FirstCaribbean International Bank (Cayman) Limited

Market Discipline Disclosures (Pillar 3)

For the period ended July 31, 2023

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1. Overview and Purpose[1]

This document contains the Market Discipline Disclosures (Pillar 3) for the period ended July 31, 2023, in respect of capital and risk management for FirstCaribbean International Bank (Cayman) Limited ("the Bank").

The information contained in this Pillar 3 disclosure has been prepared in accordance with the Market Discipline Disclosure Requirements (Pillar 3) Rules and Guidelines (September 1, 2021) issued by the Cayman Islands Monetary Authority.

The aim of Pillar 3 is to encourage market discipline by allowing market participants to access key pieces of information regarding capital adequacy and risk management of institutions through a prescribed set of disclosure requirements.

These disclosures were reviewed and approved internally in line with our Board approved disclosure policy. The level of internal control processes for these disclosures are similar to those applied to the Bank's annual Financial Reports.

All amounts in this document are in thousands of United States dollars, unless otherwise stated.

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[1] The information contained in this disclosure has not and is not required to be audited by the Group's external auditors and does not constitute any form of financial statement. The information should not be relied on in the making any judgement on the Group.

2. Overview of Risk Management and Risk Weighted Assets (RWA)

2.1 OV1 - Overview of Risk Weighted Assets

The Risk Weighted Assets (RWA) are categorized under various risk frameworks and are calculated based on regulatory requirements.

Template OV1
US$'000

		a	b	c
		RWA		Minimum capital requirements
		Jul 2023	Apr 2023	Jul 2023
1	Credit risk (excluding counterparty credit risk) (CCR)	2,064,169	2,043,341	288,984
2	Securitisation exposures	-	-	-
3	Counterparty credit risk	3,302	3,362	462
4	Of which: current exposure method	3,302	3,362	462
5	Of which: standardized method	-	-	-
6	Market risk	8,638	17,050	1,209
7	Of which: Equity risk	-	-	-
8	Operational risk	242,182	242,182	33,905
9	Of which: Basic Indicator Approach	242,182	242,182	33,905
10	Of which: Standardised Approach	-	-	-
11	Of which: Alternative Standardised	-	-	-
12	Total (1+2+3+6+8)	**2,318,291**	**2,305,935**	**324,560**

Increase in the RWA for credit risk was mainly due to higher balances held with other financial institutions. The RWA for market risk decreased due to lower foreign currency exposures.

3. Leverage Ratio

3.1 LR1 – Summary Comparison of Accounting Assets vs Leverage Ratio Exposure

Reconciliation of the total assets in the financial statements with the leverage ratio exposure measure.

The exposure measure is calculated based on the regulatory requirements and comprises of on and off-balance assets.

Template LR1
US$'000

		Jul 2023
1	Total consolidated assets as per financial statements	4,115,253
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	-
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	10,274
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)	169,206
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital[1]	(50,436)
12	Other adjustments[2]	44,099
13	Leverage ratio exposure measure	**4,288,396**

[1] This relates to Goodwill that is deducted from the balance sheet exposures for calculation of the leverage ratio in template LR2.
[2] Other adjustments consist of:

- Reclassification for general provisions on loans – This amount is reported with the assets on the financial statements but are reported with the liabilities on the quarterly prudential returns for regulatory reporting purposes.
- Reclassification for other assets – The credit balances for suspense accounts, stale dated cheques and items in course of collection that are reported in the overall other assets on the financial statements are individually identified and reported with the liabilities on quarterly prudential returns for regulatory reporting purposes.
- Reclassification for other liabilities – The debit balance for payroll liabilities that is reported in the overall other liabilities on the financial statements is identified and reported with the assets on quarterly prudential returns for regulatory reporting purposes.

3.2 LR2 – Leverage Ratio

The leverage ratio is a non-risk-based ratio established to supplement the risk-based capital requirements. The ratio is calculated using the regulatory capital and on/off balance sheet figures at a point in time. The Bank continues to manage its exposures to remain above the regulatory requirement as seen below.

Template LR2

US$'000

		Jul 2023	Apr 2023
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	4,159,352	4,164,218
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)	(50,436)	(50,436)
7	Total on balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	**4,108,916**	**4,113,782**
Derivative exposures			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	7,217	4,975
9	Add on amounts for potential future exposure associated with all derivatives transactions	3,057	2,574
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)	**10,274**	**7,549**
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)	**-**	**-**
Other off-balance sheet exposures			
19	Off-balance balance sheet exposure at gross notional amount	545,423	535,388
20	(Adjustments for conversion to credit equivalent amounts)	(376,217)	(368,535)
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)	**169,206**	**166,853**
Capital and total exposures			
23	Tier 1 capital	**419,594**	**437,594**
24	Total exposures (sum of rows 7, 13, 18 and 22)	**4,288,396**	**4,288,184**
Leverage Ratio			
25	Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	**9.8%**	**10%**
25a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	**9.8%**	**10%**
26	National minimum leverage ratio requirement	**3%**	**3%**
27	Applicable leverage buffers		

No significant change in the on-balance sheet exposures and tier 1 capital decreased due to dividends paid.

4. Liquidity

4.1 LIQ1 – Liquidity Coverage Ratio (LCR)

Outlines the details of a bank's cash outflows and cash inflows, as well as its available high-quality liquid assets (HQLA), as measured and defined according to the Liquidity Cover Ratio standard.

Template LIQ1
US$'000

		Total unweighted value (average)	Total weighted value (average)
High-quality liquid assets			
1	TOTAL HQLA		638,294
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:		
3	Stable deposits	-	-
4	Less stable deposits	669,514	55,456
5	Unsecured wholesale funding, of which:		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,072,208	268,052
7	Non-operational deposits (all counterparties)	1,205,429	1,033,743
8	Unsecured debt	-	-
9	Secured wholesale funding		-
10	Additional requirements, of which:		
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	247,022	18,094
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	-	-
16	**TOTAL CASH OUTFLOWS**		1,375,345
Cash inflows			
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	998,766	829,273
19	Other cash flows	25	25
20	**TOTAL CASH INFLOWS**		829,298
			Total adjusted value
21	Total HQLA		638,294
22	Total net cash outflows (line 16 amount less line 20)		546,047
23	Liquidity Coverage Ratio (%) (line 21 amount divided by line 22)		117%

The Bank's exposure to liquidity risk is governed by a Liquidity Management Policy and Framework approved by the FirstCaribbean International Bank Limited's Board of Directors. The Asset and Liability Management Team is responsible for monitoring liquidity risk and adherence to the Liquidity Management Policy. Day-to-day management of liquidity is handled by the Treasury team. The Treasury team performs stress tests and scenario analysis to evaluate the impact of stresses on its liquidity position. The results are independently reviewed by the market risk function and reported to the Board of Directors quarterly.

The Bank maintains a stable pool of high-quality liquid assets (HQLA) reflecting the strength of its balance sheet and adequate short-term placements to cover cash flows under stress. The HQLA is made up of notes and coins, withdrawable balances at Central Banks (branches in Curacao and St. Maarten) and low risk marketable securities. The liquidity coverage ratio remained above regulatory requirements and management thresholds.

Profile of HQLAs as at July 31, 2023

Asset	Percentage
Level 1	90%
Level 2A	9%
Level 2B	1%

LCR for each month in quarter
US$'000

	May 2023	Jun 2023	Jul 2023
HQLA	430,894	767,286	716,702
Outflows	1,238,330	1,516,227	1,371,479
Inflows	928,747	767,601	791,546
Net Outflows	309,583	748,626	579,933
Ratio	**139%**	**102%**	**124%**

Average LCR Ratio for the quarter
US$'000

	Jul 2023	Apr 2023	Variance
HQLA	638,294	740,322	(102,028)
Outflows	1,375,345	1,322,454	52,891
Inflows	829,298	747,919	81,379
Net Outflows	546,047	574,535	(24,488)
Ratio	**117%**	**129%**	**(12%)**

The average LCR over the period moved from 129% at the end of April 2023 to 117% at the end of July 2023. The ratio declined by 12% over the period under review mainly due to:

- Decrease in investment securities included in the average HQLA balances.

The Bank's foreign currency portfolio is deployed predominantly in HQLA.

The entity monitors the concentration of funding through large deposit exposures which are all within management thresholds and are monitored closely by the Asset and Liability Management Team. There are no significant currency mismatches.

5. Glossary

Term	Definition
CCR	Counterparty Credit Risk
HQLA	High Quality Liquid Assets
LCR	Liquidity Coverage Ratio
RWA	Risk Weighted Assets
SFT	Security Financing Transaction
The Bank	FirstCaribbean International Bank (Cayman) Limited
The Group	FirstCaribbean International Bank Limited (Parent Company)