relevant part of the Group structure below:

Figure 1. CBCAN and parent structure:



Citco Bank Canada was incorporated September 2, 2008 and commenced operations on June 10, 2009 when it received approval from the Office of the Superintendent of Financial Institutions of Canada (OSFI). The Bank is licensed to operate in Canada as a foreign bank subsidiary under the Bank Act. The regulatory authority of Citco Bank Canada is OSFI.

Citco Bank Canada provides a full range of banking services for institutional (professional) clients, like hedge funds and funds of hedge funds, to manage their banking needs. This includes, but is not limited to, performing deposit services, wire transfers and foreign exchange transactions.

Citco Bank Canada also specializes in custody activities for hedge fund investors by providing access to the best of breed processes and technology that have set industry standards. Citco Bank Canada provides the necessary infrastructure to investment managers to handle the administrative side of trading in underlying hedge funds. The custody solutions allow clients to completely outsource, in an automated and controlled manner, their underlying investments in hedge funds. Utilizing *CitcoFundsNet*, the electronic custody platform, clients can access the funds universe via online real-time global funds platform.

Citco Bank Canada manages its risk on a prudent basis. The Bank's risk appetite and strategy is reviewed on a regular basis by Senior Management. The Risk Appetite and Strategy as defined by Senior Management is approved by the Board of Directors on a yearly basis. The strategic risk, operational risk, credit risk, market risk and reputation risk are all relevant risks managed by Citco Bank Canada as part of its Enterprise Risk Management (ERM) framework.

4. Information to be disclosed

Citco Bank Canada considers it appropriate to disclose information on the following aspects to its stakeholders:

1. Capital structure & capital adequacy in general
2. Credit risk exposure, monitoring and related capital levels
3. Market risk exposure, monitoring and related capital levels
4. Operational risk exposure, monitoring and related capital levels
5. Remuneration policy – qualitative and quantitative disclosures for Senior Management and other material risk takers (see Appendix B and C)

Other key areas related to securitization exposures in the trading book, sponsorship of off-balance sheet vehicles, re-securitization exposures, and pipeline and warehousing risks with regard to securitization exposures, incremental risk capital charge, comprehensive risk capital charge and the stressed value at risk (Var) requirements are not relevant to the Bank. The Bank does not engage in trading activities for its own account and does not carry a trading book. The capital is tier 1 capital of common stock components only. Information on other risks will be disclosed as deemed appropriate. This information will include both qualitative and quantitative information where necessary. Information related to stress testing and/or scenario analysis will be disclosed as well where valuable for the stakeholders.

The Bank has selected the Standardized Approach for credit risk and the Basic Indicator Approach for operational risk to calculate the capital requirements under Basel III.

Subsection 485(1) of the Bank Act requires banks to maintain adequate capital. The Capital Adequacy Requirements Guideline is not made pursuant to subsection 485(1) of the Bank Act. However, the capital standards set out in this guideline together with the leverage requirements set out in the Leverage Requirements Guideline provide the framework within which the Superintendent (OSFI) assesses whether a bank maintains adequate capital pursuant to the Act.

For this purpose, the Superintendent has established two minimum standards: leverage ratio, described in the Leverage Requirements Guideline, and the risk-based capital ratio described in the Capital Adequacy Requirements Guideline. The first test provides an overall measure of the adequacy of an institution's capital. The second measure focuses on risk faced by the institution. Notwithstanding that a bank may meet these standards the Superintendent may direct a bank to increase its capital under subsection 485(3) of the Bank Act.

Citco Bank Canada uses capital adequacy ratios established by Senior Management and approved by the Board of Directors. These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. The Bank's internal capital target exceeds the regulatory ratio of 10.5%. The Bank's internal capital target is set taking into account OSFI regulations and guidelines, Pillar 2 solvency framework and future Basel III regulations as outlined in the Internal Capital Adequacy Assessment Process (ICAAP) document. The Bank has set an internal total capital ratio target of 17.1%. Since all of the Bank's capital is Common Equity Tier 1 ('CET1') the Bank does not set an additional internal target for Tier 1 only because the 17% total capital target is significantly in excess of OSFI's industry-wide well capitalized target capital levels of 7% and the limit 10.5% under Basel III. The Bank's dividend policy is to consider distribution of dividends to its parent company based on current year profits.

In Senior Management's opinion, the implementation of the final Basel III reforms on the Bank's capital adequacy has no material impact. The Bank's equity consists entirely of CETI components and will be fully available for any capital adequacy calculations under Basel III. Therefore, the Bank does not need to set transitional targets to allow the phasing in of regulatory adjustments and phasing out of non-qualifying regulatory capital instruments as contemplated in Basel III. In addition, the strengthening of the risk weights and floors applied to advanced models for several asset categories will not affect the Bank due to its conservative placement and investment policies and usage of standardized risk-weights. From a liquidity risk point of view, the Bank is compliant with the Liquidity Coverage Ratio (LCR) requirements.

5. Medium to be used

The Bank incorporates the disclosures mentioned in the previous paragraph as follows:

OSFI website – Under the OSFI website disclosure of quantitative data is publically available and updated on a quarterly basis:

- The Bank's balances for Tier 1, 2, 3 regulatory capital are published by OSFI and are available through the following hyperlink: https://www.osfi-bsif.gc.ca/Eng/wt-ow/Pages/FINDAT.aspx

- The Bank's capital, risk weighted assets, and capital adequacy ratios are published by OSFI and are available through the following hyperlink: https://www.osfi-bsif.gc.ca/Eng/wt-ow/Pages/FINDAT.aspx
- Annual report - The annual report is an appropriate medium to disclose qualitative data. Citco Bank Canada maintains a copy of the annual report on https://www.citco.com/regulatory-disclosures . The annual report is prepared in accordance with International Financial Reporting Standards (IFRS).
- Annual remuneration quantitative disclosures (see policy in Appendix C and Appendix D): https://www.citco.com/regulatory-disclosures
- Basel III quarterly disclosure (see template in Appendix A): https://www.citco.com/regulatory-disclosures
- Quarterly leverage ratio public disclosure (see template in Appendix B): https://www.citco.com/regulatory-disclosures
- 2022 Liquidity disclosures (see policy in Appendix E): https://www.citco.com/regulatory-disclosures

6. Frequency of updates

The Bank provides quantitative disclosure information on a quarterly basis and the qualitative disclosure information on an annual basis to its stakeholders. When information on risk exposure, monitoring or capital levels is significantly changed after publication of the annual report and the Board of Directors is of the opinion that the changes need to be communicated to its stakeholders, appropriate disclosures will be made on an ad hoc basis. It is up to the Board of Directors discretion to determine how the various stakeholders will be informed accordingly.

7. Validation of Information

Validation of the information disclosed will be done by Group Internal Audit (GIA).

8. Annual review

This disclosure will be reviewed at least on an annual basis, or in the event deemed necessary more frequently.

Appendix A – Public Capital Disclosure Requirements Basel III Pillar 3 Template

CITCO BANK CANADA

Components of Capital

As at (in thousands of Canadian Dollars)

	MODIFIED CAPITAL DISCLOSURE TEMPLATE
	Common Equity Tier 1 capital: instruments and reserves
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus
2	Retained earnings
3	Accumulated other comprehensive income (and other reserves)
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)
6	**Common Equity Tier 1 capital before regulatory adjustments**
	Common Equity Tier 1 capital: regulatory adjustments
28	Total regulatory adjustments to Common Equity Tier 1
29	**Common Equity Tier 1 capital (CET1)**
	Additional Tier 1 capital: instruments
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus
31	of which: classified as equity under applicable accounting standards
32	of which: classified as liabilities under applicable accounting standards
33	Directly issued capital instruments subject to phase out from Additional Tier 1
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)
35	of which: instruments issued by subsidiaries subject to phase out
36	**Additional Tier 1 capital before regulatory adjustments**

	Additional Tier 1 capital: regulatory adjustments
43	**Total regulatory adjustments to Additional Tier 1 capital**
44	**Additional Tier 1 capital (AT1)**
45	**Tier 1 capital (T1 = CET1 + AT1)**
	Tier 2 capital: instruments and allowances
46	Directly issued qualifying Tier 2 instruments plus related stock surplus
47	Directly issued capital instruments subject to phase out from Tier 2
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)
49	of which: instruments issued by subsidiaries subject to phase out
50	Collective allowances
51	**Tier 2 capital before regulatory adjustments**
	Tier 2 capital: regulatory adjustments
57	**Total regulatory adjustments to Tier 2 capital**
58	**Tier 2 capital (T2)**
59	**Total capital (TC = T1 + T2)**
60	**Total risk weighted assets**
60a	**Common Equity Tier 1 (CET1) Capital RWA**
60b	**Tier 1 Capital RWA**
60c	**Total Capital RWA**
	Capital ratios
61	Common Equity Tier 1 (as a percentage of risk weighted assets)
62	Tier 1 (as a percentage of risk weighted assets)
63	Total capital (as a percentage of risk weighted assets)
	OSFI target
69	Common Equity Tier 1 capital target ratio
70	Tier 1 capital target ratio
71	Total capital target ratio

	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)
80	*Current cap on CET1 instruments subject to phase out arrangements*
81	*Amounts excluded from CET1 due to cap (excess over cap after redemptions and maturities)*
82	*Current cap on AT1 instruments subject to phase out arrangements*
83	*Amounts excluded from AT1 due to cap (excess over cap after redemptions and maturities)*
84	*Current cap on T2 instruments subject to phase out arrangements*
85	*Amounts excluded from T2 due to cap (excess over cap after redemptions and maturities)*

Memo Items: The modified template is designed for a non-Domestic Systemically Important Banks, Citco Bank Canada is required to use the Modified Capital Disclosure Template.

Appendix B – Leverage Ratio Public Disclosure Template

CITCO BANK CANADA

As at (in thousands of Canadian Dollars)

	ITEM
	On-balance sheet exposures
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework (IFRS)
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)
4	(Asset amounts deducted in determining Basel III Tier 1 capital)
5	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 to 4)**
	Derivative exposures
6	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)
7	Add-on amounts for potential future exposure associated with all derivative transactions
8	(Exempted central counterparty-leg of client cleared trade exposures)
9	Adjusted effective notional amount of written credit derivatives
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)
11	**Total derivative exposures (sum of lines 6 to 10)**
	Securities financing transaction exposures
12	Gross SFT assets recognized for accounting purposes (with no recognition of netting), after adjusting for sale accounting transactions
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)
14	Counterparty credit risk (CCR) exposure for SFTs
15	Agent transaction exposures
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**

	Other off-balance sheet exposures
17	Off-balance sheet exposure at gross notional amount
18	(Adjustments for conversion to credit equivalent amounts)
19	**Off-balance sheet items (sum of lines 17 and 18)**
	Capital and Total Exposures
20	**Tier 1 capital**
21	**Total Exposures (sum of lines 5, 11, 16 and 19)**
	Leverage Ratio
22	**Basel III leverage ratio**

Appendix C – Remuneration Policy

Introduction

The remuneration policy of Citco Bank Canada ("the Bank") applies to the Bank and its employees.

The Board of Directors ("BOD") has adopted this remuneration policy as per the proposal of the CEO and Senior Management (hereafter referred to jointly as the "SM"). The BOD has also approved that part of the remuneration policy which applies to SM.

The actual approval of the remuneration for the BOD is the responsibility of the shareholders at the General Meeting. The BOD is responsible for reviewing the performance and approving the compensation of the CEO and SM in line with the Bank's strategy and risk appetite, objectives and values, taking into account the long-term interests of the Bank, the relevant international context and wider societal acceptance and the Bank's Remuneration Policy.

In additional to following Citco's internal process, the Board must approve the performance review and compensation for all Oversight Function Employees.

The approval of remuneration of all employees, other than BOD, Oversight Functions and SM, is the responsibility of SM.

This policy is to be read in conjunction with the remuneration clauses as embedded in the BOD Charter as well as the SM Charter and are an integral part of this policy. For ease of reference, the relevant excerpts of these two charters are quoted in this document.

Purpose

The policy reflects the Bank's objectives for good corporate governance as well as sustained and long-term interests for the Bank. In addition, it ensures that:

- the Bank is able to attract, develop and retain high-performing and motivated employees in a competitive, international market;
- employees are offered a competitive remuneration package ;
- employees act within the risk appetite of the Bank by making any variable remuneration risk neutral;
- employees feel encouraged to create sustainable results;
- the Bank's strategy is supported.

Remuneration Components

The various remuneration components are combined to ensure an appropriate and balanced remuneration package that reflects the business unit, the employee's rank in the Bank and professional activity as well as market practice. Employment contracts do not contain any variable components. The five remuneration components are:

- fixed remuneration (including fixed supplements)
- performance-based remuneration

- pension schemes
- other benefits
- severance payment

The *fixed remuneration* is determined on the basis of the role of the individual employee, including responsibility and job complexity, performance and local market conditions. This is part of the employment agreement including adjustments on salary as a result of annual reviews. This fixed component represents a sufficiently high proportion of the total remuneration in order to ensure that the total remuneration will not depend on performance based remuneration to obtain the purposes as set out by this policy. It will also allow the operation of a fully flexible policy on performance based remuneration, including the possibility to pay no variable remuneration component.

The *performance-based remuneration* motivates and rewards dedicated performers who contribute significantly to the realization of the Bank's strategic and business targets and long-term interests in their respective function. The performance based remuneration is a discretionary management tool and is based on a combination of the assessment of the employee and of the overall result of the Bank. Only non-financial performance criteria are taken into account to prevent and discourage non authorized risk taking outside of the risk appetite of the Bank. This remuneration varies according to the type of position held and is never a "right" as it is not embedded in employment agreements.

The *performance based remuneration* is awarded in a manner which promotes sound risk management and does not induce excessive risk-taking and respects the risk appetite of the Bank. Disbursed as well as non-disbursed components are subject to claw back without compensation if granted on the basis of data which has subsequently proven to be manifestly misstated. The Bank does not offer guaranteed bonuses and as a rule does not award sign-on bonuses.

The performance based remuneration is awarded in a manner which promotes sound risk management and does not induce excessive risk-taking and respects the risk appetite of the Bank. Disbursed as well as non-disbursed components are subject to claw back without compensation if granted on the basis of data which has subsequently proven to be manifestly misstated. The Bank does not offer guaranteed bonuses and as a rule does not award sign-on bonuses.

Pension schemes In general, the Bank pays 100% of the pension contributions for all employees to the pension fund, up to 5% of their annual fixed remuneration. The pension scheme is a defined contribution plan. The Bank does not award discretionary pensions.

Other benefits are awarded on the basis of individual employment contracts and local market practice.

Severance payments are payable in accordance with relevant employment laws and industry specific regulations, including but not limited to the Canada Labour Code and common law. Payments related to early termination of a contract reflect performance achieved over time and do not reward failure.

Awarding Remuneration Components

At the annual performance and appraisal interview, the individual employees and managers evaluate and document performance and set new documented goals. Decisions on adjustment of the employee's remuneration are made on the basis of this process.

The Bank will normally only pay performance based remuneration in case:

- the Bank is profitable in the relevant year.
- the Bank's profitability prospect is such that awarding this remuneration is financially responsible.
- the Bank's risk, capital and liquidity limits are not exceeded by awarding this remuneration.

Performance-based remuneration pools must be based on an assessment of the Bank's budget performance and a number of KPIs reflecting the trend in the Bank's focus areas. The performance-based remuneration pool is determined taking into account the following KPI's:

- Profit before tax compared with budget
- Assessment of risk-adjusted return
- Cost development
- Change in customer satisfaction
- Compliance with internal business procedures

For awarding individual performance-based remuneration the following factors are taken into account:

- Realization of personal and departmental objectives
- Contributing to the Bank's objectives within the set risk appetite
- Performance beyond expectations
- Operating with integrity

Operational or compliance incidents are also taken into account when awarding individual performance-based remuneration, both at individual as well as departmental level. Breaches of the Bank's risk appetite are taken into consideration in order to align individual performance-based remuneration with the Bank's objectives.

Senior Management Members are subject to a minimum percentage for deferred variable remuneration of 40% over a minimum of four years.

Awarded variable remuneration remain in place after termination of the contract and are subject to the normal claw back provisions.

Governance

Once a year the BOD monitors compliance with this policy. The BOD will pay attention to:

- costs incurred by the Bank in the financial year in relation to SM remuneration, distinguishing fixed salary, variable salary, if any, and the annual bonus (cash, shares or other), if any;
- performance based remuneration, if any is (proposed to be) included in the remuneration policy, the criteria for awarding such remuneration, the methods that will be applied in order to determine whether the criteria for variable remuneration and bonus have been fulfilled, the possible outcomes of such remuneration and how they may affect the performance of the SM members;

- current pension schemes and the related financing costs;
- agreed arrangements for the (early) retirement of SM members; and
- elements above in as far as applicable to previous SM members and the members of the BOD in case the costs involved are incurred in the previous financial year

Following its charter the BOD will:

- oversee that the Bank implements a remuneration policy concerning the CEO and SM, the BOD and employees whose professional activities have a material impact on the risk profile of the Bank, that is in line with the Bank's strategy and risk appetite, objectives and values, taking into account the long-term interests of the Bank, the relevant international context and wider social acceptance and regulatory policy on controlled remuneration;
- recommend to the general meeting of shareholders of the Bank (“General Meeting”) the remuneration of the CEO and individual members of SM in line with the Bank’s remuneration policy; amend (to be or already awarded) variable remuneration of individual members of SM because the variable remuneration is unreasonable given extraordinary circumstances;
- claw back all (or a part of if applicable) a bonus awarded to an individual member of SM, if the granting of the bonus was done based on incorrect information regarding the bonus criteria or occurrence of circumstances that were a requirement for the granting of the bonus.

It is SM’s responsibility in adopting, after having obtained approval of the BOD, and furthermore implementing and monitoring the Bank's remuneration policy and determining the principles for the Bank's overall employee remuneration policy, except for the remuneration policy concerning the SM which is implemented and evaluated by the BOD.

Annually the BOD approves the proposal of the SM for the performance based remuneration that exceeds the PFP threshold for all individual staff members.

Remuneration of the Board of Directors

Members of the BOD receive a fixed compensation only. The basic fee of a BOD member is set at a level that is on par with the market and reflects the qualifications and contribution required in view of the Bank’s complexity, the extent of the responsibilities and the number of BOD meetings. No pension contributions are payable on BOD members’ fees. Members of the BOD receive no performance based remuneration.

The General Meeting of the shareholders shall determine the remuneration of each member of the BOD in line with the Bank’s remuneration policy.

Remuneration of Senior Management

The remuneration of SM is to ensure the Bank’s continued ability to attract and retain the most qualified SM members and a good basis for succession planning. In connection with the annual assessment of the remuneration of SM, developments in market practice are assessed systematically. The remuneration of SM consists of fixed remuneration, performance based remuneration and pension schemes. Members of SM are also entitled to a car allowance, free phone and other fixed benefits.

In fixing the remuneration of SM, the following requirements must be observed:

- the total income of a member of the SM shall be in reasonable proportion to the Bank's Remuneration Policy;
- when performance based remuneration is awarded to SM, the long-term component shall be taken into account as well as profitability and/or continuity of the Bank.

The performance based remuneration for members of SM has a maximum of 40% of the fixed annual income. In the event of a member's involuntary dismissal, the standard remuneration is up to one year's salary (the 'fixed' remuneration component). It may be increased to two years at the discretion of the Board of Directors. For severance payments see above.

The BOD is responsible for reviewing the performance and approving the compensation of the CEO and SM in line with the Bank's strategy and risk appetite, objectives and values, taking into account the long-term interests of the bank, the relevant international context and wider societal acceptance and the Bank's Remuneration Policy.

Remuneration of the Control Functions

The remuneration of employees working in control (oversight) functions is predominantly fixed. Any performance based remuneration is subject to (mainly) function specific performance criteria. Performance assessment is done by their hierarchical superiors. Control (oversight) functions can vary per legal entity, but include as a minimum: risk management, compliance, finance and audit. The BOD is responsible for reviewing their performance and approving the compensation of the heads of the Control (oversight) functions.

Remuneration of Risk Takers

The remuneration of risk takers is predominantly fixed. Any performance based remuneration is subject to (mainly) function specific performance criteria. Performance assessment is done by their hierarchical superiors. Risk takers are identified to be: senior management heading the functional lines within the organization, all employees in treasury, credit, the commercial group and custody as well as the CEO and SM.

Appendix D – Remuneration Quantitative Disclosures 2022

	Description	Number of Individuals		Amount	
		2022	2021	2022	2021
1	Number of employees having received a variable remuneration award during the financial year.	None	None	None	None
2	Number and total amount of bonuses awarded during the financial year.	21	18	$284,146	$167,767
3	Number and total amount of sign-on awards made during the financial year.	None	None	$0	$0
4	Number and total amount of severance payments made during the financial year.	None	None	$0	$0
5	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	Cash=21 Shares = None Share linked = None	Cash = 18 Shares = None Share linked = None	Cash = $284,146 Shares = 0 Shares linked = 0	Cash = $167,767 Shares = 0 Share linked = 0
6	Total amount of deferred remuneration paid out in the financial year	18	15	$167,767	$114,500

7	Breakdown of amount of remuneration awards for the financial year to show:				
	a. Fixed and variable	34	31	$0 variable, $284,146 performance based, $3,927,921 fixed	$0 variable, $167,767 performance-based, $3,736,284 fixed
	b. Deferred and non-deferred	34	31	$284,146 deferred, $3,927,921 non deferred	$167,767 deferred, $3,736,284 non-deferred
	c. Different forms used (cash, shares and share-linked instruments, other forms)			Cash only	Cash only
8	Quantitative information about employees' exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. malus, clawbacks or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration:	None	None	-	-
	a. Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.	None	None	-	-
	b. Total amount of reductions during the financial year due to ex post explicit adjustments.	None	None	-	-
	c. Total amount of reductions during the financial year due to ex post implicit adjustments.	None	None	-	-

Appendix E – Liquidity Disclosures 2022

1. Framework around the management of liquidity risk:

1.1. Risk governance at the Bank

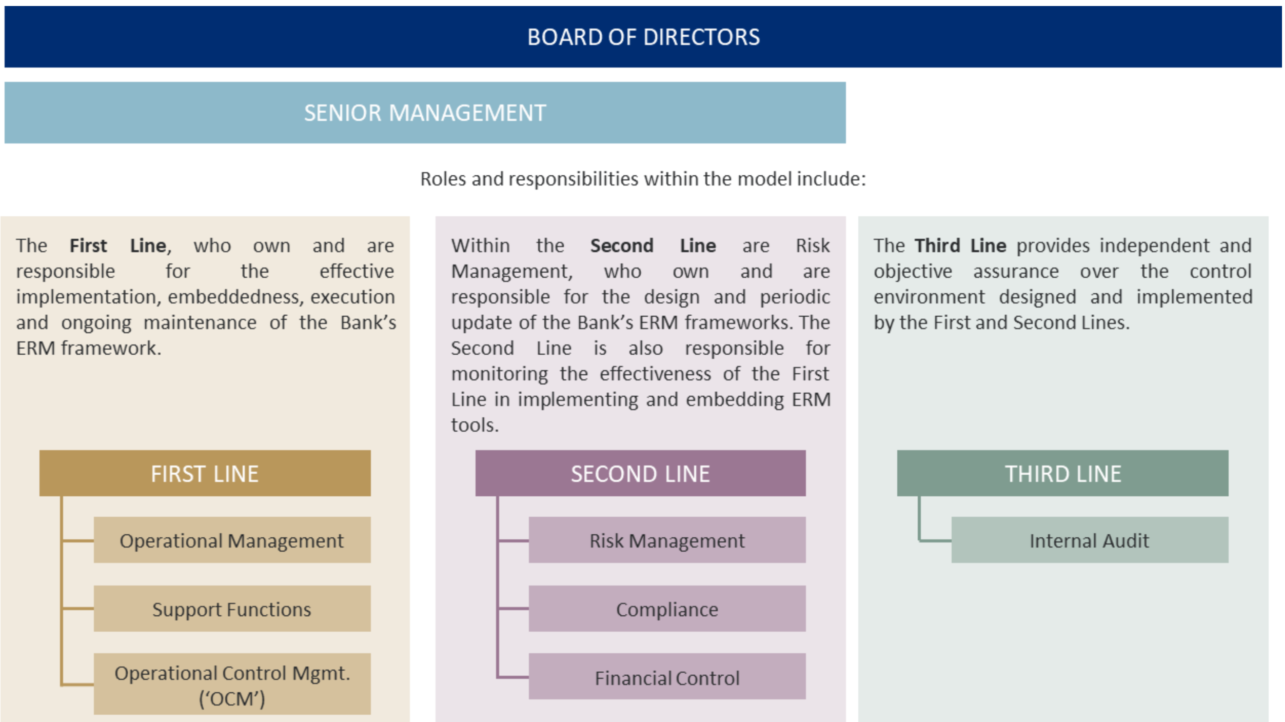
As a financial services provider, the Bank is continuously managing its risks. In order to do this whilst remaining compliant with regulatory requirements, the Bank has established an Enterprise Risk Management ('ERM') framework. The critical elements of this ERM framework are the effective identification, assessment, mitigation, monitoring and reporting of the Bank's key risks and the allocation of capital required to support these.

1.1.1. Risk Strategy

The Risk Management Strategy of the Bank is to support the business in achieving its strategic targets, whilst remaining within the conservative Risk Appetite set by Senior Management and ratified by the Board of Directors.

The Bank implemented the 'Three Lines' model as a benchmark for managing the Risk Strategy. The Bank applies the model to demonstrate how the different business and control functions interact with each other and to define roles that enforce stronger corporate governance. These roles are illustrated in Figure 2.

Figure 2. CBCAN Three Lines



1.1.2. First Line

As the first line, business management and operational staff are responsible for identifying and managing risks on a daily basis and for escalating identified risk issues to Risk Management. Business management, including Bank IT management, is accountable for the implementation and operation of appropriate policies and procedures and for ensuring compliance with policies set by Senior Management, Board of Directors and Risk Management.

Operational Control Management ('OCM') is part of the first line. OCM is responsible for operational risk activities including Risk and Control Self-Assessment ('RCSA'), process control testing, risk event root cause analysis and operational risk reporting to management. Details of the OCM role and responsibilities can be found in the Operational Risk Management Policy

1.1.3. Second Line

The 'second line' concerns those responsible for risk oversight and risk guidance in the Bank, e.g. Risk Management, Compliance and Financial Control, and are under the oversight of the Chief Risk & Compliance Officers. Second line is responsible for setting policies, ensuring compliance with requirements, the monitoring of the effectiveness of the controls and the execution of the Risk Management framework by the first line. The Bank's second line reports to Senior Management (incl. Risk Committee) and Board of Directors (incl. Risk and Compliance Committee) on activities included in the Risk Management framework.

The Risk Management function is responsible for developing and maintaining the strategic approach of the ERM framework to ensure that appropriate risk identification, assessment and mitigation activities are executed by the business. This is achieved through a comprehensive framework of risk policies, monitoring and reporting.

The Compliance function translates the laws into compliance obligations and assists the business divisions to identify its Compliance Risks (incl. Integrity Risk) and activities to mitigate those risks based on CBCA's Risk Appetite. The Compliance function also monitors the business and local management's control of Compliance Risks.

The Financial Control function enables the control framework around statutory and regulatory reporting of the Bank.

Risk Management, Compliance and Financial Control are Citco Group functions, with reporting lines to the Bank Senior Management and Citco Group.

1.1.4. Third Line

The Citco Group Internal Audit function acts as the 'third line'. Internal Audit assesses the effectiveness and efficiency of the Bank's control framework and provide solicited and unsolicited advice designed to add value and improve the operations, processes, systems and control environment. It assists the Bank in accomplishing its objectives by bringing a systematic, disciplined approach to evaluating and reporting on the effectiveness of risk management, controls, and governance processes. The scope of the work of the Internal Audit function includes all processes, systems, businesses and functions of the Bank. Internal Audit reports to the Board of Directors Audit Committee and provides regular reports to Senior Management of the Bank. The Internal Audit function works closely with the external independent auditors to plan audit coverage of the Bank.

2. The roles and responsibilities of the Board of Directors, senior management and delegated committees in the design and operation of that framework:

Governance arrangements

The Board of Directors is responsible for the overall oversight of the Bank. It accomplishes this by supervising, monitoring, advising Senior Management on a broad range of topics intrinsic to the overall functions of the institution, including strategy, operational performance, risk management and compliance with laws, and regulations.

The Bank's Senior Management comprises two Managing Directors. Senior Management is responsible for defining the business strategy, setting policies and overseeing the overall operational activities of the Bank and ensures the business and strategic objectives are correctly executed. A general profile of the preferred scope and composition of Senior Management is defined taking into account the nature of the business, its activities, size and complexity and the desired expertise, experience and independence of its members.

All Senior Management members participate in lifelong learning programs, with the aim of maintaining the expertise of Senior Management members at the required standard and improving their expertise where necessary. The areas covered under the learning program include finance, tax, legal, capital, cyber security, data privacy, regulatory and financial reporting, corporate governance and risk management. Detailed information on the Senior Management members is provided in Table 1.

TABLE 1. CBCAN SENIOR MANAGEMENT COMPOSITION, 31st December 2022

NAME	POSITION	AREA OF RESPONSIBILITY
Mr. Scott Case	Managing Director and Chair	All aspects concerning General Management, Human Resources, Finance, Legal, Compliance, Regulatory & Governance and Internal Audit.
Mr. Martijn Stevens	Managing Director	All aspects concerning Treasury Management, Credit, Capital Management, Operations, Information Technology and Risk.

CBCAN has set up three separate risk committees. Table 3 provides a list and a description of the committees.

TABLE 2. CBCAN MANAGEMENT RISK COMMITTEES, 31st December 2022

COMMITTEE NAME	ROLE OF THE COMMITTEE	MINIMUM FREQUENCY
Senior Management Risk Committee ('SMRC')	Oversight of both financial and non-financial risks across the Bank in line with the Enterprise Risk Management framework	Quarterly
Asset and Liability Committee ('ALCO')	Monitoring and controlling Credit, Market and Liquidity Risks, as well as capital adequacy within the boundaries set by SMRC	Monthly
Operational Risk Committee	Managing Operational Risks within the boundaries set by SMRC	Monthly

3. The degree of centralization in its global liquidity risk management practice and how that degree impacts on funding activities, limit setting and intra-group lending strategies:

The Bank centralizes its liquidity risk management practices, with standalone liquidity limit setting, monitoring, and management. The Bank does not take part in intra-group lending.

4. An articulation of liquidity risk tolerance and a demonstration of how compliance with that tolerance is assessed:

Liquidity Risk

Liquidity Risk is the inability to meet payment obligations when they fall due and to replace funds when they are withdrawn.

The Bank has a 'Minor' appetite for Liquidity Risk and wants to maintain the ability to repay clients on demand at all times.

The Bank does not seek funding, instead conservatively places deposits received by operational clients. The objective is to maintain a liquid balance sheet by applying appropriate maturity transformation limits and following an investment strategy aligned to the liquidity of the liabilities. Active monitoring of key regulatory and internal limits and ratios is in place to ensure compliance with risk appetite. Management of Liquidity Risk ensures the Bank remains fully flexible in the event of sudden changes in the liabilities side of the balance sheet.

5. The inclusion of quantitative measures such as the composition and size of the stock of liquid assets and a description of the assumptions employed:

The Bank held USD 1,133.31 Millions (USD 1,100.81 Millions at 31st December 2021) of High Quality Liquid Assets eligible in line with the Liquidity Coverage Ratio at 31st December 2022.

TABLE 3. HQLA Level, Pre and Post Haircut, 31st December 2022 (Amounts in Millions)

Level of HQLA Assets	Pre-haircut amount	Post-haircut amount
Level-1	1,120.61	1,120.61
Level-2	12.70	12.70

HQLA definition used as per OSFI guideline/ reporting and not any internal assumptions.

6. A description of limit setting practices:

The Bank calculates and sets limits on at least an annual basis. The main source of liquidity risk is through outflows of client funds, which are forecast daily and assessed through a range of stress testing to calculate limits at least annually, which are reviewed by CBCAN ALCO and approved by Senior Management.

7. An overview of stress tests used:

Liquidity stress testing covers Company-specific, Market-wide and Combined scenarios which are slow-developing and fast-developing and are monitored by ALCO monthly.