Royal Bank

Consolidated Financial Highlights

October 31, 2017

Board of managing directors' report

The financial services sector in the Dutch Caribbean faced strong headwinds in 2017. Despite these challenges, RBC Royal Bank N.V. ("The Bank") continued its commitment to serve clients effectively and supporting communities and key stakeholders in the Dutch Caribbean. Our commitment is strengthened by a clear purpose that guides us in everything we do: helping clients thrive and communities prosper.

Over the last few years, we have been transforming our bank to better serve our clients. We are doing this by becoming the leading digitally enabled relationship bank, focused on providing valued solutions and innovation to our target clients. We are confident that this long-term strategy is working as traditional banking activities will transform into digital and mobile channels, around the world and in the Dutch Caribbean.

In fiscal 2017, in line with our strategy we launched our mobile app and renewed our online banking services. We also merged two of our stores (branches) in Aruba and Curaçao, as we are making our physical footprint part of a larger, integrated advice and service delivery model in the market.

We continue to seek out innovation and better solutions for our clients to ensure we are resilient in the face of challenging economic conditions, disruptive changes in our industry, the impact of natural disasters and increasing competitive pressures. RBC is committed to being agile so we can evolve as the Bank of the Future and deliver the services and solutions our clients expect today – and tomorrow.

Focus on quality assets and becoming a digitally enabled relationship bank

The Bank continued to improve its core earnings through quality asset growth and execute on its strategy to be the leading digitally enabled relationship bank. Towards the end of the fiscal year, the northern islands of the Caribbean were severely impacted by category 5 hurricanes which negatively impacted our operations in several countries in that area.

As a result of these natural disasters, we took an increased level of provisions for possible losses on loans and advances as we continue to assess the total extent of damages caused by these events. The impact of these events were twofold, an increase in the level of provisions and due to changes to future outlook, a reduction in expectations that triggered a goodwill impairment.

The overall financial results reflect a net loss of ANG 117.9 million mainly driven by an ANG 88.5 million impairment on loans and advances and an ANG 32.1 million impairment on goodwill. There was a 10% decline in net interest income mainly from recoveries of interest recognized in the prior year on formerly non-performing loans and higher interest expenses due to higher balances this year. Other operating expenses increased from higher allocated charges and higher sundry losses. These were partially offset by gain on sale of property this year and lower occupancy costs both resulting from branch consolidation.

Economic outlook - Data as at December 2017

Aruba: The Central Bank of Aruba (CBA) announced that, following two consecutive years of economic contraction, the economy in Aruba is set to resume growth respectively by 2.6% and 2.7% in real terms. Tourism-induced recovery is indicated as the main driver of economic growth. Nevertheless, timely execution of the refinery upgrade and other large planned investment projects are a key necessity for realizing economic growth. Private investments accelerated and according to the business perception index there is growing confidence in the Aruba economy.

Curaçao: According to preliminary data and estimates of the Central Bank of Curacao and St. Maarten (CBCS), the Curacao economy is expected to decrease by 1.4%. This is a result of a decline in foreign demand from stay-over tourism and air transportation services. The decline is moderated by an increase in domestic demand. Lower consumer spending was mainly caused by worsened labor market situation and inflationary pressures. The construction and utilities sectors contributed positively to the economy due to the second mega-pier and the new hospital projects, and higher production of water and electricity.

St. Maarten: The CBCS indicated that St. Maarten's economy was growing up till the second quarter of 2017. However, after the devastation caused by Hurricane Irma in September, St. Maarten's production capacity was severely impacted. Homes, infrastructure and commercial and public property were destroyed, causing a real GDP contraction of 4% for the entire year. The country's economic contraction is expected to deepen further and it will take time to reach the pre-hurricane level production capacity.

RBC and our community

We believe in the power of our communities in which we operate and the individuals who live in them. We are committed to help them prosper, this is central to RBC's vision. In the recent fiscal period, we continued to expand our investment in youth, education and community initiatives, as these are key building blocks for a successful economy. We supported a number of initiatives in the Dutch Caribbean market, including being the main sponsor of the RBC Little League. Furthermore, we responded collectively to employees and clients in Saba and St. Maarten, extending much needed assistance to those who suffered loss resulting from hurricane Irma's destruction in September 2017.

On behalf of the Board of Directors and executives of RBC, we would like to thank our clients for the confidence shown in RBC Royal Bank N.V. as we continue to strengthen our business. We also thank our employees who continue to be the driving force behind all of our achievements. As a company, we remain steadfast in our commitment to improving the client experience and continuing to evolve our bank to be simpler, more agile and innovative.

Pierrot Hurtado
RBC Royal Bank N.V.
Managing Director

Jarl Jie-A-Looi
RBC Royal Bank N.V.
Managing Director

Report of the independent auditor on the consolidated financial highlights

To: the board of directors, the board of supervisory directors and the shareholder of RBC Royal Bank N.V. and its subsidiaries

Reference: GV/132785/2180052

Our opinion

The consolidated financial highlights, which comprise the consolidated balance sheet as at October 31, 2017 and the consolidated statement of comprehensive income for the year then ended, and related notes, are derived from the audited consolidated financial statements 2017 of RBC Royal Bank N.V. and its Subsidiaries, Curaçao, for the year ended October 31, 2017.

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

Consolidated Financial Highlights

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

The Audited Consolidated Financial Statements and our Report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated January 31, 2018. That report also includes:

- An Emphasis of Matter with respect to assumptions used to calculate loan impairment allowance that draws attention to Note 2 in the audited consolidated financial statements. Note 2 of the audited consolidated financial statements indicates the uncertainty related to the methodology and assumptions used to calculate loan impairment allowances. Our opinion is not qualified in respect of this matter. This matter is addressed in Note A of the consolidated financial highlights.
- An Emphasis of Matter with respect to the effect of Hurricane Irma on loan impairment allowance that draws attention to Note 4.1 in the audited consolidated financial statements. Note 4.1 of the audited consolidated financial statements indicates the uncertainty related to the possible effect of Hurricane Irma and the methodology and assumptions used to calculate the effect on loan impairment allowances in the amount of ANG 95 million. Our opinion is not qualified in respect of this matter. This matter is addressed in Note A of the consolidated financial highlights.

Responsibilities of the board of directors for the consolidated financial highlights

The board of directors is responsible for the preparation of the 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.

Our responsibilities for the audit of the consolidated financial highlights

Our responsibility is to express an opinion on whether the consolidated financial highlights are consistent, in all material respects, with the audited consolidated financial statements 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, 14 February 2018

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	
	2017 ANG	**2016 ANG**
Assets		
Cash and due from banks	1,295,690	1,100,160
Investment securities	307,015	369,693
Loans and advances to customers	1,414,163	1,456,436
Customers' liability under acceptances	26,746	31,460
Bank premises and equipment	34,188	39,403
Goodwill and other intangible assets	66,933	107,529
Deferred tax assets	10,440	19,108
Other assets	33,805	32,798
Total assets	3,188,980	3,156,587
Liabilities and shareholders' equity		
Liabilities		
Customers' deposits	2,766,285	2,608,775
Due to other banks	47,683	37,887
Acceptances outstanding	26,746	31,460
Profit tax payable	7,379	7,821
Deferred tax liabilities	15,708	24,213
Provisions	4,551	5,681
Other liabilities	46,919	49,768
Total liabilities	2,915,271	2,765,605
Shareholders' equity		
Issued capital	114,455	114,455
Share premium	87,053	87,053
General reserve	28,002	29,058
Other reserve	3,065	2,482
Retained earnings	41,134	157,934
Total shareholders' equity	273,709	390,982
Total liabilities and shareholders' equity	3,188,980	3,156,587

Royal Bank

Consolidated Financial Highlights

October 31, 2017 (continued)

Consolidated statement of comprehensive income of RBC Royal Bank N.V. and its subsidiaries

(Expressed in thousands of Antillean Guilders)

	Year ended 31 October 2017 ANG	2016 ANG
Interest income	113,985	123,537
Interest expense	22,391	21,639
Net interest income	91,594	101,898
Fee and commission income	42,486	41,498
Net fee and commission income	42,486	41,498
Gains less losses from investment securities	—	566
Other operating income	17,005	13,711
Operating income	151,085	157,673
Salaries and other employee expenses	61,774	61,202
Occupancy expenses	8,951	10,575
Net impairment on loans and advances	88,475	7,625
Impairment losses on goodwill	32,124	4,285
Other operating expenses	77,528	67,318
Operating expenses	268,852	151,005
Net result from operations	(117,767)	6,668
Income from associates	229	(130)
Income before taxation	(117,538)	6,538
Taxation recovery / (expense)	318	(3,224)
Net income after taxation	(117,856)	9,762

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.

Basis 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 (HTM) and available-for-sale (AFS). 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 Fair Value through Profit and Loss (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 Loans and advances to customers, net. 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 Consolidated 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.

Impaired loans (specific allowance)

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.

Individually assessed impaired loans

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 Impairment losses on loans and advances 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 Impairment losses on loans and advances and may result in a change in the allowance for credit losses.

Collectively assessed impaired loans

Impaired loans which are individually insignificant are collectively assessed for impairment. For the purposes of a collective evaluation of impairment, loans are grouped by type and management judgment is applied to estimate losses based on 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. Future cash flows in each group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. As we have determined that the Bank has insufficient loss experience, we use peer group experience for comparable groups of financial assets held by an affiliated bank. The estimated recoverable amount is measured as the present value of expected future cash flows discounted at an estimated average yield, over an assumed workout period. 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 Impairment losses on loans and advances. 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, and significant management judgment is applied. Changes in these assumptions would have a direct impact on the Impairment losses on loans and advances and may result in material changes in the related Allowance for credit losses.

Unimpaired loans (general allowance)

Loans which are not impaired are collectively assessed for impairment. For the purposes of a collective evaluation of impairment the collective impairment allowance is determined by reviewing factors including: (i) historical loss experience of the Bank in recent years, and (ii) management's judgment on the level of impairment losses based on historical experience relative to the actual level as reported at the Consolidated 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. Portfolio level 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 annually to reduce any differences between loss estimates and actual loss experience. General impairment losses on loans not yet identified as impaired reduce the carrying amount of the aggregated loan position through an allowance account and the amount of the loss is recognized in Impairment losses on loans and advances. 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 general impairment allowances are subject to 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 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 Impairment losses on loans and advances and may result in material changes in the related Allowance for credit losses.

In the absence of specific information about any individual loan, a qualitative assessment of the St. Maarten portfolio was undertaken in September/October 2017 to estimate losses arising from the destruction caused by the hurricanes. As a result of this assessment, we have increased the general allowance for impairment losses as of October 31, 2017 to ANG 95 million. The included overlay, reflecting our current estimate of the incurred losses as a result of these hurricanes, was determined based on preliminary reports of estimated damage and historical experience of Hurricane Ivan's impact on an affiliated entity in Grenada in 2004. At that time, we observed a 7 times increase in non-accrual loans ("NPL"), which has been used as a reference point for calculating the overlay. To quantify our estimate, we relied upon two significant assumptions: Probability of Default and Loss Given Default. We adjusted both assumptions upward from that indicated by our historical experience, drawing on the hurricane Ivan experience in Grenada and the historical experience in both islands, to estimate the increased losses as a result of the hurricanes.

The allowance for loan losses presented reflects management's best estimate of incurred losses based on the information available at the time of this report. The eventual loan write-offs as a result of these hurricanes could be materially different from the amount reserved as of October 31, 2017, given the significant inherent uncertainty and lack of information available to determine more accurate estimates.

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 2017 ANG	2016 ANG
I. Assets		
Investment securities		
Available for sale	292,469	356,026
Held to maturity	14,546	13,667
Net investments	307,015	369,693
Loans and advances to customers		
Retail customers	906,178	864,648
Corporate customers	645,022	644,038
Public sector	595	619
Total loans and advances	1,551,795	1,509,305
Less allowance for loan losses	(137,632)	(52,869)
Net loans and advances	1,414,163	1,456,436
II. Liabilities		
Customers' deposits		
Retail customers	1,156,844	1,188,353
Corporate customers	1,518,807	1,372,080
Other	90,634	48,342
Total customers' deposits	2,766,285	2,608,775