

Independent Auditors' Report on the Summary Consolidated Financial Statements

To the Shareholder of Republic Bank (EC) Limited

Opinion

The summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at September 30, 2021, the summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows for the year then ended and related notes, are derived from the complete audited consolidated financial statements of Republic Bank (EC) Limited and its subsidiaries ("the Group") for the year ended September 30, 2021.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, on the basis described in Note 1.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards ("IFRSs"). Reading the summary consolidated financial statements 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 Audited Consolidated Financial Statements and Our Report Thereon

We expressed a qualified audit opinion on the audited financial statements in our report dated April 4, 2022. The basis for our qualified audit opinion was as follows:

The Group acquired Scotiabank's banking operations on November 1, 2019 as further indicated in note 25. As part of the 'at acquisition' accounting, deferred tax should have been recognised on temporary differences arising on:

- Expected credit losses on the Stage 1 and Stage 2 loans; and
- The intangible asset, core deposits.

As further explained in note 26, during the current period management has adjusted the error in respect of deferred tax arising on the expected credit losses by restating comparative information. Management recognised a deferred tax asset of \$8.8M with a corresponding entry in retained earnings (tax expense in the 2020 financial year). However part of this adjustment should have been recognised against goodwill rather than retained earnings on the basis that it arose on acquisition. The total deferred tax calculation for both Stage 1 & 2 loans at 30 September 2020 has been provided, however we have not received a detailed calculation to enable us to determine the amount that relates to the 2020 financial year post acquisition and the amount to be adjusted against goodwill.

No correction has been made in respect of the deferred tax relating to the intangible asset recognised at acquisition. This resulted in an understatement of goodwill of \$13.2M (\$13.2 million in the 2020 financial year) and an understatement of the deferred tax liability of \$9.5M (\$11.4M at the end of the 2020 financial year). Further an amount of \$1.9M (\$1.8M in the 2020 financial year) should have been recorded in the statement of comprehensive income as a deferred tax movement as a consequence of the amortization of the intangible asset.

The audited consolidated financial statements and the summary 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.

Responsibilities of Management for the Summary Consolidated Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements in accordance with Note 1.

Auditor's Responsibilities for the Audit of the Summary Consolidated Financial Statements

Our responsibility is to express an opinion on whether the summary consolidated financial statements 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.

KPMG

Chartered Accountants
Castries, Saint Lucia
March 31, 2022.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2021


Expressed in thousands of Eastern Caribbean dollars (\$'000)

	Sep 30, 2021 \$'000	Restated Sep 30, 2020 (Note 26) \$'000
ASSETS		
Cash on hand	75,480	65,040
Statutory deposits with Central Banks	262,908	660,920
Due from banks	800,633	620,923
Treasury Bills	25,608	5,933
Advances	2,493,587	2,308,082
Investment securities	246,573	318,087
Investment interest receivable	629	150
Premises and equipment	27,879	28,092
Right-of-use assets	18,826	23,983
Intangible assets	76,049	82,628
Deferred tax assets	14,355	9,146
Taxation recoverable	7,338	289
Other assets	28,330	25,731
TOTAL ASSETS	4,078,195	4,149,004
LIABILITIES & EQUITY		
LIABILITIES		
Due to banks	155,892	290,658
Customers' current, savings and deposit accounts	3,361,317	3,338,600
Lease liabilities	19,966	24,650
Taxation payable	1,408	2,502
Deferred tax liabilities	4,729	133
Accrued interest payable	1,950	2,877
Other liabilities	73,902	61,325
TOTAL LIABILITIES	3,619,164	3,720,745
EQUITY		
Stated capital	402,894	402,894
Statutory reserves	11,227	5,073
Other reserves	1,684	—
Retained earnings	43,226	20,292
TOTAL EQUITY	459,031	428,259
TOTAL LIABILITIES & EQUITY	4,078,195	4,149,004

These summary consolidated financial statements were approved by the Board of Directors on April 4, 2022 and signed on its behalf by:


Derwin Howell, Chairman


Michelle Palmer-Keizer, Managing Director


Ian De Souza, Director


Janelle Bernard, Corporate Secretary

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended September 30, 2021

Expressed in thousands of Eastern Caribbean dollars (\$'000)

	2021 \$'000	Restated 11 Months from Nov 1, 2019 to Sep 30 2020 \$'000
Interest income	159,358	143,242
Interest expense	(32,992)	(35,914)
Net interest income	126,366	107,328
Other income	60,419	47,756
	186,785	155,084
Operating expenses	(136,954)	(109,981)
Credit loss expense on financial assets	(13,468)	(17,019)
Net profit before taxation	36,363	28,084
Taxation expense	(5,591)	(2,719)
Net profit after taxation being total comprehensive income for the year	30,772	25,365
Attributable to:		
Equity holders of the parent company	30,772	25,365

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For Year Ended September 30, 2021

Expressed in thousands of Eastern Caribbean dollars (\$'000)

	Stated capital \$'000	Statutory reserves \$'000	Other reserves \$'000	Retained earnings \$'000	Total equity \$'000
Total comprehensive income for the 11 month period Nov 1 2019 to Sep 30 2020 (restated)	—	—	—	25,365	25,365
Issue of shares	402,894	—	—	—	402,894
Transfer to statutory reserves	—	5,073	—	(5,073)	—
Balance at September 30, 2020 (restated)	402,894	5,073	—	20,292	428,259
Balance at September 30, 2020 (restated)	402,894	5,073	—	20,292	428,259
Total comprehensive income for the year	—	—	—	30,772	30,772
Transfer to statutory reserves	—	6,154	—	(6,154)	—
Other	—	—	1,684	(1,684)	—
Balance at September 30, 2021	402,894	11,227	1,684	43,226	459,031

Note 1. Basis of presentation

The summary consolidated financial statements are prepared in accordance with criteria developed by management. Under management's established criteria, management discloses the summary consolidated statement of financial position, summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows. These summary consolidated financial statements are derived from the audited consolidated financial statements of Republic Bank (EC) Limited for the year ended September 30, 2021.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended September 30, 2021

Expressed in thousands of Eastern Caribbean dollars (\$'000)

	2021 \$'000	11 Months From Nov 1, 2019 to Sep 30 2020 \$'000
Operating activities		
Net profit before taxation	36,363	28,084
Adjustments for:		
Depreciation of premises and equipment and right-of-use assets	6,383	5,853
Credit loss expense on financial assets	13,468	17,019
Amortisation of intangibles	6,579	6,030
Gain on valuation of investments at fair value through	—	—
Profit and Loss	(789)	—
Loss on sale of premises and equipment	(863)	—
Changes in:		
Increase in advances	(198,670)	(88,613)
Increase/(decrease) in customers' deposits	22,717	(10,348)
Decrease/(Increase) in statutory deposits with Central Banks	398,012	(331,635)
(Increase)/decrease in other assets and investment interest receivable	(3,078)	37,463
Increase in other liabilities and accrued interest payable	11,650	13,699
Taxes paid, net of refund	(14,348)	(9,523)
Cash from/(used in) operating activities	277,424	(331,971)
Investing activities		
Purchase of investment securities	(452,688)	(316,869)
Redemption of investment securities	499,086	—
Acquisition of a subsidiary, net of cash acquired	—	1,365,754
Additions to premises and equipment	(3,318)	(9,579)
Proceeds from sale of premises and equipment	1,956	—
Cash from investing activities	45,036	1,039,307
Financing activities		
Decrease in balances due to other banks	(134,766)	(414,844)
Repayment of lease liabilities	(3,477)	(3,491)
Cash used in financing activities	(138,243)	(418,335)
Net increase in cash and cash equivalents	184,217	289,001
Cash and cash equivalents at beginning of year	691,896	402,894
Cash and cash equivalents at end of year	876,113	691,896
Cash and cash equivalents at end of year are represented by:		
Cash on hand	75,480	65,040
Due from banks	800,633	620,923
Treasury Bills - original maturities of three months or less	—	5,933
	876,113	691,896
Supplemental information:		
Interest received during the year	165,947	97,805
Interest paid during the year	(33,919)	(33,036)

These summary consolidated financial statements have been prepared in accordance with the accounting policies set out in "Note 2" of the September 30, 2021 audited consolidated financial statements. New Accounting Standards or interpretations which became effective in this financial year have had no material impact on the Group. The areas of critical accounting estimates and judgments as disclosed in "Note 2" of the September 30, 2021 audited consolidated financial statements, have also remained unchanged.