Cayman National Bank

Pillar 3 Disclosure Report

As at 30 June 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). CNC is majority owned (74.9%) by Republic Bank Trinidad and Tobago (Barbados) Limited ("RBTTBL"), a wholly owned subsidiary of Republic Financial Holdings Limited ("RFHL"). The shares of RFHL are listed and publicly traded on the Trinidad and Tobago Stock Exchange.

1.2. 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. ("CNP"), a company incorporated under the Companies Act of the Cayman Islands on June 4, 1996. The principal business of CNP is to provide office space for CNC and its subsidiary companies and to hold other leased premises in the Cayman Islands. CNP, albeit a non-material subsidiary of CNB, 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 CNP.

1.3. As of 1 May 2023, the banking operations of Republic Bank (Cayman) Limited ("RBKY") merged into CNC, which resulted in a material increases in CNB's asset and deposit base. Material differences may therefore be noted, as a result of this merger, in comparison with prior reporting periods.

1.4. This Quarterly CNB Pillar 3 Disclosure Report includes CNB's data as at 30 June 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 CNP, 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 tables in this report may not sum up due to rounding and all amounts are reported in Cayman Islands dollars ("KYD").

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 146.14 million from KYD 655.15 million as at 31 March 2023 to KYD 801.29 million as at 30 June 2023. The increase in Total RWA was driven by a 27.17% increase in Credit Risk RWA from KYD 537.63 million as at 31 March 2023 to KYD 683.73 million as at 30 June 2023. The increase in Credit Risk RWA is reflective of the growth in CNB's Investment portfolio, following the merger of RBKY.

Table 1: OV1 – Overview of RWA

OV1: Overview of RWA				
KYD ('000)		a	b	c
		RWA		Minimum capital Requirements
		30-Jun-23	31-Mar-23	30-Jun-23
1	**Credit risk (excluding counterparty credit risk) (CCR)**	**683,726**	**537,633**	**102,559**
2	**Securitisation exposures**	-	-	-
3	**Counterparty credit risk**	-	-	-
4	Of which: current exposure method	-	-	-
5	Of which: standardized method	-	-	-
6	**Market risk**	**165**	**120**	**25**
7	Of which: Equity risk	-	-	-
8	**Operational risk**	**117,399**	**117,399**	**17,610**
9	Of which: Basic Indicator Approach	117,399	117,399	17,610
10	Of which: Standardised Approach	-	-	-
11	Of which: Alternative Standardised	-	-	-
12	**Total (1 + 2 + 3 + 6 + 8)**	**801,290**	**655,152**	**120,194**

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-23**
1	Total consolidated assets as per published financial statements	1,725,627
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)	5,104
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	(4,278)
12	Other adjustments	7,968
13	**Leverage ratio exposure measure**	**1,734,421**

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 decreased from 11.14% reported as at 31 March 2023 to 9.41% reported as at 30 June 2023. The decrease in the Leverage Ratio is due to a decrease in Total Tier 1 Capital and an increase in Total Exposures. Both the decrease in Tier 1 Capital and increase in Total Exposure is due to the RBKY merger, which resulted in an overall increase in CNB's "On-balance sheet exposures", including Goodwill.

2.2.5. Please note that, albeit immaterial, for the 30 June 2023 reporting period (and all reporting periods thereafter) general provision will no longer be included in Row 5 and Row 21 within Table 3 below, seeing that general provision are added to Tier 2 capital and not deducted from Tier 1 capital.

Table 3: LR2 – Leverage Ratio common disclosure

LR2: Leverage Ratio common disclosure			
KYD ('000)		a	b
		30-Jun-23	31-Mar-23
On-Balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	1,738,543	1,509,809
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)	(4,948)	(7,332)
6	(Asset amounts deducted in determining Basel III Tier 1 capital and regulatory adjustments)	(4,278)	(10)
7	**Total on balance sheet exposures** (excluding derivatives and SFTs) (sum of rows 1 to 6)	**1,729,317**	**1,502,467**
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 balance sheet exposure at gross notional amount	130,970	125,078
20	(Adjustments for conversion to credit equivalent amounts)	(125,866)	(123,252)
21	(Specific and general provisions associated with off balance sheet exposures deducted in determining Tier 1 capital)	-	(433)
22	**Off-balance sheet items** (sum of rows 19 to 21)	**5,104**	**1,393**

LR2: Leverage Ratio common disclosure			
KYD ('000)		a	b
		30-Jun-23	31-Mar-23
Capital and total exposures			
23	**Tier 1 capital**	**163,212**	**167,480**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**1,734,421**	**1,503,860**
Leverage ratio			
25	**Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**9.41%**	**11.14%**
25a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	9.41%	11.14%
26	National minimum leverage ratio requirement	3.00%	3.00%
27	**Applicable leverage buffers**	**6.41%**	**8.14%**

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 2023, which has been derived by using the simple average of month end balances for April 2023, May 2023 and June 2023.

3.1.2. CNB's total HQLA of KYD 337.6 million consists of KYD 260.8 million of Level 1 HQLA, KYD 27.9 million of Level 2A HQLA and KYD 48.9 million of Level 2B HQLA. 42.80% of funding is attributable to Retail Deposits, 28.46% to Small Business Customers, 9.36% to Other Financial Institutions, 7.71% to Non-Financial Institutions, 5.93% to Banks and 5.74% to Sovereign deposits. 93.99% of HQLA is denominated in USD, 3.06% in GBP, 2.70% in KYD, 0.13% in CAD and 0.12% in EUR. 61.01% of Total Net Cash Outflows is denominated in KYD, 32.19% in USD, 4.15% in EUR, 1.9% in JPY, 0.48% in CAD, 0.24% in GBP and 0.03% in CHF.

3.1.3. CNB's LCR ratio decreased from 181% reported as at 31 March 2023 to 146% reported as at 30 June 2023, due to a proportionally larger increase in Net Cash Outflows in comparison with the increase in Total HQLA. The increase in Total HQLA was attributable to the merger with RBKY, which resulted in an increase in CNB's Investment Portfolio and consequently Total HQLA. The increase in Net Cash Outflows was also attributable to the merger with RBKY, which resulted in an increase in CNB's deposit funding base, but also due to a reduction in the average inflows from financial institutions within thirty days.

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

LIQ1: Liquidity Coverage Ratio ("LCR")			
30 June 2023 KYD ('000)		**a** **Total unweighted value**	**b** **Total weighted value**
High-quality liquid assets			
1	**Total HQLA**		**337,571**
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which;	990,690	79,268
3	Stable deposits	-	-
4	Less stable deposits	990,690	79,268
5	Unsecured wholesale funding, of which:	399,686	234,565
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	113,669	28,417
7	Non-operational deposits (all counterparties)	286,017	206,148
8	Unsecured debt	-	-
9	Secured wholesale funding		
10	Additional requirements, of which:	126,806	5,580
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	105,924	5,296
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	20,882	284
16	**TOTAL CASH OUTFLOWS**		**319,413**
Cash Inflows			
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	-	-
19	Other cash flows	189,381	88,395
20	**TOTAL CASH INFLOWS**	189,381	**88,395**
			Total adjusted value
21	**Total HQLA**		**337,571**
22	**Total net cash outflows**		**231,018**
23	**Liquidity Coverage Ratio (%)**		**146%**