

Consolidated Financial Highlights

31 December 2023



Management report

GENERAL
Curaçao, has been on a path of recovery, after facing significant shocks like the closing of the refinery in 2019, and the Covid pandemic in 2020/2021. Over the past two years, Curacao experienced robust growth primarily driven by a strong resurgence in tourism and the construction sector. Tourist arrivals rebounded swiftly, positioning Curaçao among the fastest-recovering destinations in the Caribbean. The current outcomes even surpass pre-pandemic levels.

ECONOMIC ENVIRONMENT
In 2023 the Curaçao economy experienced another year of growth, albeit at a more moderate pace. The CBCS estimates that after 7.9% real GDP growth in 2022 the economy grew with 4.4% in 2023.

Inflation, at 7.4%, posed a challenge for Curaçao in 2022, affecting vulnerable segments of the population. In 2023 the inflation figure decreased to a much more moderate 3.5%.

Despite an elevated external current account deficit the monetary union of Curaçao and Sint Maarten maintains comfortable international reserves. According to the latest estimates, the deficit on the current account of the balance of payments decreased from ANG 1.6 billion in 2022 to ANG 1.3 billion in 2023.

Over 2022 Curacao had a positive budget balance of ANG 142 million (2.6% of GDP) after several years of negative budget balances. Over 2023 the budget balance is estimated at ANG 92 million (1.5% of GDP). At the same time the public debt, as a percentage of GDP decreased from 78% in 2022 to 69% in 2023 as a consequence of the growth of the economy.

Since the last quarter of 2021 and over 2022 and 2023 we saw a rising demand for 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 apartments. Internationally interest rates remain high while the local rates have only moved upward slowly. Notwithstanding these developments demand from the Dutch market remains high while other markets also continue to show interest.

CONSOLIDATED BALANCE SHEET
During 2023, Vidanova Bank realized a satisfactory increase in its net loans and advances from ANG 498 million to ANG 521 million, an increase in all other assets from ANG 29 million to ANG 31 million, and the due from banks & cash also increased substantially from ANG 179 million to ANG 200 million.

On the liability side of the statement of financial position, the net increase in assets was accompanied by an increase in other liabilities of ANG 1 million. Funds entrusted increased from ANG 606 million to ANG 645 million. Shareholders' equity increased to ANG 97 million.

CONSOLIDATED INCOME STATEMENT
Interest income increased with ANG 2.6 million and interest expenses increased with ANG 1.9 million. This resulted in an increase in interest margin from ANG 21.9 million to ANG 22.5 million. Net fee and commission income increased by ANG 0.4 million. Total operating income increased from ANG 27 million to ANG 28.3 million.

Personnel expenses increased from ANG 11.8 million to ANG 12.1 million as we needed to increase staff to handle the increased business. The addition to the expected credit loss provision amounted to ANG 0.4 million, compared to a release of ANG 0.1 million in 2022.

The cumulative effect of these developments resulted in an increase in operating expenses from ANG 22.5 million to ANG 24.3 million. The resulting operating profit is ANG 3.9 million (2022: ANG 4.6 million) and the net profit decreased from ANG 4.6 million to ANG 3.8 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. After a very respectable 4.4% GDP growth in 2023, output growth is anticipated to increase slightly to 4.8% in 2024. Expectations with respect to other economic indicators such as inflation, employment, budget balance and balance of payment trend in the right direction.

The outlook with respect to a restart of the refinery remains very uncertain, however the restart of an asphalt plant on the premises in 2024 seems likely.

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 while lending rates have not increased much.

We continue to 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 and 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.

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 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, including the implementation of AI, will continue to be one of our focal points going forward.

Vidanova Bank has started to diminish our environmental footprint over 10 years ago installing solar panels, inverter air conditioning and led lighting, and we have taken the next step by greatly improving the capacity of our solar panels and purchasing our first electric vehicle. In 2024 we are starting with low interest financing for mortgage loans for houses in the eco-friendly Hofi Vidanova. We are also continuing to support good causes in healthcare, sports, culture and other areas, as we have for over 40 years.

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 24, 2024

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

L. Rigaud & A. Hammoud



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.

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 BCB.

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

Consolidated Balance sheet as of 31 December, 2023

(After proposed appropriation of results)

	12.31.2023 ANG 000	12.31.2022 ANG 000
Assets		
Cash and due from banks	199,827	179,020
Investment securities	3,507	3,507
Loans and advances to customers	521,021	498,212
Bank premises, equipment and investment properties	9,832	7,366
Goodwill and other intangible assets	12,251	13,125
Deferred tax assets	801	782
Other assets	4,354	4,640
Total assets	751,593	706,652
Liabilities and stockholder's equity		
Liabilities		
Customer deposits	645,227	605,557
Due to other banks	160	128
Deferred tax liabilities	1,980	1,850
Other liabilities	7,007	5,735
	654,374	613,270
Stockholder's equity		
Issued capital	5,000	5,000
Share premium	19,935	19,935
Other reserves	15,725	14,981
Retained earnings	56,559	53,466
	97,219	93,382
Total liabilities and stockholders' equity	751,593	706,652

Consolidated Income statement for the year ended 31 December, 2023

	2023 ANG 000	2022 ANG 000
Interest income	30,020	27,451
Interest expense	7,526	5,537
Total net interest income	22,494	21,914
Fee and commission income	3,351	3,351
Fee and commission expenses	(1,774)	(2,188)
Total net fee and commission income	1,577	1,163
Other operating income	4,247	3,966
Total other operating income	4,247	3,966
Total operating income	28,318	27,043
Salaries and other employee expenses	12,085	11,780
Occupancy expenses	4,124	3,763
Net impairment losses/(gain) on loans and advances	398	(135)
Other operating expenses	7,763	7,118
Total operating expenses	24,370	22,526
Net result from operations before tax	3,948	4,517
Profit tax (expense)/income	(111)	63
Net result after tax	3,837	4,580

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.

	12.31.2023 ANG 000	12.31.2022 ANG 000
I Assets		
Investment securities		
Shares, participations and securities	3,507	3,507
Total investments	3,507	3,507
Loans and advances to customers		
Retail customers	160,343	161,566
Corporate customers	249,168	217,686
Other	114,543	122,380
Total loans and advances to customers	524,054	501,632
Accrued interest receivable on loans and advances	3,443	3,339
Less: allowance for expected credit losses	(6,476)	(6,759)
Net loans and advances to customers	521,021	498,212

II Liabilities

	12.31.2023 ANG 000	12.31.2022 ANG 000
Customer deposits		
Retail customers	181,977	138,879
Corporate customers	126,458	132,065
Other	336,792	334,613
Total customer deposits	645,227	605,557



our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Curaçao, 24 April 2024
12045462 120/24756

for Ernst & Young Accountants

C. Smorenburg RA AA

Explanatory notes to the Consolidated Financial Highlights for the year ended 31 December 2023

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 Curacao 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, 2023 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

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 2023 of the Bank in our auditor's report dated 24 April 2024.

Responsibilities of management for the consolidated financial highlights