

PROVEN Group Limited

RATINGS UPDATE:

PROVEN Group Limited Ratings Reaffirmed at *CariBBB+* (Foreign and Local Currency Ratings) on the regional scale, and *jmA* (Foreign and Local Currency Ratings) on the Jamaica national scale; Outlook assigned at stable.

RATING ACTION:

On December 5, 2024, CariCRIS reaffirmed the assigned ratings of *CariBBB+* (Foreign and Local Currency Ratings) on the regional rating scale, and *jmA* (Foreign and Local Currency Ratings) on the Jamaica national scale to **PROVEN Group Limited (PROVEN or the Group)**. A stable outlook was assigned.

RATING SENSITIVITY FACTORS:

Factors that could, individually or collectively, lead to an improvement of the rating and/or outlook:

- Cost to Income ratio improves to 75% and below
- Improvement in financial performance leading to operating profits and PAT over FY2020-FY2022 averages of US \$6.9 million and US \$20.1 million respectively

Factors that could, individually or collectively, lead to a lowering of the rating and/or outlook:

- Economic environment negatively impacting revenue streams leading to losses
- Increase in PROVEN's stand-alone debt to equity ratio to above 2 times
- A systemic increase in liquidity pressures in the environment leading to funding withdrawals from large institutional investors
- Gross profit from RMCL falls by over 44.7%
- A 90% decline in share of profits from associated companies

RATING RATIONALE

Caribbean Information and Credit Rating Services Limited (CariCRIS) has reaffirmed the assigned corporate credit ratings of *CariBBB+* (Foreign and Local Currency) on the regional rating scale, and *jmA* on the Jamaica national scale to PROVEN Group Limited (PROVEN or the Group). The regional scale ratings indicate that the level of creditworthiness of this obligor, adjudged in relation to other obligors in Jamaica and the wider Caribbean is **adequate**. The national scale ratings indicate that the level of creditworthiness of this obligor, adjudged in relation to other obligors in Jamaica is **good**.

CariCRIS has also assigned a **stable** outlook on the ratings. The stable outlook is premised on the high likelihood that over the next 12 to 15 months, profits will rise, though at a reduced rate. This is underpinned by continued economic growth in key markets in which the Group operates and the resultant increases in asset and income growth, though tempered by a reduction in share of profits from its associated companies. Moderate growth is expected, as products and services continue to be effectively promoted and streamlined via shared technological advancements. The Group's revenue generating capabilities are further supported by anticipated improved performances by Roberts Manufacturing Company Limited (RMCL)¹, its largest revenue source. PROVEN is also expected to remain well-capitalised, with good asset quality and adequate cash balances and be able to comfortably meet its debt service obligations on time over the next 12 to 15 months.

¹ RMCL is a producer of margarines, shortening, soybean oil and a variety of animal feeds located in Barbados. It is a private limited liability company jointly owned by PROVEN (50.5%) and Ansa McAL Trading Limited (49.5%).

The ratings are supported by the following:

RATING DRIVERS	
Key Strengths	Key Risks
Favourable market position underpinned by the common PROVEN brand following the rebranding exercise and long history in the financial services industry.	Global economic uncertainty continues to present downside risks to PROVEN which can potentially challenge profitability levels.
Funding profile characterized by low funding costs and comfortable capitalization.	
Good asset quality underpinned by diversified net loans and advances and investment portfolios.	
Adequate policies and procedures, enhanced by the Enterprise Risk Management Framework and shared services model.	
Rebound in the FY2024 financial performance supported by share of profits from associated companies.	

Business Risk Rating: A- (Good)

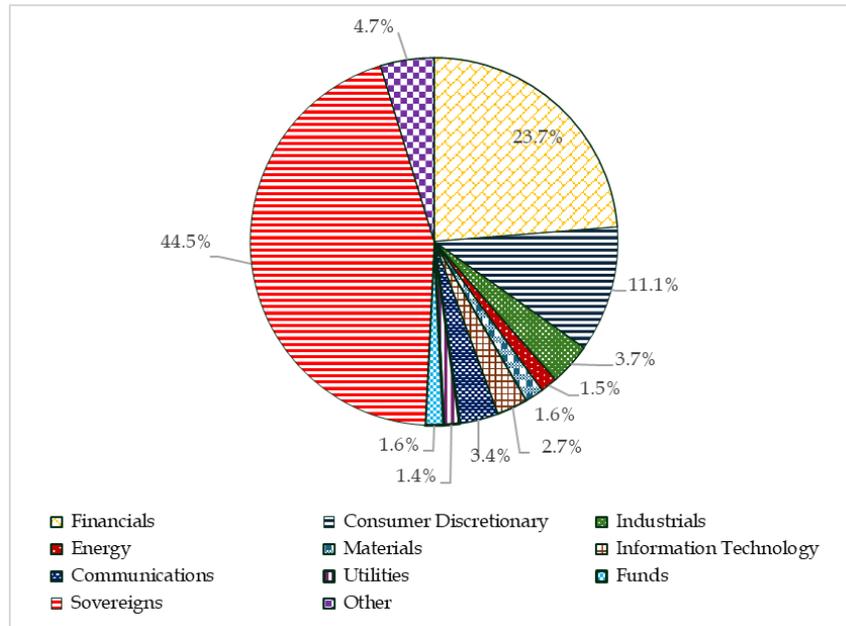
PROVEN's overall business risk profile remained relatively unchanged from our November 2023 report. During FY2024², the Group continued to provide its shareholders with consistent returns, through a diversified portfolio of regional and international investments. This followed its restructuring exercise³, completed in FY2023, in which PROVEN streamlined its internal processes amongst all entities while expanding its product reach in key areas. These factors collectively contributed to an 8.1% growth in the Group's total asset base which stood to US \$1.1 billion as at March 2024, following a 9.9% fall a year earlier, though below the CariCRIS regional peer sample of US \$ 1.4 billion. The uptick in PROVEN's total asset base was primarily due to a 4.5% (or US \$40.9 million) increase in total interest earning assets (TIEA) to US \$950.3 million. The higher TIEA was mainly as a result of a 12% (or US \$62.4 million) increase in total investments, the impact of which was tempered by a 13.8% (or US \$33.6 million) fall in net loans and advances.

² Financial year runs from April 1 to March 31.

³ The restructuring exercise included reorganising the Group into 4 pillars which follows the rebranding exercise in FY2022 which sought to rename each entity to better align with the "PROVEN" brand.

Growth in the Group’s total investment portfolio was due to a greater deployment of cash towards higher interest earning securities during FY2024. The investment portfolio remained as predominantly fixed income securities, accounting for approximately 98.5% of the total portfolio as at March 2024, marginally up from 97% as at March 2023. Additionally, the overall credit quality of the fixed income portfolio remained good, comprising of 65.5% of investment grade assets⁴ as at March 2024, albeit marginally down from 67.3% one year prior. The portfolio remained well-diversified by issuer, sectors (Chart 1) and territory (Chart 2) and was compliant with its internal maximum country and issuer exposure. Currency risk also remained relatively low as PROVEN earned most of its revenues in US dollars.

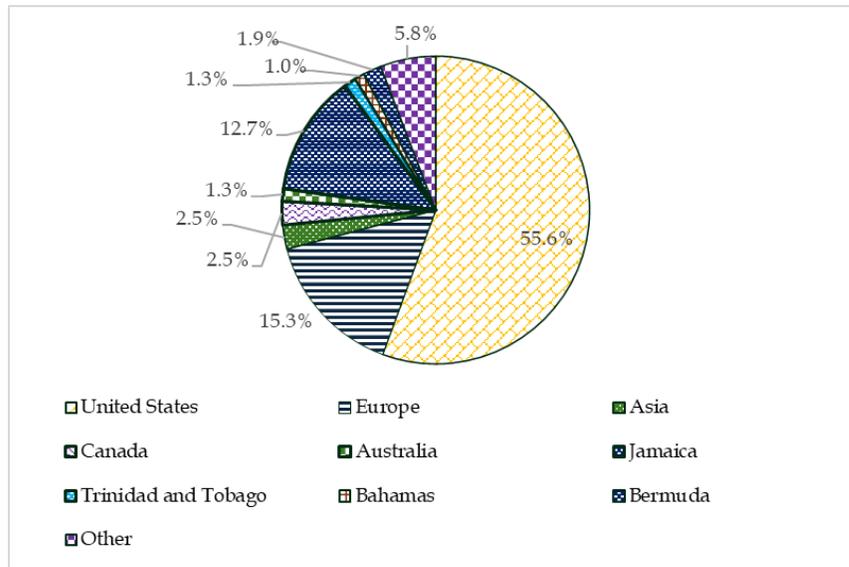
Chart 1
PROVEN’s sectoral exposure as at March 2024



Source: PROVEN

⁴ Investment grade assets which are classified as S&P BBB- and above. CariCRIS’ regional scale investment grade of BBB- equates to S&P B-, in which case 82.3% of the investment portfolio would be investment grade as at March 2024, marginally down from the prior year’s 85%.

Chart 2
PROVEN's exposure by territory as at March 2024



Source: PROVEN

The Bank pillar's⁵ core contribution to the Group, net loans and advances, which represented 19.7%⁶ of the Group's total assets as at March 2024, declined to US \$209.7 million. The fall in loans and advances was due to increased competition in the Group's key loan markets⁷ with competitors offering lower interest rates and a more digital experience. In an attempt to remain competitive, PROVEN implemented new marketing and sales initiatives which included expanding its loan sales team, and increasing the Group's presence at international trade shows to promote its offshore banking products. Notably, the Group's asset quality as measured by the ratio of non-performing loans (NPLs) to gross loans, improved slightly to 3.6% as at March 2024 from 3.8% one-year prior, remaining below the Group's 3-year average of 4% and comparing favourably to CariCRIS regional peer sample average of 4.6%. The improvement in asset quality was driven by a 19.2% decline in NPLs to US \$7.8 million which outpaced the 13.8% fall in net loans and advances. There was a more proactive approach to managing delinquency⁸ during the year. Notwithstanding this, the NPL ratio still remained above the average NPLs to gross loans ratio of Jamaican deposit-taking institutions of 2.3%⁹ as at March 2024.

⁵ This pillar consists of Proven Bank Cayman Limited (PBC) and Proven Bank St. Lucia Limited (PBS).

⁶ Down from 24.7% in FY2023.

⁷ These markets include the Cayman Islands and St. Lucia.

⁸ This involved the Group pursuing legal claims against collateral to settle the outstanding NPL balances.

⁹ Source: Bank of Jamaica (BOJ) Prudential Indicators as at March 2024.

Within the Wealth Pillar¹⁰, the Group continued to expand its team of wealth advisors, with specialised teams handling each client base¹¹ aimed at promoting internal efficiencies and client satisfaction. Additionally, the Group obtained a Securities Dealers License in February 2024 to offer investment banking services in Barbados. This is expected to bolster the Group's fee income and client base going forward.

Under the Private Capital pillar¹², Roberts Manufacturing Company Limited (RMCL)¹³, which accounted for 29.4%¹⁴ of the Group's total income for the period ended March 2024; the Group's largest revenue source, realized significant improvements in profitability during FY2024, despite increased competition. The improved performance of RMCL was supported by lower commodity prices¹⁵ during FY2024 which reduced its cost of goods sold (COGS). Notably, during quarter 1 (Q1) of FY2023, the Government of Barbados (GOB) ceased its Social Compact¹⁶ which required prices of key household items to remain at or below a certain level. Resultingly, RMCL's product pricing is no longer restricted and can be adjusted upwards to preserve its profitability margins as necessary.

Under the Properties pillar, the Group continued to expand its regional presence through diversifying its portfolio of residential, commercial and industrial real estate throughout the Caribbean. Some of these real estate initiatives included the acquisition of One Barbados Place¹⁷ through a joint venture partnership with Caribbean Consultants Limited (CCL)¹⁸, the completion of its Aashgo warehouse in the Cayman Islands and other ongoing real estate projects at various stages of construction. To aid in the management of the Pillar's expanding portfolio of properties, during FY2024, the Group

¹⁰ This Pillar consists of PROVEN Wealth Limited (Bermuda) (PWL Bermuda), PROVEN Wealth Limited (BVI) (PWL BVI) and PROVEN Wealth (Cayman).

¹¹ Includes, Premium, Private and Corporate clients.

¹² Consists of Robert's Manufacturing Company Limited (RMCL), Access Financial Services Limited (AFS) and JMMB Group Limited (JMMBGL). As at March 2024, the Group held a 20% stake in JMMB Group Limited (JMMBGL) which contributed 96% of total share of profits from associated companies for FY2024. Access Financial Services Limited contributed the remainder of the share of profits from associated companies.

¹³ RMCL, acquired in June 2021, is a high-quality producer of margarines, shortening, soybean oil and a variety of animal feeds in Barbados distributes its products to over 15 markets regionally and internationally.

¹⁴ Up from 20.1% previously.

¹⁵ Approximately 70% of RMCL's cost of goods sold (COGS) are driven by fluctuations in commodity prices such as beans, its primary raw material.

¹⁶ This was an agreement between the Government of Barbados (GOB) and private sector to reduce to maintain prices of a specific basket of goods.

¹⁷ One Barbados Place is a fully tenanted five-storey, 48,000 square-foot commercial office building situated on a 1.15-acre lot located in St. Michael, Barbados.

¹⁸ Caribbean Consultants Limited (CCL) is a leading commercial real estate developer in Barbados.

onboarded several leadership roles¹⁹ and implemented PROCURE, a tool utilized to streamline development project management through integrated cost management, scaling of business opportunities and reporting.

Further to our November 2023 report, as part of the Group's efforts to enhance efficiency and optimization across all subsidiaries in the Banking and Wealth pillars, PROVEN completed the rollout of its shared services model. Furthermore, the rollout of its core banking and wealth management system, Olympic, as well as its ZOHO Customer Relationship management (CRM) system²⁰ amongst all entities within the Bank and Wealth Pillar, are now expected to be completed by end of FY2025²¹. The rollout of the Olympic system will allow PROVEN Bank Cayman Limited (PBC) and PROVEN Bank St. Lucia Limited (PBS) to improve its competitiveness through digital services including online and mobile banking, subsequently increasing its client base²² while the ZOHO CRM will allow for online onboarding of clients, streamline marketing plans and lead management and pipeline tracking.

Notwithstanding the above credit strengths, PROVEN is exposed to economic risks in the various countries in which it operates. Globally, the International Monetary Fund (IMF) has projected that global gross domestic product (GDP) growth will slow to 3.2% in 2024 as headline inflation declines following tighter monetary policies over the year. Notably, global headline inflation is expected to fall to 5.8% in 2024 from 6.7% in 2023. Notably, the Group's top 2 markets, the Cayman Islands and Barbados, from which approximately 66.3% of total external revenues were derived, both displayed a slowdown in economic activity. In the Cayman Islands, where PROVEN derived 39.1% of its external revenues in FY2024, the territory's real GDP is estimated to have grown by 4.2% in 2023, representing a slowdown from the 5.2% growth in 2022²³. Nonetheless, this economic growth was supported by renewed activity in tourism and strong demand for financial services, albeit tempered by a decline in new company registrations. In Barbados, where PROVEN earns 27.2% of its external revenue, and where RMCL is located, real GDP growth slowed to 3.9%²⁴ in the second quarter of FY2024/25²⁵ from an increase of 5.8% in the prior period. Growth was mainly impacted by challenges in the

¹⁹Includes a chief operating officer (COO), program manager, procurement manager and a facilities and property manager.

²⁰ This is used to manage marketing campaigns, the sales process and client onboarding.

²¹ As at March 2024, only PWL uses the Olympic System.

²² Other planned services include an e-banking platform, VISA infinite card and personal banking.

²³ Source: The Economic and Statistical Office (ESO) of the Government of the Cayman Islands (GOKY).

²⁴ Source: Central Bank of Barbados (CBB), Review of Barbados' Economy January to September 2024.

²⁵ Barbados fiscal year runs from April 1 to March 31.

agricultural sector which contracted by 3.6% due to unfavorable weather conditions which adversely impacted upon food crop production. Notwithstanding this however, the manufacturing sector recorded a modest growth of 1% over the same period due to increased demand for food and beverages within the sector. Furthermore, growth in the non-traded sector remained broad-based with construction recording the highest growth of 7.2% supported by tourism-related projects as well as public sector infrastructure investments. Nonetheless, Barbados' debt to GDP remained high at 105.6% for the second quarter of FY2024/25, though slightly reduced from 108.7% in the prior corresponding period. In Jamaica, where PROVEN earns 12.4% of its external revenues, according to the Statistical Institute of Jamaica (STATIN), Jamaica's real GDP grew by 1.4% in the first quarter of 2024, driven by an increase in real output from the mining and quarrying sector and continuation of tourism's strong post-coronavirus (COVID-19) rebound²⁶.

In CariCRIS' view, the overall business risk profile of PROVEN remained relatively unchanged from our November 2023 report. Over the next 12 to 15 months, CariCRIS anticipates continued economic growth in key markets in which the Group operates to support revenue generation and asset growth opportunities. RMCL, PROVEN's largest sole revenue source, is expected to significantly bolster its market position and revenue generation capabilities. This is underpinned by the establishment of an export network for its animal feed products with the aim of exporting 20% of its products by end of FY2025²⁷. Additionally, RMCL expects to complete and operationalize a new margarine production plant by March 2025, which will facilitate increased digital processes, thus improving efficiencies²⁸ and product output. The Group is also expected to strengthen its asset base through new loans administered by its 2 banking entities, supported by the full implementation of the Olympic and ZOHO CRM systems, ongoing marketing campaigns and the hiring of additional staff. Further, the Group's investment portfolio is expected to improve following the attainment of its securities dealer license which will allow for the expansion of its wealth management services offered in Barbados. The Group's real estate portfolio continues to invest in new developments and as works in progress are completed, the Group's earnings are expected to be further enhanced. Notwithstanding this, CariCRIS is also cognisant of the heightened global uncertainty

²⁶ *Statistical Institute of Jamaica (STATIN); Quarterly (Seasonally Unadjusted) Constant (2007) GDP (at Basic Prices); accessed August 19th, 2024.*

²⁷ *As at March 2024, approximately 99.9% of these revenues were derived from Barbados. The top 3 territories targeted for this expansion are Dominica, St Lucia and St Kitts Nevis.*

²⁸ *The facility, which costs US \$2.6 million is approximately 40% complete as at September 2024.*

underpinned by geopolitical tensions²⁹ which could lead to a rebound in supply chain disruptions, exacerbating inflationary pressures which could serve to dampen growth across its pillars. Additionally, the IMF is expecting interest rates in advanced economies to be lower going forward which could limit earning potential in the Bank and Wealth pillars. These circumstances, should they materialise, could constrain its revenue, profitability and asset quality in the year ahead.

Financial Risk Rating: A (Good)

In FY2024, PROVEN returned to profitable operations with a profit after tax (PAT) of US \$13.6 million, relative to a loss after tax (LAT) of US \$12.7 million in the year prior (Table 1). This resumption in profitability was mainly driven by a significant 1,258.7% increase (or US \$14.5 million) in share of profits from associated companies³⁰. As a result, PROVEN's profitability metrics, namely its return on equity (ROE) and the return on earning assets (ROEA), both improved to 19.3% and 1.5%; with ROE above CariCRIS' regional peer average of 11.3%, while ROEA was in line with the regional peer average.

The increase in profits from associated companies arose from a strong financial performance reported by JMMB Group Limited (JMMBGL)³¹, which contributed 95.3% of the total share of profits from associated companies. In FY2024³², JMMBGL contributed US \$14.9 million, materially up from US \$762,000 in the prior year; slightly above the historical trend³³. This was mainly attributable to a 1618.7% increase in JMMBGL's PAT to J \$11.9 billion in FY2024 from J \$689.6 million the prior year. The improvement in JMMBGL's PAT was driven largely by a J \$20.3 billion gain in share of profits from its shareholding in Sagicor Financial Company Limited (SFC), compared to a share of loss of J \$2.9 billion in FY2023. Notably, excluding the total share of profits from associated companies, PROVEN would have recorded a LAT of US \$2 million, compared to a LAT of US \$13.8 million a year earlier. This is in line with the trend for the past 3 years which highlights the importance of PROVEN's associated companies to the profitability of the Group.

²⁹ Includes conflicts between Russia and Ukraine, and Israel and Palestine.

³⁰ Includes 20% and 24.72% shareholding respectively in JMMB Group Limited and Access Financial Services Limited.

³¹ JMMBGL currently has a CariCRIS corporate credit rating of *jmA+* (foreign currency) on the Jamaica National Scale.

³² JMMBGL's financial year runs from April 1 to March 31.

³³ The average share of profits from associated companies in FY2020-2022 was US \$12.1 million.

Table 1
Summary Financial Performance (FY2022 - FY2024)

	FY2024*		FY2023*		FY2022*		3-yr CAGR (%)
	Audited		Audited (Restated)		Audited (Restated)		
	US \$'millions	% chg	US \$'millions	% chg	US \$'millions	% chg	
Total Interest Income	38.4	15.0	33.4	164.3	12.6	19.4	53.7
Interest Expense	20.7	29.0	16.0	112.2	7.6	0.2	40.0
Net Interest Income (NII)	17.7	1.9	17.4	241.9	5.1	67.3	80.0
Non-Interest Income	37.3	15.5	32.3	(4.1)	33.6	40.7	16.0
Total Income	55.0	10.8	49.6	28.2	38.7	43.7	26.8
Total Operating Expenses	55.9	6.7	52.4	59.1	32.9	55.3	38.2
Operating Profit/(Loss)	(0.9)	66.9	(2.7)	(146.8)	5.8	1.0	(153.9)
Profit Before Tax (PBT)/ Loss Before Tax (LBT)	(2.7)	78.7	(12.7)	(1,580.5)	0.9	(74.9)	(192.4)
Share of Profits from Associated Companies	15.7	1,258.7	1.2	(92.4)	15.2	42.2	13.5
Profit After Tax (PAT)/ Loss After Tax (LAT)	13.6	207.4	(12.7)	(185.1)	14.9	13.8	1.3
Operating Cash Flow	28.8	122.1	(130.7)	(343.2)	53.7	(13.0)	(22.4)
Investments	583.7	12.0	521.3	(2.7)	535.6	18.8	9.0
Net Loans and Advances	209.7	(13.8)	243.3	17.3	207.4	548.8	87.2
Total Interest-Earning Assets (TIEA)	950.3	4.5	909.5	(11.6)	1,029.1	62.2	14.4
Total Assets ^a	1,066.4	8.1	986.8	(9.9)	1,095.8	67.8	17.8
Total Funding ^b	907.4	3.2	879.1	(6.6)	940.7	91.4	22.7
Tangible Net Worth (TNW) ^a	72.4	30.6	55.4	(41.5)	94.7	(32.5)	(19.8)
	%						3-yr Avg
Total Investment Yield ^c	4.6		3.9		1.8		3.5
Fixed Income Investment Yield ^d	3.7		3.8		2.9		3.5
Funding Costs ^e	2.3		1.8		1.1		1.7
Net Interest Rate Spread ^c	2.3		2.2		0.8		1.8
Interest Rate Spread ^d	1.3		2.0		1.9		1.7
Gross Profit Margin	21.7		13.3		15.9		17.0
ROA ^f	1.3		(1.2)		1.7		0.6
ROEA	1.5		(1.3)		1.8		0.6
ROE	19.3		(16.2)		12.3		5.1
ROCE	(0.8)		(3.8)		0.3		(1.4)
Cost to Income	89.8		91.9		77.0		86.2
Debt to Total Assets	63.3		61.3		56.3		60.3
TNW to Total Assets	6.8		5.6		8.6		7.0
NPL Ratio	3.6		3.8		4.7		4.0
Net Provision Cover	63.9		77.0		84.3		75.1
	Times						3-yr Avg
TNW to Net NPLs	26.1		25.4		59.8		37.1
Debt to TNW	12.5		15.9		9.9		12.8

Source: PROVEN's Audited Consolidated Financial Statements for FY2024

IFRS Compliant

*Financial Year runs from April 1 to March 31

^aTotal Assets and Tangible Net Worth have been adjusted to exclude Intangible Assets and Revaluation Reserves.

^bInclusive of amounts due to customers

^cCalculated as Total Interest Income/ Average Total Earning Assets; Net Interest Rate Spread based on Total Investment Yield

^dCalculated as Total Interest Income/ Average Total Fixed Income Investment Securities; Interest Rate Spread based on Fixed Income Investment Yield

^eCalculated as Interest Expense/ Average Interest-Bearing Liabilities and includes deposits from BOSLIL at a current interest rate of 0%; please note that it is the bank's discretion to apply an interest rate on deposits for its customers.

^fCalculated as Profit After Tax/ Average Interest-Earning Assets

n.a. - Not applicable

Notably, the rise in total investment yield was primarily driven by the 15% rise in total interest income, which more than surpassed the 4.5% growth in TIEA. The increase in total interest income was in line with the growth in the investment portfolio and followed the Group's strategy to deploy cash towards higher interest earning securities.

Furthermore, the Group's funding base increased by 3.2% to US \$907.4 million as at March 2024 and comprised largely of term deposits³⁴ (36.4%) and non-deposit customer accounts³⁵ (25.6%). While cost of funds increased by 50 bps, this was in line with the increase in the Group's funding base and still remained better than CariCRIS' regional peer sample average of 3.3%. As a result of the rise in total investment yield surpassing the increase in the funding costs, PROVEN reported a marginal improvement in the net interest rate spread to 2.3% in FY2024, up 10 bps from FY2023. The Group's net interest spread was above the 3-year average of 1.8% as well as the 3-year average for CariCRIS' sample of regional securities companies of 2%.

Tangible net worth (TNW) increased by 30.6% to US \$72.4 million as at March 2024 but was below the average of CariCRIS' regional peers at US \$154.4 million. The growth was driven by a 173.4% increase in total reserves³⁶, reflective of the return to profitability, alongside a 36.6% decrease in net unrealised losses on investment securities on account of an improvement in JMMB's fair value, following an uptick in its market price. As a result of the increased TNW, PROVEN's TNW to total assets ratio improved to 6.8% from 5.6% in the prior year but was below the average of CariCRIS' regional peers at 17.2%. The Group's operations remain well capitalized and compliant with regulatory requirements with the capital adequacy ratios (CARs) for PBSL, PBC and PWL³⁷ remaining strong as at March 2024. The improved gearing was also as a result of the sizeable increase in TNW outpacing the growth in total funding liabilities. Notwithstanding the improved gearing ratio, total debt to total assets increased as a result of a 22% and 20.7% increase in term deposits and repurchase agreements³⁸ respectively as the Group increased funds to deploy in investments. While, in CariCRIS' opinion the Group's overall gearing is high, though better than the prior year, each subsidiary's gearing is within its respective regulatory limit. Notably, PROVEN on a standalone basis recorded a debt-to-equity ratio of 2 times as at March 2024, up from 1.6 times in the prior year, in line with its maximum internal benchmark of 2 times³⁹.

³⁴ Term deposit emanates from PBL and BOSLIL.

³⁵ These managed funds stood at US \$232.6 million as at March 2024.

³⁶ Retained earnings increased to US \$13 million in line with the PAT recorded for FY2024.

³⁷ In FY2024, in a cost saving and efficiency initiative, PROVEN voluntarily surrendered PROVEN Wealth (Cayman) Limited's (formerly IFP's) securities dealers licences and transferred all its clients to PWL. As a result no regulatory capital is required.

³⁸ The Group sells Government and corporate securities and agrees to repurchase them on specified dates and at specified prices.

³⁹ Notably, the client intends to repay debt throughout the year.

Table 2
Capital Adequacy (FY2023-FY2024)

	PROVEN Wealth Limited		PROVEN Wealth (Cayman) Limited		PROVEN Bank (Saint Lucia) Limited		PROVEN Bank (Cayman) Limited	
	2024	2023	2024	2023	2024	2023	2024	2023
	<i>US \$'000</i>							
	%							
Tier 1 capital to total regulatory capital	98.5	98.7	-	100.0				
Regulatory capital to total assets	10.0	13.4	-	94.9				
Regulatory capital to risk-weighted assets	16.9	16.9	-	111.4			21.6	18.0
Basel Capital Ratio ((Tier 1 Capital/RWA) Basel III)					19.3	19.6		
Basel Capital Adequacy Ratio (Regulatory capital/RWA)					16.9	16.3		

Source: PROVEN's Audited Financial Statements 2024

The turnaround in operating cash flows to a cash inflow relative to an outflow in the prior year was mainly on account of a US \$25.8 million rise in other liabilities following an outflow of US \$93.3 million the prior year. This was due to a US \$14.5 million increase in what was owed to related parties, along with a one-off withdrawal from the banking division of US \$92.8 million in FY2023. Further supporting the rise in operating cash flows were the combined impact of a lower growth in net investment securities purchased and improved profitability. PROVEN also reported a healthy cash balance of US \$156.9 million up by 8.4% (or US \$12.1 million) from FY2023; albeit lower than its 3-year average of US \$196 million. These healthy cash balances continue to provide the Group with a high level of resilience towards any negative economic conditions. Additionally, consistent with the Company's business model of buying and selling companies, the excess cash can be utilized to take advantage of buying opportunities that may arise. The Group is also listed on the Jamaica Stock Exchange (JSE) which provides flexibility to access the market for additional funding if required.

In our view, the financial risk profile of the Group remained adequate bolstered mainly by the share of profits from JMMBGL which resulted in a return to profitability during the year. The impact of this more than offset the Group's loss-making position in FY2024 and resulted in the Group performing better than CariCRIS' projections. Nonetheless, in CariCRIS' opinion, the Group continues to display healthy levels of capitalization and cash balances which serve as important credit drivers. These factors continue to support its adequate financial risk rating. Over the next 12 to 15 months, CariCRIS expects the Group to remain profitable, supported by continued economic growth in key markets and the resultant increases in asset and income growth. Growth is expected across the 4 different pillars, as products and services are effectively streamlined via its shared services, together with ongoing technological advancements and promotional initiatives.

Under the banking and wealth pillars, asset growth is expected to be supported by new loans and investments. Notably revenue generation from these pillars can be tempered as interest rates are expected to fall going forward⁴⁰. CariCRIS also anticipates that the expansion in RMCL's exporting operations, underpinned by lower commodity prices⁴¹, will improve overall manufacturing revenue and gross profit. With expected continuous growth in the properties segment, and assuming no major planned acquisitions or any new additional debt over the next year, CariCRIS expects operating profit in the order of US \$3.4 million in FY2025. Given that JMMBGL realized a LAT of J\$1.5 billion for the 3-month period ended June 2024, CariCRIS' projections have been adjusted to assume a 60% reduction in the share of profits from associated companies. As such, in FY2025, CariCRIS expects PROVEN to maintain profitable operations though at a reduced rate with an estimated PAT in the order of US \$7.5 million, 45.1% lower than FY2024. Over the next 12 months, PROVEN has US \$114.5 million in debt maturing which is expected to be paid through cash received from maturing assets. Additionally, the Group is expected to maintain good capitalisation levels and meet all its obligations as they come due over the period.

Management Risk Rating: Highest

Subsequent to our November 2023 report, PROVEN's management risk profile remained relatively unchanged over the financial year. There were no changes in the Board and Management and in CariCRIS' opinion, the Group continues to be well governed. PROVEN also maintains an Enterprise Risk Management (ERM) policy and framework for most entities within the Group, further lending to the strengths of existing policies and procedures. The risk appetite, prescribed investment assets, portfolio mix and other key risks affecting the Group are clearly identified and addressed accordingly. Additionally, the Group continues to provide macro-level guidance for each Company, to improve the level of risk management within the Company. CariCRIS is of the view that PROVEN's overall approach to risk management remains strong. Furthermore, the current implementation of its shared services strategy alongside other various digital strategies throughout the Group also supports an enhanced risk management framework.

⁴⁰ According to the IMF, there is the expectation of lower interest rates in advanced economies going forward. Source: IMF April 2024 World Economic Outlook (WEO).

⁴¹ There was a reduction in commodity prices of raw materials, such as soybeans and cooking oils, trending downwards over the year due to global market conditions.

Rating Sensitivity Factors

Factors that could, individually or collectively, lead to an improvement in the ratings and/ or Outlook include:

- Cost to Income ratio improves to 75% and below
- Improvement in financial performance leading to operating profits and PAT over FY2020-FY2022 averages of US \$6.9 million and US \$20.1 million respectively

Factors that could, individually or collectively, lead to a lowering of the ratings and/ or Outlook include:

- Economic environment negatively impacting revenue streams leading to losses
- Increase in PROVEN's stand-alone debt to equity ratio to above 2 times
- A systemic increase in liquidity pressures in the environment leading to funding withdrawals from large institutional investors
- Gross profit from RMCL falls by over 44.7%
- A 90% decline in share of profits from associated companies.

December 5, 2024

Type of Rating: Issuer/Corporate Credit Rating

Outlook: Stable

Summary Overall Risk Assessment

RISK FACTORS	Previous Assessment	Present Assessment
<i>Business Risk</i>		
Industry Risk	A+	A+
Market Position	A-	A-
Resources	A-	A-
Asset Risk	A+	A+
Risk Management	BBB+	BBB+
Operating Efficiency	A-	A-
Overall Business Risk	A-	A-
<i>Financial Risk</i>		
Capital Adequacy	A	A
Earnings	A-	A-
Liquidity/ALM	A	A
Overall Financial Risk	A	A
<i>Management Risk</i>		
Competence	Strong	Strong
Integrity	Satisfactory	Strong
Risk Management	Satisfactory	Strong
Corporate Governance	Satisfactory	Average
Overall Management Risk*	Above Average	Highest
Overall Rating (Stand-Alone)	<i>jm</i> A	<i>jm</i> A
Notch-Up	--	--
Final Rating (National Scale) After Mapping (LC)	<i>jm</i> A	<i>jm</i> A
Final Rating (Regional Scale) LC	<i>Cari</i> BBB+	<i>Cari</i> BBB+
Final Rating (Regional Scale) FC	<i>Cari</i> BBB+	<i>Cari</i> BBB+

Source: CariCRIS

* In June 2024, CariCRIS revised its Management Risk Assessment Framework with the final descriptors for Overall Management Risk being 'Highest', 'High', 'Good', 'Adequate', 'Below Average' and 'Weak'.

RATING HISTORY					
Date	Regional Scale		National Scale		Instrument/Remarks
	Foreign Currency	Local Currency	Foreign Currency	Local Currency	
December 5, 2024	<i>CariBBB+</i>	<i>CariBBB+</i>	<i>jmA</i>	<i>jmA</i>	Issuer/ Corporate Credit Rating
November 9, 2023	<i>CariBBB+</i>	<i>CariBBB+</i>	<i>jmA</i>	<i>jmA</i>	Issuer/ Corporate Credit Rating
November 3, 2022	<i>CariBBB</i>	<i>CariBBB</i>	<i>jmA</i>	<i>jmA</i>	Issuer/ Corporate Credit Rating
September 23, 2021	<i>CariBBB</i>	<i>CariBBB</i>	<i>jmA</i>	<i>jmA</i>	Issuer/ Corporate Credit Rating

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