Pillar 3 Disclosures

For the six-month period ended March 31, 2026

CLARIEN

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1. Cautionary Statements Regarding Forward-Looking Statements

These Capital and Risk Management Pillar 3 Disclosures as at March 31, 2026 contain certain forward-looking statements with respect to the consolidated financial condition, results of operations and business of Clarien Bank Limited ("Clarien" or "the Bank"). All statements, other than statements of historical facts, included or referenced in this document which address the activities, events or developments that we expect or anticipate will or may occur in the future, are forward-looking statements. The words 'will', 'believe', 'expect', 'anticipate', 'project', 'estimate', 'predict' and similar expressions are also intended to identify forward-looking statements. These forward-looking statements 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.

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.

The bank has fully adopted the latest Basel III framework as issued by the Bermuda Monetary Authority (BMA), including the revised Pillar III disclosure requirements. All Pillar III disclosures have been updated and are now fully aligned with the Authority's current templates.

2. Introduction

2.1 Regulatory Framework for Disclosures

The Bermuda Monetary Authority ("BMA") supervises Clarien both on an unconsolidated and consolidated basis in accordance with prudential regulatory capital framework established by the Basel Committee on Banking Supervision (BCBS") known as Basel III. This is structured around three "pillars"; minimum capital requirements (Pillar 1); supervisory review processes (Pillar 2) and market discipline (Pillar 3) with the overall objective being to raise the quality, consistency and transparency of the capital base, limit the build-up of excess leverage and increase capital requirements for the banking sector.

In December 2017, the Basel Committee on Banking Supervision ("BCBS") published its final set of Basel III post-crisis reforms, commonly referred to as "Basel IV". These reforms include revisions to the Standardised Approach for credit risk, including recalibration of risk weights and the introduction of new exposure classes, as well as a new Standardised Approach for operational risk capital. Under the BCBS framework, these reforms became effective from 1 January 2023, with the aggregate output floor being phased in progressively from 1 January 2028. The Bermuda Monetary Authority ("BMA") has adopted the revised BCBS Standardised Approaches, with the revised operational risk framework effective from 1 January 2023 and the revised credit risk framework effective from 1 January 2025. The Bank has implemented these revised approaches in accordance with the applicable regulatory timelines.

Under the Basel III framework, the BMA prescribed the following minimum capital requirements:

- CET1 must be at least 4.5% of Risk-Weighted Assets ("RWA") at all times.
- Tier 1 capital must be at least 6.0% of RWA at all times, and;
- Total capital (Tier 1 plus Tier 2) must be at least 8.0% of RWA at all times.

These regulatory limits do not include Pillar 2 related capital ratio add-ons, which form part of the BMA's prudential supervision.

In addition to the above, the Basel III rules also provide for the following additional capital requirements:

- A Capital Conservation Buffer designed to ensure that banks build up and retain capital buffers outside of periods of stress that can be drawn upon in exceptional circumstances if severe losses are incurred. This was set at 2.5% of RWA.
- A Countercyclical Buffer composed of CET1 of up to 2.5% of RWAs during periods in which the BMA assesses there to be excessive credit or other pressures building in the banking sector. No Countercyclical Buffer has been implemented to date.
- A Capital Surcharge for Domestic Systemically Important Banks ("D-SIB") composed of CET1 of between 0.5% and 3.0% of RWA based on the BMA's assessment of the size, interconnectedness, substitutability and complexity of each Bermuda bank. The D-SIB is set independently by the BMA for each institution.

The Basel III rules also address the areas of leverage and liquidity. The Authority adopted a Liquidity Coverage Ratio ("LCR") requirement of a minimum of 100% to ensure banks have sufficient stock of unencumbered highly liquid assets ("HQLA") to survive a significant liquidity stress scenario lasting 30 days. The LCR is calculated as HQLA divided by total net cash outflows (as defined by the Authority) over the period of the next 30 days. In addition, a minimum 5% Leverage Ratio was also introduced. This is calculated as the ratio of CET1 to total on- and off-balance sheet exposure.

Further information regarding the implementation of Basel III can be found on the Bermuda Monetary Authority's website www.bma.bm.

2.2 Basis of Disclosure

This disclosure document has been prepared by Clarien on a standardized basis in accordance with the disclosure requirements issued by the Basel Committee on Banking Supervision ("BCBS") under the Basel III/IV framework, including the revised Pillar 3 disclosure standards, and the Bermuda Monetary Authority ("BMA") Basel III for Bermuda Banks – Guidance Notes and Pillar 3 Public Disclosure Requirements.

All figures are expressed in Bermuda dollars in thousands as at March 31, 2026 unless specified otherwise. Certain tables in this report may not sum due to rounding. While the disclosures were prepared in accordance with regulatory capital adequacy concepts and rules, they were not subject to external audit.

2.3 Scope of Application

The Bank's Consolidated Financial Statements as of March 31, 2026, include the results of operations for the following subsidiary companies, all of which are, all were, wholly owned:

Legal Entity	Activity
First Bermuda Group Limited	*Holding Company*
Clarien Investments Limited ("CIL")	*Investment Management*
Clarien Brokerage Limited	*Brokerage Services; Subsidiary of CIL*
Clarien BSX Services Limited	*Listing Sponsor of Bermuda Stock Exchange; Subsidiary of CIL*
Clarien Trust Limited	*Trust Administration*
Clarien Corporate Services Limited	*Corporate Administration Services*

The Bank has no capital deficiencies, nor are there any restrictions, practical or legal impediments to the transfer of funds between the Bank and any of its subsidiaries.

All risk disclosures made for Clarien a consolidated legal entity in line with regulatory returns made to the BMA with the exception of those relating to Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and Interest Rate Risk in the Banking Book (IRRBB) as they apply solely to its banking business.

2.4 Media and Location

A copy of these Pillar 3 disclosures may be accessed on the Bank's website www.clarienbank.com.
It was published following Audit Committee approval.

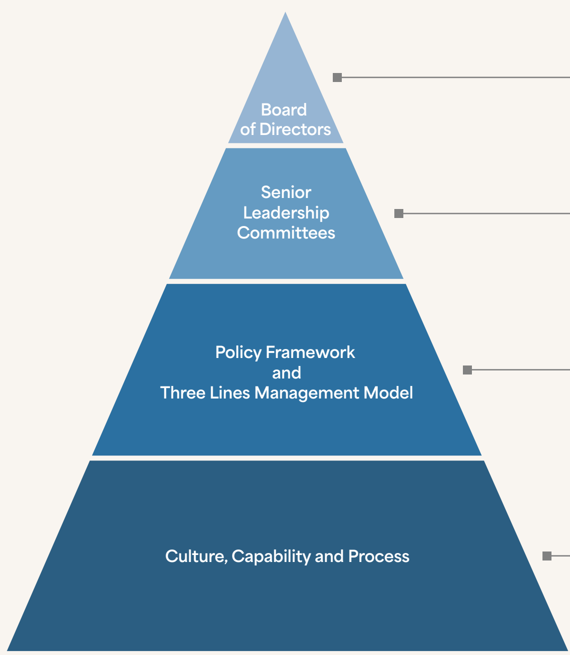
3. Risk Management Objectives and Policies

3.1 Risk Management Framework

Clarien's business strategy, priority-setting and decision-making processes are informed and shaped by an understanding of its risk profile. A comprehensive understanding of what the risks it assumes are, how they may be affected by a range of external threats and uncertainties and its capability and capacity to manage (and where appropriate, mitigate) them informs risk appetite setting and the tolerance thresholds and KPIs through which exposures are monitored and measured.

Clarien operates an enterprise-wide risk management framework that is designed to embed a strong risk and compliance culture across the organization, promote risk awareness and sound operational decision making, and ensure that the risks it assumes are of a type and level that is consistent with its strategic goals. Its principal elements are shown in the diagram below:

Summary of Enterprise-wide Risk Management Framework



The Board sets the Bank's risk strategy, defines its risk appetite, approves the risk management framework and oversees the maintenance of an appropriate control environment that aligns its risk management practices with the Board's tolerance for risk.

The Senior Leadership Committees oversee the operationalization of the risk management strategy and the effectiveness with which it is executed enterprise-wide, ensuring that exposures assumed are identified, assessed, controlled and monitored appropriately to ensure adherence with the Board's appetite and tolerance for risk.

The Board approves risk management framework policies that align with its principal risks and risk appetite and empowers the Senior Leadership Committees to issue supplementary standards to operationalize them. The resulting frameworks are based on an overriding principle that risk capability must be embedded within "first line" (business and operations) teams, overseen by centralized Risk and Internal Audit teams in the "second" and "third lines".

The Bank fosters a strong risk culture by promoting accountability, transparency and ethical behaviour at all levels of the organization. Risk management responsibilities are embedded into its day-to-day operations and integrated into its decision-making structures. A commitment to capability and competence is promoted through the provision of the procedures, tools and training, and is reinforced through goal setting and the alignment of compensation practices.

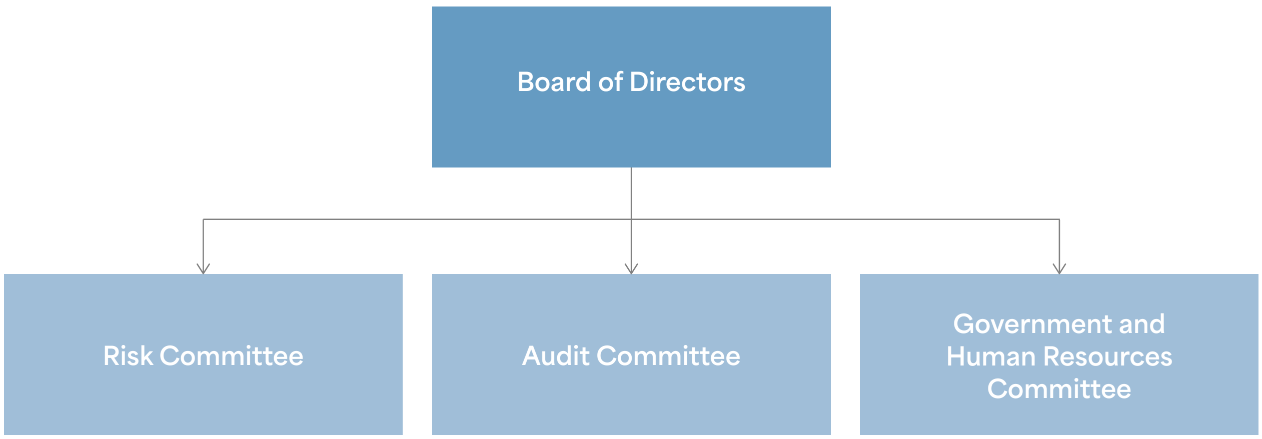
3.2 Risk Culture

Clarien's culture supports risk awareness by encouraging employees to understand how they contribute to the Bank's ability to deliver its strategic objectives and business plans in a safe and sustainable way. It establishes both a collective responsibility and personal accountability for the ownership and management of the risks inherent in the Bank's business activities and promotes a commitment to competence, process, and good governance.

The culture begins with Clarien's Board of Directors and executive team, which lead by example, with consistent and clear communication of a commitment to manage risk at all levels of the organization. Employees are recruited not only with the core skills, abilities and attitude required to fulfill their role but also for their ability to contribute to this culture. They are provided with training to ensure they develop and maintain required levels of competence and are given to a comprehensive suite of policies, procedure, and tools to guide sound decision making and the exercise of good judgement with risk in mind. Risk management is also embedded in employee objective-setting and forms a key component of the annual performance appraisal processes and compensation discussions.

3.3 Risk Governance

A representation of CBL's risk governance structure is provided below:



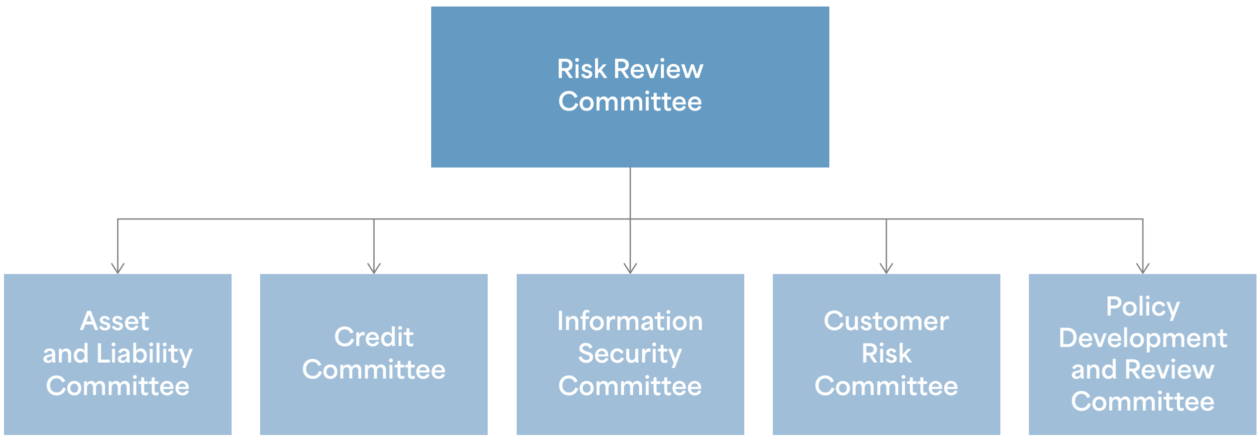
The Bank's Board has overall responsibility for determining risk management strategy, setting risk appetites and tolerances, and ensuring that risk is monitored and controlled effectively across the totality of the Bank and its consolidated regulated subsidiaries. It is supported in the execution of these responsibilities by the Boards of Clarien Investments Limited ("CIL"), Clarien Trust Limited ("CTL") and Clarien Corporate Services Limited ("CCSL"), which oversee the sufficiency of the risk management practices established by these subsidiaries and the effectiveness of the systems of internal control specific to their operations, and by the following dedicated committees:

The Risk Committee: This assists the Board in fulfilling its responsibilities by overseeing Clarien's risk profile and its performance against approved risk appetites and tolerance thresholds. Specifically, the committee considers the sufficiency of Clarien's policies, limits, and risk management processes through which it identifies, measures, monitors, and controls activities that give rise to the various risks shown above, as well as overseeing its compliance with laws, regulations, and codes of conduct. It is chaired by a Non-Executive Director of the Board.

The Audit Committee: This reviews the overall adequacy and effectiveness of Clarien's system of internal controls and the control environment, including in respect of the risk management process. It reviews recommendations arising from internal and independent auditors and considers the sufficiency and timeliness of the corrective actions taken by Management. It is chaired by an Independent Director of the Board.

The Governance and Human Resources Committee: This reviews the overall adequacy and effectiveness of Clarien's corporate governance framework, including in respect of risk governance; its management of people risk and the strategies with which its culture and values are embedded throughout the organisation. It is chaired by the Lead Independent Director of the Board.

Clarien's executive management team is led by the Chief Executive Officer. Through the actions of its individual members and the activities of its Performance Review Committee and Product & Change Management Committee, it is responsible for recommending and executing against business strategy, as well as for monitoring, evaluating and managing risks arising or assumed across the franchise. It is supported in the execution of these risk management activities by the following committees:



The Risk Review Committee: Chaired by the Chief Risk Officer and comprised of members of its executive and senior management teams, the Committee provides its members with a 360° view of Clarien's risk profile, including (but not restricted to) its exposures to credit, investment, market, capital and liquidity risks; legal, regulatory, fiduciary, conduct and financial crime risks; operational, cyber-security and third-party risks, and; ESG, insurance and reputational risks. It also assesses the effectiveness of the strategies associated through which these and other emerging risks identified are managed, ensures compliance with applicable laws and regulations, and monitors exposures relative to Board-approved appetites and tolerance thresholds. In doing so, the Committee reviews and recommends Clarien's Capital Assessment & Risk Profile, Recovery and Liquidity Contingency Plans (including related stress tests) as well as several of the key risk policies to the Board for approval every year.

The Asset and Liability Committee: Chaired by the Chief Financial Officer and comprised of members of its executive and senior management teams, the Committee is responsible for overseeing the management of Clarien's exposure to liquidity, funding, interest rate and foreign exchange risks, including the effectiveness of the policies through which it manages its investment portfolio and balance sheet structure.

The Credit Committee: Chaired by the Chief Risk Officer and comprised of members of its executive and senior management teams, the Committee is responsible for all aspects of credit risk management, including policy development and approval, portfolio review, credit transaction approval, approval of provision recommendations and model performance oversight.

The Information Security Committee: Chaired by the Head of Compliance & Operational Risk and comprised of members of its executive and senior management teams, the Committee is responsible for formulating and recommending Clarien's information security policy, overseeing its effective implementation, monitoring the threat horizon, and providing clear direction and support for security-related initiatives, including those associated with its continued compliance with regulatory requirements.

The Customer Risk Committee: Chaired by the Head of Compliance & Operational Risk and comprised of members of its senior management teams, the Committee meets on an as-needed basis to review any proposal that may expose Clarien to elevated levels of reputational risk or require the performance of enhanced levels of customer due diligence.

The Policy Development and Review Committee: Chaired by the Chief Administrative Officer and is comprised of members of its senior management team, the Committee is responsible for considering and approving (or where appropriate, for recommending to the Risk Review Committee for approval) the policies and standards through which the Bank manages its exposure to all other forms of Operational Risk and for ensuring that their effective adoption.

In addition to the above, the Risk Review Committee may establish ad hoc sub-committees on an as-needed basis to support it in the execution of its roles and responsibilities. As of the date of this review, one such sub-committee had been established – the Corporate Transaction Committee. Chaired by the Chief Executive Officer and comprised of members of the executive management team, the Committee was formed to provide strategic oversight and direction of activities relating to merger, acquisition, disposition, investment, joint venture or similar transaction or arrangement contemplated by Clarien from time to time.

3.4 Risk Appetite

Risk appetite is a key component of Clarien's risk management framework. Clarien's Board of Directors has established a Risk Appetite Statement ("RAS") to provide executive management with top-down direction on the amounts and types of risk the Bank is willing to accept to achieve its strategic objectives and business plan. This is reviewed every year as a minimum.

To ensure there is a consistency of understanding as to the Board's intention and its direction to management regarding the amount of risk that may be assumed, the following classification system is applied to the nine broad categories of risk incorporated into the RAS:

Classification	Definition
Avoid	The avoidance of risk and uncertainty is a key objective. Cost will be incurred to eliminate exposure to inherent risk.
Averse	Preference for very safe options that offer a low degree of inherent risk. Potential benefit/return is not considered a key driver.
Cautious	Preference for safe options. Willing to tolerate a degree of inherent risk in order to achieve key deliverables if this is considered to be controllable to a large extent and the residual risk is considered low.
Open	Open to opportunities. The high(er) level of inherent risk assumed, if appropriately managed and mitigated, is balanced if not outweighed by the level of benefit offered.

The Risk Review Committee and Risk Committee of the Board consider reporting on Clarien's alignment with the RAS every quarter, including the actions taken by executive management to address any areas of concern or pressure-points identified and any recommendations it may put forward as to how this should evolve to address new or emerging risks identified.

3.5 Risk and Control Management

Clarien manages its exposure to risk through a "Three Lines" model.

First Line Management comprises ("1LM") comprises operational management. It is responsible for leading and directing the application of resources on a day-to-day basis to achieve the business strategies of the Bank and its subsidiaries, including the management of the risks it assumes. It does so by:

- Defining, documenting, communicating and maintaining the business processes through which Clarien operates.
- Organizing and cascading responsibility and authority structures.
- Establishing an effective internal controls system to ensure (amongst other things) that:
  - Business processes are being applied and are functioning as intended;
  - Financial and management information is reliable, timely and complete;
  - Reasonable checks are in place on managerial and employee discretion;
  - Clarien operates in compliance with its various obligations, including applicable laws and regulations; and
  - The risks to which it is exposed are being identified, managed and controlled within its risk appetite.

Second Line Management ("2LM") comprises Clarien's risk management and compliance functions. They are responsible for providing complementary expertise, support, analysis monitoring and challenge relating to the management of risk, including:

- The development, implementation and continuous improvement of enterprise-wide risk management practices (including governance and authority frameworks, processes, systems and internal controls).
- The achievement of Clarien's risk management objectives as articulated through its risk appetite and risk policies.
- The implementation of independent reporting on the adequacy and effectiveness of risk management, including internal control.

The Third Line is represented by Internal Audit. Internal Audit:

- Maintains primary accountability to the Board (as delegated to its Audit Committee) and independence from the responsibilities of both 1LM and 2LM.
- Communicates independent and objective assurance and advice to executive management and the Board (and if appropriate, the Subsidiary Boards) on the adequacy and effectiveness of governance and risk management (including internal control) to support the achievement of organizational objective and to promote and facilitate continuous improvement.
- Reports impairments to independence and objectivity to the Board and implements safeguards as required.

3.6 Stress Testing

Clarien's stress testing activities are designed to test its business model and enhance its resilience to external shocks. They help the Board and executive management to better understand and mitigate risk and inform decision making about capital levels and liquidity requirements. They also inform Clarien's RAS as well as its Capital Assessment & Risk Profile, Recovery and Liquidity Contingency planning processes, providing insight into the potential outcomes of a range of severe but plausible stresses and enabling executive management to better formulate and recommend strategies to ensure the Bank's resiliency to such events as a going concern.

Scenarios considered can comprise firm-specific stress (idiosyncratic) or market-wide stress (systemic) events or a combination of the two as well as those mandated by the BMA. The outputs assess projected capital and liquidity adequacy and continued regulatory compliance.

Clarien's stress testing program is overseen by its Finance and Risk functions. Results are reported to the Asset and Liability Committee, Risk Review Committee, Risk Committee and, in cases where they must be submitted to the BMA, to the Board.

4. Overview of Risk Management & Key Prudential Metrics

The table below provides an overview of the Bank's Key prudential regulatory metrics for the five quarters:

Table 1: Key Prudential Regulatory Metrics

		Mar-26	Dec-25	Sep-25	Jun-25	Mar-25
1	Common Equity Tier 1 (CET1)	167,315	167,315	173,899	160,733	160,733
2	Tier 1	167,315	167,315	173,899	160,733	160,733
3	Total Capital	167,705	167,760	174,421	161,305	161,332
	Risk-Weighted Assets (Amounts)					
4	Total Risk-Weighted Assets (RWA)	535,464	550,134	537,034	518,646	534,187
	Risk-Based Capital Ratios as a Percentage of RWA					
5	Common Equity Tier 1 Ratio	31.25%	30.41%	32.38%	30.99%	30.09%
6	Tier 1 Ratio	31.25%	30.41%	32.38%	30.99%	30.09%
7	Total Capital Ratio	31.32%	30.49%	32.48%	31.10%	30.20%
	Additional CET1 Buffer Requirements as a Percentage of RWA					
8	Capital Conservation Buffer Requirement	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical Buffer Requirement	–	–	–	–	–
10	Bank D-SIB Additional Requirements	1.00%	1.00%	1.00%	1.00%	1.00%
11	Total of Bank CET1 Specific Buffer Requirements (Row 8 + Row 9 + Row 10)	3.50%	3.50%	3.50%	3.50%	3.50%
12	CET1 Available after meeting the Bank's minimum capital requirements	23.25%	22.41%	24.38%	22.99%	22.09%
	Basel III Leverage Ratio					
13	Total Basel III Leverage Ratio Measure	1,371,763	1,375,271	1,354,593	1,364,683	1,410,084
14	Basel III Leverage Ratio (Row 2/Row 13)	12.20%	12.17%	12.84%	11.78%	11.40%
	Liquidity Coverage Ratio					
15	Total HQLA	414,681	404,943	368,274	390,627	379,669
16	Total Net Cash Outflow	225,732	223,135	207,256	227,780	215,164
17	LCR Ratio	184%	181%	178%	171%	176%
	Net Stable Funding Ratio					
18	Total Available Stable Funding	978,653	980,312	974,279	970,800	982,676
19	Total Required Stable Funding	721,888	731,763	721,092	708,829	748,409
20	NSFR Ratio	136%	134%	135%	137%	131%

Total capital levels decreased from September 2025 primarily due to dividend payments. Risk weighted assets decreased as of March 2026 driven by a redeployment of funds into U.S. securities and treasuries, as well as a decrease in loan balances as maturities and prepayments exceeded originations. The leverage, liquidity, and NSFR ratios remained well above the prescribed regulatory thresholds.

LCR ratio shown above is actual at the end of the relevant quarter whereas the figures in table LIQ01 in the Liquidity section reflects 6 monthly averages.

5. Capital Resources

The Bank's regulatory capital is allocated into two tiers.

5.1 Total Common Equity Tier 1 Capital

Total Common Equity Tier 1 Capital ("CET 1") includes ordinary shares, contributed surplus, retained earnings and reserves created by appropriations of retained earnings. Within retained earnings, profits are only included where audited or reviewed by external auditors, however, losses must be taken into account, whether reviewed or not. A deduction from CET 1 is made in respect of goodwill. Ordinary shares carry no right to regular dividends.

5.2 Tier 2 Capital

Tier 2 Capital comprises of the expected credit losses only related to Stage 1.

The following tables provide details of the Bank's regulatory capital, capital ratios and related disclosures, including reconciliation to the applicable minimum regulatory requirements, as at March 31, 2026.

Table 2: Reconciliation between Accounting and Regulatory Capital

	Mar-26	Dec-25
Common Share Capital	5,000	5,000
Retained Earnings	121,358	117,375
Contributed Surplus	46,406	46,406
General Reserve	10,000	10,000
Accumulated other Comprehensive Income	(27,515)	(25,785)
Total Shareholder's Equity	**155,249**	**152,996**
Regulatory Adjustments:		
Goodwill	(8,527)	(8,527)
Comprehensive Loss: Unrealized losses on AFS portfolio	27,515	25,785
Unaudited Earnings	(7,192)	(3,209)
Total CET 1 Capital	**167,315**	**167,315**
Total CET 1 Capital	167,315	167,315
Tier 1 Capital	167,315	167,315
Loan Loss Provision - Stage 1	390	445
Total Capital Available	**167,705**	**167,760**

As at March 31, 2026 the CET1, Tier 1 and Total Capital ratios of the Group were 31.25%, 31.25% and 31.32% respectively.

Table 3: CC1 Composition of Regulatory Capital

		Amounts
	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	51,406
2	Retained Earnings	114,166
3	Accumulated other comprehensive income (and other reserves)	10,000
6	Common Equity Tier 1 Capital before regulatory deductions	175,572
	Common Equity Tier 1 Capital Regulatory Adjustments	
8	Goodwill (net of related tax liability)	8,257
28	Total regulatory adjustments to Common Equity Tier 1	8,257
29	Common Equity Tier 1 Capital (CET1)	167,315
44	Additional Tier 1 Capital (AT1)	–
45	Tier 1 Capital (T1= CET1 + AT1)	167,315
	Tier 2 Capital: Instruments and Provisions	
50	Provisions	390
58	Tier 2 Capital (T2)	390
59	Total Regulatory Capital (TC = T1 + T2)	167,705
60	Total Risk-Weighted Assets	535,464
	Capital Ratios and Buffers	
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	31.25%
62	Tier 1 (as a percentage of risk-weighted assets)	31.25%
63	Total Capital (as a percentage of risk-weighted assets)	31.25%
68	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement	23.25%

5.3 Leverage Ratio

Basel III introduced a non-risk based leverage ratio to supplement the risk based capital requirements. The ratio shows the Tier 1 capital as a proportion of on and off-Balance Sheet assets. The BMA leverage ratio framework requires a minimum ratio of 5%.

The tables below provide a reconciliation of accounting assets and leverage exposure as measured at the end of the two quarters, March 2026 and December 2025.

Table 4: LR1 Composition of Accounting Assets vs Leverage Ratio

	Mar-26	Dec-25
Total Consolidated Assets as per published financial	1,358,942	1,364,607
Adjustments for Off-Balance Sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	20,460	17,788
Other Adjustments (including Goodwill)	(7,639)	(7,124)
Leverage Ratio Exposure Measure	**1,371,763**	**1,375,271**

The Bank's ratio exceeds the minimum requirement as disclosed in the table below as prescribed in the guidance, as at March 31, 2026.

Table 5: LR2 Leverage Ratio

	Mar-26	Dec-25
On-Balance Sheet Exposures		
On-Balance Sheet Exposures (excluding derivatives and securities financing transactions (SFTS), but including collateral)	1,358,942	1,364,607
(Asset amounts deducted in determining Basel III Tier 1 Capital)	(7,639)	(7,124)
Total On-Balance Sheet Exposures (excluding derivatives and SFTS)	1,351,303	1,357,483
Derivative Exposures		
Replacement Cost Associated with all Derivatives Transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	289	–
Add-on amounts for PFE associated with all derivatives transactions	125	–
Total Derivative Exposures (sum of rows 4 to 10)	414	–
Other Off-Balance Sheet Exposures		
Off-Balance Sheet Exposure at Gross Notional amount	81,029	83,317
(Adjustments for conversion to credit equivalent amounts)	(20,983)	(65,529)
Off-Balance Sheet Items	20,046	17,788
Capital and Total Exposures		
Tier 1 Capital	167,315	167,315
Total Exposures	1,371,763	1,375,271
Leverage Ratio		
Basel III Leverage Ratio	12.20%	12.17%

The leverage ratio has increased from the previous quarter due to reduction in on-balance sheet exposures.

6. Capital Adequacy

6.1 Overview

Capital is held to provide a cushion for unexpected losses. The Board sets the internal level of capital within its risk tolerance articulated in the risk appetite statement with the aim of ensuring minimum regulatory capital levels, as set, and monitored by the BMA, are always exceeded.

The Bank's minimum regulatory capital is a combination of the requirements derived from Pillar 1 and Pillar 2 rules, as detailed in section 2.2.

Management of the Bank assesses, measures, and documents all risk exposures (Pillar 1 and 2), governance and internal control environment and strategic and capital planning considerations in its CARP which is submitted annually to the BMA. In addition to the annual CARP process, the Bank's Pillar 1 capital requirements are regularly monitored and are formally reported on a quarterly basis to the BMA and the Board.

6.2 Regulatory Capital Requirements for Pillar 1

Regulatory ratios for Pillar 1 are calculated by dividing total regulatory capital by risk weighted assets (RWA). RWA are determined according to the varying levels of risk attached to assets and off-balance sheet exposures, using Basel guidelines. The following table shows the Bank's overall minimum Pillar I capital requirement for credit, operational, and market risk, based on an 8% risk weighting:

Table 6: OV1 Risk Weighted Assets		RWA		Minimum capital requirement
		Mar-26	Dec-25	Mar-26
1	Credit Risk (excluding counterparty credit risk)	449,144	464,022	35,931
2	Of which: Standardised Approach (SA)	449,144	464,022	35,931
6	Counterparty Credit Risk (CCR)	207	-	17
7	Of which: Standardised approach for counterparty credit risk	207	-	17
16	Securitisation Exposures in the banking book	-	-	-
19	Of which: Securitisation standardised approach (SEC-SA)	-	-	-
24	Operational Risk	86,113	86,113	6,889
25	Amounts below thresholds for deduction (subject to 250% risk weight)	-	-	-
29	**Total**	**535,464**	**550,134**	**42,821**

6.3 Linkage to the Consolidated Financial Statements

The Pillar 3 Disclosures are prepared under Basel III regulatory capital requirements rather than IFRS Accounting Standards. Accordingly, certain information, particularly on credit risk–may not be directly comparable with the Financial Statements. The following tables show reconciliation between financial statement and regulatory balance sheet as at March 31, 2026.

Table 7: CC2 Reconciliation of Regulatory Capital to Balance Sheet	Balance sheet as published in financial statements	Under regulatory scope of consolidation
Assets		
Cash & Cash Equivalent	201,711	91,297
Investment Securities	400,408	513,059
Prepayments, Accrued Income and other Assets	18,922	17,328
Accrued Interest on cash, deposits with banks & securities	2,204	-
Loans & Advances	690,219	692,398
Goodwill and other intangible assets	29,768	29,768
Of which: Goodwill	8,257	8,257
Of which: Intangibles (excluding MSRs)	21,511	21,511
Property, plant and equipment	15,710	15,710
Total Assets	**1,358,942**	**1,359,560**
Liabilities		
Customer Accounts (deposit liabilities)	1,178,268	1,178,268
Accruals, deferred income and other liabilities	25,425	25,653
Total Liabilities	**1,203,693**	**1,203,921**
Shareholder's Equity		
Paid-in Share Capital	51,406	51,406
Of which: Amount eligible for CET1	51,406	51,406
Retained Earnings	131,358	131,748
Accumulated other comprehensive income	(27,515)	(27,515)
Total Shareholder's Equity	**155,249**	**155,639**

Table 8: LI1 Differences between Accounting and Regulatory scopes of Consolidation and mapping of Financial Statement Categories with Regulatory Risk Categories	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to Credit Risk Framework	Subject to Counterparty Credit Risk Framework	Subject to the Securitisation Framework	Subject to Market Risk Framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and Cash Equivalent	201,711	91,297	91,297	-	-	-	-
Loans and Advances	690,219	692,398	692,398	-	-	-	390
Investment Securities	402,612	513,059	513,059	-	-	-	-
Goodwill	8,257	8,257	-	-	-	-	8,257
Other Assets	56,143	54,549	54,549	-	-	-	-
Total Assets	**1,358,942**	**1,359,560**	**1,351,303**	**-**	**-**	**-**	**8,647**
Liabilities							
Deposit Liabilities	1,178,268	1,178,268	-	-	-	-	1,178,268
Items in the course of collection	-	-	-	-	-	-	-
Other Liabilities	25,425	25,653	-	-	-	-	25,653
Total Liabilities	**1,203,693**	**1,203,921**	**-**	**-**	**-**	**-**	**1,203,921**

Most of the individual differences are due to differences in grouping methodology under financial statements and Regulatory reporting. The total difference is insignificant.

Table 9: LI2 Differences between Regulatory Exposure Amounts and Carrying Values in Financial Statements	Total	Items subject to			
		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)	1,359,560	1,351,303	-	-	-
Off-balance sheet amounts	20,046	20,046	-	-	-
Difference due to potential future credit exposure	414	-	-	414	-
Exposure amounts considered for regulatory purposes	**1,380,020**	**1,371,349**	**-**	**414**	**-**

7. Asset Encumbrance

The Bank manages asset encumbrance within established risk appetite limits and in accordance with its liquidity and funding risk management framework. Encumbered assets primarily relate to collateral pledged against secured transactions and operational requirements. During the reporting period, the level of asset encumbrance remained low and did not have a significant impact on the Bank's liquidity position or access to funding sources.

The following table provides a detailed breakdown of their encumbered and unencumbered assets as at March 31, 2026.

Table 10: ENC Asset Encumbrance	Encumbered Assets	Central Bank Facilities	Unencumbered Assets	Total
Cash and cash equivalent	5,700	-	85,597	91,297
Loans and advances	-	-	692,398	692,398
Investment securities	-	-	513,059	513,059
Goodwill	-	-	8,257	8,257
Other Assets	-	-	54,549	54,549
Total	**5,700**	-	**1,353,860**	**1,359,560**

8. Credit Risk

Credit risk is inherent in the Bank's various lending and business activities. Credit risk is the risk of loss arising from a customer or counterparty failing to meet their financial obligations to the Bank as they fall due. The Bank provides credit through residential and commercial mortgages, secured and unsecured loans and credit cards. The majority of mortgage lending is originated by the Bank and retained and serviced within its personal and business lending units. The Bank also participates in a small number of syndicated loan transactions and club deals, nearly all of which are originated by its parent as lead arranger.

Adverse changes in the credit quality of borrowers or a general deterioration in economic conditions could affect the recoverability and value of Clarien's assets and therefore its financial performance. Comprehensive risk management methods and processes have been established as part of Clarien's overall risk framework to measure, mitigate and manage credit risk within Clarien's risk appetite. Exposure, as shown in these credit risk disclosures, is defined as the exposure value under the regulatory definitions for capital purposes.

Clarien uses a wide range of techniques to reduce the credit risk of its lending. The most basic of these is performing an assessment of the ability of a borrower to service the proposed level of borrowing without distress. However, the risk can be further mitigated by obtaining security for the funds advanced.

Clarien uses the standardized approach for the following credit risk exposure classes, and these are displayed in the following tables section 8.3 to 8.10:

- Sovereigns and their central banks;
- Non-central government public sector entities;
- Multilateral development banks;
- Corporates (including specialized lending);
- Banks;
- Real estate;
- Defaulted exposures;
- Other Balance Sheet exposures; and
- Non-market related items.

8.1 Credit Risk: Loans and Mortgages

The effective management of credit risk requires the establishment of an appropriate credit risk culture. Key credit risk policies and credit risk management strategies are important elements used to create this culture. The Bank has implemented appropriate internal processes and risk-oriented strategies for actively identifying, managing, monitoring, and reporting credit risk on its mortgage and non-mortgage portfolios which are suitable to the nature, scale, and complexity of the business. This is supported by policies and controls such as internal approval limits and thresholds.

The Board, through its Risk Committee, and the management Risk Review Committee and Credit Committee, reviews and approves the Bank's credit risk strategy and credit risk policies. The Board adopts credit limits (e.g. LTVs) and risk appetite thresholds within those defined by the BMA, always maintaining the regulatory minimums.

The objectives of the credit risk strategy are to ensure that:

- The risk parameters for new underwritings, and for the portfolio as a whole are clearly specified;
- Target markets and product offerings are well defined at both enterprise-wide and business line levels;
- Transactions and limits are managed in a manner that is consistent with the Bank's risk appetite;
- Loans are priced on a risk adjusted basis;
- Loans are appropriately collateralized and collateral is maintained and valued periodically;
- Credit risk is managed from concentration and country risk perspectives; and
- Sufficient information and data is maintained to be able to track and monitor changes over time.

The credit risk policy articulates the credit risk management framework, including:

- Aggregate limits, beyond which credit applications must be escalated to the Bank's Credit Committee and Risk Committee; and
- Single name/aggregation exposures, beyond which exposures must be reported and reviewed by the Credit Committee, with Board oversight.

The Bank's Risk Management team develops the credit risk management framework and policies that detail, among other things, the credit risk rating system and associated parameter estimates; the delegation of authority for granting credit; the calculation of the allowance for credit losses; and the authorization of write-offs. The Risk function is headed by the Chief Risk Officer, and the team adjudicates credits, performs credit risk analysis and credit risk reporting to the Credit Committee and Risk Committee.

Credit Risk Management generates multiple risk reports for the Risk Review Committee, Credit Committee and Risk Committee of the Board, highlighting risk analysis, delinquency exposures, counterparty and country risk measures and other aggregate / portfolio effects.

Both commercial credit exposures, as well as residential credit risk, are segmented by purpose codes, collateral and applicable industries. The Bank does not have excessive concentration to any single borrower or related group of borrowers. A review of exposures in excess of 5% of the capital base is conducted by the Risk Committee on a quarterly basis.

An integral part of credit risk management, the Asset Remediation function, is to formally review and monitor past due and potential problem loans to determine which credits, if any, need to be charged off. The allowance for credit impairment losses is reviewed quarterly to determine the amount necessary to maintain an adequate provision for credit losses.

Banking units and the Risk function regularly review the various segments of the loan portfolio to assess the impact of economic trends or specific events on the performance of the portfolio and determine whether corrective action is required. The results of these reviews are reported to the Credit Committee and, when significant, to the Risk Committee of the Board.

The Bank's credit risk rating system utilizes an eight-point scale used to differentiate the risk of default of borrowers and the risk of loss on facilities. The Bank's credit risk rating system is subject to a governance and oversight framework. The objectives of this framework are to ensure that:

- Credit risk ratings, methodologies and parameters are appropriately designed and developed, independently validated, and regularly reviewed; and
- The review and validation processes represent an effective challenge to the design and development process.

8.2 Credit Risk Management

Business groups within the Bank analyze, evaluate, and recommend all credit requests and financial restructurings to the CRM function. To ensure that risks are adequately assessed, properly approved, continually monitored, and actively managed, CRM provides the independent adjudication function. The decision-making process begins with an assessment of the credit risk of the individual borrower or counterparty. Key factors considered in the assessment include:

- The borrower's debt service ability;
- The borrower's current and projected income, financial results or credit statistics;
- The industry in which the borrower operates;
- Economic trends;
- Collateral risk; and
- An assessment of the borrower's management.

Based on this assessment, a risk rating is assigned at the facility (or counterparty) level, taking into consideration additional factors, such as collateral/security, structure, term and any other forms of credit risk mitigation or credit enhancements that may affect the amount of potential loss in the event of a default. Security typically takes the form of registered mortgages or charges over real estate; or inventory, receivables and operating assets when lending to corporate and commercial borrowers; and cash or treasuries for trading lines such as securities lending, repurchase transactions, and derivatives. The use of such collateral is in line with terms that are usual and customary to standard lending activities in Bermuda. The types of acceptable collateral and related third party valuation processes are documented in risk management policies and manuals. Other forms of credit risk mitigation include third party guarantees and, in the case of derivatives facilities, master netting agreements.

The Credit Committee (depending on the size of the overall exposure) is the final arbiter of internal risk ratings. Individual credit exposures are regularly monitored by the business line units, Finance and Risk Management, for any signs of deterioration and losses are re-rated as necessary.

8.3 Credit Risk: Interbank Lending and Investment Securities

The Bank engages in short-term lending to other bank counterparties and invests in securities as part of its ongoing liquidity management program. Risks are managed within specific counterparty limits approved by the Credit Committee and limits, asset quality plans and criteria set out in the Bank's Investment Policy Statement, which is approved by the Risk Committee. Furthermore, the portfolio will comply with the current Credit Risk Policy and limits approved by the Credit Committee. The Bank uses external credit agency ratings, as detailed in section 8.4, supplemented by internal analysis to manage the risks associated with interbank lending and investment activities.

The following tables provide a detailed breakdown of assets class by credit quality, average exposure, geographical distribution and residual maturity as at March 31, 2026.

Table 11: CR1 Credit Quality of Assets	a	b	c	d	e	f
	Carrying values of		Allowances / Impairments	Of which ECH accounting provisions credit losses on SA exposures		Net Values (a+b+c)
	Defaulted Exposures*	Non-Defaulted Exposures		Allocated in regulatory category or Specific	Allocated in regulatory category or General	
Loans	75,062	637,558	20,612	20,222	390	692,008
Debt Securities	–	513,059	–	–	–	513,059
Off-Balance Sheet Exposures	–	81,442	–	–	–	81,442
Total	**75,062**	**1,232,059**	**20,612**	**20,222**	**390**	**1,286,509**

**Defaulted exposures refer to the gross carrying value of exposures that are past due for more than 90 days.*

Table 12: Asset Class Exposures	Average Exposure	Exposure as at Mar 2026
Sovereigns and MDBs	352,764	371,215
Public Sector Entities	154,258	157,628
Corporates	138,676	138,108
Banks	143,085	141,493
Retail	14,171	15,143
Real Estate	425,070	396,880
Of which: General RRE	328,921	318,534
Of which: IPRRE	9,874	9,751
Of which: General CRE	1,886	1,868
Of which: IPCRE	30,645	29,613
Of which: ADC and other	53,744	37,114
Defaulted Exposures	45,422	55,216
Other Assets	72,663	75,620
Off-Balance Exposures	19,125	20,460
Total Exposures under the Standardised Approach	**1,365,234**	**1,371,763**

Table 13: Geographical Breakdown of Exposures

	North America	Europe	Total
Sovereigns and MDBs	355,429	15,786	371,215
Public Sector Entities	157,628	-	157,628
Corporates	128,023	10,085	138,108
Banks	93,339	48,154	141,493
Retail	15,143	-	15,143
Real Estate	396,880	-	396,880
Of which: general RRE	318,534	-	318,534
Of which: IPRRE	9,751	-	9,751
Of which: general CRE	1,868	-	1,868
Of which: IPCRE	29,613	-	29,613
Of which: ADC and other	37,114	-	37,114
Defaulted Exposures	55,216	-	55,216
Other Assets	75,620	-	75,620
Off-Balance Exposures	20,460	-	20,460
Total Exposures under the Standardised Approach	**1,297,738**	**74,025**	**1,371,763**

Table 14: Residual Maturity of Exposures

	Within 1 year	After 1 but within 5 years	After 5 years	Total
Sovereigns and MDBs	188,008	129,559	53,648	371,215
Public Sector Entities	11,502	87,399	58,727	157,628
Corporates	1,122	76,069	60,917	138,108
Banks	70,226	37,244	34,023	141,493
Retail	9,135	3,092	2,916	15,143
Real Estate	3,319	43,125	350,436	396,880
Of which: general RRE	3,127	25,742	289,665	318,534
Of which: IPRRE	192	2,566	6,993	9,751
Of which: general CRE	-	-	1,868	1,868
Of which: IPCRE	-	7,496	22,117	29,613
Of which: ADC and other	-	7,321	29,793	37,114
Defaulted Exposures	32,172	2,896	20,148	55,216
Other Assets	31,272	-	44,348	75,620
Off-Balance Exposures	11,853	8,607	-	20,460
Total Exposures under the Standardised Approach	**358,609**	**387,991**	**625,163**	**1,371,763**

8.4 Application of the Standardized Approach for Credit Risk

The standardized approach stipulates that banks should use an External Credit Assessment Institution("ECAI"), such as a credit rating agency, to determine the risk weighting applied to exposures to certain counterparties.

The Bank uses eligible external ratings from Standard & Poor's ("S&P") and Moody's as its nominated ECAI to assign exposures a credit quality step and thus calculate the credit risk capital requirement for the following classes of exposure: Sovereigns and multilateral development banks ("MDB's"); Public sector entities; Corporates; and Banks and Securities firms. The Bank does not make material use of on- or off-Balance Sheet netting for all applicable exposure classes.

Where there are assessments by two chosen ECAIs that map different risk weights, the higher risk weight applies and where no external rating is used in the RWA calculation, the unrated credit quality step applies.

The below table presents the mapping between the external ratings and the Credit Quality Steps ("CQS").

Credit Quality Step	S&P's Assessments	Moody's Assessments
1	AAA to AA-	Aaa to Aa3
2	A+ to A-	A1 to A3
3	BBB+ to BBB-	Baa1 to Baa3
4	BB+ to BB-	Ba1 to Ba3
5	B+ to B-	B1 to B3
6	CCC+ and below	Caa and below

8.5 Past Due and Impaired Financial Assets

At each reporting date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit and loss are impaired. Evidence of impairment may include indications that the borrower or group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments or the debt being restructured to reduce the burden on the borrower.

A financial asset or a group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably. Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, the disappearance of an active market for a security or other observable data relating to a group of assets such as adverse changes in the payment status of the issuers in the group, or economic conditions that correlate with defaults in the group.

Other than loans, mortgages and credit card receivables, no other financial assets were considered to be impaired as at March 31, 2026.

Collateral obtained to mitigate credit risk is contracted, documented, and safely stored.

The Bank's definition of a financial restructure is any change to a loan's terms that are not predicated on financial difficulty and where the Bank is not granting a concession that it would not have otherwise approved (i.e. changes that do not fall into the TDR definition).

8.6 Past Due and Impaired Loans

In the opinion of management, a loan or mortgage is considered impaired when there has been deterioration in credit quality of the borrower to the extent that there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest. Secured loans and mortgages where interest or principal is contractually past due 90 days or more are automatically classified as impaired, unless management determines that the loan or mortgage is fully secured, is in the process of collection and the collection efforts are reasonably expected to result in repayment of the loan or mortgage and overdue interest in full. For regulatory reporting purposes, loans are classified as past due after 90 days have passed since payment is missed. Credit card receivables that are contractually 180 days past due are automatically written off.

The following table presents an analysis of movements in defaulted loans and debt securities for the six-month period ended March 31, 2026.

Table 15: CR2 Changes in Defaulted Loans and Securities

		March 2026
1	Defaulted loans and debt securities at the end of the previous reporting period	32,952
2	Loans and debt securities that have defaulted since the last reporting period	28,047
3	Returned to non-default status	(6,942)
4	Amounts written off	68
5	Other changes	1,091
6	Defaulted loans and debt securities at the end of the reporting period	55,216

Defaulted Loans as per the Table CR1 includes provision allowance amount whereas Table CR2 provides these loan numbers net of allowance. Please see below the reconciliation:

Defaulted Loans as per CR1 75,062

Less: Allowance (on defaulted loans)................(19,846)

Net Defaulted loans as per CR2.........................55,216

The following tables present an analysis of impaired exposures and the ageing profile of loans and advances as at March 31, 2026, based on the consolidated financial statements:

Table 16: Credit Quality of Impaired Exposures by Geographical Area	Specific credit risk adjustments	Net carrying values of impaired exposures	Total
North America			
Bermuda	44,574	(19,351)	25,223
Other	26,660	(488)	26,172
Total	**71,234**	**(19,839)**	**51,395**

Table 17: Ageing Analysis of Loans	Classification	Gross Loan Balance	Loan Provision			Net Loan Balance
			ECL Stage I	ECL Stage II	ECL Stage III	
7 to 30 Days	Commercial	-	-	-	-	-
	Residential	8,429	-	(22)	-	8,407
	Retail & Other	3	-	-	-	3
31 to 60 Days	Commercial	-	-	-	-	-
	Residential	1,167	-	(26)	-	1,141
	Retail & Other	(1)	-	-	-	(1)
61 to 90 Days	Commercial	-	-	-	-	-
	Residential	1,400	-	-	-	1,400
	Retail & Other	517	-	(6)	-	511
More than 90 Days	Commercial	1,657	-	-	-	1,657
	Residential	2,164	-	-	-	2,164
	Retail & Other	-	-	-	-	-
Impaired	Commercial	34,870	-	-	(3,902)	30,968
	Residential	33,538	-	-	(13,745)	19,793
	Retail & Other	2,826	-	-	(2,192)	634
Not Past Due	Commercial	283,352	(298)	(296)	-	282,758
	Residential	315,285	(64)	-	-	315,221
	Retail & Other	25,622	(28)	-	(31)	25,563
Total		**710,829**	**(390)**	**(350)**	**(19,870)**	**690,219**

**All the above loans originated in North America region.*

Table 18: Net Impairment Loss on Financial	Commercial	Residential	Retail & Other	Total
Impairment loss on financial assets for the six-month period ended March 31, 2026	320	284	6	610
Total	**320**	**284**	**6**	**610**

During the period from October 1, 2025 to March 31, 2026 $17.4 million of loans were restructured and $1.2 million were considered impaired. Given the Bank's credit policies and procedures, management does not consider loans past due less than 7 days as delinquent.

8.7 Allowance for Credit Losses on Loans, Mortgages and Credit Card Receivables

The adequacy of the allowance for credit losses on loans, mortgages and credit card receivables is regularly reviewed by management taking into consideration matters such as current and future macroeconomic conditions, past loss experience and individual circumstances which may affect a borrower's future ability to pay. The allowance for credit losses is established by charges against income and a corresponding reduction of the related asset category, based on management's assessment of the estimated amount of losses within the loan, mortgage and credit card portfolios. The allowance for credit losses consists of Stage 1-3 loan loss allowances as determined under the IFRS 9 accounting standard. The loan loss allowance is the amount required to reduce the carrying value of an impaired loan to its estimated realizable amount. Generally, the estimated realizable amount is determined by discounting the expected future cash flows at the loan's original effective interest rate.

Allowances for groups of homogeneous loans are established using a formula approach based on historic data. The methodology uses statistical analysis of historical data on delinquency and collateral trends to estimate the probability of default and expected collateral values respectively. The loss given default is then estimated based on the expected collateral values. The estimate of loss arrived at on the basis of historical information is then reviewed to ensure that it appropriately reflects the economic conditions and product mix at the reporting date. Default rates and loss factors are derived from actual loss experience. The following tables show analysis related impaired exposures, the movement in the allowance for expected credit losses and the loan ageing analysis for the six-month period ended March 31, 2026.

Table 19: The Movement in the Allowance for Expected Credit Losses	Stage 1	Stage 2	Stage 3	Total
Balance at September 30, 2025	522	139	21,352	22,013
Net Write Offs	-	-	(1,502)	(1,502)
Recoveries	-	-	709	709
Other Adjustments	-	-	-	-
Provision for Credit Losses	(132)	211	(689)	(610)
Balance at March 31, 2026	**390**	**350**	**19,870**	**20,610**

8.8 Loans and Mortgages

The effective management of credit risk in the Bank's loan book is supported by relevant policies and guidelines on the role of collateral supporting these obligations. The purpose of taking collateral is to act as a secondary source of repayment of the loan if the borrower defaults and is unable to cure the default by means other than the sale of the collateral. The Bank relies heavily on the valuation and revaluation of individual collaterals, determination of the value of pledged collateral for secured loans, determination of collateral acceptability for the purposes of credit risk mitigation and collateral enforcement, should the client be in default. Lending Officers, through their credit underwriting analysis and under the guidance of Risk Management, determine whether and what type of collateral is required and the value of that collateral.

The type of collateral held can include but is not limited to: residential real estate; commercial properties; debentures covering business assets such as receivables and equipment; and pledging of cash deposits and investment securities portfolios. Significant haircuts are made on investment security portfolios minimizing any potential market risks. Clarien has no exposures to credit derivatives. Guarantees from third parties are also obtained in some instances. Independent third-party valuations of collateral are monitored.

The following table reflects the split between the Banks secured and unsecured exposures, as at March 31, 2026.

Table 20: CR3 Credit Risk Mitigation Techniques	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount
Loans	30,363	496,546	496,546	165,489	165,489
Debt securities	513,059	-	-	-	-
Total	543,422	496,546	496,546	165,489	165,489
Of which defaulted	2,026	53,190	53,190	-	-

Please note [CR1:1/g] is equal to sum of the [CR3:1/a] + [CR3:1/b] + [CR3:1/d]

8.9 Interbank Lending and Investment Securities

Collateral held as security for investment securities is determined by the nature of the instrument. Debt securities and treasuries are generally unsecured, whereas asset-backed securities and similar instruments are secured by pools of financial assets.

8.10 Financial Collateral

The overall value of financial collateral used as credit risk mitigation within the Pillar 1 calculations was $170 million against loans and advances to customers as incorporated in the determination of RWA values in Section 6.2 above. The tables that follow demonstrate the effects of the CRM techniques as at March 31, 2026.

Table 21: CR4 Standardised Approach - Credit Risk Exposure and Credit Risk Mitigation Effects	Exposures before CCF & CRM		Exposures post-CCF & post-CRM		RWA & RWA Density	
	On-Balance Sheet Amount	Off-Balance Sheet Amount	On-Balance Sheet Amount	Off-Balance Sheet Amount	RWA	RWA Density
Sovereigns and their Central Banks	367,242	-	367,242	-	-	-
Non-Central Government Public Sector Entities	157,628	-	31,237	-	20,739	66.39%
Multilateral Development Banks	3,973	-	3,973	-	-	0.00%
Banks	141,493	414	141,493	414	43,374	30.57%
Corporates	138,108	18,760	105,453	8,560	75,522	66.24%
Of which: Securities firms & other Financial Institutions	99,643	10,760	98,592	5,360	68,661	66.05%
Of which: Specialised Lending	38,466	8,000	6,861	3,200	6,861	68.19%
Subordinated Debt, Equity and other Capital	1	-	1	-	3	300.00%
Retail	15,143	33,967	13,357	167	11,978	88.57%
Real Estate	396,880	28,301	387,467	11,319	173,344	43.47%
Of which: General RRE	318,534	18,515	316,988	7,405	109,464	33.74%
Of which: IPRRE	9,751	-	9,751	-	3,940	40.41%
Of which: General CRE	1,868	-	1,375	-	1,169	85.02%
Of which: IPCRE	29,613	456	29,337	182	24,400	82.66%
Of which: ADC and Others	37,114	9,330	30,016	3,732	34,371	101.85%
Defaulted Exposures	55,216	-	55,200	-	69,590	126.07%
Other Assets	75,619	-	75,616	-	54,801	72.47%
Total	**1,351,303**	**81,442**	**1,181,039**	**20,460**	**449,351**	**37.40%**

Table 22 (Part 1): CR5 Standardised Approach - Exposures by Asset Classes and Risk Weights	0%	20%	50%	75%	100%	150%	Total credit exposure (post-DDF & post-CRM)
Sovereigns and their Central Banks	367,242	-	-	-	-	-	367,242

	20%	50%	75%	85%	100%	150%	Total credit exposure (post-DDF & post-CRM)
Non-Central Government Public Sector Entities	-	20,995	-	-	10,242	-	31,237

	0%	20%	50%	75%	100%	150%	Total credit exposure (post-DDF & post-CRM)
Multilateral Development Banks	3,973	-	-	-	-	-	3,973

	20%	30%	50%	75%	100%	150%	Total credit exposure (post-DDF & post-CRM)
Banks	70,226	32,560	38,707	-	-	-	141,493

	20%	50%	75%	85%	100%	150%	Total credit exposure (post-DDF & post-CRM)
Corporates	17,544	40,506	-	4,919	42,484	-	105,453
Of which: Securities firms & other Financial Instit.	17,544	40,506	-	4,919	35,624	-	98,592
Of which: Specialised Lending	-	-	-	-	6,861	-	6,861

	20%	60%	100%	150%	250%	400%	Total credit exposure (post-DDF & post-CRM)
Subordinated Debt, Equity and other Capital	-	-	-	-	1	-	1

	20%	45%	75%	85%	100%	150%	Total credit exposure (post-DDF & post-CRM)
Retail	-	-	6,183	-	7,174	-	13,357

Table 22 (Part 2): CR5 Standardised Approach – Exposures by Asset Classes and Risk Weights

	20%	50%	75%	85%	100%	150%	60%	70%	85%	90%	100%	110%	150%	Total credit exposure (post-DDF & post-CRM)
Real Estate	104,716	41,088	103,177	2,375	21,495	3,217	25,137	14,538	1,375	36,450	28,404	3,883	1,612	387,467
Of which: General RRE	104,716	41,088	103,397	-	21,495	-	23,758	-	-	25,534	-	-	-	316,988
Of which: No loan splitting applied	104,716	41,088	103,397	-	21,495	-	23,758	-	-	25,534	-	-	-	316,988
Of which: Loan splitting applied (secured)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which: Loan splitting applied (unsecured)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which: IPRRE	-	-	2,780	2,375	-	3,217	1,379	-	-	-	-	-	-	9,751
Of which: General CRE	-	-	-	-	-	-	-	-	1,375	-	-	-	-	1,375
Of which: No loan splitting applied	-	-	-	-	-	-	-	-	1,375	-	-	-	-	1,375
Of which: Loan splitting applied (secured)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which: Loan splitting applied (unsecured)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which: IPCRE	-	-	-	-	-	-	-	14,538	-	10,916	-	3,883	-	29,337
Of which: Land acquisition, dev. and construction	-	-	-	-	-	-	-	-	-	-	28,404	-	1,612	30,016

	25%	50%	75%	100%	125%	150%	Total credit exposure (post-DDF & post-CRM)
Defaulted Exposures	-	2,480	-	21,460	31,260	-	55,200

	0%	50%	75%	100%	125%	120%	Total credit exposure (post-DDF & post-CRM)
Other Assets	21,071	-	-	54,545	-	-	54,545

Risk Weight	On-balance sheet exposure	Off-balance sheet exposure (pre-CCF)	Weighted average CCF*	Exposure (post-CCF and post-CRM)
Less than 40%	-	60,525	17.82%	10,788
40-70%	-	871	68.51%	597
75%	-	-	-	-
85%	-	1,760	100.00%	1,760
90-100%	-	1,286	40.00%	7,314
105-130%	-	-	-	-
150%	-	-	-	-
250%	-	-	-	-
400%	-	-	-	-
1250%	-	-	-	-
Total exposures	**-**	**81,442**	**-**	**20,460**

Table CR5 presents the breakdown of exposures under the Standard Approach by asset class and risk weighting (corresponding to the risk attributed to exposure according to the risk criterion under the Standard Approach).

8.11 Derivative Contracts

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 currently maintains one derivative transaction exposure, resulting in an immaterial level of counterparty credit risk exposure. Clarien has an exposure to the Bermuda Stock Exchange, as a central counterparty (CCP). Clarien BSX Limited is a direct member of a CCP for local equity securities. The exposure to the exchange is typically short dated and overnight.

In the case where these transactions take place liquidity is held for both additional collateral that would have to be posted in the event of a credit rating downgrade and adverse movements in market rates. Collateral requirements following downgrade are assessed on a contractual basis, whereas liquidity for changes in market rates is assessed using historic market rate volatility.

"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 creditworthiness decreases. This risk is managed through the Investment Policy, which governs the requirements for eligible collateral.

Counterparty limits are approved by Credit Risk Management function.

The following tables provide a detailed breakdown of counterparty credit risk exposures calculated in accordance with the Standardised Approach as at March 31, 2026:

Table 23: CCR1 Analysis of CCR Exposures by Approach	Replacement Cost	Potential Future Exposure	Alpha used for Computing Regulatory EAD	EAD post-CRM	RWA
SA-CCR (for derivatives)	289	125	-	414	207
Total	**289**	**125**	-	**414**	**207**

Table 24: CCR3 CCR exposures by regulatory portfolio and risk weights

Risk Weight (%)	25%	50%	75%	100%	Total Credit Exposure
Regulatory Portfolio					
Banks	-	414	-	-	-
Total	**-**	**414**	**-**	**-**	**-**

Table 25: CCR5 Composition of Collateral for CCR Exposure	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 - Other Currencies	-	-	-	250	-	-
Total	-	-	-	**250**	-	-

8.12 Sovereign Exposures

Sovereign exposures primarily consist of investments in sovereign and loans extended to sovereign or government-related entities. These exposures arise in the normal course of treasury and lending activities and are managed in accordance with the Bank's established credit risk framework, internal limits, and risk appetite. Credit quality and country risk are monitored on an ongoing basis. As at the reporting date, the Bank did not have any derivative transactions linked to sovereign exposures and therefore no derivative-related counterparty credit risk exposure within this portfolio.

The tables below present sovereign exposures by currency, country and accounting classification as at March 31, 2026:

Table 26: SOV1 Exposures to Sovereign Entities - Country

Significant jurisdiction where the counterparties are located	Banking book sovereign exposures (after CCF and CRM)	Trading book sovereign exposures	Risk-weighted assets
Total	367,242	-	-
United States of America	314,096	-	-
of which: denominated in domestic currency	-	-	-
Bermuda	22,865	-	-
of which: denominated in domestic currency	-	-	-
United Kingdom	9,218	-	-
of which: denominated in domestic currency	-	-	-
Cayman Islands	8,776	-	-
of which: denominated in domestic currency	-	-	-
European Union	6,569	-	-
of which: denominated in domestic currency	-	-	-
Canada	5,718	-	-
of which: denominated in domestic currency	-	-	-

Table 27: SOV2 Exposures to Sovereign Entities - Currency Denomination Breakdown	Banking book sovereign exposures (after CCF & CRM)	Trading book sovereign exposures	Risk-weighted assets
Significant Currency Denomination	Amount (including on- and off- balance sheet)	Amount	Amount
Total	367,242	-	-
USD	345,737	-	-
GBP	9,218	-	-
EUR	6,569	-	-
CAD	5,718	-	-

Table 28: SOV3 Exposures to sovereign entities - Accounting classification breakdown	Debt Instruments / Loans and Variables			Total Exposure for Debt Instruments / Loans and Receivables					
				Maturity Buckets					
	Fair value through Profit and Loss (FVTPL)	Fair value through other Comprehensive Income (FVTOCI)	Amortised Cost (AC)	< 12 months	12 months to < 2 years	2 years to < 5 years	5 years and more	No maturity	Total
Gross value	-	248,019	119,223	188,008	10,324	115,235	53,675	-	-
Net value	-	248,019	119,223	-	-	-	53,675	-	-

9. Liquidity Risk

Liquidity risk is the risk that the Bank is not able to meet its financial obligations as they fall due or can only do so at excessive cost. The Bank's policy is to ensure that sufficient funds are available to meet its ongoing and future commitments to customers and counterparties, both with respect to the demand for loans and the repayment of deposits, and to maintain the confidence of the marketplace in which the Bank operates.

The Bank's Treasury department is responsible for managing liquidity for the Bank on a day-to-day basis. The Finance function provides various liquidity-related reports on a daily/monthly basis, reflecting measurement and close monitoring of the liquidity position of the Bank. Apart from this regular reporting to the senior management, ALCO provides direct oversight over this function and reports to the Risk Review Committee from a governance perspective. Management has recommended internal limits on various benchmarks such as LCR, Loan/Deposit ratio, open Foreign Exchange (FX) positions, NSFR etc., which are always conservative compared to the prevalent Regulatory requirements.

The Bank manages liquidity based on current and forecasted movements in deposits, loans and other related portfolios including off Balance Sheet exposure based on demand, contractual commitments and customer behaviors. This is achieved by (i) adhering to Board approved loan to deposit guidelines (ii) adherence to regulatory mandated liquidity mismatch guidelines with respect to the amount of potential projected cash outflow, looking out one month, as a percentage of total deposits and (iii) maintaining holdings of high quality liquid assets and short maturity interbank placements.

Currently the Bank maintains a portfolio of high quality and liquid assets in the investment portfolio with more than 50% of the portfolio made up of US Treasuries. The Bank's LCR which is a measure of liquidity, is above 150% reflecting the very conservative liquidity policy. NSFR for the past few quarters has been around 135% with a Loan/Deposit ratio of around 58.11%. As at March 31, 2026, the Bank holds cash and investments worth approx. BMD $602 million which is 44.31% of its total Balance Sheet size and 50.69% of its deposit obligations.

The Bank has a formalized and Board approved liquidity contingency plan which highlights the roles and responsibilities and actions to be taken in five stages i) business-as-usual, ii) mild stress, iii) moderate stress, iv) severe stress, and v) adverse stress. This includes events with liquidity crises that can impact the Bank's funding and liquidity position severely.

As part of the annual Capital Assessment and Risk Profile (CARP), the Bank uses the BMA LCR calculations as a base for a stress scenario. The LCR retention ratios on both cash inflows and cash outflows are intended to reflect a 'Stressed Liquidity Event. The Bank further stresses these factors by a further 25%.

The Bank relies mainly on customer deposits as a funding source, which has been steady and stable historically. Notwithstanding the continued stability of the Bank's deposit funding, the Bank has established external repurchase facilities as a contingency funding plan. The Bank maintains a very sound investment portfolio consisting of US Treasuries and high-quality corporate bonds, which places the Bank in a good position to raise necessary funding in a very short timeframe to meet any adverse liquidity conditions. Acquisition of the Bank's holding company by NCB Financial Group in December 2017 also provides the Bank with additional avenues of support from its affiliate banking institution in Jamaica, National Commercial Bank Jamaica, should such adverse conditions occur.

The Bank operates only in Bermuda and does not have any foreign branches or operations. The Bank transacts only a small number of FX positions, predominantly spot transactions for customer flow. As a result, the Bank has no substantial net exposure to foreign exchange rate fluctuations. The following table shows the liquidity profile of the Bank's liabilities as at March 31, 2026.

Table 29: Liquidity Profile of the Bank's Liabilities	Carrying amount	Gross nominal	Repayable on demand	Up to 3 months	3-6 mths	6-12 mths	1-5 yrs	>5 yrs
Total Due to Depositors	1,178,268	(1,201,160)	(805,746)	(83,235)	(80,160)	(122,432)	(109,587)	-
Accrued Interest	9,579	-	-	-	-	-	-	-
Accts Payable & Accrued Liabilities	8,189	(8,189)	(8,189)	-	-	-	-	-
Due to Clients	318	(318)	(318)	-	-	-	-	-
Lease Liabilities	6,447	(6,910)	-	(170)	(170)	(360)	(2,854)	(3,356)
Total	**1,202,801**	**(1,216,577)**	**(814,253)**	**(83,405)**	**(80,330)**	**(122,792)**	**(112,441)**	**(3,356)**
Unrecognized Loan Commitments	-	(45,710)	(13,247)	(1,654)	(1,106)	(9,221)	(2,751)	(17,731)
LOC	-	(1,764)	-	(301)	(463)	(1,000)	-	-
Total Financial Liabilities	**1,202,801**	**(1,264,051)**	**(827,500)**	**(85,360)**	**(81,899)**	**(133,013)**	**(115,192)**	**(21,087)**

Please Note: The Deferred Income has been excluded because this is not considered as a financial liability.

9.1 Liquidity Coverage Ratio (LCR)

Please see below LCR details based on the past 6 months data. Please note the following:

- The Bank has an LCR ratio of 184%, reflecting a very healthy liquidity position.
- The Bank's HQLA is comprised predominantly of US sovereign debt and high-quality liquid investments.
- There are no significant intra period movements.
- The Bank's main source of funding continues to be customer deposits.
- The Bank has insignificant foreign currency exposure and hence a currency mismatch is not material.
- The Bank has captured all the relevant cash flows for this calculation.

Currently the Bank does not have any borrowings from capital markets or wholesale funding sources, hence there are no concentration limits on funding sources or collateral pools.

Table 30: LIQ1 Liquidity Coverage Ratio (LCR)

		Total unweighted value (average)	Total weighted value (average)
High-Quality Liquid Assets			
1	Total HQLA	-	408,978
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	349,141	34,914
4	Less stable deposits	349,141	34,914
5	Unsecured wholesale funding, of which:	394,277	243,089
6	Operational deposits (all counterparties) & deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	394,277	243,089
10	Additional requirements, of which:	39,640	3,599
13	Credit and liquidity facilities	39,640	3,599
14	Other contractual funding obligations	1,762	88
15	Other contingent funding obligations	8,150	8,150
16	**Total Cash Outflows**	-	**289,840**
Cash Inflows			
18	Inflows from fully performing exposures	5,470	2,735
19	Other cash inflows	67,949	67,949
20	**Total Cash Inflows**	**73,419**	**70,684**
Total Adjusted Value			
21	**Total HQLA**		**408,978**
22	**Total net cash outflows**		**219,157**
23	**Liquidity coverage ratio (%)**		**187%**

9.2 Net Stable Funding Ratio (NSFR)

The NSFR requires banks to maintain a stable funding profile in relation to the composition of their assets and Off-Balance Sheet activities, looking over a one-year horizon. The BMA requirement is 100% coverage.

Please see below NSFR workings based as at March 31, 2026.

- The Bank has an NSFR ratio of 136% which is in line with previous periods with no significant movements.
- Customer deposits continue to be the main source of funding for the Bank.
- The Bank has a very simple Balance Sheet comprising of deposits and loans and does not have any significant amount of interdependent assets/liabilities.

Table 31: LIQ2 Net Stable Funding Ratio (NSFR)

		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**	**-**	**-**	**-**	**157,838**	**157,838**
2	Regulatory capital	-	-	-	157,838	157,838
4	**Retail deposits and deposits from small business customers**	**-**	**560,683**	**108,926**	**98,356**	**701,004**
6	Less stable deposits	-	560,683	108,926	98,356	701,004
7	**Wholesale funding**	**-**	**396,662**	**10,360**	**14,560**	**114,482**
9	Other wholesale funding	-	396,662	10,360	14,560	114,482
13	All other liabilities and equity not included in the above categories	-	18,904	242	5,118	5,239
14	**Total ASF**					**978,563**
Required Stable Funding (RSF) Item						
15	**Total NSFR high-quality liquid assets (HQLA)**					**40,871**
16	**Deposits held at other financial institutions for operational purposes**	**62,748**	**-**	**-**	**5,700**	**37,074**
17	**Performing loans and securities:**	**11,778**	**10,768**	**13,394**	**705,235**	**526,776**
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs	11,775	9,101	11,741	-	10,421
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	363,529	274,077
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	1,667	1,653	249,165	163,617
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2	-	-	92,541	78,661
26	**Other liabilities**	**-**	**47,248**	**1,290**	**66,342**	**114,880**
31	All other assets not included in the above categories	-	47,248	1,290	66,342	114,880
32	**Off-balance sheet items**		**-**	**-**	**81,029**	**2,286**
33	**Total RSF**					**721,887**
34	**Net Stable Funding Ratio (%)**					**136%**

**Items to be reported in the "no maturity" time bucket do not have a stated maturity. These may include, but are not limited to, items such as capital with perpetual maturity, non-maturity deposits, short positions, open maturity positions, non-HQLA equities and physical traded commodities.*

10. Market Risks

Market risk is the potential adverse change in the Bank's income or in the value of the Bank's holdings of financial instruments arising from movements in interest rates, foreign exchange rates or equity prices. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on risk.

The Bank's exposure to market risk is governed by a policy approved by the ALCO and ratified by the Risk Committee. The policy sets out the nature of risk which may be taken, and applicable maximum risk limits. Compliance with the Bank's risk limits and the Bank's exposure to market risks are reviewed at monthly meetings of ALCO and quarterly meetings of the Risk Committee. Since the Bank does not engage in propriety trading activities, its market risk exposure principally arises from its regular banking activities.

Day-to-day monitoring and management of market risk is undertaken by the Treasury Department. Exposure to market risk can be managed by using hedging instruments or by utilizing natural hedges existing within the variety of financial instruments the Bank holds.

The Bank has submitted a policy statement to the BMA declaring its activities as non-trading and has obtained a de minimis exemption from holding market risk capital due to the nature of its operations.

10.1 Interest Rate Risk

Qualitative Disclosures of IRRBB

This section contains qualitative disclosures providing a description of the risk management objective and policies concerning IRRBB.

a) Definition of IRRBB for the purposes of risk control and measurement

The Bank defines IRRBB as Risk of losses, or reduced income, due to timing mismatches in the sensitivity of the Banks assets and liabilities to interest rate movements within the Banking Book. A sufficiently high level of IRRBB could pose a significant threat to the Bank's capital and/or future earnings if not managed appropriately. Changes in interest rates can affect both the underlying economic value of the Bank's assets, liabilities and off-Balance Sheet instruments and its net interest income.

IRRBB comprises:

Repricing Risk (Mismatch Risk) – Timing difference in the maturity and repricing of bank assets, liabilities and off-Balance Sheet positions.

Basis Risk – Imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics.

Option Risk – The risk related to interest-related options embedded in Bank products. Such embedded optionality may exist, where the Bank or its customers can make elections such as prepayment of a loan or early redemption of a deposit that alter the timing and amount of their cash flows.

b) The Bank's IRRBB management and mitigation strategies

IRRBB is managed within the Bank's market risk framework. The Board of Directors retains ultimate responsibility for the effective management of IRRBB. Through the Risk Committee the Board has delegated its responsibility for the management of IRRBB to ALCO. At management level, the Bank's ALCO proactively oversees the management of IRRBB.

The appropriate risk limits have been established, managing a robust risk control and reporting process. Both economic value (EVE) and earning based measurements are used to measure IRRBB and monitor this risk against the limits. Compliance with these limits is measured and reported to ALCO and the Board.

ALCO's functions include: reviewing the framework to identify, measure, evaluate, control and monitor IRRBB in the Bank's Balance Sheet.

Hedging – The Bank primarily maintains its risk position within the desired levels through adjustments to balance composition and does not intend as a matter of normal course to fully hedge the interest rate risk. However, if or when a hedge is concluded to be executed the proper documentation is maintained and accounting is done as per relevant IFRS standards.

Conduct of Stress Testing – The Bank currently conducts stress tests for net interest income variation, by assessing the impact of various interest rate shocks on the Bank's earnings. In addition, EVE stress tests are required by the Basel Committee's guidelines which have been adopted by the Bank.

Model Validation – The Bank has an established model validation framework that covers IRRBB models. All new models and any revisions to existing models will be presented to ALCO for approval.

The role of Independent Audit – Internal Audit function is responsible for periodically reviewing the robustness of the IRRBB management framework by assessing the reliability of reporting effectiveness and efficiency of the IRRBB policy and framework.

c) The Periodicity of the calculation of the Bank's IRRBB measures

The Bank undertake its IRRBB measurement on a monthly basis during the normal course of business. The Bank employs various analytical techniques to measure interest rate sensitivity monthly within the Banking Book on both an earnings and economic-value basis. This includes an interest rate repricing profile analysis, a simulated modelling of the Bank's earnings at risk and economic value for a standard interest rate shock, and stress testing of earnings and economic value for multiple stressed interest rate scenarios. These analyses include the application of both parallel and non-parallel interest rate shocks.

Earnings Approach (Earnings at risk): This is defined by the impact of changes in interest rate on the Bank's earnings. This is measured by changes in net interest income assuming a constant Balance Sheet, where maturing or repricing cash flows are replaced by new cash flows with identical features with regards to amount, repricing period and spread components.

Economic Value Approach (EVE): EVE sensitivity is computed with the assumption of a run-off Balance Sheet, where the existing interest sensitive positions in the Banking Book are amortized based on their repricing cash flow and are not replaced by any new business. EVE measures the change in the present value of the assets and liabilities. The measure therefore depicts the change in economic equity resulting from an interest rate shock.

d) Interest rate shock and stress scenarios

The Bank has applied the six interest rate shock scenarios as prescribed in the Basel guidance (namely parallel up, parallel down, short rate up, short rate down, flattener and steepener).

While all scenarios are applied for Δ EVE computations, only the parallel shocks are utilized to compute the Δ NII using the income approach.

e) Modelling assumptions

The modelling assumptions used in the Bank's IRRBB report have been adopted for internal capital adequacy purposes from 1st January 2018.

f) IRRBB hedging

The Bank does not fully hedge interest rate risk but targets to maintain its IRRBB position at a desired level, within the risk appetite, through strategic planning of Balance Sheet composition including an appropriate tenor and repricing mix of fixed and floating rate products. Within the Bank's ALCO policies, Treasury is permitted to carry out fair value and cash flows hedges to hedge interest rate risk on particular assets and liabilities in order to maintain risk and return parameters within appetite and plan.

g) Key modelling assumptions

The modelling assumptions considered for the computation of Δ EVE and Δ NII:

- For Δ EVE commercial margins and other spread components have been included in the cash flows used in the computation and discount rate.
- Non-maturity deposits (NMD's) have been split in Retail and Wholesale deposits. The Bank has adopted the results of the non-maturity deposit study developed by an external service provider. The behavioural analysis study was based on historical data to establish set levels of core, non-core and non-stable deposits. For both Retail and Wholesale NMDs identified as non-stable, these have been taken to reprice in the overnight bucket, and core deposits have been assigned the longest repricing maturity between 8 to 10 years with an average life of 4 to 5 years.
- Management has conducted a historical analysis on the level of fixed rate loan prepayments experienced over a five-year. Given the low value result of the analysis, Management has deemed this risk immaterial to the IRRBB model and will continually assess the risk going forwards.
- The Bank has significant currency exposure in base currency, BMD and also USD (which is pegged to the Bermuda Dollar). Exposures in all foreign currencies (FCY) are immaterial as they are less than 5.0% of assets and liabilities. The Bank has included FCY exposures in the base currency with the conversion rate as on the reporting date. Accordingly, significant interest rate correlations between different currencies are not applicable for the Bank's current portfolio.

The following table shows changes in the Bank's EVE and NII under each prescribed interest rate scenario as at the end of the two quarters, March 2026 and December 2025.

Table 32: Quantitative Disclosures of IRRBB

	Δ EVE*		Δ NII*	
Period	**Mar-26**	**Dec-25**	**Mar-26**	**Dec-25**
Parallel up	226	318	1,783	2,617
Parallel down	(28)	(88)	(3,064)	(3,643)
Steepener	(766)	(1,432)		
Flattener	874	1,521		
Short rate up	829	1,459		
Short rate down	(794)	(1,448)		
Maximum	**(794)**	**(1,448)**	**(3,064)**	**(3,643)**
Period	**Mar-26**		**Dec-25**	
Tier 1 Capital	**157,448**		**157,448**	

**Δ EVE: Change in Economic Value of Equity due to interest rate shocks*
***Δ NII: Change in Net Interest Income due to interest rate shocks*
****IRRBB disclosures are on Solo basis*

With most of the loan book being variable in nature, the Bank's balance sheet is more sensitive to repricing assets rather than the deposit portfolio, which contains both variable and fixed rate liabilities. The Bank's strategy is to continue to closely monitor the duration of the investment book, to ensure the Bank is sufficiently hedged against the six interest rate scenarios.

11. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It arises in Clarien's day-to-day operations and is relevant to every aspect of its business.

Clarien has established a robust framework of processes, systems and authority structures to minimize its exposure to operational failures of this kind. This includes:

- The development of an operational risk taxonomy which establishes thirteen sub-categories of risk that Clarien will manage, monitor and mitigate through its operational risk management program.
- The publication of a comprehensive framework of policies and procedures to inform and guide employees as they execute their roles and responsibilities in respect of these risks.
- A commitment to competence through the provision of both technical and soft skills training.
- The implementation of cascading authority structures, separations of duties and maker-checker rules.
- The implementation of systems and processes that capture and enable the interrogation of operational losses, customer complaints, and other "near miss" incidents. This includes the reporting of any loss incurred for an amount of $10,000 or more to the Risk Review Committee which oversees the sufficiency of the corrective actions taken by management to prevent recurrence.
- The completion of independent testing and quality assurance processes to confirm the performance of key controls.
- A change management risk assessment process to ensure projects do not cause serious disruption or create processing inefficiencies.
- Processes that monitor the resiliency of critical I.T. systems, including the readiness of Clarien's business continuity and disaster recovery capabilities.
- The monitoring of material outsourcing and vendor relationships

11.1 Capital Calculation Methodology

The Bank has adopted the Revised Standardized Approach for calculating its Pillar 1 operational risk capital which is based on Basel's revised operational risk standard which came into effect starting 1st January 2023. This approach consists of two main items, a business indicator component (BIC) (a measure of a bank's income) and a loss component (LC), from which an internal loss multiplier (ILM) is derived, a measure of a bank's historical losses. The minimum (pillar 1) operational risk capital (ORC) requirement is the product of the BIC and the ILM, with risk weighted assets for operational risk being the capital requirement multiplied by 12.5.

The tables below present details of the evolution of the indicators and components, together with the operational risk own funds requirement:

Table 33: OR2 Business Indicator and Subcomponents	a	b	c
	2025	2024	2023
Interest, lease and dividend component	28,121		
Interest and lease income	70,605	71,130	62,751
Interest and lease expense	17,988	19,743	12,084
Interest earning assets	1,248,478	1,299,506	1,201,480
Services component	29,100		
Fee and commission income	31,481	29,320	25,024
Fee and commission expense	15,900	14,733	14,021
Other operating income	385	491	600
Financial component	187		
BI	57,408		
Business indicator component (BIC)	6,889		

	a
BI gross of excluded divested activities	57,408
Reduction in BI due to excluded divested activities	-

Table 34: OR3 Minimum required Operational Risk Capital	a
Business indicator component (BIC)	6,889
Internal loss multiplier (ILM)	1
Minimum required operational risk capital (ORC)	6,889
Operational risk RWA	86,113