PROVEN Bank (Cayman) Limited
PILLAR 3 DISCLOSURE REPORT
QUARTERLY
As at 30 JUNE 2023

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1. BACKGROUND

1.1 Incorporation and Ownership Information

PROVEN Bank (Cayman) Limited (the Bank), formerly Fidelity Bank (Cayman) Limited is incorporated under the Companies Act, as revised, of the Cayman Islands and is licensed under the Bank and Trust Companies Act, as revised, as a Category A Bank to carry on banking business in the Cayman Islands, subject to certain restrictions contained in the terms of the licence. On 8 February 2022, Fidelity Bank (Cayman) Limited changed its name to PROVEN Bank (Cayman) Limited.

On 7 November 2022, the Bank received a share transfer of 75,213 common shares of Boslil Bank Limited (Boslil), a fully owned subsidiary of PROVEN Group Limited following the completion of a share transfer transaction. On 25 January 2023 Boslil changed its name to PROVEN Bank St. Lucia (PBSL), PBSL is now a fully owned subsidiary of the Bank. Prior to the acquisition, the Bank only operated in the Cayman Islands.

PROVEN Group Limited (the Ultimate Parent), formerly PROVEN Investments Limited, incorporated and domiciled in Saint Lucia under the International Business Companies Act, with registered office at 20 Micoud Street, Castries, Saint Lucia is the ultimate holder of 100.00% of the issued ordinary shares of the Group. The Ultimate Parent acquired the Bank on 31 January 2022. Prior to this, Fidelity Bank & Trust International Limited, a company incorporated in the Commonwealth of The Bahamas (The Bahamas), owned 100.00% of the issued ordinary shares of the Bank.

The registered office of the Bank is situated at Willow House, Cricket Square, 171 Elgin Avenue, George Town, Grand Cayman KY1-1103, Cayman Islands. The Bank changed its financial year end from December 31 to March 31 to align with the Ultimate parent's financial reporting period.

This disclosure document has been prepared by the Bank on a standardized basis and in accordance with the rules set out in the BCBS standards issued in January 2015 entitled 'Revised Pillar 3 Disclosure Requirements' and in March 2017 titled "Pillar 3 Disclosure Requirements – consolidated and enhanced framework" and as adopted by CIMA. Unless otherwise stated, all figures are as at June 30, 2023 and are expressed in United States (US) dollars.

1.2 Licence and Activity Focus

The Bank is licensed and regulated by the Cayman Islands Monetary Authority ("CIMA") as a Category "A" Banking entity.

The Bank and its subsidiaries, collectively referred to as the Group, offer a full range of retail and private banking services, including internet and telephone banking, acceptance of deposits, granting of loans and the provision of foreign exchange services through each of its two (2) operating banks in Grand Cayman and St. Lucia.

1.3 Disclosure Report Application and entity relevance

These disclosures have been prepared on a solo basis, i.e. PROVEN Bank (Cayman) Limited and its two fully owned property holding entities and excludes PROVEN Bank (St. Lucia) Limited as there are no consolidated prior year comparatives to be included. The Bank will seek to prepare disclosures on a consolidated basis at its next annual reporting date 31 March 2024.

1.4 Disclosure Report review and approval by the Board of Directors

This Pillar 3 Disclosure Report has been reviewed and approved by the Board of Directors on September 29, 2023.

2. CAPITAL MANAGEMENT

2.1 Overview of Risk Weighted Assets

Table OV1 provides an overview of Risk Weighted Assets ("RWA") and Minimum Capital Requirements per risk type. As is evident in Table 1, there was a slight increase of 0.25% or $516K between RWA reported as at 31 March 2023 and RWA reported as at 30 June 2023. This increase is mainly driven by an increase of 2% in credit RWA and a decline of 10% in operational RWA. The increase in Credit RWA is mainly attributable to the category "Claims on Banks and Security Firms" and "Claims on Retail Portfolio". The increase in Operational RWA is due to higher profits in the last quarter when compared to prior periods.

<u>Table 1:</u> OV1 – Overview of RWA

		June 30, 2023	March 31, 2023	
		RWA		Minimum capital requirements
		T	T-1	T
1	Credit risk (excluding counterparty credit risk) (CCR)	$189,079,260	$186,081,166	$28,361,889
2	Securitisation exposures			
3	Counterparty credit risk			
4	Of which: current exposure method			
5	Of which: standardized method			
6	Market risk	$35,900	$29,613	$5,385
7	Of which: Equity risk			
8	Operational risk	$22,691,313	$25,179,288	$3,403,697
9	Of which: Basic Indicator Approach	$22,691,313	$25,179,288	
10	Of which: standardized method			
11	Of which: Alternative Standardised			
12	Total (1+2+3+6+8)	$211,806,473	$211,290,067	$31,770,971

2.2 Leverage Ratio – LR1 & LR2

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

Table 2 provides a reconciliation between the regulatory exposure measure and the financial statements of the Bank.

Table 2: LR1 – Summary comparison of accounting assets vs leverage ratio exposure measure

		June 30, 2023
1	Total consolidated assets as per published financial statements	$367,790,386
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for securitised exposure that meet the operational requirements for the recognition of risk transference	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
6	Adjustments for regular way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustments for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	-
9	Adjustment for securities financing transactions (i.e. repurchase agreements and similar secured lending)	-
10	Adjustment for off balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	$2,670,721
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
13	Leverage ratio exposure measure	8.98%

The adjustment of $2.67M noted above relates to off balance sheet items post the credit conversion factor and credit risk mitigation. These are not reflected on the balance sheet and are therefore treated as an adjustment item.

2.3 Leverage ratio common disclosure

As evident in Table 3 below, the Bank's leverage ratio increased from 8.86% as at March 31, 2023, to 8.98% as at June 30, 2023 due to a larger increase in total Tier 1 capital of 10% due to increased profits over the period compared to an 8% increase in total exposures due to an overall increase in bank placements and investments during the period.

Table 3: LR2 – Leverage Ratio common disclosure

		June 30, 2023	March 31, 2023
		T	**T-1**
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions, but including collateral)	$365,119,665	$335,005,488
2	Gross up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework		
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)		
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)		
5	(Specific and general provisions associated with on balance sheet exposures that are deducted from Basel III Tier 1 capital)		
6	(Asset amounts deducted in determining Basel III Tier 1 capital and regulatory adjustments)		
7	**Total on balance sheet exposures** (excluding derivatives and SFTS) (sum of rows 1 to 6)	$365,119,665	$335,005,488
Derivative exposures			
13	**Total derivative exposures** (sum of rows 8 to 12)		
Securities financing transaction exposures			
18	Total securities financing transaction exposures (sum of rows 14 to 17)		
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	$13,353,607	$21,106,067
20	(Adjustments for conversion to credit equivalent amounts)	($10,682,886)	($16,884,854)
21	(Specific and general provisions associated with on balance sheet exposures that are deducted from Tier 1 capital)		
22	**Off-balance sheet items** (sum of rows 19 to 21)	$2,670,721	$4,221,213
Capital and total exposures			
23	**Total Tier 1 Capital**	$33,014,734	$30,052,490
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	$367,790,386	$339,226,701
Leverage ratio			
25	**Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	8.98%	8.86%
25a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)		
26	**National minimum leverage ratio requirement**	3.00%	3.00%
27	**Applicable leverage buffers**	5.98%	5.86%

PROVEN BANK

3. LIQUIDITY RISK

3.1 Liquidity Coverage Ratio ("LCR") – LIQ1

The LCR is designed to ensure that a bank has sufficient unencumbered high-quality liquid assets ("HQLA") that can be converted into cash to meet its liquidity needs for a 30-calendar day liquidity stress scenario. Table 4 details the Bank's LCR as at June 30, 2023 which was calculated based on the simple average of month end balances for April 2023, May 2023 and June 2023.

Table 4: LIQ1 – Liquidity Coverage Ratio as at June 30 2023

The Bank's LCR averaged at 134% over the quarter ended June 30, 2023. The Bank's stock of HQLA's totaling $65M, of which $63M and $2M are designated as Level 1 and Level 2B assets respectively. In terms of the Bank's funding, 28% is attributable to retail deposits, 9% to small business customers, 41% to non-financial corporates. 4% to other legal entities and 19% to other financial institutions.

The Bank's LCR remained relatively stable quarter on quarter with a reported ratio as at March 31, 2023 of 129% compared to the average ratio of 134% as at June 30, 2023.

		June 30, 2023	June 30, 2023
		Total unweighted value (average)	**Total weighted value** (average)
	High-quality liquid assets		
1	Total HQLA		$ 65,105
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	$ 72,462	$ 7,246
3	Stable deposits	-	-
4	Less stable deposits	$ 72,462	$ 7,246
5	Unsecured wholesale funding, of which:	$ 172,592	$ 94,683
6	Operational deposits (all counterparties) and deposits in network of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	$ 172,592	$ 94,683
8	Unsecured debt	-	-
9	Secured wholesale funding		-
10	Additional requirements, of which:	$ 15,480	$ 878
11	Outflows related to derivative exposures and other collateral requirements	-	-
12	Outflows related to loss of funding on debt products	-	-

13	Credit and liquidity facilities	$ 13,404	$ 670
14	Other contractual funding obligations	$ 2,076	$ 208
15	Other contingent funding obligations	-	-
16	**TOTAL CASH OUTFLOWS**		$ 102,807
Cash inflows			
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	$ 66,798	$ 54,378
19	Other cash flows	-	-
20	**TOTAL CASH INFLOWS**	$ 66,798	$ 54,378
			Total adjusted value
21	Total HQLA		$ 65,105
22	Total net cash outflows		$ 48,429
23	Liquidity Coverage Ratio (%)		134%