Consolidated Financial Highlights

December 31, 2021

Report of the Management Board

Introduction
Despite the consequences of the COVID-19 pandemic situation we continued to focus on our niche market, to provide personalized service and an enhanced customer experience, to ensure high compliance standards and to maintain stringent portfolio management, all of which contributed to our end result. The commercial environment in all islands in which we operate, experienced high pressure due to the ongoing economic pandemic situation. The market remained competitive with continuing pressure on interest margins. This notwithstanding, with careful treasury management and the commitment of our staff in all islands, we were able to achieve a positive result in this difficult year 2021.

Major developments within the Bank
The challenges we encountered in 2021 were in some cases similar in each jurisdiction, and as expected primarily COVID-19 related or coming from regulatory institutions, concerning Corporate Governance or Compliance. As a result, various policies and procedures with regard to among others risk management and compliance were modified or updated to meet internal, regulatory and international standard requirements. In addition, we have seen a steady decrease in the need of relief efforts for business and personal banking customers alike, nonetheless we continued to focus on offering our customers a superior experience, while ensuring that we remained compliant with requirements from a regulatory perspective as well as from a health perspective.

These challenging times emphasize the importance of saving and creating financial buffers while being resilient and able to withstand setbacks. While we experienced some payoffs from personal banking clients that preferred to decrease their debt levels due to the ongoing pandemic crisis, the deposits from customers grew considerably during 2021. It is therefore that we remain very grateful for the trust and confidence that our long-term loyal and new customers have in Orco Bank and we remain committed to a very responsible use of these funds.

During this same year we continued building long-term relationships with our clients and stakeholders while our main initiatives revolved around making banking easier, faster and better for our customers as we continue the road to pre-COVID levels. To continue to offer our clients the best personal experience the bank found it opportune to strengthen the partnership with sister bank Aruba Bank N.V. Our mission is to be the preferred partner, offering innovative, effective and customer driven solutions that enable our customers to achieve financial freedom in a responsible and sustainable way, while creating shared value for the communities we serve across all four islands. Several new banking products and services were launched to be able to offer excellent customer experience. Many of these new products and services go hand in hand with a further digitalization of the bank's products and services such as a new Online and Mobile Banking application.

Bank's performance - financial highlights
In 2021, the balance sheet total increased by 21.3% to ANG 1,149,753 (2020: ANG 947,944). The increase on the assets side of the balance sheet can be attributed to the increase of cash and cash equivalents with ANG 175.3 million, amounts due from banks with ANG 48.0 million and the increase of investments securities with ANG 20.1 million. The loans and advances to customers decreased with ANG 39.9 million to maintain a desirable high credit quality of our credit portfolio. On the liabilities side of the balance sheet the deposits from customers increased with ANG 196.6 million.

The net interest income decreased from ANG 29.3 million in 2020 to ANG 26.8 million in 2021.The other operating income increased from ANG 4.0 million to ANG 4.4 million. The credit loss expenses on financial assets shows a gain of ANG 1.1 million compared to a loss of ANG 3.2 million in 2020. The operating expenses increased with 1.97% from ANG 25.5 million to ANG 26.0 million in 2021. The income before tax increased from ANG 4.1 million to ANG 6.4 million.

Outlook for 2022
The bank's aim will be to continue to excel in the heavily competitive markets we operate: Bonaire, Curaçao and Sint Maarten. We are even more committed and even pledge to go the extra mile for the clients, especially during these challenging times. Service Excellence will continue to be our motto during 2022, by offering quick turnaround of requests and efficient handling of compliance and good corporate governance principles. With that being said, we are aware that the primary effect of COVID-19 on all three economies will be the increased credit risk of corporate and retail clients of the bank. Orco Bank is aware that a possible contraction in economic activity throughout all three jurisdictions can have adverse consequences on credit quality and will deal adequately to maintain a sound risk appetite.

In order to deal with the impact of the pandemic towards our relationship with clients and prospects and to be able to offer excellent customer experience, the bank introduced a state of the art Online and Mobile Banking application, launched its Mastercard Debit Card for international payments and online purchases and introduced several new types of savings accounts such as the Kids Savings Account. The bank will continue to optimize processes and cost structure by simplifying the way we do business and aim to grow our share of wallet with our existing clients, attract new clients, improve sales and service capability by being responsive and offering a personalized experience.

The Ride for the Roses event continues to be our flagship event, however due to COVID-19 the annual activity could not take place. We remain steady in our commitment to create awareness and enforce the message that cancer is curable. With this event we also support the 'Stichting Prinses Wilhelmina Kanker Fonds' in executing their charitable and supportive tasks to the cancer patients and their families.

The Management Board is thankful for the commitment and support of our dedicated and motivated staff, without them we could not have achieved our goals and successes of 2021. The Management Board also thanks our Supervisory Board, our shareholders and above all our esteemed clients for their continuous guidance, trust and business.

Willemstad, Curaçao, 31 January, 2022

The Management Board of Orco Bank N.V.

Auditors Report

Independent auditor's report on the audit of the consolidated financial highlights

To: the Shareholder and Management Board of Orco Bank N.V.

Opinion
The accompanying consolidated financial highlights, which comprise the consolidated balance sheet as at 31 December 2021 and consolidated income statement for the year then ended and related notes, are derived from the audited consolidated financial statements of Orco Bank N.V. ("the Bank") for the year ended 31 December 2021.

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 2021 of the Bank in our auditor's report dated 31 January 2022.

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.

Curacao,14 February 2022

for Ernst & Young Accountants

drs. R.J.W. van Nimwegen RA

CONSOLIDATED BALANCE SHEET OF ORCO BANK N.V.

(All amounts are expressed in thousands of Antillean Guilders)

	31/Dec/2021	31/Dec/2020
Assets		
Cash and due from banks	373,952	150,708
Investment securities	20,974	835
Loans and advances to customers	735,853	775,782
Bank premises and equipment	12,791	13,904
Goodwill and other intangible assets	1,683	1,720
Other assets	4,500	4,995
Total assets	**1,149,753**	**947,944**
Liabilities		
Deposits from customers	1,009,969	813,419
Amounts due to banks	239	111
Profit tax payable	3,075	1,723
Deferred tax liabilities	4,901	5,467
Provisions	1,722	2,849
Other liabilities	3,321	2,372
	1,023,228	**825,941**
Shareholder's equity		
Issued capital	7,774	7,774
Share premium	18	18
General provision on loans and leases	29,434	31,031
Retained earnings	89,299	83,180
	126,525	**122,003**
Total shareholder's equity and liabilities	**1,149,753**	**947,944**

CONSOLIDATED INCOME STATEMENT OF ORCO BANK N.V.

(All amounts are expressed in thousands of Antillean Guilders)

	2021	2020
Interest income	40,844	41,599
Interest expense	14,061	12,270
Total net interest income	**26,783**	**29,329**
Fee and commission income	3,088	3,098
Fee and commission expense	-	-
Total net fee and commission income	**3,088**	**3,098**
Net trading income	1,091	667
Other operating income	240	193
Total net operating income	**1,331**	**860**
Total income	**31,202**	**33,287**
Salaries and other employee expenses	13,593	13,673
Occupancy expenses	4,288	3,659
Net impairment losses on loans and advances	(1,141)	3,248
Fair value adjustment on investment properties	-	500
Other operating expenses	8,092	8,138
Operating expenses	**24,832**	**29,218**
Net result from operations	**6,370**	**4,069**
Income from associates	-	-
Net result before tax	**6,370**	**4,069**
Profit tax expenses	1,848	6
Net income after tax	**4,522**	**4,063**

SPECIFICATION OF ACCOUNTS

(All amounts are expressed in thousands of Antillean Guilders)

	31/Dec/2021	31/Dec/2020
I. Assets		
Investment securities		
Debt securities at amortized cost	20,968	828
Financial assets at fair value through profit or loss	6	7
Total investments	**20,974**	**835**
Allowance for ECL	-	-
Net investments	**20,974**	**835**
Loans and advances to customers		
Retail customers	452,676	452,649
Corporate customers	290,712	333,915
Other	-	-
Total loans and advances	**743,388**	**786,564**
Accrued interest receivable	2,702	2,795
Allowance for ECL	(10,238)	(13,577)
Net loans and advances	**735,853**	**775,782**
II. Liabilities		
Customers' deposits		
Retail customers	381,780	317,606
Corporate customers	621,322	488,924
Other	-	-
	1,003,103	**806,530**
Accrued interest payable on customers' deposits	6,867	6,889
Total customers' deposits	**1,009,969**	**813,419**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL HIGHLIGHTS OF ORCO BANK N.V.

A. Accounting policies

1. General

The principal accounting policies adopted in the preparation of the Consolidated Financial Highlights of Orco Bank N.V. and its subsidiaries (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.

2. Basis of preparation

The Bank's consolidated financial statements, from which the Consolidated Financial Highlights have been derived, are prepared in accordance with International Financial Reporting Standards ('IFRS'). The figures presented in these highlights are stated in thousands of Antillean Guilders and are rounded to the nearest thousand. The accounting policies used have been consistently applied by the Bank and are consistent, in all material respects, with those used in the previous year.

3. Basis of consolidation

Subsidiaries are all entities (including special purpose entities, if any) over which the Bank has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are de-consolidated from the date that control ceases.

The following subsidiaries have been consolidated as of December 31, 2021:
Orco Finance N.V., Orco Bank Onroerend Goed N.V., Flamboyant Onroerend Goed N.V., Jan Noorduynweg Onroerend Goed N.V., Westpunt Onroerend Goed N.V., Orco Bank Investments Holding N.V., Orco Bank Investments B.V., Cerrito Onroerend Goed N.V. and Willemsplein Onroerend Goed N.V.

4. 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.

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 'other' business model and measured at FVTPL.

SPPI
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank considers 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. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Based on these factors, the Bank classifies its debt instruments into one of the following three 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 not designated at FVTPL, 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 and similar income' using the effective interest rate method.

Fair value through other comprehensive income ("FVOCI"):
Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Net Investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Fair value through profit or loss ("FVTPL"):
Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Derecognition of financial assets:
The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. If the terms are substantially different, the Bank derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership.

Expected credit loss principles:
Based on IFRS 9, the loans are grouped into Stage 1, Stage 2 and Stage 3 as described below:
- Stage 1: When loans are first recognized, the Bank 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 Bank 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 Bank records an allowance for the LTECLs;

Calculation of Expected credit losses
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, 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 usually expressed as a percentage of the EAD.

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs such as GDP growth, Unemployment rates and the Consumer Price Index. The inputs and models used for calculating ECLs may not always capture all 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.

ORCO BANK
Your Personal Banker