Cayman National Bank

Pillar 3 Disclosure Report

As at 30 June 2024

CAYMAN NATIONAL

A Subsidiary of Republic Financial Holdings Limited

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1. INTRODUCTION

1.1. Cayman National Bank Ltd. ("CNB") was incorporated under the Companies Act of the Cayman Islands on November 21, 1973. CNB is a wholly owned subsidiary of Cayman National Corporation Ltd. ("CNC") (incorporated in the Cayman Islands). The shares of CNC are listed and publicly traded on the Cayman Islands Stock Exchange ("CSX").

1.2. CNC is majority owned (74.9%) by Republic Bank Trinidad and Tobago (Barbados) Limited ("RBTTBL"), a subsidiary of Republic Financial Holdings Limited ("RFHL"). The shares of RFHL are listed and publicly traded on the Trinidad and Tobago Stock Exchange Limited ("TTSE").

1.3. CNB holds a category 'A' banking license subject to the provisions of the Banks and Trust Companies Act of the Cayman Islands and provides full-service banking facilities. CNB owns the entire issued share capital of Cayman National Property Holdings Ltd. ("CNPH"), a company incorporated under the Companies Act of the Cayman Islands on June 4, 1996. The principal business of CNPH is to provide office space for CNC and its subsidiary companies and to hold other leased premises in the Cayman Islands. CNPH is fully consolidated into CNB's Financial Statements, as such, any reference to CNB throughout this document refers to CNB's consolidated position inclusive of CNPH.

1.4. This Quarterly CNB Pillar 3 Disclosure Report includes CNB's data as at 30 June 2024 and has been developed to meet the requirements of the Cayman Islands Monetary Authority's ("CIMA") **Market Discipline Disclosure Requirements (Pillar 3), Rules and Guidelines** ("CIMA's Pillar 3 Rules"). CNB's consolidated position, inclusive of CNPH, is subject to CIMA's Pillar 3 Rules, and as such is included throughout this Quarterly CNB Pillar 3 Disclosure Report. Please note that certain total amounts in the tables in this report may not sum up due to rounding and all amounts are reported in Cayman Islands dollars ("KYD"), unless otherwise specified.

1.5. This CNB Pillar 3 Disclosure Report has been reviewed and approved by CNC's Executive Committee ("ExCo").

2. CAPITAL MANAGEMENT

2.1. Overview of Risk Weighted Assets – OV1

2.1.1. Table 1 provides an overview of Risk Weighted Assets ("RWA") and Minimum Capital Requirements per risk type. As is evident in Table 1, Total RWA increased by KYD 25.97 million from KYD 827.61 million as at 31 March 2024 to KYD 853.58 million as at 30 June 2024. The increase in Total RWA was driven by a 3.81% increase in Credit Risk RWA from KYD 682.07 million as at 31 March 2024 to KYD 708.02 million as at 30 June 2024, reflecting the growth in CNB's placements, investments and residential mortgages portfolios.

Table 1: OV1 – Overview of RWA

OV1: Overview of RWA				
		a	b	c
	KYD ('000)	RWA		Minimum capital Requirements
		30-Jun-24	31-Mar-24	30-Jun-24
1	**Credit risk (excluding counterparty credit risk) (CCR)**	**708,023**	**682,067**	**106,203**
2	**Securitisation exposures**	-	-	-
3	**Counterparty credit risk**	-	-	-
4	Of which: current exposure method	-	-	-
5	Of which: standardized method	-	-	-
6	**Market risk**	**108**	**97**	**16**
7	Of which: Equity risk	-	-	-
8	**Operational risk**	**145,449**	**145,449**	**21,817**
9	Of which: Basic Indicator Approach	145,449	145,449	21,817
10	Of which: Standardised Approach	-	-	-
11	Of which: Alternative Standardised	-	-	-
12	**Total (1 + 2 + 3 + 6 + 8)**	**853,580**	**827,613**	**128,037**

2.2. Leverage Ratio – LR1 & LR2

2.2.1. 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 measure of exposure as prescribed by CIMA.

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

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

LR1: Summary comparison of accounting assets vs leverage ratio exposure measure		
	KYD ('000)	**30-Jun-24**
1	Total consolidated assets as per published financial statements	1,927,687
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 exposures 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)	4,876
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	(4,172)
12	Other adjustments	10,375
13	**Leverage ratio exposure measure**	**1,938,766**

2.2.3. The following provides detail on the adjustments identified in Table 2:

a. Row 10 - Off-Balance Sheet items post the Credit Conversion Factor and Credit Risk Mitigation are not reflected on the balance sheet and are therefore an adjustment item reported in row 10 of Table 2 above.

b. Row 11 - Includes Goodwill and a deduction of related party exposures (if any), as approved by CIMA.

c. Row 12 - Other adjustments consists of unearned loan origination fees. As unearned loan origination fees are reflected as contra accounts against gross loan balances, and for regulatory purposes, these accounts are reclassified as liability items on balance sheet as gross loan balances, not net loan balances, are used to calculate the capital adequacy ratio. Other adjustments also include general provisions, where general provision is a contra account against the loan portfolio, which is added to Tier 2 capital and not deducted from Tier 1 capital. Additionally Other adjustments also include the ACH net clearing settlement liability, where CNB is obligated to deliver payments to other participant Banks.

2.2.4. As evident in Table 3 below, the Basel III leverage ratio decreased from 11.07% reported as at 31 March 2024 to 10.43% reported as at 30 June 2024. The decrease in the Leverage Ratio is due to an increase in Total Exposures, which was mostly attributable to overall growth in CNB's placements, investments and lending portfolios.

Table 3: LR2 – Leverage Ratio common disclosure

LR2: Leverage Ratio common disclosure			
KYD ('000)		a	b
		30-Jun-24	31-Mar-24
On-Balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	1,942,987	1,832,703
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)	(4,925)	(5,782)
6	(Asset amounts deducted in determining Basel III Tier 1 capital and regulatory adjustments)	(4,172)	(4,172)
7	**Total on balance sheet exposures** (excluding derivatives and SFTs) (sum of rows 1 to 6)	**1,933,890**	**1,822,749**
Derivative exposures			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	-
9	Add on amounts for potential future exposure associated with all derivatives transactions	-	-
10	(Exempted central counterparty (CCP) leg of client cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add on deductions for written credit derivatives)	-	-
13	**Total derivative exposures** (sum of rows 8 to 12)	-	-
Securities financing transaction exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	**Total securities financing transaction exposures** (sum of rows 14 to 17)	-	-

LR2: Leverage Ratio common disclosure			
KYD ('000)		a	b
		30-Jun-24	31-Mar-24
Other off-balance sheet exposures			
19	Off-balance balance sheet exposure at gross notional amount	188,547	124,476
20	(Adjustments for conversion to credit equivalent amounts)	(183,671)	(119,529)
21	(Specific and general provisions associated with off balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	**Off-balance sheet items** (sum of rows 19 to 21)	**4,876**	**4,974**
Capital and total exposures			
23	**Tier 1 capital**	**202,262**	**202,262**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**1,938,766**	**1,827,696**
Leverage ratio			
25	**Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**10.43%**	**11.07%**
25a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	10.43%	11.07%
26	National minimum leverage ratio requirement	3.00%	3.00%
27	**Applicable leverage buffers**	**7.43%**	**8.07%**

3. LIQUIDITY RISK

3.1. Liquidity Coverage Ratio – LIQ1

3.1.1. The Liquidity Coverage Ratio ("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 below provides a breakdown of CNB's LCR as at 30 June 2024, which has been derived by using the simple average balances of month end balances for April 2024, May 2024 and June 2024.

3.1.2. CNB's total HQLA of KYD 447.73 million consists of KYD 325.98 million of Level 1 HQLA, KYD 68.29 million of Level 2A HQLA and KYD 53.45 million of Level 2B HQLA. 40.35% of funding is attributable to Retail Deposits, 26.47% to Small Business Customers, 12.99% to Sovereign deposits, 8.15% to Banks, 7.8% to Other Financial Institutions and 4.24% to Non-Financial Institutions. 95.57% of HQLA is denominated in USD, 2.22% in GBP, 2.13% in KYD, 0.04% in EUR and 0.03% in CAD. 59.81% of Total Net Cash Outflows is denominated in KYD, 34.20% in USD, 3.03% in EUR, 1.58% in GBP, 0.74% in CAD, 0.60% in JPY and 0.04% in CHF.

3.1.3. CNB's LCR ratio increased from 168% reported as at 31 March 2024 to 185% reported as at 30 June 2024, due to a proportionally larger increase in Total HQLA, in comparison with the increase in Net Cash Outflows. The increase in Total HQLA was mostly attributable to CNB's increased investment into assets with higher levels of liquidity.

Table 4: LIQ1 – Liquidity Coverage Ratio as at 30 June 2024

LIQ1: Liquidity Coverage Ratio ("LCR")			
30 June 2024 KYD ('000)		a Total unweighted value	b Total weighted value
High-quality liquid assets			
1	**Total HQLA**		**447,728**
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which;	**987,812**	**73,416**
3	Stable deposits	-	-
4	Less stable deposits	987,812	73,416
5	Unsecured wholesale funding, of which:	**490,475**	**266,674**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	145,442	36,360
7	Non-operational deposits (all counterparties)	345,033	230,314
8	Unsecured debt	-	-
9	Secured wholesale funding		
10	Additional requirements, of which:	**177,313**	**7,955**
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	152,846	7,642
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	24,467	313
16	**TOTAL CASH OUTFLOWS**		**348,045**
Cash Inflows			
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	-	-
19	Other cash flows	170,763	106,675
20	**TOTAL CASH INFLOWS**	**170,763**	**106,675**
			Total adjusted value
21	**Total HQLA**		**447,728**
22	**Total net cash outflows**		**241,370**
23	**Liquidity Coverage Ratio (%)**		**185%**