



Management report

We have experienced 2020 as a challenging year where the world was confronted with the disruptions and complications caused by the Corona Virus (COVID-19) and where companies were more or less forced towards a more digitalized approach for servicing clients. The waves of the COVID-19 pandemic have impacted many lives and businesses on the Island. Our thoughts are with all those, their families and friends who have been caught up and suffered from this pandemic.

ECONOMIC ENVIRONMENT

When reviewing the general economic situation in Curaçao we can conclude that the economy changed from a trend of moderate slowdown to a sharp decline due to the impact of COVID-19. According to the Central Bureau of Statistics the Curaçao economy is experiencing a prolonged recession since 2016. The economic contraction was 19.9% in 2020 (2019: 3.4%) as a consequence of the corona pandemic. In view of the recent lockdown the CBCS does not project growth in 2021. The CBCS predicts that tourism will bounce back in the second half of 2021. The other important factor affecting the economy is whether there is a future for the refinery. Inflation has been steady at around 2.2% up till 2020 with higher inflation expected in 2021 as a consequence of the introduction of the ABB tax in the second half of 2021.

The Government budget experienced a shortfall of ANG 1.1 Billion in 2020 and is expected to have a shortfall of 0.8 Billion in 2021. This means that the national debt will increase to 77% of GDP in 2020 and 87% of GDP in 2021. Thanks to the liquidity assistance of the Dutch Government these budget shortfalls have been and will be financed against a 0% interest rate. A big challenge facing the monetary union (Curaçao and Sint Maarten) is a high deficit on the current account of the balance of payments. In 2020 the deficit is calculated at ANG 1.8 Billion (2019: ANG 1.2 Billion) and for 2021 this is projected at ANG 1.5 Billion. These deficits are financed by ANG

2.2 Billion in external (Dutch) financing in 2020 and ANG 1.1 Billion in 2021.

When the pandemic hit, Vidanova Bank reacted by maintaining a strong emphasis on supporting our clients through a resilient operation and continued lending activities. The affected clients, especially those dependent on tourism, were allowed to defer payments. Gradually many of these clients have resumed paying at least the interest on their loans and in some cases the full debt service.

Notwithstanding the severe economic contraction, the expected plunge in the value of real estate did not take place. Quite the contrary, in the last quarter of 2020 and the first quarter of 2021 we have seen a rising demand for luxury real estate (apartments/bungalows) and an impressive number of projects that are being presented for financing. These projects range from middle class to super deluxe water/beach-front properties. As interest rates internationally are at an all-time low and real estate prices have been going through the roof worldwide in 2020, demand from the European market is very high while demand from other markets, like the USA and Canada, is also there.

In 2020 Vidanova Bank experienced a contraction of the credit portfolio which was in large part compensated by a large increase in other assets. The development of the security & paying agency service for large consortium (bond) loans has been stagnant in 2020 and we don't expect a major increase in 2021. E-commerce (tourism related) was affected severely by the pandemic but bounced back nicely in the fourth quarter of 2020. We continued to market our services to Vidanova Pension Fund members.

Despite a sharp decline in our profit we further increased our capital ratios to record levels at the end of 2020 and well above the minimum requirements of the CBCS. Consequently, the Bank is well positioned to endure any potential future shocks.

Consolidated Financial Highlights

31 December, 2020

CONSOLIDATED BALANCE SHEET

In 2020 the total assets decreased by 3% to ANG 605 million (2019: ANG 623 million). This decrease was mainly due to the following:

- A decrease in net loans and advances with 3.8% to ANG 404 million (2019: ANG 420 million);
- An increase in other assets with 144% to ANG 20 million (2019: ANG 8 million);
- A decrease in cash and due from banks with 8.2% to ANG 162 million (2019: ANG 177 million).

On the liability side of the consolidated balance sheet, the decrease in assets was accompanied by a decrease of funds entrusted with 3.4% to ANG 501 million (2019: ANG 518 million). Furthermore, total equity increased with 2.5% to ANG 86 million (2019: ANG 84 million).

CONSOLIDATED INCOME STATEMENT

Interest income increased with 3% to ANG 24.6 million (2019: ANG 23.9 million) while interest expenses increased with 15% to ANG 5.6 million (2019: ANG 4.9 million). The cumulative effect of these developments resulted in a net interest income of ANG 18.9 million for 2020 (2019: ANG 19 million). Net fee and commission income decreased with 60% to ANG 1 million (2019: ANG 2.6 million) as a consequence of the effects of the pandemic on e-commerce income. The total other operating income decreased with 5.5% to ANG 3.5 million (2019: ANG 3.7 million). Total operating income decreased with 7% to ANG 23.5 million (2019: ANG 25.3 million). Personnel expenses decreased with 5% to ANG 9.4 million (2019: ANG 9.9 million). This decrease was a direct consequence of realized cost savings in response to the pandemic. In 2020, the credit loss provision increased to ANG 1.9 million, primarily due to the effects of the pandemic. Despite the fact that we have increased our credit loss provisions to reflect the COVID-19 impact, the actual loss remained minimal.

Other operating expenses increased with 8.7% to ANG 6.8 million (2019: ANG 6.3 million). The cumulative effect of these developments resulted in an increase in the total operating

expenses with 10.9% to ANG 21.6 million (2019: ANG 19.5 million). The resulting operating profit is ANG 1.9 million (2019: ANG 5.8 million). Taking into account the positive income tax of ANG 0.2 million, the net profit is ANG 2.1 million (2019: ANG 5.3 million).

OUTLOOK

In view of the fact that we are not clear of the pandemic yet and it is unclear when tourism will bounce back, as well as the uncertainty surrounding the refinery, we will remain very conservative when it comes to making predictions for 2021.

Despite the difficult economic situation we see opportunities for growth based on the booming real estate market as well as further expansion of our activities on Sint Maarten and Bonaire. We believe firmly that our commitment to providing 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.

We have continued with our efforts to adopt to new emerging technologies and to further digitalize our services. This resulted in the introduction of our new point of sale (POS) machine and the contactless debit and credit cards. We will continue to focus on building a superior experience for clients in order to be well positioned to deal with any future challenges that may present.

We remain 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 high quality services and personal attention.

Curaçao, April 26, 2021

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

L. Rigaud & R. de Lanoy

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 from the assets. If this condition is not applicable (unlisted equity securities), then the financial assets are classified as part of other business model and measured at FVPL.

SPPI

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

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Company assesses whether or not the new terms are substantially different to the original terms. If the terms are substantially different, the Company derecognizes a 'new' asset and recalculates a new effective interest rate for the asset.

Expected credit loss principles

Based on IFRS 9 the financial assets and loan commitments are grouped into Stage 1, Stage 2 and Stage 3 as described below.

- **Stage 1:** When financial assets (loans) are first recognized, the Company recognizes an allowance based on twelve months' ECLs. 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 a financial asset has shown a significant increase in credit risk since origination, the Company records an allowance for the Lifetime ECLs. 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 and the Company records an allowance for these Lifetime ECLs.

Calculation of Expected credit losses

The key elements of the ECL calculations are as follows:

- The *Probability of Default (PD)* 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.

- The *Exposure at Default (EAD)* 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 realization of any collateral. It is 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. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

2020 of the Bank in our auditor's report dated 26 April 2021.

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

Consolidated Balance sheet as of 31 December, 2020

(After proposed appropriation of results)

	12.31.2020 ANG 000	12.31.2019 ANG 000
ASSETS		
Cash and due from banks	162,276	176,837
Investment securities	107	107
Loans and advances to customers	404,348	420,327
Bank premises, equipment and investment properties	7,578	7,042
Goodwill and other intangible assets	9,386	9,646
Deferred tax assets	1,325	1,039
Other assets	20,284	8,322
Total assets	605,304	623,320
LIABILITIES AND STOCKHOLDER'S EQUITY		
Liabilities		
Customer deposits	500,593	518,155
Due to other banks	56	91
Deferred tax liabilities	1,559	1,787
Other liabilities	6,882	9,205
Loans from related party	10,000	10,000
	519,090	539,238
Stockholder's equity		
Issued capital	5,000	5,000
Share premium	19,935	19,935
Other reserves	12,677	12,596
Retained earnings	48,602	46,551
	86,214	84,082
Total liabilities and stockholders' equity	605,304	623,320

Consolidated Income statement for the year ended 31 December, 2020

	2020 ANG 000	2019 ANG 000
Interest income	24,578	23,876
Interest expense	5,638	4,885
Total net interest income	18,940	18,991
Fee and commission income	3,153	5,013
Fee and commission expenses	2,110	2,410
Total net fee and commission income	1,043	2,603
Net trading income	0	64
Other operating income	3,477	3,614
Total other operating income	3,477	3,678
Total operating income	23,460	25,272
Salaries and other employee expenses	9,404	9,894
Occupancy expenses	3,416	3,259
Net impairment losses/(gain) on loans and advances	1,928	15
Other operating expenses	6,831	6,282
Total operating expenses	21,579	19,450
Net result from operations before tax	1,881	5,822
Profit tax (expense)/income	251	(501)
Net result after tax	2,132	5,321

B. SPECIFICATION OF ACCOUNTS

The specification of accounts is an extract of the most important accounts derived from the consolidated financial statements of the Bank.

I Assets

	12.31.2020 ANG 000	12.31.2019 ANG 000
INVESTMENT SECURITIES		
Shares and participations	107	107
Net investments	107	107
	12.31.2020 ANG 000	12.31.2019 ANG 000
LOANS AND ADVANCES TO CUSTOMERS		
Retail customers	184,330	188,685
Corporate customers	130,859	146,071
Other	97,009	90,385
Total loans and advances to customers	412,198	425,327
Accrued interest receivable on loans and advances	2,452	3,835
Less: allowance for expected credit losses	(10,302)	(8,650)
Net loans and advances to customers	404,348	420,327

II Liabilities

	12.31.2020 ANG 000	12.31.2019 ANG 000
CUSTOMER DEPOSITS		
Retail customers	100,765	85,293
Corporate customers	106,513	112,335
Other	293,315	320,527
Total customer deposits	500,593	518,155



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, 26 April 2021
12045462 120/- 23348

for Ernst & Young Accountants signed by

C. Smorenburg RA AA

Explanatory notes to the Consolidated Financial Highlights for the year ended 31 December 2020

A. ACCOUNTING POLICIES

GENERAL

The principal accounting policies adopted in the preparation of the consolidated financial highlights of Vidanova Bank N.V. ('the Bank') are set out below. These explanatory notes are an extract of the detailed notes included in the 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 consolidated financial statements, from which these Consolidated Financial Highlights have been derived, are prepared in accordance with International Financial Reporting Standards ('IFRS') and book 2 of the Curaçao Civil Code and are available at the Bank. The accounting policies have been applied consistently during the year. 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 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.

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, 2020 comprise of the Bank and its subsidiary.

CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS

Classification and subsequent measurement of the financial assets depend on:

- The Bank's business model for managing the asset; and
- 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:

- **Amortized 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 amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance as further described below. Interest income from these financial assets is included in 'interest income' using the effective interest rate method.

- **Fair value through profit and loss ("FVPL"):** Assets that do not meet the criteria for amortized 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

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

Independent auditor's report on the Consolidated Financial Highlights

Opinion
The accompanying consolidated financial highlights, which comprise the consolidated balance sheet as at 31 December 2020 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 2020.

In our opinion, the accompanying consolidated financial highlights are consistent,

