Consolidated Financial Highlights

31 December 2022

vidanova BANK

Management report

GENERAL
In 2022 the Curaçao economy experienced another year of rebounding from the Covid crisis. The CBCS estimates that after 4.2% real GDP growth in 2021 the economy grew with 5.9% in 2022. This is a consequence of faster than initially expected growth of stay-over tourism during the second half of 2022. The real GDP expansion in 2022 was the result of an increase in net foreign demand, moderated by a decline in domestic demand.

After the negative impact of the Covid crisis on the revenues and the profits of the banking sector in 2020 and 2021 we have experienced, starting in the last quarter of 2021, a very substantial upsurge of credit disbursements leading to higher interest revenues in 2022. Fee and commissions income also has continued to grow from the rock-bottom level of 2020. On the other hand the strong growth of the bank has necessitated substantial growth of personnel and other operating expenses.

Our strong capital and profitability are above regulatory minimum requirements while the Bank generated ANG 4.6 million in net income which is ANG 2 million more than the net profit in 2021.

ECONOMIC ENVIRONMENT
Due to the continued surge in tourism in 2022 the Curaçao economy has continued to grow. This has happened in an international environment whereby the world economy has grown at a rate of around 3% notwithstanding the effects of inflation, supply chain disruptions, covid crisis in China and last but not least, the Russian invasion in the Ukraine. If we look at the most important trading partners (USA, Netherlands, Region) we see that they have seen growth of 2 to 3 percent in 2022.
The CBCS reported the inflation figure at 6% over 2022 while unemployment remains stubbornly high at 19%. This is very contradictory to the reports by clients and sector associations with respect to shortages of skilled and unskilled labor in the construction and especially the hospitality sector. It seems that the informal sector is thriving.
The budget deficit is a very respectable 1.4% (down from 8.3% in 2021) while the public debit is high at 79% of GDP (down from 87% in 2021). According to the latest estimates, the deficit on the current account of the balance of payments widened from ANG 1.6 Billion in 2021 to ANG 2 Billion in 2022. The higher current account deficit of the monetary union, soaring international commodity prices, both oil and non-oil, is moderated by an increase in foreign exchange earnings from tourism activities across the monetary union.

Since the last quarter of 2021 and over the whole year of 2022 we saw a rising demand for financing of hotels, luxury real estate (especially apartment buildings) and residential projects on Curaçao, Aruba and Bonaire. These projects range from public housing projects to middle class to super deluxe water/beach-front. Internationally interest rates have increased very substantially while real estate prices have plateaued or started to decrease.
Notwithstanding these developments demand from the Dutch market remains high while other markets like the USA and Canada also continue to show interest.

CONSOLIDATED BALANCE SHEET
During 2022, Vidanova Bank realized a very substantial increase in its net loans and advances from ANG 428 million to ANG 498 million. All other assets increased from ANG 22 million to ANG 29 million while cash and due from banks decreased substantially from ANG 259 million to ANG 179 million. On the liability side of the statement of financial position, the bank realized an increase in funds entrusted from ANG 602 million to ANG 606 million. Loans from a related party decreased from ANG 10 million to 0. Shareholders' equity increased from ANG 89 million to ANG 93 million.

CONSOLIDATED INCOME STATEMENT
Interest income increased with ANG 3.9 million while interest expenses decreased with ANG 0.8 million. The cumulative effect of these developments resulted in an increase in interest margin from ANG 17.2 million to ANG 21.9 million. Net commission income increased by ANG 0.2 million. Other operating income decreased with ANG 0.7 million to ANG 4 million. The release of expected credit loss provision amounted to minus ANG 0.1 million, compared to minus ANG 1.5 million in 2021. Total operating income increased from ANG 23 million to ANG 27 million.
Personnel expenses increased from ANG 10.9 million to ANG 11.8 million as we needed to increase staff to handle the increased business. Other operating expenses increased from ANG 10.2 million to ANG 10.9 million. The cumulative effect of these developments resulted in an increase in operating expenses from ANG 19.6 million to ANG 22.5 million. The resulting operating profit is ANG 4.6 million (2021: ANG 3.1 million) and the net profit increased from ANG 2.6 million to ANG 4.6 million.

OUTLOOK
There is reason to be optimistic about the Curaçao economy over the coming years. The large number of sizeable construction projects that are either already underway or in a very advanced stage (hotels, apartment buildings, housing projects) generate a large number of jobs in the construction sector and will continue to generate more going forward. After completion many of these projects will require a large number of hospitality workers in order to operate the facilities.
Growth is projected to soften in 2023 as global conditions are expected to remain challenging. Consistent with a lower projected real GDP expansion in the main trading partners, the 2023 growth forecast of Curaçao is projected at 2.7%. The outlook with respect to a restart of the refinery is starting to look very dim while possible other energy related projects like oil transshipment, the construction of an LPG plant, etc all are looking uncertain.
Due to the very substantial increase in international interest rates we are experiencing a tightening of liquidity in the local market which is leading to higher deposit rates and (one would expect) lending rates.
Despite the higher interest rates we see opportunities for growth based on the booming real estate market on Curaçao as well as further expansion on Aruba, Bonaire and Sint Maarten. 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 N.V. to continue to prosper.
Building and maintaining a correspondent relationship with US banks remains a challenge. Although we are seeing some smaller banks in the US are more willing to open USD bank accounts for the banks in the Caribbean region, the onboarding process is still very lengthy and expensive. The compliance and due diligence requirements of these banks require us to also update our compliance policies in order to comply with their requirements.

An extended effort is taking place to make Vidanova Bank N.V. a better, improved and more efficient business with our focus on further developing our core businesses. Digital technologies and services will continue to be one of our focal points going forward.

Vidanova Bank has started to reduce our environmental footprint over 10 years ago installing solar panels, inverter air conditioning and led lighting. Now we are taking the next step by greatly improving the capacity of our solar panels and purchasing our first electric vehicle. We are also granting low interest financing for mortgage loans for houses in the eco-friendly Hofi Vidanova. We continue to support good causes in poverty reduction, healthcare, sports, culture and others as we have been for over 40 years.

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 be more than just a bank.

Curaçao, April 17, 2023

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

L. Rigaud & A. Hammoud

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 2022 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 2022.

In our opinion, the accompanying conso-lidated 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 2022 of the Bank in our auditor's report dated 17 April 2023.

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, 17 April 2023
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for Ernst & Young Accountants

C. Smorenburg RA AA

Consolidated Balance

sheet as of 31 December, 2022

(After proposed appropriation of results)	12.31.2022 ANG 000	12.31.2021 ANG 000
Assets		
Cash and due from banks	179,020	259,187
Investment securities	3,507	1,007
Loans and advances to customers	498,212	427,973
Bank premises, equipment and investment properties	7,366	6,833
Goodwill and other intangible assets	13,125	9,832
Deferred tax assets	782	663
Other assets	4,640	3,982
Total assets	**706,652**	**709,477**
Liabilities and stockholder's equity		
Liabilities		
Customer deposits	605,557	601,750
Due to other banks	128	110
Deferred tax liabilities	1,850	1,530
Other liabilities	5,735	7,285
Loans from related party	0	10,000
	613,270	**620,675**
Stockholder's equity		
Issued capital	5,000	5,000
Share premium	19,935	19,935
Other reserves	14,981	12,877
Retained earnings	53,466	50,990
	93,382	**88,802**
Total liabilities and stockholders' equity	**706,652**	**709,477**

Consolidated Income statement

for the year ended 31 December, 2022

	2022 ANG 000	2021 ANG 000
Interest income	27,451	23,501
Interest expense	5,537	6,311
Total net interest income	**21,914**	**17,190**
Fee and commission income	3,351	4,119
Fee and commission expenses	2,188	3,177
Total net fee and commission income	**1,163**	**942**
Other operating income	3,966	4,653
Total other operating income	**3,966**	**4,653**
Total operating income	**27,043**	**22,785**
Salaries and other employee expenses	11,780	10,916
Occupancy expenses	3,763	3,824
Net impairment losses/ (gain) on loans and advances	(135)	(1,523)
Other operating expenses	7,118	6,410
Total operating expenses	**22,526**	**19,627**
Net result from operations before tax	**4,517**	**3,158**
Profit tax (expense)/ income	63	(570)
Net result after tax	**4,580**	**2,588**

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

	12.31.2022 ANG 000	12.31.2021 ANG 000
Investment securities		
Shares, participations and securities	3,507	1,007
Total investments	**3,507**	**1,007**

	12.31.2022 ANG 000	12.31.2021 ANG 000
Loans and advances to customers		
Retail customers	161,566	196,532
Corporate customers	217,686	132,768
Other	122,380	104,643
Total loans and advances to customers	**501,632**	**433,943**
Accrued interest receivable on loans and advances	3,339	1,783
Less: allowance for expected credit losses	(6,759)	(7,753)
Net loans and advances to customers	**498,212**	**427,973**

II Liabilities

	12.31.2022 ANG 000	12.31.2021 ANG 000
Customer deposits		
Retail customers	138,879	121,167
Corporate customers	132,065	137,162
Other	334,613	343,421
Total customer deposits	**605,557**	**601,750**

Explanatory notes

to the Consolidated Financial Highlights for the year ended 31 December 2022

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. 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. Vidanova Asset Holding 2 B.V. was founded in 2022 and is a wholly-owned subsidiary of the Bank. The consolidated financial statements of the Bank for the year ended December 31, 2022 comprise of the Bank and its subsidiaries.

- **CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF 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:

- **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 amortised 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 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 Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or if the contractual terms give rise to collect cash flows that are solely payments of principal and interest on the principal amount outstanding. 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 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 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 recognised, 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.
- The Loss Given Default (LGD) 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.

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Member of the Vidanova Group