RBC Royal Bank N.V. and its subsidiaries

Royal Bank

Consolidated Financial Highlights

October 31, 2016

Board of managing directors' report

In 2016, the financial services sector in the Dutch Caribbean faced continued challenging market conditions. Despite this uncertainty RBC Royal Bank N.V ("The Bank") remained committed to serving clients by building a strong, sustainable company for the future. Our commitment is reinforced by a clear purpose that guides us in everything we do: helping clients thrive and communities prosper.

In this changing world our clients increasingly focus on digitization. As an organization with an accessible, multi-channel distribution network, we are closer to our clients through digital innovations and self-service channels. We are quickly transforming our business to build a truly digitally-enabled relationship bank.

In the past year we continued our focus on strengthening our overall business performance and client segments where we can be a leading competitor over the long term. We improved our core business performance through improved asset quality and operating efficiency, in spite of continued economic challenges and compressed margins as a result of competitive pressures.

Focus on quality assets

The Bank continued to improve its core earnings through growth in quality assets as reflected by the significant decline in impairment on loans and advances coupled with a 6% increase in net interest income. However, lower fees and commissions and a reduction in net gains from investment securities due to a one time gain in 2015 resulted in a 4% decline in operating income. Furthermore, increased operating expenses from ongoing efforts to streamline processes and create added efficiencies, along with a one-time impairment loss on goodwill of our offshore bank has resulted in a 6% increase in operating expenses year over year. Consequently the bank reported net income of ANG 9.8 million, representing a decline relative to the prior year.

Economic outlook - Data as at December 2016

Aruba: The Central Bank of Aruba (CBA) announced an economic contraction of 1.6% in the first half of 2016 on weaker tourism and investment, but indicated that stronger growth remains possible when the oil refinery is fully operational again. Caribbean Tourism Organization data show stopover arrivals dropped 7% year over year to October 2016, driven by lower numbers from Canada, Venezuela and 'other' markets.

Curaçao: According to the IMF, the economic recovery and a stronger fiscal position have helped reduce near-term risks for Curaçao. Having ended a three-year recession in 2015, despite the deterioration in macroeconomic conditions in Venezuela, one of the island's main trading partners, the island experienced modest growth of 0.1% in 2015, which is estimated to have improved to 0.5% in 2016. However, downside risks to medium-term growth prospects remain as continued low growth in the Euro area along with further disruptions in Venezuela could have serious repercussions for the island. Nevertheless, real GDP is projected to continue to improve to 0.7% in 2017.

St. Maarten: The Island experienced a fourth consecutive year of economic expansion with modest GDP growth of 0.5% in 2015, though representing a deceleration compared to the 1.5% recorded in 2014. Economic expansion continued in 2016, with GDP growth of an estimated 0.7%, with a projected further uptick to 1.3% in 2017, reflecting the expectation of higher private sector spending, particularly in the tourism and transportation sectors, and a moderate increase in tourism flows.

RBC and our community

In the recent fiscal, we continued to expand our commitment to our communities, supporting youth, education and environment initiatives. Our support of a number of initiatives in the Dutch Caribbean market included being the main sponsor for the RBC Little League and Blue Water Project. We will continue to look for opportunities where we can invest further as we strive to align ourselves with programs that will help our communities prosper.

On behalf of the Board of Directors and executives of RBC, I would like to thank our clients for their continued confidence in us as we work towards improved service and operations. I also thank our employees who continue to be the driving force behind all of our achievements. Their continued commitment to our values, to our clients, to our communities and to one another has positioned us for sustainable long-term growth and success.

Pierrot Hurtado
RBC Royal Bank N.V.
Managing Director

Steven Coutinho
RBC Royal Bank N.V.
Managing Director

Report of the Independent Auditor on the Consolidated Financial Highlights

To the Board and shareholder of RBC Royal Bank N.V. and its Subsidiaries
Curaçao

GV/132785/2170146

Report on the consolidated financial highlights

The accompanying consolidated financial highlights 2016 of RBC Royal Bank N.V. and its Subsidiaries consisting of consolidated balance sheet as at October 31, 2016 and the consolidated statement of comprehensive income for the year then ended, and notes, which comprise a summary of significant accounting policies and other explanatory information, are derived from the consolidated financial statements 2016 of RBC Royal Bank N.V. and its Subsidiaries, Curaçao, for the year ended October 31, 2016. We expressed an unqualified audit opinion on those financial statements in our report dated April 28, 2017. Those consolidated financial statements, and the consolidated financial highlights, do not reflect the effects of events that occurred subsequently to the date of our report on those financial statements.

The consolidated financial highlights do not contain all the disclosures required by International Financial Reporting Standards. Reading the consolidated financial highlights, therefore, is not a substitute for reading the audited consolidated financial statements of RBC Royal Bank N.V. and its Subsidiaries.

Management's responsibility

Management is responsible for the preparation and fair presentation of these consolidated financial highlights, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial highlights based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements".

Opinion with respect to the consolidated financial highlights

In our opinion, the consolidated financial highlights derived from the audited consolidated financial statements of RBC Royal Bank N.V. and its Subsidiaries for the year ended October 31, 2016 are consistent, in all material respects, with those financial statements 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.

Emphasis of Matter

We draw attention to Note A to the consolidated financial highlights which describes the uncertainty related to the methodology and assumptions used to calculate loan impairment allowances. Our opinion is not qualified in respect of this matter.

Without modifying our opinion, we draw attention to the fact that certain comparative information for the year ended October 31, 2015 has been restated as explained in Note 21 to the audited consolidated financial statements of RBC Royal Bank N.V. and its Subsidiaries for the year ended October 31, 2016. The consolidated financial statements of RBC Royal Bank N.V. and its Subsidiaries for the year ended October 31, 2015, were audited by another auditor who expressed an unmodified opinion on those financial statements on February 4, 2016.

Curaçao, 28 April 2017
PricewaterhouseCoopers Curaçao
Gijsbert (A.N.) Turkenburg RA

Consolidated Balance Sheet of RBC Royal Bank N.V. And Its Subsidiaries

(Expressed in Thousands of Antillean Guilders)

	As at 31 October	
	2016 ANG	2015 ANG Restated
Assets		
Cash and due from banks	1,100,160	885,178
Investment securities	369,693	437,707
Loans and advances to customers	1,456,436	1,458,358
Bank premises and equipment	39,403	41,227
Goodwill and other intangible assets	107,529	118,813
Customers' liability under acceptances	31,460	25,694
Deferred tax assets	19,108	19,387
Other assets	32,797	69,682
Total assets	3,156,586	3,056,046
Liabilities and shareholders' equity		
Liabilities		
Customers' deposits	2,608,775	2,492,833
Due to other banks	37,887	53,471
Acceptances outstanding	31,460	25,694
Profit tax payable	7,820	3,024
Deferred tax liabilities	24,213	31,985
Other liabilities	55,449	70,730
Total liabilities	2,765,604	2,677,737
Shareholders' equity		
Issued capital	114,455	114,455
Share premium	87,053	87,053
General reserve	29,058	29,270
Other reserve	2,482	(429)
Retained earnings	157,934	147,960
Total shareholders' equity	390,982	378,309
Total liabilities and shareholders' equity	3,156,586	3,056,046

Consolidated Statement of Comprehensive Income of RBC Royal Bank N.V. And Its Subsidiaries

(Expressed in Thousands of Antillean Guilders)

	Year ended 31 October	
	2016 ANG	2015 ANG Restated
Interest income	123,537	117,234
Interest expense	21,639	21,017
Net interest income	101,898	96,217
Fee and commission income	41,631	46,436
Net fee and commission income	41,631	46,436
Gains less losses from investment securities	566	5,599
Other operating income	13,577	16,431
Operating income	157,672	164,683
Salaries and other employee expenses	61,202	58,444
Occupancy expenses	10,575	11,376
Net impairment on loans and advances	7,625	10,262
Impairment losses on goodwill	4,285	-
Other operating expenses	67,318	61,985
Operating expenses	151,005	142,067
Net result from operations	6,667	22,616
Income from associates	(130)	310
Income before taxation	6,537	22,926
Taxation recovery / (expense)	3,225	(1,065)
Net income after taxation	9,762	21,861

Royal Bank

Consolidated Financial Highlights (continued)

October 31, 2016

A. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. The notes are an extract of the detailed notes prepared in our statutory financial statements. The notes detailed below coincide in all material aspects with those from which they have been derived. Throughout this report, the word Group refers to RBC Royal Bank N.V. and its consolidated subsidiaries.

Basis of preparation
The consolidated financial statements are prepared in Antillean Guilders (ANG) and in accordance with International Financial Reporting Standards. The financial statements have been prepared under the historical cost convention modified to include the revaluation of available-for-sale investment securities and of freehold land and buildings and other trading liabilities.
The preparation of the consolidated financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Principles of consolidation
The consolidated financial statements include the assets, liabilities and results of operations of RBC Royal Bank N.V. (the parent company) and its wholly owned subsidiaries RBC Royal Bank (Aruba) N.V., ABC International N.V., RBC Royal Bank International N.V., Mc Laughlin International Trust & Management Company N.V., Trade Center St. Maarten N.V., Boxscore Enterprises N.V., Omutin Real Estate Holdings N.V., Royal Services (Curaçao) N.V., Royal Services International (Curaçao) N.V., Aruba Trustkantoor N.V. and Banco Nacional de Hipotecas N.V. (the Group) after the elimination of intercompany transactions and balances.
Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.
Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases. Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Investment securities
Investment securities are classified into the following categories: held-to-maturity and available-for-sale. Management determines the appropriate classification of its investment at the time of purchase.

Securities held-to-maturity
Held-to-maturity investments are investment securities with fixed maturity where management has the positive intention and the ability to hold to maturity. Held-to-maturity investments are carried at amortized cost using the effective interest method, less any provision for impairment.

Securities available-for-sale
Available-for-sale investments are those securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.
Available-for-sale securities are initially recognized at cost (which includes transaction costs) and are subsequently remeasured at fair value based on quoted market prices where available or discounted cash flow models.
Fair values for unquoted equity instruments or unlisted securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Unrealized gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized in equity. When the security is sold, the cumulative gain or loss recorded in Other components of equity is included as Net gain (loss) on AFS securities in Non-interest income. When securities become impaired, the related accumulated fair value adjustments previously recognized in equity are included in the income statement as impairment expense on investment securities.
A financial asset reported as investment securities is impaired if its carrying amount is greater than its estimated recoverable amount and there is objective evidence of impairment. The recoverable amount of an investment security instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset. For an investment security instrument measured at amortized cost the recoverable amount is the present value of expected future cash flows discounted at the instrument's original effective interest rate.
All purchases and sales of investment securities are recognized at settlement date.

Loans and advances to customers
Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as AFS. Loans are initially recognized at fair value. When loans are issued at a market rate, fair value is represented by the cash advanced to the borrowers. Loans are subsequently measured at amortized cost using the effective interest method less impairment, unless we intend to sell them in the near future upon origination or they have been designated as at FVTPL, in which case they are carried at fair value.
An allowance for credit losses is established if there is objective evidence that we will be unable to collect all amounts due on our loans portfolio according to the original contractual terms or the equivalent value. The allowance for credit losses is increased by the impairment losses recognized and decreased by the amount of write-offs, net of recoveries. The allowance for credit losses is included as a reduction to assets. We assess whether objective evidence of impairment exists individually for loans that are individually significant and collectively for loans that are not individually significant. If we determine that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, the loan is included in a group of loans with similar credit risk characteristics and collectively assessed for impairment. Loans that are individually assessed for impairment and for which an impairment loss is recognized are not included in a collective assessment of impairment.
Allowance for credit losses represent management's best estimates of losses incurred in our loan portfolio at the Statement of Financial Position date. Management's judgment is required in making assumptions and estimations when calculating allowances on both individually and collectively assessed loans. The underlying assumptions and estimates used for both individually and collectively assessed loans can change from period to period and may significantly affect our results of operations.

Individually assessed loans
Loans which are individually significant are assessed individually for objective indicators of impairment.
A loan is considered impaired when management determines that it will not be able to collect all amounts due according to the original contractual terms or the equivalent value. Credit exposures of individually significant loans are evaluated based on factors including the borrower's overall financial condition, resources and payment record, and where applicable, the realizable value of any collateral. If there is evidence of impairment leading to an impairment loss, then the amount of the loss is determined as the difference between the carrying amount of the loan, including accrued interest, and the estimated recoverable amount. The estimated recoverable amount is measured as the present value of expected future cash flows discounted at the loan's original effective interest rate, including cash flows that may result from the realization of collateral less costs to sell. Individually-assessed impairment losses reduce the carrying amount of the loan through the use of an allowance account and the amount of the loss is recognized in Provision for credit losses in our Consolidated Statements of Income and other comprehensive income. Following impairment, interest income is recognized on the unwinding of the discount from the initial recognition of impairment.
Significant judgment is required in assessing evidence of impairment and estimation of the amount and timing of future cash flows when determining the impairment loss. When assessing objective evidence of impairment we primarily consider specific factors such as the financial condition of the borrower, borrower's default or delinquency in interest or principal payments, local economic conditions and other observable data. In determining the estimated recoverable amount we consider discounted expected future cash flows at the effective interest rate using a number of assumptions and inputs. Management judgment is involved when choosing these inputs and assumptions used such as the expected amount of the loan that will not be recovered and the cost of time delays in collecting principal and/or interest, and when estimating the value of any collateral held for which there may not be a readily accessible market. Changes in the amount expected to be recovered would have a direct impact on the Provision for credit losses and may result in a change in the Allowance for credit losses.

Collectively assessed loans
Loans which are not individually significant, or which are individually assessed and not determined to be impaired, are collectively assessed for impairment. For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar risk characteristics, taking into account loan type, industry, geographic location, collateral type, past due status and other relevant factors.
The collective impairment allowance is determined by reviewing factors including: (i) historical loss experience, which takes into consideration historical probabilities of default, loss given default and exposure at default, in portfolios of similar credit risk characteristics, and (ii) management's judgment on the level of impairment losses based on historical experience relative to the actual level as reported at the Statement of Financial Position date, taking into consideration the current portfolio credit quality trends, business and economic and credit conditions, the impact of policy and process changes, and other supporting factors. Future cash flows for a group of loans are collectively evaluated for impairment on the basis of the contractual cash flows of the loans in the group and historical loss experience for loans with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.
The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Collectively-assessed impairment losses reduce the carrying amount of the aggregated loan position through an allowance account and the amount of the loss is recognized in Provision for credit losses. Following impairment, interest income is recognized on the unwinding of the discount from the initial recognition of impairment. The methodology and assumptions used to calculate collective impairment allowances are subject to significant uncertainty, in part because it is not practicable to identify losses on an individual loan basis due to the large number of individually insignificant loans in the portfolio.
Significant management judgment is required in assessing historical loss experience, the loss identification period and its relationship to current portfolios including delinquency, and loan balances; and current business, economic and credit conditions including industry specific performance, unemployment and country risks. Changes in these assumptions would have a direct impact on the Provision for credit losses and may result in material changes in the related Allowance for credit losses.

Write-off of loans
Loans and the related impairment allowance for credit losses are written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realization of the collateral. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write off may be earlier. For credit cards, the balances and related allowance for credit losses are written off when payment is 180 days in arrears.
Statutory and other regulatory loan loss reserve requirements that exceed these amounts are dealt with in the general banking risks' reserve as an appropriation of retained earnings.
The allowance which is made during the year, less amounts released and recoveries of bad debts previously written off, is charged against the income statement. When a loan is deemed uncollectible, it is written off against the related allowance for losses.

B. Specification of accounts

	31 October 2016 ANG	31 October 2015 ANG
I. Assets		
Investment securities		
Available for sale	356,026	423,981
Held to maturity	13,667	13,726
Total investments	369,693	437,707
Accrued interest receivable	369,693	437,707
Less allowance for losses	-	-
Net investments	369,693	437,707

	31 October 2016 ANG	31 October 2015 ANG
Loans and advances to customers		
Retail customers	864,648	840,309
Corporate customers	644,038	674,931
Public sector	619	1,214
Total loans and advances	1,509,305	1,516,454
Accrued interest receivable	1,509,305	1,516,454
Less allowance for loan losses	(52,869)	(58,096)
Net loans and advances	1,456,436	1,458,358

	31 October 2016 ANG	31 October 2015 ANG
II. Liabilities		
Customers' deposits		
Retail customers	1,188,353	1,184,313
Corporate customers	1,372,080	1,288,666
Other	48,342	19,854
	2,608,775	2,492,833
Accrued interest		
Total customers' deposits	2,608,775	2,492,833