



PROVEN Bank (Cayman) Limited
PILLAR 3 DISCLOSURE REPORT
QUARTERLY
AS AT 31 DECEMBER 2024

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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. The Bank is a wholly owned subsidiary of PROVEN Bank Holdings Limited (“PBHL” or the “Parent”), which is incorporated in the Cayman Islands, the holding company of the banking entities within the PROVEN Group Limited. In November 2022, PROVEN Bank St. Lucia Limited (PBSL) which was fully owned by PROVEN Group Limited became a fully owned subsidiary of the Bank via the completion of a share transfer transaction. 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 at Willow House, Cricket Square, 171 Elgin Avenue, George Town, Grand Cayman KY1-1103, Cayman Islands. The Bank’s financial year end is March 31, which aligns 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 Basel Committee on Banking Supervision (BCBS) requirements issued in January 2015 titled ‘Revised Pillar 3 Disclosure Requirements’, in March 2017 titled “Pillar 3 Disclosure Requirements – consolidated and enhanced framework”, and in December 2018 titled, “Pillar 3 disclosure requirements – updated framework”, which were and as adopted by the Cayman Islands Monetary Authority (CIMA). Unless otherwise stated, all figures are as of December 31, 2024, 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 electronic banking, acceptance of deposits, granting of loans, credit cards, merchant and 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 consolidated basis.

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.

2. CAPITAL MANAGEMENT

2.1 Overview of Risk Weighted Assets Explaining Differences Between Last Two Reporting Periods and Explain Differences

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 an increase between RWA reported as at 30 September 2024 and RWA reported as at 31 December 2024. This increase is mainly due to a marginal rise of 8% in the Bank’s Loans and Advances portfolio over the period along with the increase of 39% in cash at banks which carry lower risk weightings.

Table 1: OV1 – Overview of RWA

| | | a | b | c |
|----|---|----------------------|----------------------|------------------------------|
| | | RWA | | Minimum capital requirements |
| | | 31-Dec-24 | 30-Sept-24 | 31-Dec-24 |
| 1 | Credit risk (excluding counterparty credit risk) (CCR) | \$294,715,038 | \$294,403,145 | \$44,207,256 |
| 2 | Securitisation exposures | - | - | - |
| 3 | Counterparty credit risk | - | - | - |
| 4 | Of which: Current Exposure Method | - | - | - |
| 5 | Of which: Standardized Method | - | - | - |
| 6 | Market risk | \$1,509,913 | \$1,222,188 | \$226,487 |
| 7 | Of which: Equity risk | - | - | - |
| 8 | Operational risk | \$37,867,900 | \$37,867,900 | \$5,680,185 |
| 9 | Of which: Basic Indicator Approach | \$37,867,900 | \$37,867,900 | - |
| 10 | Of which: Standardized Method | - | - | - |
| 11 | Of which: Alternative Standardised | - | - | - |
| 12 | Total (1+2+3+6+8) | \$334,092,851 | \$333,493,233 | \$50,113,928 |

3. LEVERAGE

3.1 Leverage Ratios – 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

| | | 31-Dec-24 |
|-----------|--|------------------|
| 1 | Total consolidated assets as per published financial statements | \$695,576,885 |
| 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 meets 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 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) | \$3,293,374 |
| 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 | 6.38% |

The adjustment of USD \$3.29M 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.

3.2 Leverage ratio common disclosure

As evident in Table 3 below, the Bank's leverage ratio decreased marginally from 6.78% as at September 30, 2024, to 6.38% as at December 31, 2024. The material movements between reporting periods includes an increase in "On-balance sheet exposures" from USD \$652M reported as of 30 September 2024 to USD \$692M reported as of 31 December 2024. This is due to an increase in bank placements, investments and loans. The Bank's total Tier 1 capital remained relatively stable during the reporting period.

Table 3: LR2 – Leverage Ratio common disclosure

| | | a | b |
|---|--|----------------------|----------------------|
| | | 31-Dec-24 | 30-Sept-24 |
| On-balance sheet exposures | | | |
| 1 | On-balance sheet exposures (excluding derivatives and securities financing transactions, but including collateral) | \$692,283,511 | \$652,025,268 |
| 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) | \$692,283,511 | \$652,025,268 |
| 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 | \$16,466,869 | \$18,346,916 |
| 20 | (Adjustments for conversion to credit equivalent amounts) | (\$13,173,495) | (\$14,677,533) |

| | | a | b |
|------------------------------------|---|----------------------|----------------------|
| | | 31-Dec-24 | 30-Sept-24 |
| 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) | \$3,293,374 | \$3,669,383 |
| Capital and total exposures | | | |
| 23 | Total Tier 1 Capital | \$44,348,120 | \$44,436,161 |
| 24 | Total exposures (sum of rows 7, 13, 18 and 22) | \$695,576,885 | \$655,694,651 |
| Leverage ratio | | | |
| 25 | Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) | 6.38% | 6.78% |
| 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 | 3.38% | 3.78% |

4. LIQUIDITY RISK

4.1 Liquidity Risk and Liquidity Management Approach

Liquidity risk is the risk that the Bank is not able to meet its financial obligations as they fall due or can do so only at an excessive cost. The Bank's liquidity risk management policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in funding, to retain full public confidence in the solvency of the Bank and to enable it to meet all financial obligations. This is achieved by maintaining a prudent level of liquid assets through management control of the rate of growth of the business and maintaining high levels of capital. The Bank holds a diversified portfolio of investment securities to support payment obligations. The Bank's assets held for managing liquidity risk comprise cash, certificate of deposits, other investments and loans and advances to customers. The Bank would be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources.

The Bank manages daily liquidity risks in accordance with its established Liquidity Risk Management Framework.

Regulatory coverage requirements apply to such ratios and other measurements that are required to be reported to regulators on a regular basis. All submissions to local regulators must be made within the prescribed timelines.

The current minimum liquidity-related thresholds are:

- Liquidity Coverage Ratio (LCR): >100%
- Net Stable Funding Ratio (NSFR): >100%
- Capital Adequacy Ratio (CAR): >14%

These prescribed minimum ratios must be always maintained.

Finance is responsible for regulatory reporting output in alignment with regulations. They are also responsible for the production and provision to Management of regulatory liquidity reporting.

Departure from Internal Limits

When limits are exceeded, either the Chief Executive Officer, Deputy Chief Executive Officer or Group Chief Treasury Officer shall ensure that all breaches of approved limits are reported on the date of discovery to the Asset and Liabilities Committee (ALCO).

Contingency Funding Plan

The Bank will maintain a Liquidity Plan which must be reviewed at least annually by ALCO for appropriateness and alignment to stated risk appetite levels and prescribed regulations. A designate, as determined by ALCO, will review and test the Liquidity Plan. Similarly, a Liquidity Contingency Plan is to be maintained and tested annually by a designate determined by ALCO.

The Bank should periodically review its efforts to establish and maintain relationships with liability holders, to maintain the diversification of liabilities, and aim to ensure its capacity to sell assets. The internal audit function should also periodically review the liquidity management process in order to identify any weaknesses or problems. In turn, these should be addressed by management in a timely and effective manner.

4.2 Policy Details and Governance in place in relation to Liquidity

The ALCO is responsible for monitoring the Bank's liquidity risk profile to ensure it is managed consistently with the Bank's strategic direction, stated risk appetite and regulatory requirements. This includes the regular monitoring of liquidity risk exposures as well as annual review of stressed scenarios, deposit behavior analysis, liquidity contingency plans and assumptions, and funding plans. The ALCO also takes into consideration future funding requirements and deposit pricing strategies, consistent with the Bank and the Banking Group.

4.3 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, 2024.

Table 4: LIQ1 – Liquidity Coverage Ratio as at December 31, 2024.

The Bank’s LCR was 169% for the quarter ended December 31, 2024. The Bank’s stock of HQLA’s totaled \$190M, of which \$127.6M and \$62.5M are designated as Level 1 and Level 2 assets respectively. In terms of the Bank’s funding, 14% is attributable to retail deposits, 5% to small business customers, 71% to non-financial corporates, 2% to other legal entities and 8% to other financial institutions.

| | | 31-Dec-24 | 31-Dec-24 |
|-----------------------------------|--|------------------------|----------------------|
| | | Total unweighted value | Total weighted value |
| High-quality liquid assets | | | |
| 1 | Total HQLA | | \$190,118 |
| Cash outflows | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | \$71,220 | \$7,122 |
| 3 | Stable deposits | | |
| 4 | Less stable deposits | \$71,220 | \$7,122 |
| 5 | Unsecured wholesale funding, of which: | \$427,838 | \$192,022 |
| 6 | Operational deposits (all counterparties) and deposits in network of cooperative banks | | |
| 7 | Non-operational deposits (all counterparties) | \$427,838 | \$192,022 |
| 8 | Unsecured debt | | |
| 9 | Secured wholesale funding | | |
| 10 | Additional requirements, of which: | \$16,467 | \$836 |
| 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 | \$16,205 | \$810 |
| 14 | Other contractual funding obligations | \$262 | \$26 |
| 15 | Other contingent funding obligations | | |
| 16 | TOTAL CASH OUTFLOWS | | \$199,980 |

| Cash inflows | | | |
|--------------|---|------------------|-----------------------------|
| 17 | Secured lending (e.g. reverse repos) | | |
| 18 | Inflows from fully performing exposures | \$133,042 | \$87,448 |
| 19 | Other cash flows | | |
| 20 | TOTAL CASH INFLOWS | \$133,042 | \$87,448 |
| | | | Total adjusted value |
| 21 | Total HQLA | | \$190,118 |
| 22 | Total net cash outflows | | \$112,532 |
| 23 | Liquidity Coverage Ratio (%) | | 169% |