RF BANK & TRUST (CAYMAN) LIMITED

PILLAR 3 DISCLOSURES
MARKET DISCIPLINE

FOR THE PERIOD ENDED
31 DECEMBER 2023

Approval by the Board of Directors:	24 April 2024
Access Level	CONFIDENTIAL

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1. Introduction

RF Bank & Trust (Cayman) Limited ('RFC') is incorporated under the Companies Act, as revised, of the Cayman Islands and is licensed by the Cayman Islands Monetary Authority (CIMA) under the Bank and Trust Companies Act to provide investment and wealth management services in the Cayman Islands and under the Securities Investment Business Act to deal, arrange, manage and advise on securities in the Cayman Islands.

The Bank offers a full-range of private banking, trustee, investment management and investment advisory services.

The Group is a wholly owned subsidiary of RF Holdings Limited (the Parent), a Company incorporated in the Commonwealth of The Bahamas (The Bahamas) that serves as the parent Company of a financial services group with operations in The Bahamas, Barbados and the Cayman Islands.

This Pillar 3 Disclosure Report includes RFC's data as at 31 December 2023 and has been developed to meet the requirements of CIMA's Market Discipline Disclosure Requirements (Pillar 3), Rules and Guidelines ("CIMA's Pillar 3 Rules").

This Pillar 3 Disclosure Report has been reviewed and approved by RFC's Board of Directors.

2. Capital Management

2.1. Overview of Risk Weighted Assets – OV1

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 0.92% from US$ 650 million as at 30 September 2023 to KYD 656 million as at 31 December 2023. The increase in Total RWA was driven by an increase of 0.8% in Credit Risk RWA and an increase of 1.54% in Operational Risk RWA. The increase in Credit Risk RWA is mostly attributable to an increase in exposure against "Claims secured by Higher Risk Categories & Other Assets" partially reduced by a reduction in exposure against "Claims secured by Commercial Real Estate". The increase in Operational Risk RWA is attributable to higher levels of gross income earned for the financial year ended 31 December 2023 in comparison with the financial year ended 31 December 2021.

Table 1: OV1 – Overview of RWA

OV1: Overview of RWA				
		a	b	c
	USD ('000)	RWA		Minimum Capital Requirements
		31-Dec-23	30-Sep-23	31-Dec-23
1	**Credit risk (excluding counterparty credit risk) (CCR)**	**3,624**	**3,372**	**543**
2	**Securitisation exposures**	-	-	-
3	**Counterparty credit risk**	-	-	-
4	Of which: current exposure method	-	-	-
5	Of which: standardized method	-	-	-
6	**Market risk**	**Nil**	**Nil**	**Nil**
7	Of which: Equity risk	-	-	-
8	**Operational risk**	**2,612**	**2,612**	**392**
9	Of which: Basic Indicator Approach	2,612	2,612	392
10	Of which: Standardised Approach	-	-	-
11	Of which: Alternative Standardised	-	-	-
12	**Total (1 + 2 + 3 + 6 + 8)**	**6,236**	**5,984**	**935**

2.2. Leverage Ratio – 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 RFC.

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

LR1: Summary comparison of accounting assets vs leverage ratio exposure measure		
USD ('000)		31-Dec-23
1	Total consolidated assets as per published financial statements	7,516
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)	-
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**	**7,516**

As evident in Table 3 overleaf, the Leverage ratio increased from 29.39% reported as at 30 September 2023 to 31.72% reported as at 31 December 2023.

Table 3: LR2 – Leverage Ratio common disclosure

LR2: Leverage Ratio common disclosure			
USD ('000)		a 31-Dec-23	b 30-Sep-23
On-Balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	7,906	8,080
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)	(390)	(421)
7	**Total on balance sheet exposures** (excluding derivatives and SFTs) (sum of rows 1 to 6)	**7,516**	**7,659**
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			
22	**Off-balance sheet items** (sum of rows 19 to 21)	**-**	**-**
Capital and total exposures			
23	**Tier 1 capital**	**2,384**	**2,251**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**7,516**	**7,659**
Leverage ratio			
25	**Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**31.72%**	**29.39%**
25a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	31.72%	29.39%
26	National minimum leverage ratio requirement	3.00%	3.00%
27	**Applicable leverage buffers**	**28.72%**	**26.39%**

The increase in the Leverage Ratio is due to an increase in Total Tier 1 capital in comparison with a decrease in Total Exposures. The increase in Tier 1 Capital is attributable to an increase in Retained Earnings and the decrease in Total Exposure is largely due to a drop in deposits and thus Bank Placement balances.

3. Liquidity Risk

3.1. Liquidity Coverage Ratio – LIQ1

The Minimum Liquidity Ratio (“MLR”) 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 RFC’s MLR 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.

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

LIQ1: Liquidity Coverage Ratio (“LCR”)			
31 December 2023 USD ('000)		a Total unweighted value	b Total weighted value
High-quality liquid assets			
	Total HQLA		**920**
Resident Banks			
	Category A Retail Banks	1,140	228
	All other resident banks	-	-
	SUBTOTAL		228
Non-Resident Banks (by Credit Rating)			
	AAA to AA- / Aaa to Aa3	3,459	692
	A+ to A- / A1 to A3	-	-
	BBB+ to BBB- / Baa1 to Baa3	-	-
	BB+ to BB- / Ba1 to Ba3	-	-
	B+ to B- / B1 to B3	-	-
	Below B- / B3	-	-
	Unrated	-	-
	SUBTOTAL		692
	GRAND TOTAL		920

Total Qualifying Liabilities	
Due to non-bank customers	6,053

Minimum Liquidity Ratio	
Minimum Required = 15%	**15.2%**

RFC's total HQLA of USD 4.6 million consists of cash held at local and overseas is attributable entirely to retail deposits of some USD 6 million.

RFC's LCR ratio decreased from 36.2% reported as at 30 September 2023 to 15.2% reported as at 31 December 2023. This is mostly attributable to an decrease in deposits, which was proportionally funded from a mixture of treasury bills and shorter-term placements, in order to meet short term obligations whilst taking advantage of the current rising interest rate environment.

END