PROVEN Bank (Cayman) Limited

PILLAR 3 DISCLOSURE REPORT

QUARTERLY

AS AT 31 DECEMBER 2023

TABLE OF CONTENTS

1. BACKGROUND

1.1 Incorporation and Ownership Information

PROVEN Bank (Cayman) Limited (the Bank) 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 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 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 of December 31, 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. 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.

2 LEVERAGE

2.1 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 1 provides a reconciliation between the regulatory exposure measure and the financial statements of the Bank.

Table 1: LR1 – Summary comparison of accounting assets vs leverage ratio exposure measure

		31-Dec-23
1	Total consolidated assets as per published financial statements	$326,747,578
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 recognized 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)	$2,242,470
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	-
13	**Leverage ratio exposure measure**	**10.10%**

The adjustment of $2.2M 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.

2.2 Leverage ratio common disclosure

As evident in Table 2 below, the Bank's leverage ratio increased from 9.28% as at September 30, 2023, to 10.10% as at December 31, 2023, due to a decrease in "On-balance sheet exposures" from USD$353M to USD $325M. This decrease is mainly due to a reduction in bank placements during the reporting period whilst Tier 1 capital held steady over the period.

Table 2: LR2 – Leverage Ratio common disclosure

		a	b
		31-Dec-23	**30-Sept-23**
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions, but including collateral)	$324,505,108	$352,624,264
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)	**$324,505,108**	**$352,624,264**
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	$11,212,352	$15,159,434
20	(Adjustments for conversion to credit equivalent amounts)	($8,969,882)	($12,127,547)

		a	b
		31-Dec-23	30-Sept-23
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)	**$2,242,470**	**$3,031,887**
Capital and total exposures			
23	**Total Tier 1 Capital**	**$33,014,734**	**$33,014,734**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**$326,747,578**	**$355,656,151**
Leverage ratio			
25	**Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**10.10%**	**9.28%**
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**	**7.10%**	**6.28%**

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 December 31, 2023 which was calculated based on the simple average of month end balances for October 2023, November 2023 and December 2023.

Table 3: LIQ1 – Liquidity Coverage Ratio as at December 31, 2023.

The Bank's LCR averaged 147% over the quarter ended December 31, 2023. The Bank's stock of HQLA's totaling $73.4M, of which $68.4M and $5M are designated as Level 1 and Level 2B assets respectively. In terms of the Bank's funding, 27% is attributable to retail deposits, 13% to small business customers, 38% to non-financial corporates. 4% to other legal entities and 18% to other financial institutions.

The Bank's LCR increased quarter on quarter with a reported ratio as at December 31, 2023, of 147% compared to the average ratio of 125% as at September 30, 2023. This was mainly due to a decrease in the Bank's average net cash outflows over the period whilst the Bank's stock of HQLA's remained relatively stable.

PROVEN BANK

		31-Dec-23 **Total unweighted value** (average)	31-Dec-23 **Total weighted value** (average)
High-quality liquid assets			
1	**Total HQLA**		**$73,492.00**
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	$50,973	$5,098
3	Stable deposits		
4	Less stable deposits	$50,973	$5,098
5	Unsecured wholesale funding, of which:	$160,500	$82,336
6	Operational deposits (all counterparties) and deposits in network of cooperative banks		
7	Non-operational deposits (all counterparties)	$160,500	$82,336
8	Unsecured debt		
9	Secured wholesale funding		
10	Additional requirements, of which:	$14,184	$753
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	$13,315	$666
14	Other contractual funding obligations	$869	$87
15	Other contingent funding obligations		
16	**TOTAL CASH OUTFLOWS**		**$88,187**
Cash inflows			
17	Secured lending (e.g. reverse repos)		
18	Inflows from fully performing exposures	$67,518	$38,261
19	Other cash flows		
20	**TOTAL CASH INFLOWS**	**$67,518**	**$38,261**
			Total adjusted value
21	**Total HQLA**		**$73,492**
22	**Total net cash outflows**		**$49,926**
23	**Liquidity Coverage Ratio (%)**		**147%**