

*Cayman National Bank  
Pillar 3 Disclosure Report*

As at 31 December 2023



**CAYMAN  
NATIONAL**

A Subsidiary of  Republic Financial Holdings Limited

## Table of Contents

1. INTRODUCTION .....	3
2. CAPITAL MANAGEMENT .....	4
2.1. Overview of Risk Weighted Assets – OV1 .....	4
2.2. Leverage Ratio – LR1 & LR2.....	4
3. LIQUIDITY RISK.....	7
3.1. Liquidity Coverage Ratio – LIQ1 .....	7

## 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 (74.99%) 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 31 December 2023 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 38.12 million from KYD 793.98 million as at 30 September 2023 to KYD 832.1 million as at 31 December 2023. The increase in Total RWA was driven by a 23.89% increase in Operational Risk RWA from KYD 117.4 million as at 30 September 2023 to KYD 145.45 million as at 31 December 2023. The increase in Operational Risk RWA is reflective of the growth in CNB’s gross income, which is largely attributed to a strong interest rate environment.

**Table 1:** OV1 – Overview of RWA

OV1: Overview of RWA				
KYD ('000)		a	b	c
		RWA		Minimum capital Requirements
		31-Dec-23	30-Sep-23	31-Dec-23
1	Credit risk (excluding counterparty credit risk) (CCR)	686,555	676,417	102,983
2	Securitisation exposures	-	-	-
3	Counterparty credit risk	-	-	-
4	Of which: current exposure method	-	-	-
5	Of which: standardized method	-	-	-
6	Market risk	97	167	15
7	Of which: Equity risk	-	-	-
8	Operational risk	145,449	117,399	21,817
9	Of which: Basic Indicator Approach	145,449	117,399	21,817
10	Of which: Standardised Approach	-	-	-
11	Of which: Alternative Standardised	-	-	-
12	<b>Total (1 + 2 + 3 + 6 + 8)</b>	<b>832,101</b>	<b>793,983</b>	<b>124,815</b>

### 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)		31-Dec-23
1	Total consolidated assets as per published financial statements	1,762,690
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)	5,648
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	(4,172)
12	Other adjustments	8,245
<b>13</b>	<b>Leverage ratio exposure measure</b>	<b>1,772,411</b>

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, 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.

2.2.4. As evident in Table 3 below, the Basel III leverage ratio increased from 9.34% reported as at 30 September 2023 to 11.41% reported as at 31 December 2023. The increase in the Leverage Ratio is due to a proportionally larger increase in Total Tier 1 Capital than the increase in Total Exposures. The increase in Tier 1 Capital is mainly attributed to an increase in retained earnings, which reflects the retained profits for the financial year ended 30 September 2023.

**Table 3:** LR2 – Leverage Ratio common disclosure

LR2: Leverage Ratio common disclosure			
KYD ('000)		a	b
		31-Dec-23	30-Sep-23
<b>On-Balance sheet exposures</b>			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	1,776,644	1,751,201
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)	(5,709)	(5,116)
6	(Asset amounts deducted in determining Basel III Tier 1 capital and regulatory adjustments)	(4,172)	(4,387)
7	<b>Total on balance sheet exposures</b> (excluding derivatives and SFTs) (sum of rows 1 to 6)	<b>1,766,763</b>	<b>1,741,698</b>
<b>Derivative exposures</b>			
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	<b>Total derivative exposures</b> (sum of rows 8 to 12)	-	-
<b>Securities financing transaction exposures</b>			
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	<b>Total securities financing transaction exposures</b> (sum of rows 14 to 17)	-	-

<b>LR2: Leverage Ratio common disclosure</b>			
<b>KYD ('000)</b>		<b>a</b>	<b>b</b>
		<b>31-Dec-23</b>	<b>30-Sep-23</b>
<b>Other off-balance sheet exposures</b>			
19	Off-balance balance sheet exposure at gross notional amount	120,461	123,887
20	(Adjustments for conversion to credit equivalent amounts)	(114,813)	(118,789)
21	(Specific and general provisions associated with off balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	<b>Off-balance sheet items</b> (sum of rows 19 to 21)	<b>5,648</b>	<b>5,098</b>
<b>Capital and total exposures</b>			
23	<b>Tier 1 capital</b>	<b>202,262</b>	<b>163,103</b>
24	<b>Total exposures</b> (sum of rows 7, 13, 18 and 22)	<b>1,772,411</b>	<b>1,746,796</b>
<b>Leverage ratio</b>			
25	<b>Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)</b>	<b>11.41%</b>	<b>9.34%</b>
25a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	11.41%	9.34%
26	National minimum leverage ratio requirement	3.00%	3.00%
27	<b>Applicable leverage buffers</b>	<b>8.41%</b>	<b>6.34%</b>

### 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 31 December 2023, which has been derived by using the simple average balances of month end balances for October 2023, November 2023 and December 2023.

3.1.2. CNB’s total HQLA of KYD 331.63 million consists of KYD 236.98 million of Level 1 HQLA, KYD 44.91 million of Level 2A HQLA and KYD 49.74 million of Level 2B HQLA. 43.45% of funding is attributable to Retail Deposits, 27.73% to Small Business Customers, 9.4% to Other Financial Institutions, 9.27% to Sovereign deposits, 5.62% to Banks and 4.53% to Non-Financial Institutions. 93.51% of HQLA is denominated in USD, 3.47% in KYD, 2.92% in GBP, 0.07% in EUR and 0.03% in CAD. 58.19% of Total Net Cash Outflows is denominated in KYD, 35.92% in USD, 3.28% in EUR, 1.42% in GBP, 0.69% in CAD, 0.47% in JPY and 0.03% in CHF.



3.1.3. CNB’s LCR ratio increased from 123% reported as at 30 September 2023 to 139% reported as at 31 December 2023, due to an increase in Total HQLA and a decrease in Net Cash Outflows. The increase in Total HQLA was largely attributable to matured Non-HQLA assets being reinvestment into HQLA assets, whereas the reductions in Net Cash Outflows was attributable to a decrease in CNB’s deposit funding base.

**Table 4:** LIQ1 – Liquidity Coverage Ratio as at 31 December 2023

LIQ1: Liquidity Coverage Ratio (“LCR”)			
31 December 2023 KYD (‘000)		a	b
		Total unweighted value	Total weighted value
<b>High-quality liquid assets</b>			
1	<b>Total HQLA</b>		<b>331,627</b>
<b>Cash Outflows</b>			
2	Retail deposits and deposits from small business customers, of which;	<b>962,281</b>	<b>73,327</b>
3	Stable deposits	-	-
4	Less stable deposits	962,281	73,327
5	Unsecured wholesale funding, of which:	<b>389,606</b>	<b>231,910</b>
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	103,904	25,976
7	Non-operational deposits (all counterparties)	285,702	205,934
8	Unsecured debt	-	-
9	Secured wholesale funding		
10	Additional requirements, of which:	<b>113,603</b>	<b>4,821</b>
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	89,129	4,456
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	24,474	365
16	<b>TOTAL CASH OUTFLOWS</b>		<b>310,058</b>
<b>Cash Inflows</b>			
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	-	-
19	Other cash flows	140,800	71,596
20	<b>TOTAL CASH INFLOWS</b>	<b>140,800</b>	<b>71,596</b>
			<b>Total adjusted value</b>
21	<b>Total HQLA</b>		<b>331,627</b>
22	<b>Total net cash outflows</b>		<b>238,462</b>