Consolidated Financial Highlights 31 December, 2019

VIDANOVA BANK

Management report

ECONOMIC ENVIRONMENT

According to the Central Bank of Curaçao and Sint Maarten the economy is experiencing a prolonged recession since 2016. The economic contraction was 2.1% in 2019 (2018: 2.2%), inflation remains high at 2.7% in 2019 (2018: 2.6%). In 2019 the Curaçao economy has started to grow again nominally but due to high inflation the real GDP kept shrinking. The deficit of the current account of the balance of payment is fairly stable at ANG 1.5 Billion in 2018 and 2019 resulting in a relatively comfortable import coverage of 4 months (3 months minimum).
Based on our information 3 hotels have started construction (Corendon, Marriott Courtyard and Coral Cliff). Dozens of smaller projects are also under execution. The Marriott at Piscadera has recently finalized construction and opened its doors. In December 2019 agreement was reached with the Klesch Group for the purchase of the refinery and the Oil Terminal.

Vidanova Bank produced again a strong result in 2019 closing an excellent year in which we achieved a record operating income and net income. One of the interesting development for Vidanova Bank in 2019 was the better than expected growth of loan portfolio with ANG 32 million (an increase of 8%), despite the recession. The development of the security & paying agency service for large consortium (bond) loans is developing very well while our role as custodian for the DCSX is finally paying off.
The marketing of our services to Vidanova Pension Fund (VPF) members is progressing at a reduced speed as we are experiencing some fierce competition with regard to our favorable "sweet deal" rates. The expansion of the sweet deal offering to our VPF members in Sint Maarten through a representative on the island is progressing slowly but surely.

CONSOLIDATED BALANCE SHEET

In 2019 our total assets increase by 23% to ANG 623 million (2018: ANG 505 million. This increase was mainly due to the following:

- An increase in net loans and advances by 8% to ANG 420 million (2018: ANG 388 million);
- An increase in the cash and due from banks by 142% to ANG 177 million (2018: ANG 73 million).

On the liability side of the consolidated balance sheet, the increase in assets was accompanied by an increase of funds entrusted by 24% to ANG 518 million (2018: ANG 417 million). Furthermore the Stockholder's equity increased by 7% to ANG 84 million (2018: ANG 79 million) which contributed positively to our capital adequacy.

CONSOLIDATED INCOME STATEMENT

Interest income increased with ANG 3.1 million to ANG 23.8 million while interest expenses increased with ANG 0.1 million to ANG 4.9 million. The cumulative effect of these developments resulted in an ANG 3 million increase in net interest income to ANG 19 million.
Net fee and commission income decreased from ANG 3.0 million to ANG 2.4 million as a consequence of e-commerce and card income. Total other operating income increased by 16% to ANG 3.7 million (2018: ANG 3.1 million) as a consequence of commission on securities as security agency and paying agency service for large consortium loans.
The net impairment losses on loans and advances was insignificant (2018: a gain of ANG 1.2 million). Total operating expenses increased by 16% to ANG 19.4 million (2018: ANG 16.8 million) due to among others an increase in personnel expenses. Personnel expenses increased by 12% to ANG 9.9 million (2018: ANG 8.9 million) as a consequence of movements in personnel.
The net result from operations before tax increased by 9% to ANG 5.8 million (2018: ANG 5.3 million). Taking into account the profit tax of ANG 0.5 million, the net profit is ANG 5.3 million (2018: ANG 4.2 million).

OUTLOOK

Obviously the Corona virus has really "gooi roet in het eten" on Curaçao as well as in the rest of the world. As the situation changes every day everything we write today may be obsolete tomorrow. It is clear that the economic consequences of this crisis are dire. The two main FX generators for Curaçao, tourism and oil, are not generating any income. Hundreds of companies are at the brink of bankruptcy and thousands of employees are in the process of losing their jobs.

According to projections by economists our reserves will end up below the 3 month import coverage threshold within 5 to 6 months. The fact that we are part of the Kingdom of the Netherlands will hopefully work in our favor as financial assistance from the Netherlands is sorely needed.

The impact of the coronavirus outbreak on the financial sector doesn't look promising. We have already seen major market corrections and a global recession seems unavoidable. According to the first calculation of the Central Bank of Curaçao and Sint Maarten the impact of the corona virus lock down on the local economy would be significant. The economic contraction could range from 8.8% to 19.4% in a worst case scenario.

Another challenge the bank faces in 2020 is to find a new first tier correspondent bank to replace Deutsche Bank that has decided to leave the region. We are in the approval process with a number of large banks to act as our USD and EURO correspondent.

As the bank continues to grow we are adding employees in the credit and IT departments. We believe firmly that our commitment to provide high quality service and personal attention in commercial banking, mortgages, e-commerce and bond/loan agency/custody areas will enable Vidanova Bank to continue to prosper. Our commitment is with the well-being of our clients and staff and we encourage them to take the necessary measures to ensure their safety and health through these though times.

Curaçao, April 9, 2020

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

L. Rigaud & R. de Lanoy

Consolidated Balance sheet
as of 31 December, 2019

(After proposed appropriation of results)	12.31.2019 *ANG 000*	12.31.2018 *ANG 000*
ASSETS		
Cash and due from banks	176,837	73,112
Investment securities	107	17,970
Loans and advances to customers	420,327	387,928
Bank premises and equipment	6,412	6,934
Goodwill and other intangible assets	9,646	9,429
Deferred tax assets	1,039	934
Other assets	8,322	9,097
Total assets	**623,320**	**505,404**
LIABILITIES AND STOCKHOLDER'S EQUITY		
Liabilities		
Customer deposits	518,155	417,468
Due to other banks	91	162
Deferred tax liabilities	1,787	1,591
Other liabilities	9,205	7,422
Loans from related party	10,000	-
	539,238	426,643
Stockholder's equity		
Issued capital	5,000	5,000
Share premium	19,935	19,935
Other reserve	12,596	11,703
Retained earnings	46,551	42,123
	84,082	78,761
Total liabilities and stockholders' equity	**623,320**	**505,404**

Consolidated Income statement
for the year ended 31 December, 2019

	2019 *ANG 000*	2018 *ANG 000*
Interest income	23,876	20,678
Interest expense	4,885	4,693
Total net interest income	**18,991**	**15,985**
Fee and commission income	5,013	6,007
Fee and commission expenses	2,410	2,982
Total net fee and commission income	**2,603**	**3,025**
Net trading income	64	41
Other operating income	3,614	3,131
Total other operating income	**3,678**	**3,172**
Total operating income	**25,272**	**22,182**
Salaries and other employee expenses	9,894	8,862
Occupancy expenses	3,259	3,048
Net impairment losses/ (gain) on loans and advances	15	(1,230)
Other operating expenses	6,282	6,154
Total operating expenses	**19,450**	**16,834**
Net result from operations before tax	**5,822**	**5,348**
Profit tax expense	501	1,173
Net result after tax	**5,321**	**4,175**

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

	12.31.2019 *ANG 000*	12.31.2018 *ANG 000*
INVESTMENT SECURITIES		
Shares and participations	107	106
Investment in Treasury Papers	-	17,864
Net investments	**107**	**17,970**

	12.31.2019 *ANG 000*	12.31.2018 *ANG 000*
LOANS AND ADVANCES TO CUSTOMERS		
Retail customers	188,685	182,243
Corporate customers	146,071	148,245
Other	90,385	62,874
Total loans and advances to customers	**425,327**	**393,362**
Accrued interest receivable on loans and advances	3,835	3,214
Less: allowance for expected credit losses	(8,650)	(8,648)
Net loans and advances to customers	**420,327**	**387,928**

II Liabilities

	12.31.2019 *ANG 000*	12.31.2018 *ANG 000*
CUSTOMER DEPOSITS		
Retail customers	85,293	87,596
Corporate customers	112,335	110,025
Other	320,527	219,847
Total customer deposits	**518,155**	**417,468**

Explanatory notes
to the Consolidated Financial Highlights for the year ended 31 December 2019

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 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.

- **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, 2019 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 in 2018 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.

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 2019 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 2019.
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 2019 of the Bank in our auditor's report dated 9 April 2020.

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.
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, April 9, 2020

for Ernst & Young Accountants
C. Smorenburg RA AA