Republic Bank (St. Maarten) N.V.

**FINANCIAL HIGHLIGHTS**
September 30, 2024

# Managing Director's Report

**Republic Bank (St. Maarten) N.V.**

## 1. Economic Review: Key Country Highlights

- Sint Maarten's economy grew by 3.8% in 2023, experiencing a growth slowdown from 9.8% in 2022. Private investment, public consumption and exports were the drivers of growth in 2023. However, private consumption and public investment, and a higher import bill dampened the pace of expansion. According to the Centrale Bank van Curaçao en Sint Maarten (CBCS), real GDP in Sint Maarten is expected to grow by 3.5% in 2024, representing an increased projection, stemming from positive outlook for stay–over and cruise tourism. Real GDP growth is projected to then ease at 2.3% in 2025.
- Inflation was at 2.1% in 2023, down from 3.8% in 2022, sustained primarily by a decline in international oil prices that passed through into domestic prices. In 2024 it's expected to recede to 2.8%. Inflation is projected at 2.8% for 2024 and 2.0% for 2025. Growth in 2025 expected to be driven by both domestic and net foreign demand.
- Centrale Bank van Curaçao en Sint Maarten (CBCS) pledging rate remains unchanged at 5.75% as at June 2024 based on the Fed's decision to leave its target policy unchanged momentarily.

## 2. Financial Review - Fiscal 2024 Performance:

**Highlights of financial performance**
- Republic Bank (St. Maarten) N.V. has announced a Net Profit After Taxation of ANG 3.79M, this was better than the prior year's performance by ANG 0.7M albeit falling short of the target by ANG 0.4M.
- Interest income for the period reached ANG 20.3M, exceeding the prior year's results by ANG 0.7M and was largely attributable to growth in Retail loans and Commercial mortgages.
- Non–interest income for the period totaled ANG 7.7M, surpassing the target by ANG 1.1M (16.9%) and the prior year by ANG 1.6M (26.6%). This year–over–year difference was largely influenced by higher credit card commission from merchants.
- Operating expenses for the fiscal year totaled ANG 15.9M, showcasing a favorable deviation of ANG 1.9M (10.5%) below the target and a decrease from the prior year by ANG 1M (5.8%). This underscores the Bank's steadfast dedication to cost management, as evidenced by the positive variances against both the target and the preceding year.

**Loans Growth / Decline:**
- Net Loans and Advances experienced a commendable growth of 14.2% in the fiscal year 2024, driven by an expansion in the Mortgage segment.
- Productive loan growth was below target by 2.8% given the emphasis on deposit growth. Nevertheless, this growth surpassed the prior year's performance by 17.4%.
- The Productive Loans Portfolio, predominantly composed of Mortgages, showcased noteworthy achievements. Mortgages exceeded both the targeted and prior–year performance by 7.4% and 19.7%, respectively. Retail Loans also exceeded both the targeted and prior–year figures by 9.3% and 25.8%, respectively.

**Deposits:**
- Customer Deposits reached ANG 421.2M, marking a significant increase of ANG 32.6M (8.4%) compared to the previous year. This positive variance is primarily attributed to the expansion in Commercial Certificate of Deposits.
- In alignment with the bank's strategic emphasis on deposit growth, there were no additional investments during the period 2023 to 2024.This deliberate shift in focus underscores the commitment to fostering a robust deposit strategy.

**Key Considerations:**
- The return on average assets ratio stood at 0.8%, representing an increase above prior year's position of 0.7%. This performance highlights the Bank's continued efficiency in utilizing of resources in order to generate income and improve financial performance.
- The improvement in financial performance also resulted in an increase in the return on average equity ratio from 6.2% in prior year to 7.3% at the end of the current fiscal.
- The Gross Loans to Assets ratio, stands at 67.1%, when compared to the prior year's position of 65.2%. The ratio remains stable and underscores the Bank's commitment to maintaining a prudent and well–adjusted financial position.

**Delinquency and Non-Performing Loans (NPLs)**
- The delinquency rate stood at 12.1% which were primarily facilities between 1–30 days past due; this reflected a decrease from the previous year position of 12.2%. Ongoing efforts are in place to enhance the collection from customers, with the overarching goal of reducing delinquency levels.
- Non–Performing Loans (NPLs) account for 8.9% of the portfolio, representing a decrease from prior year position of 11.0%. The Bank remains actively engaged in evaluating both performing and non–performing segments to mitigate portfolio deterioration. Additionally, efforts are underway to explore opportunities for disposing non–performing facilities, aligning with a proactive approach to maintain a healthy and resilient loan portfolio.

## 3. Ongoing Initiatives

- On September 9th 2024, RBSXM finally launched the IPCSM interfaces that allows its customers to move money instantly among the other banks in the monetary union.
- The CBCS is actively progressing with the project for the introduction of the Caribbean Guilder with a rescheduled launch date of March 31st, 2025. The currency was revealed to the public and the local banks on Aug 22nd, 2024 and the bank has engaged with project teams to develop the respective platforms that will support the new XCG currency.
- Republic Bank (St. Maarten) N.V. is currently developing a new product that will allow customers to use digital platforms to open a deposit account with us. Digital Onboarding is scheduled to be launched in the first quarter of the financial year.

**Growth opportunities for the Bank**
- Promising growth prospects persist in Non–Residential Mortgages, Merchant Services penetration, and Commercial Mortgages.
- With the exit of First Caribbean International Bank in the market, Republic Bank (St. Maarten) N.V. stands ready to provide all its services for clients needing a bank focused on growth in Caribbean markets.

**Market Share**
Republic Bank (St. Maarten) N.V. market share remained relatively flat for loans (25% YOY) and deposits (20% YOY). The branch focused on steady but commensurate growth in both portfolios.

**ACKNOWLEDGEMENTS**
I extend my heartfelt gratitude and appreciation to the Chairman and the esteemed Board of Directors of Republic Bank (St. Maarten) N.V. for their unwavering commitment to the expansion of operations in St. Maarten. I would also like to express my sincere thanks to the executive management of Republic Bank (EC) Limited, the dedicated teams at the Philipsburg and Simpson Bay branches, as well as our auditors and regulators. Your collaborative efforts and steadfast support have been instrumental during this year.

As we embark on the journey into 2025, our vision is centered on growth and making a positive impact in the lives of our valued customers and the broader community. Together, we look forward to achieving new milestones and contributing to the well–being of all stakeholders.

**Sterl Lyons**
General Managing Director

# Independent Auditor's Report on the Financial Highlights

**Opinion**
The accompanying financial highlights, which comprise the balance sheet as at 30 September 2024 and income statement for the year then ended and related notes, are derived from the audited financial statements of Republic Bank (St. Maarten) N.V. ("the Bank") for the year ended 30 September 2024.

In our opinion, the accompanying financial highlights are consistent, in all material respects, with the audited financial statements of the Bank, in accordance with the Provisions for the Disclosure of Consolidated Financial Highlights of Domestic Banking Institutions, as set by the Central Bank of Curaçao and Sint Maarten ("CBCS").

**Financial highlights**
The accompanying financial highlights do not contain all the disclosures required by International Financial Reporting Standards. Reading the accompanying financial highlights and our report thereon, therefore, is not a substitute for reading the audited financial statements of the Bank and our auditor's report thereon. The financial highlights and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

**The audited financial statements and our auditor's report thereon**
We expressed an unmodified audit opinion on the audited financial statements 2024 of the Bank in our auditor's report dated 29 November 2024.

**Other information**
Management is responsible for the other information. The other information consists of the Managing Director's Report but does not include the financial highlights and our auditor's report thereon. Our opinion on the financial highlights does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial highlights, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial highlights or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of management for the financial highlights**
Management is responsible for the preparation of the accompanying financial highlights in accordance with the Provisions for the Disclosure of Consolidated Financial Highlights of Domestic Banking Institutions, as set by the CBCS.

**Auditor's responsibilities**
Our responsibility is to express an opinion on whether the accompanying financial highlights are consistent, in all material respects, with the audited financial statements of the Bank based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Curaçao, January 31st 2025

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F. de Windt–Ferreira CPA

# Republic Bank (St. Maarten) N.V.

# FINANCIAL HIGHLIGHTS
September 30, 2024

## STATEMENT OF FINANCIAL POSITION
As at September 30, 2024
Expressed in thousands of Netherlands Antillean Guilder (ANG'000) except where otherwise stated

| | 2024 | 2023 |
|---|---|---|
| **ASSETS** | | |
| Cash and due from banks | 157,433 | 141,615 |
| Investment securities | 78 | 78 |
| Loans and advances to customers | 336,193 | 294,404 |
| Premises and equipment | 9,019 | 9,412 |
| Deferred tax assets | 1,213 | 1,342 |
| Other assets | 9,057 | 13,934 |
| **TOTAL ASSETS** | **512,993** | **460,785** |
| **LIABILITIES** | | |
| Customer deposits | 421,197 | 388,641 |
| Due to other banks | 24,277 | 9,137 |
| Profit tax payable | 3,914 | 1,661 |
| Deferred tax liabilities | 1,081 | 1,081 |
| Other liabilities | 8,074 | 9,606 |
| **TOTAL LIABILITIES** | **458,543** | **410,126** |
| **EQUITY** | | |
| Stated capital | 34,685 | 34,685 |
| Additional paid up capital | 1,115 | 1,115 |
| Other reserves | 2,056 | 1,927 |
| Retained earnings | 16,594 | 12,932 |
| **TOTAL EQUITY** | **54,450** | **50,659** |
| **TOTAL LIABILITIES AND EQUITY** | **512,993** | **460,785** |

These financial statements were approved by the Board of Directors on November 29th 2024 and signed on its behalf by:

**Karen Yip Chuck, Chairman**

**Whitfield Vlaun, Managing Director**

**Sterl Lyons, General Managing Director**

**Janelle Bernard, Corporate Secretary**

## STATEMENT OF INCOME
For the year ended September 30, 2024
Expressed in thousands of Netherlands Antillean Guilder (ANG'000) except where otherwise stated

| | 2024 | 2024 |
|---|---|---|
| Interest income | 20,319 | 19,605 |
| Interest expense | 3,515 | 3,290 |
| **Net interest income** | 16,804 | 16,315 |
| Fees and commission income | 5,881 | 4,993 |
| Fees and commission expense | 2,007 | 1,643 |
| **Net Fees and commission** | 3,874 | 3,350 |
| Net trading income | 1,596 | 1,388 |
| Other operating income | 2,253 | 1,362 |
| **Operating income** | 24,527 | 22,415 |
| Salaries and other employee expenses | 4,710 | 5,414 |
| Occupancy expenses | 1,124 | 1,313 |
| Net impairment losses on loans and advances | 2,439 | 825 |
| Net impairment losses on investments securities | – | (21) |
| Other operating expenses | 10,080 | 10,165 |
| **Operating expenses** | 18,353 | 17,696 |
| **Net result before tax** | 6,174 | 4,719 |
| Profit tax expense | 2,382 | 1,619 |
| **Net results after tax** | 3,792 | 3,100 |

## EXPLANATORY NOTES TO THE FINANCIAL HIGHLIGHTS OF REPUBLIC BANK (ST. MAARTEN) N.V.
For the year ended September 30, 2024
Expressed in thousands of Netherlands Antillean Guilder (ANG'000) except where otherwise stated.

**A. Accounting policies**

**1. General**
The principal accounting policies adopted in the preparation of the financial highlights of Republic Bank (St. Maarten) N.V. (the 'Bank') are set out below. These explanatory notes are an extract of the detailed notes included in the financial statements and are consistent in all material respects with those from which they have been derived.

**2. 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 accordance with International Financial Reporting Standards ('IFRS'). The figures presented in these financial highlights are stated in thousands of Antillean Guilders ('ANG') and are rounded to the nearest thousand. The accounting policies used have been consistently applied and are consistent, in all material respects, with those used in previous year. The financial statements are prepared under the historical cost convention and except for financial assets at fair value through profit or loss ('FVTPL').

**3. Classification and measurement of financial instruments**
Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

The Bank classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms, measured at either:
- Amortised cost or
- FVPL

Financial liabilities, other than loan commitments and financial guarantees are measured at amortised cost.

***Financial assets at amortized cost:***
The Bank only measures financial assets at amortised cost if both of the following conditions are met:
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding and;
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

*Solely payments of principal and interest (the 'SPPI test')*
The Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL or fair value through other comprehensive income (FVOCI) without recycling.

*Business model assessment*
The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument–by–instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

***Financial assets at fair value through profit or loss:***
Financial assets in this category are those that are designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management may designate an instrument at FVPL upon initial recognition. The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis.

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

Financial assets at FVPL are recorded at fair value. Interest earned or incurred on instruments designated at FVPL is accrued in interest income, using the effective interest rate (EIR), taking into account any discount/premium and qualifying transaction costs being an integral part of instrument. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other income when the right to the payment has been established.

**4. 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.

***Derecognition other than for substantial modification***

*Financial assets*
A financial asset 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.

*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.

**5. Impairment of financial assets**

***Overview of the expected credit loss ('ECL') principles***
The Bank 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).

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 conditions 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.

***Forward looking information***
In its ECL models, the Bank considers a broad range of forward looking information as economic inputs, such as currency rates, GDP growth, unemployment rates, industry risk, real estate price trends and commodity price inflation rates. The inputs and models used for calculating ECLs may not always capture all characteristics and expectations of the market at the date of the financial statements. To reflect this, management adjustments or overlays are made by assessing the macroeconomic factors and applying judgements, when such differences are significantly material.

**B. Specification of accounts**

| | 2024 ANG | 2023 ANG |
|---|---|---|
| **I. ASSETS** | | |
| **Investment securities** | | |
| Financial assets at fair value through profit or loss | 78 | 78 |
| **Total investment securities** | 78 | 78 |
| Less allowance for expected credit loss | - | - |
| **Net investment securities** | 78 | 78 |
| **Loans and advances to customers** | | |
| Retail customers | 208,662 | 184,758 |
| Corporate customers | 135,695 | 115,583 |
| **Total Loans and advances to customers** | 344,357 | 300,341 |
| Accrued interest receivable on loans and advances | 1,581 | 1,646 |
| Less allowances for expected credit loss | 8,791 | 7,007 |
| Less unearned loan origination fees | 954 | 575 |
| **Net loans and advances to customers** | 336,193 | 294,405 |
| **II. LIABILITIES** | | |
| **Customer deposits** | | |
| Retail customers | 194,282 | 191,946 |
| Corporate customers | 226,915 | 196,695 |
| **TOTAL CUSTOMER DEPOSITS** | **421,197** | **388,641** |