Republic Bank (St. Maarten) N.V.

FINANCIAL HIGHLIGHTS
September 30, 2021

Managing Director's Report

Republic Bank (St. Maarten) N.V.

1. Economic Review: Key Country Highlights

- The management of the COVID-19 virus in St. Maarten was a key driver to the economic activity in the country over the year. As at September 30th there were 185 active cases and 4,291 total cases since the beginning of the pandemic in March 2020. This number indicated a downward trend and a welcomed one.
- The Government of Sint Maarten will receive the 7th tranche in the amount of ANG 22M in liquidity support from the Netherlands Government. The Kingdom decided that St. Maarten had sufficiently complied with the conditions that are attached to the 7th tranche and thus approved release for the months of October, November and December 2021.
- During the year, Moody's Investor Service downgraded the St. Maarten Government's issuer ratings from Baa3 to Ba2. Moody's also changed the outlook for the country to negative. The key drivers behind the downgrade were policy differences with the Netherlands who is the sole source of financing for St. Maarten as well as the untested access to alternative sources of financing.
- Sint. Maarten was proud to have successfully launched its homeporting program in June 2021. The program which commenced with Celebrity Millennium Cruise line is expected to net the country as much as US $52 million over a fourteen-week period.

2. Financial Review - Fiscal Year 2021 Performance:

a. Highlights of financial performance

i. Profit/loss quarter by quarter & FYE

- Net Interest Income increased relative to target due to significant increases in the performing loan portfolio coupled with interest earned on restructured NAL facilities.
- Higher interest expense against target was due to high yield maturing customer term deposits that were paid.
- Increases in operating expense against budget was primarily due to increases in Management fees, Utilities and Communication expense.

ii. Total assets

Loans Growth/Decline:

Over the fiscal year 2021, the total productive loans grew by 32.66%. Growth was primarily attributed to the Commercial loan sector which grew by 59.36% while the Retail Loan sector grew by 21.25%.

- YTD growth (ANG 58M) in Commercial and Retail Productive Loans was due to new facilities as well as some restructured facilities during the period.

The growth in 2021 was very much welcomed considering that there was an overall portfolio reduction of 2.95% in 2020.

Loan Payment Deferrals

- Initial period of deferral was extended for (6) months to all borrowers. Thereafter, further extensions were granted to customers who evidenced the impact of the COVID-19 pandemic on their or family income. The maximum total term did not exceed 18 months.
- At FYE many customers resumed regular payments.

iii. Deposits:

- Over the fiscal year 2021, there was a reduction in the deposits portfolio by 6.44% which was primarily due to portfolio repricing efforts throughout the year.
- The repricing strategy saw growth of 21.41% in deposits (Current ACs), however a reduction of 33.57% in Term Deposits and Savings.

3. Key Considerations (Reserve, Investment, Liquidity, Customer dependency etc):

iv. NAF Currency

NAF liquidity is tightening, with plans to raise NAF deposits. NPL's remain stable with more stringent borrowing criteria in place.

Stress testing continues to be performed owing to expected challenges during COVID to determine impact to cash flow.

v. Liquidity

Throughout the year, the entire team focused on closing the liquidity gap while addressing the high cost of deposits by targeting Corporate and Commercial deposits.

Credit - Increased Delinquency and NPLs

- Management employees were engaged to support the site representative to place special focus on delinquency, in addition to standard support provided under TSA.
- Similarly, we focused on the Small Business portfolio and the delinquency.
- The Government of the Sint Maarten is dependent on the liquidity support provided through the Netherlands. The Government's ability to manage liquidity will have a direct impact on the local economy and the servicing of loans.

Lower Profitability (reduced income; higher operational costs)

- Focus on ensuring all non-interest revenue is collected.
- Continued tightened operational cost management.
- Reducing interest expense by repricing deposits.

4. Ongoing Initiatives

a. New products or new initiatives for the reporting period.

ITCD Conversion Initiative.

- ITCD change implementation plan is progressing well. The system conversion in other territories was successful. St. Maarten is scheduled for conversion April 1, 2022.
- In the latter part of the year, the team was engaged with developing a communication and a card distribution strategy to replace debit cards in SXM.
- Technology transition remains our primary focus.

Build Easy Loan Product

- The Build Easy Loan (BEL) program reintroduced in St. Maarten. The product was a welcomed addition to the suite since the predecessor had discontinued sometime before. This facility allows persons wishing to construct their own homes to obtain financing through a bridging facility.

b. Growth opportunities for the Bank

- Increase our Credit Card product offering with branded partner cards (E.g., American Airlines).

5. Market share

In Fiscal Year 2021 Republic Bank (St. Maarten) N.V. saw a reduction in the Deposit Market share from 16.46% to 14.72%. We however noticed significant growth in the loan share from 11.40% to 16.35%.

ACKNOWLEDGEMENTS:

I would like to express my sincere gratitude and appreciation to the Chairman and the Board of Directors of Republic Bank (St. Maarten) N.V. for their commitment to the growth of the team in St. Maarten. I also want to say thank you to the executive management of RBEC, my devoted team at the Philipsburg and Simpson Bay branches as well as our internal and external regulators.

Sterl Lyons
General Managing Director

Independent Auditor's Report on the Financial Highlights

Grant Thornton

Report of the Independent Auditor

To Management and Board of Directors of
Republic Bank (St. Maarten) N.V.
St. Maarten

Reference: HEB/67.004.0/47167

Our opinion

The accompanying financial highlights as at and for the year ended September 30, 2021 ('the summary financial statements') of Republic Bank (St. Maarten) N.V. ('the Bank') based in St. Maarten are derived from the audited financial statements of Republic Bank (St. Maarten) N.V. as at and for the year ended September 30, 2021.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements.

Summary financial statements

The summary financial statements are presented in accordance with the Provisions for the Disclosure of Financial Highlights of Domestic Banking Institutions as set out by the Central Bank of Curacao and Sint Maarten. The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards (IFRS). Reading the summary financial statements and our report thereon, therefore, is not a substitute for reading the audited financial statements of Republic Bank (St. Maarten) N.V. and our auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our auditor's report on those audited financial statements of January 20, 2022.

The audited financial statements and our auditor's report thereon

We expressed an unmodified audit opinion on the audited financial statements as at and for the year ended September 30, 2021, in our auditor's report dated January 20, 2022.

Responsibilities of management and the Board of Directors for the summary financial statements

Management is responsible for the preparation of the summary financial statements in accordance with the Provisions for the Disclosure of Financial Highlights of Domestic Banking Institutions as set out by the Central Bank of Curacao and Sint Maarten.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

Our responsibilities

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which we conducted in accordance with International Standard 810 'Engagements to report on summary financial statements'.

St. Maarten, 14 April 2022

Grant Thornton Sint Maarten

Herbert Beldman AA RA CIA

STATEMENT OF FINANCIAL POSITION

As at September 30, 2021
Expressed in thousands of Netherlands Antillean Guilder (Naf.'000)

	2021	2020
ASSETS		
Cash and Due From Banks	119,028	166,719
Investment securities	21,783	35,800
Loans and advances to customers – net (see Note 3)	254,672	205,622
Bank premises and equipment	9,473	9,535
Deferred tax assets	3,396	4
Other assets	4,558	8,121
TOTAL ASSETS	**412,910**	**425,800**
LIABILITIES		
Customer Deposits (see Note 3)	350,248	374,211
Due to Other Banks	8,199	9,144
Other liabilities	9,563	7,999
Deferred tax liabilities	2,765	–
TOTAL LIABILITIES	**370,775**	**391,354**
EQUITY		
Stated capital	34,685	34,685
Statutory reserves	1,315	–
Other reserves	1,115	–
Retained earnings/ (deficit)	5,020	(239)
TOTAL EQUITY	**42,135**	**34,446**
TOTAL LIABILITIES AND EQUITY	**412,910**	**425,800**

The accompanying notes form an integral part of these financial statements. These financial highlights must be read together with the audited statements approved by the Board of Directors on January 20, 2022 from which these financial highlights were derived from.

Karen Yip Chuck, Chairman

Whitfield Vlaun, Managing Director

Sterl Lyons, General Managing Director

Janelle Bernard, Corporate Secretary

STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended September 30, 2021
Expressed in thousands of Netherlands Antillean Guilder (Naf.'000)

	2021	2020 (11 months)
Interest income	17,584	13,769
Interest expense	3,088	4,565
Net interest income	14,496	9,204
Net Fee and commission income	276	1,295
Net trading income	562	511
Other operating income	6,918	1,363
Operating Income	7,480	1,874
Salaries and other employee expenses	5,645	3,922
Occupancy expenses	1,797	849
Net impairment losses on loans and advances	1,358	1,661
Net impairment losses on investments	17	–
Other operating expenses	7,488	6,184
Operating expenses	16,305	12,616
Net results from operations	5,947	(243)
Taxation expense	627	4
Net results after taxation	6,574	(239)
Total Comprehensive income/(loss)	6,574	(239)

The accompanying notes form an integral part of these financial statements. These financial highlights must be read together with the audited statements approved by the Board of Directors on January 20, 2022 from which these financial highlights were derived from.

EXPLANATORY NOTES TO THE FINANCIAL HIGHLIGHTS OF REPUBLIC BANK (ST. MAARTEN) N.V.

Note 1: Basis of preparation

These financial highlights have been prepared on the criteria established by the Provisions for the Disclosure of Financial Highlights of Domestic Banking Institutions, as set out by the Central Bank of Curaçao and Sint Maarten. The financial statements, from which these financial highlights have been derived, are prepared in Antillean Guilders (ANG) and in accordance with International Financial Reporting Standards. The financial statements are prepared under the historical cost convention and at fair value through profit or loss (FVTPL). The preparation of the financial statements requires the use of certain critical accounting estimates that affect the reported amount of assets, liabilities, net income and related discloures. Estimates made by management are based on historical experience and other assumptions that are believed to be reasonable. Actual results may differ from these and other estimates.

Note 2: Significant accounting policies

Note 2.1: Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, to facilitate changes to the original loan agreement or arrangement due to weaknesses in the borrower's financial position and/or non- repayment of the debt as arranged and terms and conditions have been restructured to the extent that, substantially, it becomes a new loan, with the difference recognised as an impairment loss. The newly recognised loans are classified as Stage 2 for ECL measurement purposes.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original rate (or credit adjusted EIR for purchased or credit-impaired financial assets), the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset, or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates,
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients,
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:
- The Bank has transferred substantially all the risks and rewards of the asset, or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

EXPLANATORY NOTES TO THE FINANCIAL HIGHLIGHTS OF REPUBLIC BANK (ST. MAARTEN) N.V. (continued)

Note 2: Significant accounting policies (continued)

Note 2.1: Derecognition of financial assets and liabilities (continued)

Derecognition other than for substantial modification (continued)

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Note 2.2: Impairment of financial assets

Overview of the ECL principles

The Group records an allowance for ECL for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The Bank uses the general probability of default approach when calculating ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the size and nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank classifies its loans and investments into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1
When financial assets are first recognised and continue to perform in accordance with the contractual terms and condition after initial recognition, the Bank recognises an allowance based on 12mECLs. Stage 1 financial assets also include facilities where the credit risk has improved and the financial asset has been reclassified from Stage 2.

Stage 2
When financial assets have shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 financial assets also include facilities where the credit risk has improved and the financial asset has been reclassified from Stage 3.

Stage 3
Financial assets considered credit-impaired. The Bank records an allowance for the LTECLs.

The calculation of ECLs

The Bank calculates ECLs based on the historical measure of cash shortfalls, discounted at the instrument's coupon rate. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD - The Probability of Default is an estimate of the likelihood of default over a given period of time. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Bank considers among other factors the risk rating category and aging of the financial asset. Each of these is associated with different PDs, EADs and LGDs. When relevant, it also incorporates how defaulted loans and investments are expected to be recovered, including the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, for which the treatment is separately set out, the maximum period for which the credit losses are determined is the contractual life of a financial instrument.

Impairment losses and recoveries are accounted for and disclosed separately. The mechanics of the ECL method are summarised below:

Stage 1
The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD which are derived as explained under Stage 3 for loans and using Global Credit Loss tables for traded investments and modified with management overlays when not traded.

Stage 2
When a financial asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The LGDs are derived as explained under Stage 3 for loans and using Global Credit Loss tables for traded investments and modified with management overlays when not traded.

Stage 3
For financial assets considered credit-impaired, the Bank recognises the LTECLs for these financial assets. The method is similar to that for Stage 2 assets, with the PD set at 100%.

In most instances, LGDs are determined on an individual loan or investment basis, including discounting the expected cash flows at the original EIR. Stage 3 LGDs are grouped by similar types to provide percentage averages to be applied for Stage 1 and Stage 2 loans.

In limited circumstances within the Bank, where portfolios were small and the products homogenous with minimal history of defaults, a simplified ECL approach was applied using historical loss rates and staged based on the sovereign rating of the residence of the loan.

Note 3: Specification of key accounts

	2021 NAf.	2020 NAf.
ASSETS		
Loans and advances to customers		
Retail customers	165,782	142,471
Corporate customers	95,895	68,924
Total Loans and advances to customers	261,677	211,395
Less allowances	7,005	5,774
Net loans and advances	**254,672**	**205,622**
LIABILITIES		
Customer deposits		
Retail deposits	185,763	182,180
Corporate Customers	164,427	184,636
Public Sector	58	7,395
TOTAL CUSTOMER DEPOSITS	**350,248**	**374,211**

Note 4: Subsequent events

These financial highlights do not reflect the effects of events that occurred subsequent to January 20, 2022 the date of the audit report on the audited statements from which these financial highlights were dervied from.