VIDANOVA BANK

Consolidated Financial Highlights

31 DECEMBER, 2018

Management report

ECONOMIC SITUATION
According to the Central Bureau of Statistics the Curacao economy is experiencing a prolonged recession with an economic contraction since 2016 (-1%), 2017 (-1.7%) and 2018 (-1.6%). While the CBCS projects some growth in 2019 this is based on the underlying assumption that the refinery will continue to operate, albeit in a limited way (paying the salaries). This assumption is a very tenuous one as it is uncertain for how long the refinery will continue to pay salaries and if and when a new operator will be found.

On the positive side 2018 was the best year ever for Curacao tourism (both stay over and cruise). Another big challenge facing the monetary union (Curacao and Sint Maarten) is a high deficit on the current account of the balance of payments. While the deficit for 2017 was ANG 1.1 Billion the estimates for 2018 is ANG 1.6 Billion and 2019 ANG 1.8 Billion.

CONSOLIDATED BALANCE SHEET
During 2018, Vidanova Bank realized an increase in its loans and advances from ANG 348 million to ANG 388 million, while its cash & due from banks decreased from ANG 92 million to ANG 73 million.
On the liability side of the Balance Sheet, the increase in assets was accompanied by an increase of funds entrusted from ANG 376 million to ANG 417 million as the over-liquidity was reduced. Shareholders' equity decreased from ANG 80 million to ANG 79 million as a consequence of the increase in the regulatory reserve and a decrease in the retained earnings due to the implementation of the IFRS 9 accounting standard.

CONSOLIDATED INCOME STATEMENT
Interest income increased with ANG 0.4 million while interest expenses decreased with ANG 0.2 million. The cumulative effect of these developments resulted in an ANG 0.6 million increase in interest margin to ANG 16 million.
Net fee & commission income increased from ANG 2.4 million to ANG 3.0 million.
Total operating income increased from ANG 20.6 million to ANG 22.2 million.
In 2018 the net impairment gain on loans and advances of ANG 1.2 million was primarily due to the effects of IFRS 9. Other operating expenses increased from ANG 6.0 million to ANG 6.2 million. Personnel expenses increased from ANG 8.2 million to ANG 8.9 million as a consequence of movements in personnel. The cumulative effect of these developments resulted in a decrease in operating expenses from ANG 19.3 million to ANG 16.8 million.
The resulting operating profit is ANG 5.3 million (2017: ANG 1.4 million). Taking into account the profit tax of ANG 1.2 million, the net profit is ANG 4.2 million. (2017: ANG 1.1 million).

OUTLOOK
In view of the Venezuelan developments and their repercussions on our economy it is unlikely that Curacao will see economic growth in 2019. Whether PdVSA will continue to pay the salaries to the ISLA personnel till the end of 2019 is uncertain. Whether a serious partner will be found to operate let alone modernize the refinery and guarantee its long term survival is also uncertain at this moment.
On the other hand the tourism sector is looking very promising with many large and smaller projects opening soon, in construction or in operation.
Despite the difficult economic situation we expect to adequately manage the rapid growth of Vidanova Bank. We believe firmly that our commitment to provide high quality service and personal attention in commercial banking, mortgages, international transactions, e-commerce and bond/loan agency will enable Vidanova Bank to continue to prosper.
In order to adopt to new emerging technologies, Vidanova Bank has initiated the process of actively investing in this area. Digital technologies and services will be one of our focal points for the near future. The introduction of our mobile banking application is not far away. Further digitalization will follow shortly.
We are convinced that our strategy will further benefit our clients, staff and our shareholder. We once more want to thank our clients, staff and shareholder for making it possible to continue to provide them with high quality and personal attention.

Curaçao, May 31, 2019

Managing Board of Directors of Vidanova Bank N.V.:

L. Rigaud & R. de Lanoy

Consolitated Balance sheet as of 31 December, 2018

(After proposed appropriation of results)

	12.31.2018 *ANG 000*	**12.31.2017** *ANG 000*
ASSETS		
Cash and due from banks	73,112	91,915
Investment securities	17,970	106
Loans and advances to customers	387,928	347,884
Bank premises and equipment	6,934	6,734
Goodwill and other intangible assets	9,429	9,239
Deferred tax assets	934	-
Other assets	9,097	8,863
Total assets	**505,404**	**464,741**
LIABILITIES AND STOCKHOLDER'S EQUITY		
Liabilities		
Customer deposits	417,468	376,073
Due to other banks	162	15
Deferred tax liabilities	1,591	1,298
Other liabilities	7,422	6,975
	426,643	384,361
Stockholder's equity		
Issued capital	5,000	5,000
Share premium	19,935	19,935
Other reserve	11,703	10,370
Retained earnings	42,123	45,075
	78,761	80,380
Total liabilities and stockholders' equity	**505,404**	**464,741**

Consolidated Income statement for the year ended 31 December, 2018

	2018 *ANG 000*	**2017** *ANG 000*
Interest income	20,678	20,282
Interest expense	4,693	4,877
Net interest income	**15,985**	**15,405**
Fee and commission income	6,007	5,168
Fee and commission expenses	2,982	2,763
Net fee and commission income	**3,025**	**2,405**
Net trading income	41	32
Other operating income	3,131	2,802
	3,172	2,834
Operating income	**22,182**	**20,644**
Salaries and other employee expenses	8,862	8,233
Occupancy expenses	3,048	2,820
Net impairment losses/(gain) on loans and advances	(1,230)	2,249
Other operating expenses	6,154	5,957
Operating expenses	**16,834**	**19,259**
Net result from operations	5,348	1,385
Net result before tax	5,348	1,385
Profit tax expense	1,173	302
Net result after tax	**4,175**	**1,083**

Explanatory notes to the Consolidated Financial Highlights for the year ended 31 December 2018

A. ACCOUNTING POLICIES

- **GENERAL**
  The principal accounting policies adopted in the preparation of the consolidated financial statements of Vidanova Bank N.V. ('the Bank') are set out below. These explanatory notes are an extract of the detailed notes included in the statutory consolidated financial statements and are consistent in all material respects with those from which they have been derived.

- **BASIS OF PREPARATION**
  The Consolidated Financial Highlights have been prepared in accordance with the "Provisions for the Disclosures of Consolidated Financial Highlights of Domestic Banking Institutions" as issued by the Central Bank of Curaçao & Sint Maarten (CBCS). Our statutory consolidated financial statements, from which these Consolidated Financial Highlights have been derived, are prepared in accordance with International Financial Reporting Standards ("IFRS")' and are available at the Bank. The accounting policies have been applied consistently during the year except for the impact of the first time adoption of IFRS 9 as set below. The consolidated financial statements are presented in thousands of Netherlands Antillean Guilders (ANG) and all values are rounded to the nearest ANG thousands, except when otherwise indicated.

  The statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss and financial assets that are measured at amortized cost. Historical cost is generally based on the fair value of the consideration given in exchange for good and services.

- **CHANGES IN ACCOUNTING POLICIES**
  IFRS 9 replaces IAS 39 for annual periods on or after January 1, 2018. The Bank has not restated comparative information for 2017 for financial assets in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings as of January 1, 2018. The first time adoption of IFRS 9 as per January 1, 2018 led to a remeasurement of the credit loss provision (increase) on loans and advances of ANG 7.4 million and a decrease in retained earnings of ANG 5.8 million (net deferred tax). The measurement basis of financial assets and financial liabilities (amortized cost or fair value) within the scope of IFRS 9 has not been significantly impacted compared to the measurement basis applied under IAS 39.

- **BASIS OF CONSOLIDATION**
  Subsidiaries are those institutions in which the Bank, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from its activities. Vidanova Asset Holding B.V. was founded in 2017 and is a wholly-owned subsidiary of the Bank. The consolidated financial statements of the Bank for the year ended December 31, 2018 comprise of the Bank and its subsidiary.

- **CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS**
  From January 1, 2018 the Bank has applied IFRS 9 to classify its financial assets. Classification and subsequent measurement of the financial assets depend on:

I. **The Bank's business model for managing the asset; and**

II. **The cash flow characteristics of the asset.**

Based on these factors the Bank classifies its debt instruments into one of the following two measurement categories:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are designated at fair value through profit and loss (FVPL), are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described below. Interest income from these financial assets is included in interest and similar income using the effective interest rate method.

- **Fair value through profit and loss ("FVPL"):** Assets that do not meet the criteria for amortised cost are measured at fair value through profit and loss. These assets are unquoted equity securities that are held for trading purposes. A gain or loss on such an equity investment is subsequently measured at fair value through profit of loss. Interest income from these financial assets is included in interest income using the effective interest rate method.

Business model assessment
The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of another business model and measured at FVPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is measured and reported to key management personnel and how risks are assessed and managed.

The Company's business model for the loans and advances is to hold and collect the contractual cash flows.

SPPI
For the first step of its classification process, 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 (e.g., if there are repayments of principal or amortisation of the premium / discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

The Bank considered whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement and concluded that the portfolio of loans and advances passed the SPPI test.

Derecognition due to substantial modification of terms and conditions
The Company derecognizes 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 to derecognize a loan to a customer, amongst others, the Company 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 criteria

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, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Expected credit loss principles
The adoption of IFRS 9 has fundamentally changed the Bank's impairment method by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ('ECL") approach.

Based on the above process the financial assets and loan commitments are grouped into stage 1, stage 2 and stage 3 as described below.

- **Stage 1:** When loans are first recognised, the Company recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.
- **Stage 3:** Loans considered credit-impaired. The Company records an allowance for the LTECLs.

The key elements of the ECL calculations are as follows:
- PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.
- EAD The Exposure at Default is an estimate of the exposure at a future default date, considering 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 realization of any collateral. It is usually expressed as a percentage of the EAD.

In its ECL model, the Bank relies on a broad range of forward looking information as economic inputs such as GDP growth and unemployment rates. The inputs and models used for calculating ECLs may not always capture all the characteristics of the market at the date of the financial statements.

B. SPECIFICATION OF ACCOUNTS
The specification of accounts is an extract of the most important accounts derived from the statutory consolidated financial statements of the Bank.

I Assets

	12.31.2018 *ANG 000*	**12.31.2017** *ANG 000*
INVESTMENT SECURITIES		
Shares and participations	106	106
Investment in Treasury Papers	17,864	-
Net investments	**17,970**	**106**

	12.31.2018 *ANG 000*	**12.31.2017** *ANG 000*
LOANS AND ADVANCES TO CUSTOMERS		
Retail customers	182,243	170,643
Corporate customers	148,245	145,816
Other	62,874	36,431
Total loans and advances to customers	**393,362**	**352,890**
Accrued interest receivable on loans and advances	3,214	3,512
Less: allowance for expected credit losses	(8,648)	(8,518)
Net loans and advances to customers	**387,928**	**347,884**

II Liabilities

	12.31.2018 *ANG 000*	**12.31.2017** *ANG 000*
CUSTOMER DEPOSITS		
Retail customers	87,596	80,842
Corporate customers	110,025	81,144
Other	219,847	214,087
Total customer deposits	**417,468**	**376,073**

VIDANOVA BANK

INDEPENDENT AUDITOR'S REPORT on the Consolidated Financial Highlights of **VIDANOVA BANK NV**

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL HIGHLIGHTS

Opinion
The accompanying consolidated financial highlights, which comprise the consolidated balance sheet as at 31 December 2018 and consolidated income statement for the year then ended and related notes, are derived from the audited consolidated financial statements of Vidanova Bank N.V. ("the Bank") for the year ended 31 December 2018.
In our opinion, the accompanying consolidated financial highlights are consistent, in all material respects, with the audited consolidated 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").

Consolidated financial highlights
The accompanying consolidated financial highlights do not contain all the disclosures required by International Financial Reporting Standards. Reading the accompanying consolidated financial highlights and our report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of the Bank and our auditor's report thereon.

The audited consolidated financial statements and our auditor's report thereon
We expressed an unmodified audit opinion on the consolidated financial statements 2018 of the Bank in our auditor's report dated 31 May 2019.

Other information
Other information consists of the Management's Report. Management is responsible for the other information. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated, as is required by Book 2 of the Curaçao Civil Code. 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 consolidated financial highlights
Management is responsible for the preparation of the accompanying consolidated 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 consolidated financial highlights are consistent, in all material respects, with the audited consolidated 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, May 31, 2019

for Ernst & Young Accountants
C. Smorenburg RA AA