BERMUDA COMMERCIAL BANK LIMITED



BASEL III, PILLAR 3 DISCLOSURES

Bermuda Commercial Bank Limited
September 30, 2024

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Introduction

Background

The information provided in this document relates to Bermuda Commercial Bank Limited ("BCB" or "the Bank") which is incorporated in Bermuda as a limited liability company. It is intended to be read in conjunction with the annual audited financial statements which includes important details about the Bank and its wholly-owned subsidiaries' capital adequacy, risk management, and other information. The Pillar 3 disclosures for the period ended September 30, 2024 are prepared on a consolidated basis and are not based upon audited financial statements.

The Bank has a banking licence under the Bank and Deposit Companies Act, 1999 ("BDCA"). These disclosures are solely in the context of the local regulatory requirements and guidelines provided by the Bermuda Monetary Authority ("BMA" or "Authority") under Pillar 3 and Public Disclosure guidance as part of the updated Basel III guidance notes for Bermuda Banks and Deposit Companies. The Pillar 3 disclosures have been designed to complement the minimum capital requirements in Pillar 1 as well as the Supervisory Review and Evaluation Process ("SREP") in Pillar 2. The accepted aim of Pillar 3 is to promote market discipline by allowing market participants access to information of risk exposures and risk management policies and processes adopted by the Bank.

Frequency

The disclosures in this report are required to be updated on a semi-annual basis and more frequently if significant changes to policies are made. This report has been updated as at September 30, 2024 and all policies disclosed within are effective at this time.

Report Conventions

The disclosures in this report are not based upon audited financial statements and have not been audited by an independent auditor and there is no requirement for this to be done. However, the disclosures have been prepared on a basis consistent with information submitted to the Authority and consistent with information provided for annual financial statements.

Basel III Framework

BCB monitors its capital position against the Basel III framework as implemented by the BMA. Basel III adopts Common Equity Tier 1 ("CET1") capital as the predominant form of regulatory capital. The BMA requires Bermuda banks to maintain minimum capital ratios as follows:

- CET1 must be at least 4.5% of Risk-Weighted Assets ("RWA");
- Tier 1 Capital must be at least 6.0% of RWA; and
- Total Capital must be at least 8.0% of RWA.

The Pillar 2 SREP includes capital ratio add-ons, through which the Authority has prescribed a total minimum capital ratio in excess of the minimum Basel III requirements. In addition to the minimum capital ratios and Pillar 2 related add-ons prescribed by the Authority, the Basel III rules also provide for the following capital requirements:

- Capital Conservation Buffer ("CCB"): Set at 2.5% of RWAs and is composed of CET1 eligible capital.
- Countercyclical Buffer: To be composed of CET1 eligible capital. The Authority will assess the need for a buffer of up to 2.5% of RWAs during periods of excessive credit or periods exhibiting other macroeconomic pressures.

The Bank is compliant with the minimum regulatory capital requirements.

The Basel III rules also address the areas of Leverage, Liquidity and Funding. The Authority has adopted a minimum 5% Leverage Ratio calculated as the ratio of Tier 1 Capital to Total Exposure as calculated in the Basel III rules. The

Authority has adopted the Liquidity Coverage Ratio ("LCR") with a minimum requirement of 100%. The LCR is designed to ensure that banks have a sufficient stock of unencumbered High-Quality Liquid Assets ("HQLA") that can be converted into cash easily and immediately in private markets to meet their liquidity needs for a 30 calendar day liquidity stress scenario. The LCR is calculated as HQLA divided by total net cash outflows over the period of the next 30 days. Total net cash outflows are calculated in accordance with rules prescribed by the BMA. The Authority has adopted a Net Stable Funding Ratio ("NSFR") with a minimum requirement of 100%. NSFR is defined as the amount of available stable funding relative to the amount of required stable funding, using a 1 year time horizon. The Bank is compliant with the Leverage, LCR and NSFR ratio requirements.

Scope of Application

The capital adequacy framework implemented in Bermuda applies to both BCB as a standalone legal entity and on a consolidated basis including its subsidiaries.

BCB has the following wholly-owned subsidiaries which are subject to consolidation requirements under IFRS and under the capital adequacy framework.

Name	Location
BCB Asset Management Limited	Bermuda
Bercom Nominees Limited	Bermuda
VT Strategies Holdings Limited	Bermuda

As at September 30, 2024, all of the above subsidiaries are included in the Bank's consolidated financial position and income.

The consolidated financial statements as of 30th September of each year are subject to annual audit, by an independent external audit firm and are published in the Bank's Annual Report together with the independent Auditor's report. Further, in respect to various statutory licenses, the Bank and its subsidiaries are subject to supervisory oversight and onsite inspection by the BMA.

Evolution of the Bank

1969 The Bank is created by an Act of Parliament.

2010 Majority shareholding in BCB purchased by an investor group through Permanent Investments Limited.

2012 BCB became a wholly-owned subsidiary of Somers Limited and delisted from the Bermuda Stock Exchange.

2016 BCB moved into its new owned premises at 34 Bermudiana Road, Hamilton.

2019 BCB celebrated its 50-year anniversary.

2021 The investment company, Provident Holdings Ltd* ("Provident"), purchased BCB from Somers Limited.

2022 In March 2022, BCB sold its licensed trust business and a primary licensed corporate services provider business together with two minor operational subsidiaries. The sale was in line with a renewed strategy to focus on the core banking business in Bermuda.

* Subsequently renamed Base Financial Ltd on April 25th, 2023.

Risk Management

Risk Management Framework

The Bank is exposed to a wide range of financial and non-financial risks and maintains a comprehensive approach to effectively manage these risks through a defined Enterprise Risk Management Framework ("ERMF"). This framework prescribes how risks are categorized and managed to ensure the Bank can achieve its strategic goals in a prudential and sustainable manner.

The Bank's ERMF is designed on core principles of maintaining a sound risk culture, delivering effective governance, ensuring all risks are clearly understood and appropriately prioritized with a forward-looking approach and the provision of robust monitoring and reporting.

Risk Culture

The fostering of a sound risk culture is a key responsibility of the Bank's Board and Executive Management. This is achieved by establishing and exercising accountability, promoting risk awareness and encouraging a proactive approach to the identification and mitigation of risks. These responsibilities are underpinned by an established Code of Conduct that prescribes the core values and behavioural expectations of the Bank and how these are governed to ensure transparency and integrity standards are maintained by all employees.

A wide range of training is provided on key risk topics to ensure appropriate technical risk skills are developed and maintained at all levels of the organisation whilst also raising awareness of critical risk issues. The Bank also ensures a safe environment for any staff member to confidentially escalate any concerns through provision of a whistleblowing framework. The Bank's risk culture is reinforced through its employee performance management framework and approach to remuneration which incorporates behavioural values.

The Three Lines

In line with industry standards, BCB has adopted the three lines model (previously known as the three lines of defence model) which addresses how specific duties relating to risk and control are segregated and coordinated. All employees are responsible for identifying and managing risk within the scope of their role as part of this framework.

First Line (risk owners): All employees that work within the business units of the Bank. This includes client-facing staff as well as non-client facing support functions (e.g. Operations, Technology and Finance). Employees in the first line are accountable for risk-taking activities and the results, ramifications and opportunities of those activities; establishing appropriate operating procedures and internal control systems; performing regular assessments or testing of controls; monitoring risk exposures against established appetite; and reporting exceptions and incidents in a timely manner.

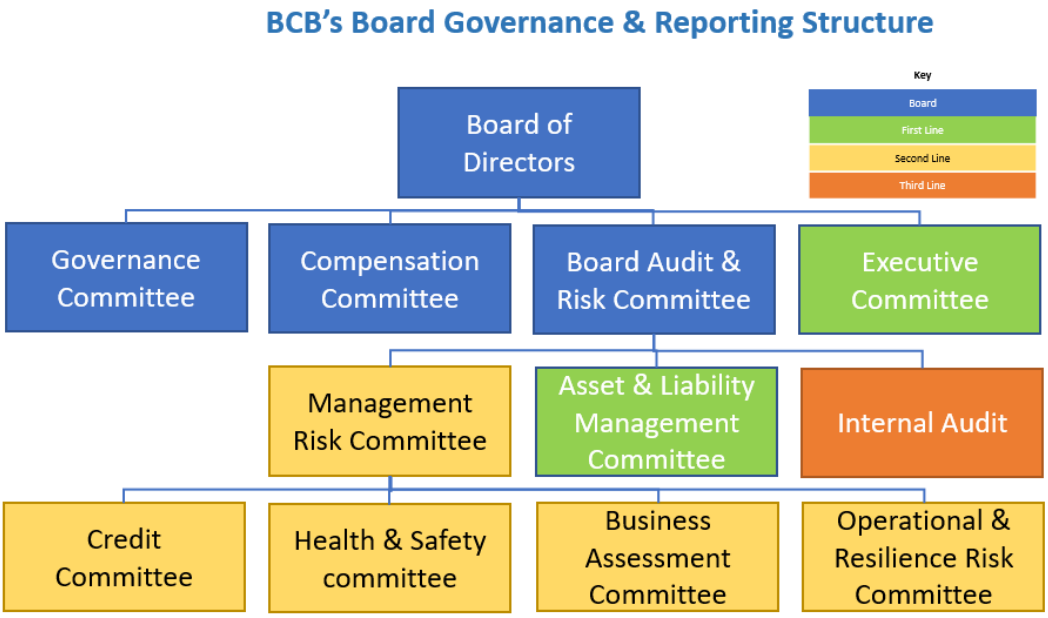
Second Line (risk oversight): Comprises the Risk and Compliance functions that provide guidance to, and oversight of, the first line through the setting of risk policies, limits and processes that ensure adherence to required standards and parameters. Critically this requires identification, measurement, monitoring and reporting of the Bank's aggregated risk exposures through the risk governance framework.

In addition to the above, there are other key operational functions that may have a combination of first and second line duties. These include Legal, Human Resources, Finance and Information Technology.

Third Line (risk assurance): The Internal Audit ("IA") function provides independent and objective assurance over the adequacy of design and operational effectiveness of the first- and second-line functions.

Governance

BCB's risk governance structure is defined by a clear and robust committee framework that facilitates both top down guidance and oversight as well as bottom-up escalation and aggregation of reporting. This structure defines key areas of authority and responsibility whilst establishing appropriate lines of reporting across the three lines.



- BCB Board of Directors (the "Board")

The Board is ultimately responsible for oversight of enterprise-wide risks through establishment and approval of the ERMF and sets the 'tone from the top' with regards to risk management expectations and requirements. In doing so, it sets BCB's risk appetite and defines the underlying governance structure that cascades authority and accountability to meet the requirements of this framework.

The Board reviews the ERMF at least annually to confirm that it remains fit for purpose and aligned to the evolving strategic and macroeconomic environment in which BCB operates.

The Board has delegated certain risk management oversight responsibilities to the following Group Board Committees. The Group Board approves and reviews the Terms of Reference for such Committees.

- The Board Audit and Risk Committee ("BARC")

BARC acts as the primary committee under the Board for oversight of BCB's adherence to the ERMF. It maintains broad responsibility over matters relating to the Bank's risk exposure, including definition, measurement, assessment, policy setting, and risk mitigation strategies. It translates the Board's 'tone from the top' and sets the expectations and requirements for risk management by BCB's Executive Management team and the underlying management committees.

- The Governance Committee ("GC")

GC's remit is to oversee all Human Resources matters, policies and procedures and any other matters concerning Employees and management, including the appointment of members of the Board. It is primarily responsible for recruitment and retention.

- The Compensation Committee

The Compensation Committee is responsible for remuneration and compensation decisions.

Below these Board level committees are a series of management level committees:

- Executive Committee ("EXCO")

EXCO is comprised of the Chief Executive Office ("CEO"), Chief Financial Officer ("CFO"), Chief Risk Officer ("CRO"), Chief Digital Assets and Onboarding Officer ("CDAO") and General Counsel & Head of Regulatory Compliance ("GC") represents the most senior first line forum responsible for developing and implementing the Bank's operating and strategic plans as well as managing reputational risks.

- Asset and Liability Management Committee ("ALCO")

ALCO is the primary management committee responsible for oversight of the Bank's balance sheet to ensure prudent management of treasury and market risk as it relates to deployment and management of assets and liabilities.

- Management Risk Committee ("MRC")

MRC is the primary second line risk committee. It maintains a broad remit with responsibility for oversight of all financial and non-financial risks. In doing so, it plays a critical role in the implementation of the ERMF through measurement and reporting on adherence to parameters defined in BCB's risk appetite statement. It facilitates a forward-looking assessment of Top and Emerging Risks and challenges first line to ensure it has robust action plans to mitigate risks as they arise. MRC maintains underlying sub-committees to support its effectiveness including the Credit Committee ("CC"), the Operational Resilience Risk Committee ("ORRC"), the Business Assessment Committee ("BAC") and the Health & Safety Committee ("HSC").

Risk Management Lifecycle

BCB's risk management process is an ongoing cycle defined by the following key steps:

(i) Risk Identification

Risk identification is initially driven by the ERMF but subject to constant review through the risk governance structure which considers BCB's evolving strategy as well as the dynamic domestic and macroeconomic environment.

For the period ending September 30 2024, BCB recognized 3 Principal Financial Risks (Credit Risk, Market Risk and Treasury Risk) and 3 Principal Non-Financial Risks (Operational Risk, Compliance Risk and Strategic & Reputational Risk). Underneath these 6 Principal Risks, the Bank categorises 27 Individual Risks that enable management of risk at a granular level.

(ii) Risk Assessment

BCB's assessment and tolerance for risk is defined through its Risk Appetite Statement ("RAS"). The RAS is the Board's approved articulation of the level of risk that BCB is prepared to accept in the conduct of its business. It forms the basis for ongoing dialogue between management and the Board regarding BCB's current and evolving risk profile, facilitating strategic and financial decisions to be made on an informed basis.

(iii) Risk Monitoring & Control

Risks are monitored constantly across the ERMF. All management committees within the governance structure meet ordinarily at least monthly, with escalation and formal updates provided to BARC and the Board at least quarterly.

BCB's Operational Risk Management Framework ("ORMF") supports the monitoring of operational losses and underpins the assessment of identified controls through the Risk and Control Self-Assessment ("RCSA") process, the results of which are monitored through MRC with subsequent reporting to BARC.

BCB's control framework is also supported by a comprehensive set of policies and procedures that ensure adherence to the required risk standards. BCB's policies set out control objectives, principles and other core requirements for the activities of the Bank and the underlying procedures articulate the process through which these requirements are met and the responsibilities therein.

(iv) Risk Reporting

Accurate, timely and consistent management information supports the effective monitoring of BCB's risks in line with its defined RAS. All identified and assessed risk reports are aggregated through the MRC which enables a holistic and consistent view of the enterprise-wide risk landscape. This also ensures a full awareness by Executive Management and assessment of contagion across risk segments to be considered.

Top & Emerging Risk Register

A critical aspect of the ERMF embedded within the MRC and BARC governance and reporting framework is a consistent forward-looking consideration of the horizon risks facing BCB. This is undertaken through a Top and Emerging ("T&E") Risk register that considers a wide range of near term (top) and medium/long term (emerging) issues that are both external and internal to BCB.

The T&E Risk register is a dynamic assessment of the likelihood and impact of such events to the Bank's Principal Risks which drive a range of mitigating activities tracked by MRC and BARC.

Stress Testing

BCB's risk management and capital planning is supported by a defined stress testing programme that assesses the Bank's current and projected capital adequacy under a range of scenarios. The stress testing results are embedded in the strategic planning process and management of risk appetite to ensure that sufficient capital, funding and liquidity are available at all times to support the Bank's growth plans and sustainably meet its regulatory requirements. BCB's stress testing enhances the Bank's understanding and mitigation of key risks with monthly testing reported to ALCO and its annual testing, reported to MRC and BARC, that forms part of the Board approved annual Capital Assessment and Risk Profile ("CARP") submission to the BMA.

Key Prudential Metrics

The table below provides an overview of the Bank's key prudential regulatory metrics for the last 5 quarters.

Table 1: Key Metrics (KM1)

		a	b	c	d	e
		30-Sep-24	30-Jun-24	31-Mar-24	31-Dec-23	30-Sep-23
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	53,350	55,767	61,400	63,437	64,874
1a	Fully loaded ECL accounting model	53,350	55,767	61,400	63,437	64,874
2	Tier 1	53,350	55,767	61,400	63,437	64,874
2a	Fully loaded accounting model Tier 1	53,350	55,767	61,400	63,437	64,874
3	Total capital	53,350	55,767	61,400	63,437	64,874
3a	Fully loaded ECL accounting model total capital	53,350	55,767	61,400	63,437	64,874
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	176,179	192,186	196,561	193,862	203,820
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	30.3%	29.0%	31.2%	32.7%	31.8%
5a	Fully loaded ECL accounting model CET1 (%)	30.3%	29.0%	31.2%	32.7%	31.8%
6	Tier 1 ratio (%)	30.3%	29.0%	31.2%	32.7%	31.8%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	30.3%	29.0%	31.2%	32.7%	31.8%
7	Total capital ratio (%)	30.3%	29.0%	31.2%	32.7%	31.8%
7a	Fully loaded ECL accounting model total capital ratio (%)	30.3%	29.0%	31.2%	32.7%	31.8%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical buffer requirement (%)	0.0%	0.0%	0.0%	0.0%	0.0%
10	Bank D-SIB additional requirements (%)	0.0%	0.0%	0.0%	0.0%	0.0%
11	Total of bank CET1 specific buffer requirements (%)	2.5%	2.5%	2.5%	2.5%	2.5%
12	CET1 available after meeting the bank's minimum capital requirements (%)	23.3%	22.0%	24.2%	25.7%	24.8%
	Basel III Leverage Ratio					
13	Total Basel III leverage ratio measure	436,663	448,707	412,823	424,037	466,832
14	Basel III leverage ratio (%)	12.2%	12.4%	14.9%	15.0%	13.9%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%)	12.2%	12.4%	14.9%	15.0%	13.9%
	Liquidity Coverage Ratio					
15	Total HQLA	180,546	167,350	115,613	141,144	149,959
16	Total net cash outflow	30,039	38,705	25,158	25,876	34,250
17	LCR ratio (%)	601%	432%	460%	545%	438%
	Net Stable Funding Ratio					
18	Total available stable funding	297,074	283,369	272,648	278,608	305,088
19	Total required stable funding	159,822	175,419	174,925	175,557	185,744
20	NSFR ratio (%)	186%	162%	156%	159%	164%

All amounts in '000's

As at September 30, 2024, the Bank is compliant with all minimum regulatory requirements.

Capital and Risk Weighted Assets

Capital Management

BCB's approach to the management of capital focuses on ensuring that its capital base meets the current and future requirements to achieve strategic objectives and sustainably meet prevailing regulatory requirements. The Bank aims to maintain a sound and optimal capital base that supports the risks inherent in its business model and the markets in which it operates.

The capital management process is based on the following steps:

- Delivery of a robust Capital Risk Management Policy that outlines the framework BCB follows in its management of capital.
- The monitoring of the regulatory capital and adherence to internal targets required within the RAS that exceed the minimum regulatory requirements.
- Consideration of a forward-looking estimation of capital requirements based upon ongoing forecasting and strategic planning that ensures the Bank will remain adequately capitalised in the event of adverse economic scenarios.
- Regular reporting to ALCO, MRC, BARC, the Board and the BMA.

A critical element of the capital risk management framework is the completion of a robust CARP document. The CARP's primary purpose is to inform the Board of the current and forward-looking assessment of the Bank's core risks and the required level of capital to support these risks. As such, the CARP is an integral part of the Bank's capital planning and budgeting process as well as its governance and strategic decision-making process. It is also a requirement of the BMA as part of its Supervisory Review and Evaluation Process within the Framework for Regulatory Capital Assessment.

BCB's CARP is presented to MRC and BARC before presentation to the Board for challenge and approval and then submitted to the BMA. The BMA assesses the Bank's CARP to determine adequacy against capital standards under the Basel framework and uses this document *inter alia* to determine any required capital add-ons that inform the required regulatory minimums set by the BMA for BCB.

Responsibility for overseeing the capital risk management framework is vested with ALCO and MRC.

Capital Structure

The capital structure of the Bank comprises of Tier 1 capital which includes share capital, retained earnings, share premium, less any goodwill and intangibles. The Bank does not carry any Tier 2 capital.

Capital ratios for Tier 1 and Total Capital of BCB as at September 30, 2024 are set out below.

Table 2: Composition of regulatory capital (CC1)

		a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	38,939	(c)
2	Retained earnings	14,411	(d)
6	**Common Equity Tier 1 capital before regulatory deductions**	**53,350**	
	Common Equity Tier 1 capital regulatory adjustments		
29	**Common Equity Tier 1 capital (CET1)**	**53,350**	
	Additional Tier 1 capital: regulatory adjustments		
45	**Tier 1 capital (T1= CET1 + AT1)**	**53,350**	
58	**Tier 2 capital (T2)**	-	
59	**Total regulatory capital (TC = T1 + T2)**	**53,350**	
60	**Total risk-weighted assets**	**176,179**	
	Capital ratios and buffers		
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	30.3%	
62	**Tier 1 (as a percentage of risk-weighted assets)**	30.3%	
63	**Total capital (as a percentage of risk-weighted assets)**	30.3%	
64	**Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	2.5%	
65	**Of which: capital conservation buffer requirement**	2.5%	
68	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**	23.3%	

All amounts in '000's.

The references (c) and (d) identify balance sheet components that are used in the calculation of regulatory capital – refer to Table 3

Table 3: Reconciliation of regulatory capital to balance sheet (CC2)

	a	b	c
	Balance sheet as in unpublished financial statements	Under regulatory scope of consolidation	Reference
	30-Sep-24	30-Sep-24	
Assets			
Cash and cash equivalents	206,809	103,911	
Interest receivable	1,574	1,574	
Other assets	1,677	1,677	
Loans and advances to customers	84,824	84,824	
Financial investments	124,903	227,801	
Derivative financial instruments	8	8	
Property, equipment and computer Software	14,249	14,249	
Total assets	**434,043**	**434,043**	
Liabilities			
Deposits	371,442	371,442	
Customer drafts payable	58	58	
Derivative financial instruments	8	8	
Other liabilities	6,943	6,943	
Interest payable	3,781	3,781	
Total liabilities	**382,232**	**382,232**	
Shareholders' equity			
Capital Stock	16,808	16,808	
Of which: amount eligible for CET1	16,808	16,808	(c)
Share Premium	22,131	22,131	
Of which: amount eligible for CET1	22,131	22,131	(c)
Retained Earnings	14,411	14,411	(d)
Accumulated OCI	(1,539)	(1,539)	
Total shareholders' equity	**51,811**	**51,811**	

All amounts in '000's.
The references (c) and (d) identify balance sheet components that are used in the calculation of regulatory capital – refer to Table 2

The main differences between the carrying values under regulatory scope and as reported in the financial statement are due to HQLA maturing in the next 30 days is included within Cash & Cash Equivalents in financial statements versus under Financial Investments for regulatory scope;

Table 4: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (LI1) at September 30, 2024 are as follows:

	a	b	c	d	e	g
			Carrying values of items:			
	Carrying values as reported in unpublished financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and cash equivalents	206,809	103,911	103,911	-	-	-
Interest receivable	1,574	1,574	1,574	-	-	-
Other assets	1,677	1,677	1,677	-	-	-
Loans and advances to customers	84,824	84,824	84,824	-	-	-
Financial investments	124,903	227,801	227,801	-	105	-
Derivative financial instruments	8	8	-	8	-	-
Property, equipment and computer software	14,249	14,249	14,249	-	-	-
Total Assets	**434,043**	**434,043**	**434,035**	**8**	**105**	-
Liabilities						
Deposits	371,442	371,442	-	-	-	371,442
Customer drafts payable	58	58	-	-	-	58
Derivative financial instruments	8	8	-	-	-	8
Other liabilities	6,943	6,943	-	-	-	6,943
Interest payable	3,781	3,781	-	-	-	3,781
Total Liabilities	**382,232**	**382,232**	-	-	-	**382,232**

All amounts in '000's.

Table 5: Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2)

	a	b	c	d	e
		Items subject to:			
	Total	Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	434,043	434,035	105	8	-
Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
Total net amount under regulatory scope of consolidation	434,043	434,035	105	8	-
Off-balance sheet amounts	6,862	2,612			8
Exposure amounts considered for regulatory purposes	**440,905**	**436,647**	**105**	**8**	**8**

All amounts in '000's

Risk Weighted Assets ("RWAs")

RWAs are a risk-based measure of exposures used in assessing overall capital usage of the Bank. When applied against eligible regulatory capital, the Bank's overall capital adequacy is determined. RWAs are calculated in accordance with BMA Prudential Standards. The Bank's total RWAs as at September 30, 2024 are set out below.

Table 6: Overview of Risk Weighted Assets (OV1)

		a	b	c
		RWA		Minimum capital requirements
		30-Sep-24	30-Jun-24	30-Sep-24
1	**Credit risk (excluding counterparty credit risk)**	**149,941**	**165,266**	**11,995**
2	Of which: standardised approach (SA)	149,941	165,266	11,995
6	**Counterparty credit risk (CCR)**	**8**	**58**	**1**
7	Of which: standardised approach for counterparty credit risk	8	58	1
16	**Securitisation exposures in the banking book**	**368**	**357**	**29**
19	Of which: securitisation standardised approach (SEC-SA)	368	357	29
20	**Market risk**	**463**	**1,105**	**37**
21	Of which: standardised approach (SA)	463	1,105	37
24	**Operational risk**	**25,400**	**25,400**	**2,032**
27	**Total**	**176,179**	**192,186**	**14,094**

All amounts in '000's

Leverage Ratio

The Basel III framework introduced the leverage ratio as a non-risk based measure to supplement the risk based capital requirements. The below table provides a reconciliation of the accounting assets and the leverage denominator.

Table 7: Summary comparison of accounting assets vs. leverage ratio exposure (LR1)

		30-Sep-24
1	Total consolidated assets as per financial statements	434,043
4	Adjustments for derivative financial instruments	8
6	Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	2,612
8	**Leverage ratio exposure measure**	**436,663**

All amounts in '000's

Table 8: Leverage ratio common disclosure template (LR2)

		a	b
		30-Sep-24	30-Jun-24
	On-balance sheet exposures		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	434,043	446,237
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**434,043**	**446,237**
	Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	8	58
5	Add-on amounts for PFE associated with *all* derivatives transactions	0	0
11	**Total derivative exposures**	**8**	**58**
	Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	6,862	5,927
18	(Adjustments for conversion to credit equivalent amounts)	(4,250)	(3,515)
19	**Off-balance sheet items**	**2,612**	**2,412**
	Capital and total exposures		
20	**Tier 1 capital**	53,350	55,767
21	**Total exposures**	436,663	448,707
	Leverage ratio		
22	**Basel III leverage ratio**	12.2%	12.4%

All amounts in '000's

Credit Risk

Overview

Credit risk refers to the risk of financial loss that the Bank faces should a customer or counterparty fail to meet an obligation under a contract, usually payment related. For BCB, credit risk mainly arises through deposits with other banks, financial investments and lending facilities extended to retail and corporate customers.

Credit Risk Management

Independent oversight of credit risk is provided by the Risk department, headed by the CRO, who holds overall responsibility for the management of credit policy and processes. The Bank's credit risk management framework is underpinned by a thorough rules and standards prescribed in a comprehensive Credit Manual, under which various procedures and processes deliver sound lending practices. These are continuously updated and enhanced to ensure the management of credit risk is aligned to evolving strategic dynamics, local regulations and/or international banking and lending standards. The Bank consistently conforms to all statutory, regulatory, policy and prudential requirements in maintaining an adequately controlled credit risk environment which includes:

- Clear definition on the Bank's appetite for assuming credit risk in line with its stated strategy. This is provided within the RAS which defines all risk capacity, tolerance and appetite permissible under the Bank's ERMF;
- Effective segregation between first line owners of credit risk and the second line function;
- Well defined criteria for approving new exposures and renewing existing limits and establishing appropriate levels of authority for approving exposures, reflective of their size and complexity. Credit approval authorities for loans are specified under the Bank's Delegation of Authority Policy and Credit Manual which limits such authority to the Credit Manager, CRO and the CEO with exposures in excess of their specified individual limits requiring the authorization of the Bank's Credit Committee ("CC" - a sub-committee of MRC), MRC or BARC.
- The CRO has responsibility for the Bank's Compliance function and is a member of CC ensuring credit and compliance risks are aligned in assessing the overall profile of any borrower;
- Effective administration processes and reporting systems to ensure ongoing awareness and oversight of credit risk metrics, including management of exceptions, delinquencies and indicators of credit risk profile deterioration; and
- Policies that ensure that the Bank's credit decisions are free of conflicts of interest, commercially prudent, and that the terms and conditions attached to any lending, and in particular Related Party transactions, are conducted at a fully arm's length basis.

The Bank's Treasury department manages counterparty bank relationships within the provisions of the ALM Policy. The size of bank deposit limits is controlled by both the Bank's internal risk policies and by the Large Exposure limits stipulated by the BMA. All counterparty banks must be approved by ALCO and be supported by the CRO. The maximum amount that may be deposited with any single bank or money market fund is governed by a number of controlling variables within the Bank's ALM Policy including, *inter alia*, the external credit ratings for that bank. Counterparty banks with a rating lower than single-A are not used to place deposits. These limits are reviewed periodically and are adjusted as the capital of the Bank changes or if the rating of a counterparty bank falls below the single-A level.

All lending exposures are risk rated during the process of approval in accordance with an approved risk ratings schedule. In accordance with policy, all credit exposures shall be subject to periodic reviews, at minimum annually, and upon each review the risk ratings are reviewed and updated.

Credit risk arising from the Bank's corporate fixed income investment portfolio is controlled through an approved Investment Advisor Mandate which sets limits at a portfolio and individual security level. These limits prescribe the requirements for any new bond purchases recommended by the Bank's third-party investment advisor and are aligned to the Bank's risk appetite. The ultimate decision to purchase or sell a bond rests with the Bank. Ongoing

management of the credit risk within the investment book is undertaken by, the CFO and CRO, supported by the investment advisor, with oversight provided through ALCO.

Credit Risk Concentrations

Credit concentration risk arises as a result of credit portfolio having a skewed distribution of exposures across different segments. The segments may consist of certain industries, geographical regions or correspond to individual counterparties. Problems with financial soundness of any of these segments has the potential to produce losses large enough (relative to a bank's capital, total assets, or overall risk level) to threaten a bank's health or ability to maintain its core operations.

The Bank's internal policies are designed to create a well-diversified and controlled balance sheet by limiting investments or placement by counterparty, currency, geography and industry. The Bank remains compliant with the Large Exposure limits imposed by the BMA.

Credit Risk Exposures

The table below details the BCB consolidated regulatory credit risk exposures as at September 30, 2024 based upon the BMA Revised Framework for Regulatory Capital Assessment guidance.

Table 9: Credit quality of assets (CR1)

		a	b	c	d	e	f	g
		Carrying values of		Allowances/ impairments	Of which ECL accounting provisions for credit losses on SA exposures		Of which ECL accounting provisions for credit losses on IRB exposures	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category or Specific	Allocated in regulatory category or General		
1	Loans	-	84,933	(110)	(110)	-	-	84,824
2	Debt securities	3	227,797	-	-	-	-	227,800
3	Other assets	-	2,226	(549)	(549)	-	-	1,677
4	Off-balance sheet exposures	-	6,862	-	-	-	-	6,862
5	**Total**	**3**	**321,818**	**(659)**	**(659)**	**-**	**-**	**321,163**

All amounts in '000's

In line with IFRS 9, debt securities as of September 30, 2024 include investments measured at Fair Value through Other Comprehensive Income ("FVOCI") and Fair Value through Profit or Loss ("FVTPL"). FVTPL securities are exempt from IFRS 9 impairment requirements as those positions are measured at mark-to-market value ("MTM") by recognizing the MTM movements directly in the Bank's Consolidated Income Statement. Further, since the debt securities as of September 30, 2024 are presented at fair value in line with IFRS 9 and IFRS 13, the impairment allowance applicable to debt securities are presented separately as part of the Accumulated Other Comprehensive Income ("OCI"). Therefore, unlike for loans, the impairment allowances are not deducted from the gross value of investments.

A loan is categorized as defaulted for ECL purposes if the:

- Asset/Loan is more than 90 days past due; or
- Asset/Loan presents a risk of not being paid back in full (regardless of the outstanding amount and past due days) due to significant credit impaired incidents noted by the bank.

For debt instruments in the investment portfolio, securities that failed to make principal payments are considered as defaulted.

Table 10: Breakdown by Geographical Area (CRB)

Asset classes	North & South America	Europe	Asia & Middle East	Other	Total
Cash and cash equivalents	170,833	35,976	-	-	206,809
Interest receivable	1,388	186	-	-	1,574
Other assets	1,677	-	-	-	1,677
Loans and advances to customers	84,824	-	-	-	84,824
Financial investments	108,085	16,815	3	-	124,903
Derivative financial instruments	8	-	-	-	8
Property, equipment and computer Software	14,249	-	-	-	14,249
Total	**381,063**	**52,977**	**3**	**-**	**434,043**

All amounts in '000's

Table 11: Breakdown by Industry (CRB)

Asset classes	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials
Cash and cash equivalents	-	-	-	206,809	-	-
Interest receivable	12	90	242	257	328	136
Other assets	-	-	-	-	-	-
Loans and advances to customers	-	-	-	10,493	-	7,619
Financial investments	2,869	12,586	17,889	25,884	22,158	10,999
Derivative financial instruments	-	-	-	8	-	-
Property, equipment and computer Software	-	-	-	-	-	-
Total	**2,881**	**12,676**	**18,131**	**243,451**	**22,485**	**18,753**

Asset classes	Communication Services	Information Technology	Materials	Other	Retail	Utilities	Total
Cash and cash equivalents	-	-	-	-	-	-	**206,809**
Interest receivable	252	66	35	37	114	6	**1,574**
Other assets	-	-	-	1,677	-	-	**1,677**
Loans and advances to customers	-	-	-	8,506	58,206	-	**84,824**
Financial investments	18,028	8,192	3,296	-	-	3,004	**124,903**
Derivative financial instruments	-	-	-	-	-	-	**8**
Property, equipment and computer Software	-	-	-	14,249	-	-	**14,249**
Total	**18,279**	**8,258**	**3,331**	**24,469**	**58,319**	**3,009**	**434,043**

All amounts in '000's

Table 12: Breakdown by Residual Maturity (CRB)

Asset classes	Within 1 Month	1-3 Months	3-12 Months	1 - 5 Years	Over 5 Years	ECL	Total
Cash and cash equivalents	153,577	53,232	-	-	-	-	**206,809**
Interest receivable	394	764	323	37	56	-	**1,574**
Other assets	1,573	319	334	-	-	(549)	**1,677**
Loans and advances to customers	674	3,796	7,500	14,298	58,665	(110)	**84,824**
Financial investments	3	8,283	23,766	90,380	2,470	-	**124,903**
Derivative financial instruments	8	-	-	-	-	-	**8**
Property, equipment and computer software	-	-	-	91	14,158	-	**14,249**
Total	**156,228**	**66,395**	**31,923**	**104,806**	**75,350**	**(659)**	**434,043**

All amounts in '000's

Table 13: Credit impaired exposures by Geographic areas (Stage 3 investment positions) (CRB)

	North & South America	Europe	Asia & Middle East	Other	Total
Gross Carrying amount	-	0	3	-	**3**
ECL allowances	-	-	-	-	**-**
Write-offs in year	-	-	-	-	**-**

All amounts in '000's

Table 14: Credit impaired exposures by Industry (Stage 3 investment positions) (CRB)

	Energy	Information Technology	Total
Gross Carrying amount	3	1	**3**
ECL allowances	-	-	**-**
Write-offs in year	-	-	**-**

All amounts in '000's

Table 15: Age analysis of past due exposures (CRB)

Past due age analysis:	0-30 days	30-60 days	60-90 days	>90 days	Total
Loans	-	-	-	-	-
Debt securities	-	-	-	3	3
Total	**-**	**-**	**-**	**3**	**3**

All amounts in '000's

The table below presents the mapping between the primary external credit assessment institutions ("ECAI") used by the Bank and the credit quality steps assigned to determine the risk-weightings to calculate the credit risk requirement for respective rated counterparties. Where no external rating is available the exposures are assigned risk weightings as prescribed in the BMA's regulatory guidance.

Table 16: ECAI Mapping (CRD)

Credit quality step	S&P assessment	Moody's assessment	Fitch's assessment
Step 1	AAA to AA-	Aaa to Aa3	AAA to AA-
Step 2	A+ to A-	A1 to A3	A+ to A-
Step 3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
Step 4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
Step 5	B+ to B-	B1 to B3	B+ to B-
Step 6	CCC+ and below	Caa1 and below	CCC+ and below
Step 7	NR	NR	NR

The following tables present the standardised portfolio exposure asset classes assigned to the respective credit quality steps:

Table 17: Sovereign Exposure Mapping (CRD)

Credit quality step	Risk weighting %	Exposure value
1	0%	115,146
2	20%	6,114
3	50%	-
4,5&7	100%	-
6	150%	-
Total		**121,260**

All amounts in '000's

Table18: Corporate Exposure Mapping (CRD)

Credit quality step	Risk weighting %	Exposure value
1	20%	36,647
2	50%	32,530
3,4&7	100%	58,296
5&6	150%	0
Total		**127,473**

All amounts in '000's

Table 19: Banks & Securities Firms Exposure Mapping (CRD)

Credit quality step	Risk weighting %	Exposure value
1	20%	46,822
2	20% - 50%	56,015
3&7	20% - 50%	405
4&5	50% - 100%	0
6	150%	-
Total		**103,242**

All amounts in '000's

Table 20: Securitisations Exposure Mapping (CRD)

Credit quality step	Risk weighting %	Exposure value
1	20%	-
2	50%	-
3&7	100%	-
4	350%	105
Total		**105**

All amounts in '000's

Impairment of Financial Assets

The impairment of financial assets is estimated in accordance with IFRS 9 – *Financial Instruments*. IFRS 9 uses a forward-looking approach to recognize expected credit losses ("ECL") for all debt-type financial assets that are not measured at fair value through profit or loss ("FVTPL"). ECL allowances applicable to financial assets measured at amortized cost ("AC") are deducted from the gross carrying value of the respective financial asset while the ECL allowances applicable to financial assets measured at fair value through other comprehensive income ("FVOCI") are recognized in Accumulated OCI. The movements in ECL allowances are recognized in the Consolidated Statement of Income.

ECL allowances are a probability-weighted estimate of credit losses that are expected to arise over the life of the asset (lifetime expected credit loss), unless there has been no 'significant increase in credit risk' since origination' (12 month expected credit loss). Accordingly, an assessment is performed at the end of each quarter to evaluate whether a financial instrument's credit risk has increased significantly since its initial recognition.

Financial assets (including undrawn loan commitments) are categorized into the following groups based on the above assessment:

- Stage 1 includes debt instruments where there has not been any significant increase in credit risk since initial recognition. For financial instruments under stage 1, an allowance is required for ECLs resulting from default events that are possible within the next 12 months from the reporting date (i.e. 12 Months ECL).

- Stage 2 includes debt instruments where there has been a significant increase in credit risk since initial recognition on an individual or collective basis. For instruments under stage 2, an allowance is required for ECLs resulting from all possible default events over the expected life of the instrument (i.e. Lifetime ECL).

- Stage 3 includes debt instruments that are credit-impaired due to objective evidence of impairment. For instruments under Stage 3, an allowance is required to reduce the carrying value of the asset to its recoverable value.

Originated credit impaired assets (if any) are financial assets that are credit impaired on initial recognition. These are recorded at fair value at initial recognition and interest income is subsequently recognized based on a credit-adjusted effective interest rate ("EIR"). ECLs are only released following a recorded improvement in risk profile and/or subject to successful completion of a defined cure period if predicated on any distressed restructure and subject to formal approval. BCB currently does not hold Originated credit impaired assets.

The ECL allowance is an estimate and may vary from actual losses. This is because the provisioning under IFRS 9 is subject to various forward-looking assumptions such as the probability of default (PD), exposure at default (EAD) and loss given default (LGD). Due to the volatility, the inputs and the assumptions are continuously reviewed as new information is available, and the impact to the income statement and retained earnings are quantified as required by IFRS.

Recognition of Interest Income from Debt Instruments

Interest income is recognized for all interest bearing instruments, on the accrual basis, using the effective interest rate method. Interest income from financial assets that are classified as Stage 3 for ECL purposes, is calculated by applying the effective interest rate to the net carrying value of the asset, which is the gross carrying amount less the applicable provision for ECL.

Difference in accounting and regulatory treatment

A financial asset is treated as "past due" when a counterparty has failed to make a payment when contractually due. However, the past due period is one of the several parameters considered in assessing whether there is a significant increase in credit risk to warrant an ECL allowance under IFRS 9. Therefore, an accounting provision may be required even when the financial asset is not past due. In contrast, under regulatory rules, a financial asset is treated as past due when the payment is ninety days past the contractual due date.

Table 21: Changes in stock of defaulted loans and debt securities (CR2)

		30-Sep-24
1	**Defaulted loans and debt securities at the end of the previous reporting period**	**2**
2	Loans and debt securities that have defaulted since the last reporting period	-
3	Returned to non-default status	-
4	Amounts written off	-
5	Other changes	1
6	**Defaulted loans and debt securities at the end of the reporting period**	**3**

All amounts in '000's

Troubled Debt Restructure

A Troubled Debt Restructure ("TDR") occurs when the Bank grants a concession due to economic or legal reasons related to the financial position of a credit facility under the following conditions:

- The debtor must be experiencing financial difficulties;
- The creditor must grant a concession in consequence of the debtor's financial difficulties.

A TDR may be either performing or non-performing at the time of restructure. TDR situations present the Bank with extraordinarily cumbersome obligations and costs, both expense and capital, and are instituted only as a final alternative and apply the basic tenets for Non-Performing Loans.

Reflective of the Bank's underwriting standards and portfolio quality no lending facilities required restructuring during the period.

Credit Risk Mitigation

The following table reports the split between the Bank's secured and unsecured exposures as at September 30, 2024.

Table 22: Credit risk mitigation techniques - overview (CR3)

		a	b	c	d	e	f	g
		Exposures unsecured	Exposures secured by					
		carrying amount	Collateral	Collateral of which: secured amount	Financial guarantees	Financial guarantees, of which: secured amount	Credit derivatives	Credit derivatives, of which: secured amount
1	Loans	2,691	82,132	82,132	-	-	-	-
2	Debt securities	227,544	256	256	-	-	-	-
3	**Total**	**230,236**	**82,388**	**82,388**	-	-	-	-
4	Of which defaulted	1	3	3	-	-	-	-

All amounts in '000's

The majority of the Bank's lending is secured as a secondary source of repayment of the debt if the borrower defaults. For residential property loans, the Bank takes a mortgage over the respective property supported by appropriate valuations using a panel of independent, qualified valuers. Throughout the outstanding term of all exposures secured by real estate property, valuations on the properties are periodically updated to ensure appropriate coverage is maintained. The Bank requires that suitable insurance coverage is maintained through third party insurers to cover property risks with the Bank's interest noted.

Where appropriate the Bank uses a range of cash or alternative forms of acceptable collateral to collateralize lending exposures. The type and extent of security to be taken is determined through the credit underwriting analysis in line with credit policies and prudent credit risk management guidance which imposes conservative coverage covenants to mitigate credit risks on exposures. In addition to residential and commercial real estate mortgages and cash, the types of collateral the Bank may also take as security include pledges investment securities portfolios, legal charges over operating and fixed assets, assignments, debentures and guarantees.

Facility documentation is based on standardized templates approved by the Bank's legal department. The legal department also reviews all such standardized facility letters before they are issued. For more complex or substantial exposures, approved independent external legal counsel may be engaged to prepare documentation, assisted by the Bank's legal department.

Standardised Approach

Table 23: Standardised approach - credit risk exposure and Credit Risk Mitigation ("CRM") effects (CR4)

	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
Cash	710	-	710	-	6	0.8%
Claims on Sovereigns and MDBs	121,260	-	121,260	-	1,223	1.0%
Claims on Corporates	127,473	-	127,473	-	81,890	64.2%
Claims on Banks and Securities Firms	103,242	-	103,242	-	20,648	20.0%
Securitisations	105	-	105	-	368	350.0%
Retail Loans	289	-	289	-	217	75.0%
Residential Mortgages	58,031	-	58,031	-	20,912	36.0%
Commercial Mortgages	7,001	-	7,001	-	7,001	100.0%
Other Balance Sheet Exposures	15,932	-	15,932	-	15,932	100.0%
Non-market Related Off Balance Sheet Credit Exposures	-	6,862	-	2,612	2,112	80.9%
Market-Related Off-Balance Sheet Credit Exposures	-	0	-	8	8	100.0%
Total	**434,043**	**6,862**	**434,043**	**2,620**	**150,316**	**34.4%**

All amounts in '000's

Table 24: Standardised approach - exposures by asset classes and risk weights (CR5)

	a	c	d	e	f	g	i	j
Risk Weight / Asset classes	0%	20%	35%	50%	75%	100%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Cash	681	29	-	-	-	-		**710**
2	Claims on Sovereigns and MDBs	115,146	6,114	-	-	-	-		**121,260**
3	Claims on Corporates	-	36,647	-	32,530	-	58,296		**127,473**
4	Claims on Banks and Securities Firms	-	103,242	-	0	-	0		**103,242**
5	Securitisations	-	-	-	-	-	0	105	**105**
6	Retail Loans	-	-	-	-	289	-		**289**
7	Residential Mortgages	-	-	56,529	-	1,502	-		**58,031**
8	Commerial Mortgages	-	-	-	-	-	7,001		**7,001**
9	Other Balance Sheet Exposures	-	-	-	-	-	15,932		**15,932**
10	Non-market Related Off Balance Sheet Credit Exposures	-	-	-	-	2,000	612		**2,612**
11	Market-Related Off-Balance Sheet Credit Exposures	-	-	-	-	-	8		**8**
12	**Total**	**115,827**	**146,032**	**56,529**	**32,530**	**3,791**	**81,849**	**105**	**436,663**

All amounts in '000's

Counterparty Credit Risk

The Bank may use derivative instruments to hedge its exposure to market risk, for example foreign exchange and interest rate risk. Counterparty Credit Risk ("CCR") is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default. Unlike exposure to credit risk through a loan, where the exposure to credit risk is unilateral and only the lending bank faces the risk of loss, CCR creates a bilateral risk of loss whereby the market value for many different types of transactions can be positive or negative to either counterparty. The market value is uncertain and can vary over time with the movement of underlying market factors.

The Bank uses the mark to market or current exposure method approach to calculate exposure values for CCR. Under this approach the Exposure at Default ("EAD") is calculated as current exposure plus regulatory add-ons to determine RWAs.

BCB policy requires that all approved bank counterparties must:

- Have a tier one capital ratio greater than 10.0%.
- Have at least one long-term credit rating of A3/A-/A- (issued by Moody's, Standard & Poor's or Fitch), and be rated by the other two agencies at no less than BBB-.

The above criteria apply to all correspondent banks and FX counterparty banks, except the domestic Bermuda banks where nostro account balance limits can be approved by ALCO outside of the above criteria to allow for a smooth flow of payments to and from BCB across the local payments clearing system.

The BCB policy on broker dealers requires that all transactions are conducted on a delivery versus payment ("DvP") basis which ensures that delivery of securities is only made when or before payment has been received, thereby removing any settlement risk failure.

Derivative transactions are established with BCB's banking counterparties and governed by way of ISDA ("International Swaps and Derivatives Association") agreements, and supported by Credit Support Annex ("CSA") documents, which detail the collateral required to support exposure with a counterparty. The ISDA agreements provide for the settlement netting of payment obligations arising under all of the derivative contracts covered by the agreement.

Through its subsidiary, BCB Asset Management Limited, the Bank is a Listing Sponsor and Trading Member of the Bermuda Stock Exchange ("BSX"). BSX is an exchange that acts as a central clearing counterparty ("CCP") for Bermudian securities. BCB undertakes execution-only transactions through the BSX for a limited number of customers all on a DvP basis. BCB has no current listing sponsorships in place.

A "wrong-way risk" may occur when exposure to a counterparty is negatively correlated with the credit quality of that counterparty. Hence, there is a tendency for the exposure to increase as the creditworthiness decreases. This risk is considered as part of the approval process for any CCR exposure which takes into account eligible collateral to minimize the exposure.

The Bank uses an international securities custodian for the Bank's own investment holdings as well as securities held by the Bank in a fiduciary capacity for clients. Although no direct CCR is taken, the Bank undertakes prudential reviews of the securities custodian relationship on a periodic basis in line with relevant Policies.

Table 25: Analysis of CCR exposure by approach (CCR1)

		a	b	c	d	e	f
		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	8	0		1	8	8
6	**Total**						**8**

All amounts in '000's

Table 26: Standardised approach – CCR exposures by regulatory portfolio and risk weights (CCR3)

	a	b	c	d	e	f	g	h	i
Risk Weight / Asset classes	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns									0
Non-central government public sector entities (PSEs)									0
Multilateral development banks (MDBs)									0
Banks and Securities firms			8						8
Corporates									0
Regulatory retail portfolios									0
Other assets									0
Total			**8**						8

All amounts in '000's

Table 27: Composition of collateral for CCR exposure (CCR5)

	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	-	-
Cash - other currencies	-	-	5,423	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	**5,423**	-	-	-

All amounts in '000's

Table 28: Credit derivative exposures (CCR6)

	a	b
	Protection bought	Protection sold
Notionals	-	-
Warrants	-	-
Total notionals	-	-
Fair values	-	-
Positive fair value (asset)	-	-
Negative fair value (liability)	-	-

All amounts in '000's

Securitisation

Table 29: Securitisation exposures in the banking book (SEC1)

		i	j	k
		Bank acts as investor		
		Traditional	Synthetic	Sub-total
1	**Retail (total) - of which**	**105**	**-**	**105**
2	residential mortgage	105	-	105

All amounts in '000's

Table 30: Securitisation exposures in the banking book and associated capital requirements - bank acting as investor (SEC4)

		a	b	c	d	h	l	p
		Exposure values (by RW bands)				Exposure values (by regulatory approach)	RWA (by regulatory approach)	Capital charge after cap
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	SA/SSFA	SA/SSFA	SA/SSFA
1	**Total exposures**	**0**	**0**	**0**	**105**	**105**	**368**	**29**
2	Traditional securitisation	0	0	0	105	105	368	29
3	Of which securitisation	0	0	0	105	105	368	29
4	Of which retail underlying	0	0	0	105	105	368	29

All amounts in '000's

The above table represents the aggregate amount of the Bank's securitisation holdings as at September 30, 2024 categorised by risk weighting.

Market Risk

Overview

The risk of loss arising from potential adverse changes in the value of BCB's assets and liabilities from a fluctuation in market variables. ALCO is responsible for oversight of market risk to optimise return within the approved risk appetite. The primary market risks that BCB faces are interest rate risk (which includes credit spread risk) and foreign exchange risk.

Foreign Exchange Risk

Table 31: Market risk under the Standardised Approach ("SA") (MR1)

		a
		Capital charge in SA
4	Foreign exchange risk	463
12	**Total**	**463**

All amounts in '000's

The Bank holds assets in currencies other than US dollars (USD)/Bermuda dollars (BMD) and hence has exposure to adverse changes in foreign exchange rates. The Bank manages its exposure to foreign exchange rate risk through the management of its net non-USD/BMD exposures to levels prescribed by ALCO via the utilisation of appropriate hedging instruments, master netting agreements, and other techniques.

Interest Rate Risk

In April 2016, the Basel Committee on Banking Supervision issued standards for Interest Rate Risk in the Banking Book ("IRRBB"). Those principles set out supervisory expectations for banks' identification, measurement, monitoring, and control of IRRBB, as well as supervision of this risk. The IRRBB was adopted by the Bank on January 2018 to manage its interest rate risk exposure.

Table 32: Quantitative information on IRRBB (IRRBB1)

In reporting currency	ΔEVE		ΔNII	
Period	30-Sep-24	30-Jun-24	30-Sep-24	30-Jun-24
Parallel up	(2,344)	(4,862)	2,427	433
Parallel Down	2,344	4,862	(2,427)	(433)
Steepener	(204)	1,049		
Flattener	(291)	(45)		
Short rate up	833	(216)		
Short rate down	(834)	73		
Maximum	**(2,344)**	**(4,862)**	**2,427**	**433**
Period	**30-Sep-24**		**30-Jun-24**	
Tier 1 capital	**53,350**		**55,767**	

All amounts in '000's

IRRBB is the exposure to movements in interest rates. Such risk occurs from a mismatch of interest rate exposures tied to the Bank's assets and liabilities and is a normal part of banking and an important contributor to earnings. The Bank implemented an internal model to monitor IRRBB and report the impact to the ALCO on a monthly basis. Adverse movements in interest rates can result in a reduction in the Bank's Economic Value of Equity ("EVE") and Net Interest Income ("NII"). Changes in interest rates affect earnings through NII variations and also affect the underlying values of assets, liabilities and off-balance sheet instruments, and thereby the Bank's EVE, given that the present value of future cash flows changes as interest rates shift. The Bank discloses the impact of interest rate shocks on its Changes in Economic Value of Equity ("ΔEVE") and Net Interest Income ("ΔNII"), computed based upon

the six minimum interest rate shock scenarios applied by the Bank as prescribed in the Basel guidance which are: Parallel Up, Parallel Down, Steepener, Flattener, Short Rate Up and Short Rate Down. Key assumptions and stress scenarios used to compute the IRRBB are approved by the ALCO.

Like many banks, BCB is exposed to IRRBB through its exposure to fixed income securities, loans, other assets sensitive to interest rate movements, and customer deposits. A material impact of IRRBB comes through the Bank's exposure to a diversified portfolio of fixed income securities including HQLA. Duration is a measure of the price sensitivity of a fixed income security to changes in interest rate. The Bank manages the duration of its fixed income securities to mitigate the adverse impact of IRRBB.

For IRRBB, the Bank applies the following assumptions:

- The loan portfolio comprises a small portion of the overall assets of the Bank. As such, loan prepayment rates have not been included as the impact was deemed to be immaterial to the EVE;
- The majority of the Bank's currency exposure is in BMD and USD. Accordingly, all currencies have been aggregated and the US Treasury yield curve has been applied across all currencies, and;
- The modified duration of the investment portfolio is assumed to be the repricing impact for the parallel interest rate shock down.

Liquidity & Funding Risk

Overview

Liquidity and Funding Risk is the risk that the Bank does not have sufficient financial resources to meet its financial obligations as they fall due or can only do so at excessive cost. Liquidity Risk arises from mismatches in the timing of cashflows. Funding Risk arises where the liquidity needed to fund illiquid asset positions cannot be obtained at the expected terms and when required

The objective of the BCB's liquidity risk management framework is to ensure that the Bank maintains a core liquidity position that can meet its cash flow requirements on a timely and cost-effective basis. The Bank manages its liquidity risk through cash and liquidity management techniques that maximise its liquidity, and through controls on the percentage of its balance sheet that can be converted to cash within specific short-term bands. The Bank maintains prudent levels of liquid assets in the form of cash and HQLA which are managed in parallel with the Bank's liability profile.

The Bank maintains significant liquidity thresholds in its balance sheet in the form of cash or near cash, other HQLA and assets within its investment portfolio. This high level of readily liquid assets factors into the Bank's contingency liquidity plan which is designed to provide a liquidity waterfall to allow the Bank to meet its cash obligations without relying on external funding support during periods of stress.

The Bank has an Asset & Liability Management Policy which defines the objectives for managing liquidity risk, sets conditions for the calculation of the minimum size of the liquidity buffer and the funding needed to support an adequate liquidity buffer. Ongoing monitoring and implementation of the liquidity policy is the responsibility of ALCO and with responsibility for the daily monitoring and management assigned to the Treasury Department. The Treasury Department prepares liquidity reports and monitors stress testing results through ALCO on a monthly basis.

As part of its asset and liability management activities, the Bank produces a maturity funding ladder of relevant assets and liabilities into time buckets corresponding to their economic maturities. The matrix is compiled on an aggregated currency basis. Assets and liabilities from the deposit and mortgage book that show a history of being renewed or prolonged are assigned to time buckets reflecting their expected extension.

The maturity ladder identifies the excess, or the shortfall, of assets over liabilities in each time bucket, facilitating the management of open liquidity exposures. The maturity ladder together with the liquidity planning process, which forecasts the funding supply and demand across business units, provides the key input parameters for the Bank's liquidity planning.

Liquidity Coverage Ratio ("LCR")

The LCR metric is designed to measure the short-term resilience of a bank's liquidity profile ensuring the Bank has sufficient unencumbered HQLA that can be converted into cash easily and immediately in private markets to meet its liquidity needs for a 30 calendar day liquidity stress scenario. The BMA requires Bermuda banks to maintain a minimum LCR of 100% effective from January 1, 2019.

Table 33: Liquidity Coverage Ratio ("LCR") (LIQ1)

		a	b
		Total unweighted value (average)	Total weighted value (average)
	High-quality liquid assets		
1	Total HQLA		**166,485**
	Cash outflows		
2	**Retail deposits and deposits from small business customers, of which:**	**33,912**	**15,758**
4	Less stable deposits	33,912	15,758
5	**Unsecured wholesale funding, of which:**	**155,442**	**95,634**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	49,339	12,335
7	Non-operational deposits (all counterparties)	106,103	83,299
9	**Secured wholesale funding**		**0**
10	**Additional requirements, of which:**	**11,713**	**10,210**
11	Outflows related to derivative exposures and other collateral requirements	6,536	6,536
13	Credit and liquidity facilities	4,680	3,177
15	**Other contingent funding obligations**	497	497
16	**TOTAL CASH OUTFLOWS**		**121,602**
	Cash inflows		
18	**Inflows from fully performing exposures**	116,863	92,258
19	**Other cash inflows**	487	487
20	**TOTAL CASH INFLOWS**	**117,350**	**92,745**
			Total adjusted value
21	**Total HQLA**		**166,485**
22	**Total net cash outflows**		**30,400**
23	**Liquidity coverage ratio (%)**		**548%**

All amounts in '000's.

Note: average values were calculated using the simple average of the last six month-end balances reported.

Net Stable Funding Ratio ("NSFR")

NSFR is defined as the ratio between the amount of available stable funding and the amount of required stable funding. The BMA requires Bermuda banks to maintain a minimum NSFR of 100% from January 1, 2018 onwards.

Table 34: Net Stable Funding Ratio ("NSFR") (LIQ2)

		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:	53,350	-	-	-	53,350
2	*Regulatory capital*	53,350	-	-	-	53,350
4	Retail deposits and deposits from small business customers:	-	131,314	47,030	32,917	193,427
6	*Less stable deposits*	-	131,314	47,030	32,917	193,427
7	Wholesale funding:	-	155,897	3,805	479	51,001
8	*Operational deposits*	-	49,924	-	-	24,962
9	*Other wholesale funding*	-	105,973	3,805	479	26,039
12	NSFR derivative liabilities	-	-	-	8	0
13	*All other liabilities and equity not included in the above categories*	-	9,562	769	-1,088	-704
14	**Total ASF**					**297,074**
	Required stable funding (RSF) item					
15	Total NSFR high-quality liquid assets (HQLA)					38,689
16	Deposits held at other financial institutions for operational purposes	-	22,580	-	-	22,580
17	Performing loans and securities:	-	85,819	10,094	84,535	80,891
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	81,484	7,493	6,000	21,969
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:*	-	1,044	-	10,781	9,686
22	*Performing residential mortgages, of which:*	-	-	-	56,505	36,728
23	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	-	-	-	56,505	36,728
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	3,291	2,601	11,249	12,508
26	Other assets:	-	3,162	2	14,345	17,509
29	*NSFR derivative assets*				8	8
31	*All other assets not included in the above categories*	-	3,154	2	14,345	17,501
32	Off-balance sheet items		-	-	6,862	153
33	***Total RSF***					**159,822**
34	***Net Stable Funding Ratio (%)***					**186%**

All amounts in '000's

* Items reported in the "no maturity" time bucket do not have a stated maturity and only includes CET1 capital.

Operational Risk

Overview

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Bank is exposed to operational risk as a direct or indirect consequence of its normal business activities, as arising in the day to day execution of business processes, the functioning of the IT environment and in the various activities performed by its staff, contractors and vendors. Operational risk is relevant to every aspect of the Bank and covers a wide range of issues including financial crime compliance, regulatory compliance, cyber, privacy, vendor, fraud, technology and conduct risks.

Operational Risk Management Framework

The monitoring and control of BCB's operational risks are underpinned by an ORMF, a core component of which is the RCSA process. All operational risks are captured within an RCSA where they are assessed by management in accordance with their likelihood and impact, to derive an inherent risk rating. 'Inherent' is defined as the status of the risk prior to the application of controls specifically designed to mitigate the risk.

The effectiveness of controls is then considered as an input to a residual risk rating. Both risk ratings are considered in order to prioritise the risk and mitigation activities required. Each risk is assigned a Risk Owner so that there is adequate accountability to assist with ensuring appropriate action. Monitoring is performed and reported to the MRC and BARC regularly. Risks are assessed, and control activities and policies and procedures are used to help ensure that a selected risk response is carried out properly and in a timely manner. These control activities range from high-level corporate policies to process-specific procedures.

BCB uses a variety of other types of control activities to ensure that proper risk responses are implemented, for example approvals of transactions, account balance reconciliations, verifications, segregation of duties, physical controls, security management control and information processing controls. Often, combinations of control activities are implemented. Risks are prioritised according to their inherent risk ratings, in order to identify the key controls that the business places highest reliance on. The controls against inherently high rated risks may be subject to second line testing in order to provide management with assurance that the business is adequately protected. Once the controls have been considered, risks are assessed on a residual basis as well. Where residual risk is assessed to be in breach of risk appetite, additional controls may be deployed which are sufficient to protect the business.

The effective management of ORMF is the responsibility of the MRC (assisted by the ORRC), which reports to the BARC. The MRC meets on a monthly basis to review and discuss the material risks, and operation of controls. MRC also has oversight over the incident management process, ensuring that incidents which do occur are reported and managed to conclusion.

Operational Risk Losses

Data on operational losses and any significant control failures are captured through the Bank's Risk Incident Reporting process. All events are reported to MRC with High Risk incidents reported to BARC, each of which assess the adequacy of corrective actions taken by Management and mitigants deployed to prevent recurrence. MRC, BARC and the Board receive regular reporting on performance against Board approved risk appetite metrics.

Other Information

Abbreviations:

The following abbreviated terms are used throughout the document:

ALCO	Asset and Liability Committee
ALM	Asset and Liability Management
ASF	Available Stable Funding
AT1	Additional Tier 1 Capital
BARC	Board Audit and Risk Committee
BCB or the Bank	Bermuda Commercial Bank Limited
BDCA	Banks and Deposit Companies Act 1999
BMA or Authority	Bermuda Monetary Authority
BSX	Bermuda Stock Exchange
CARP	Capital Adequacy and Risk Profile
CC	Credit Committee
CCF	Credit Conversion Factor
CCP	Central Counter Party
CCR	Counterparty Credit Risk
CET1	Common Equity Tier 1
Code of Conduct	Group Code of Conduct and Ethics for Employees and Directors
CRM	Credit Risk Mitigation
EAD	Exposure at Default
ECAI	External credit assessment institutions
ECL	Expected Credit Loss
ERM	Enterprise Risk Management
ERMF	Enterprise Risk Management Framework
EVE	Economic Value of Equity
EXCO	Executive Committee
FVOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
GC	Governance Committee
Group	Bank and its subsidiaries
HQLA	High Quality Liquid Assets
IA	Internal Audit
IFRS	International Financial Reporting Standards
IRRBB	Interest Rate Risk in the Banking Book
ISDA	International Swaps and Derivatives Association
KPIs	Key Performance Indicators
LCR	Liquidity Coverage Ratio
MDB	Multilateral Development Bank
MRC	Management Risk Committee
MSR	Mortgage Servicing Rights
NII	Net Interest Income
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
ORMF	Operational Risk Management Framework
Provident	Provident Holdings Ltd. (renamed as Base Financial Limited)
RAS	Risk Appetite Statement
RCSA	Risk Control Self-Assessment
RSF	Required Stable Funding
RWA	Risk Weighted Assets
SA	Standardised Approach
SFT	Securities Financing Transaction
SSFA	Simplified Supervisory Formula Approach
T1	Tier 1 Capital
T2	Tier 2 Capital
TC	Total Capital

Cautionary statement regarding forward-looking statements

These Capital and Risk Management Pillar 3 Disclosures as at September 30th, 2024 contain certain forward-looking statements with respect to Bermuda Commercial Bank Limited ("the Bank"). Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on our current beliefs, expectations or assumptions regarding the future of our business, future plans and strategies, our operational results and other future conditions. Words such as 'will', 'believe', 'expect', 'anticipate', 'project', 'estimate', 'predict' and similar expressions, are intended to identify forward-looking statements.

These forward-looking statements may appear in the disclosures and may include, among others, statements with respect to our liquidity and capital requirements; business strategy; financial and operating targets or plans; projections of revenues, income, market share or other financial forecasts; expansion and growth of our business and operations; and future capital expenditures. These statements are based on certain assumptions and analyses we have made in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors believed to be appropriate in the circumstances. However, whether actual results and developments will conform to expectations and predictions is subject to a number of risks and uncertainties that could cause actual results to differ materially from expectations, including, among others, the risks discussed in this disclosure document.

We believe that these risks and uncertainties include, but are not limited to, those described in the Notes of Bank's Audited Financial Statements, which include, but are not limited to: changes in economic and market conditions; changes in market interest rates; our access to sources of liquidity and capital to address our liquidity needs; our ability to attract and retain customer deposits; our ability to effectively compete with other financial services companies and the effects of competition in the financial services industry on our business; our ability to successfully execute our business plan and implement our strategy; our ability to successfully manage our credit risk and the sufficiency of our allowance for credit loss; our ability to successfully develop and commercialize new or enhanced products and services; damage to our reputation from any of the factors described in this section.

Consequently, all of the forward-looking statements made in this document are qualified by these cautionary statements and the results or developments that we anticipate may not be realized or, even if substantially realized, they may not have the expected consequences to, or effects on, us or our business or operations. The Bank assumes no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise.

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MEMBER - DEPOSIT INSURANCE SCHEME
BDIC
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Bermuda Commercial Bank Limited and certain subsidiaries offer a variety of regulated services in Bermuda. Bermuda Commercial Bank Limited is licensed to carry out banking business under the Banks and Deposit Companies Act 1999 and to carry out investment business under the Investment Business Act 2003. Bercom Nominees Limited is authorised and regulated by the Bermuda Monetary Authority and licensed to carry out business as a Limited Corporate Services Provider pursuant to the Corporate Services Provider Business Act 2012.