

Report of the Management Board

Introduction

The markets in which Orco Bank operates continued to grow, notwithstanding a turbulent global landscape marked by heightened geopolitical tensions, wars and extreme weather conditions. The Bank maintained its commitment to being the go-to banking choice across all the regions where the Bank operates. The Bank's dedication is to offer inventive, efficient, and client-centric solutions that empower its customers to attain financial independence in a responsible and sustainable manner. Simultaneously, the Bank aims to generate mutual benefits for the communities the Bank is a part of.

The economic situation of the islands

Curaçao

Curaçao's economy exhibited robust growth in 2024, with an estimated expansion of 5.4%, driven by strong performance in the tourism and construction sectors. This marks a significant step in the island's economic recovery and development. Tourism maintained its role as a cornerstone of Curaçao's economic growth, with both stayover and cruise tourism contributing significantly to revenue generation and employment. However, challenges persist, including the need for structural reforms to sustain growth, improvements in the business climate to attract investment, and addressing financial issues, which remain a pressing concern for public finances. Overall, while Curaçao's economic outlook for 2024 is positive, achieving long-term sustainability will require continued focus on structural reforms and strategic investments to mitigate risks and support inclusive growth. The results for 2024 underscore the island's resilience and potential for sustained development.

Sint Maarten

Sint Maarten's economy demonstrated steady growth in 2024, with an estimated expansion of 3.5%, supported by a strong tourism sector and ongoing reconstruction efforts following past natural disasters. Tourism, both stayover and cruise, continued to drive economic activity, reinforcing the island's role as a key destination in the region. The progress achieved in 2024 underscores the importance of targeted strategies to support continued recovery and growth.

Bonaire

Bonaire's economy demonstrated resilience in 2024, with tourism continuing to serve as a key driver of recovery. While the economies are on a recovery path, driven primarily by tourism, they face structural challenges that need to be addressed for sustainable growth.

Major developments within the Bank

Successful Integration of CIBC Curaçao Portfolio

In May 2024, Orco Bank completed the acquisition of a significant part of CIBC's portfolio in Curaçao. This strategic move reinforced Orco Bank's market presence and strengthened its ability to deliver tailored services to meet evolving customer needs. The acquisition highlights Orco Bank's growth ambitions and readiness to expand its services across key markets. This acquisition resulted in a loan portfolio growth of 17%, while our deposits from customers increased with 48%. All the acquisition related costs totaling to 8.5 million, have been expensed in 2024 and are presented under the other operating expenses.

CIBC Sint Maarten Transition

In October 2024, Orco Bank commenced preliminary work for the transition of CIBC Sint Maarten's portfolio. This initiative represents a key step in Orco Bank's regional expansion strategy. The bank remains focused on ensuring a smooth transition while maintaining a high standard of service for its clients in Sint Maarten. The transition will be taking place on February 7, 2025.

Launch of Curaçao's First Customer Service Kiosk

Orco Bank achieved a significant milestone in 2024 with the introduction of Curaçao's first customer service kiosk, located at the Landhuis Cerrito branch. This innovative self-service platform underscores the bank's commitment to convenience and customer-centric solutions. The kiosk empowers customers with a suite of functionalities.

This initiative demonstrates Orco Bank's focus on digital transformation and aligns with global banking trends aimed at improving accessibility and enhancing the customer experience.

New Merchant Services

Orco Bank introduced Point-of-Sale (POS) terminals in Curaçao and Sint Maarten, providing businesses with seamless, secure, and efficient payment solutions. This initiative enabled merchants to accept payments wherever their business took them, enhancing customer convenience and fostering growth. By offering reliable and adaptable payment processing, Orco Bank demonstrated its commitment to supporting local businesses in optimizing their operations and improving customer satisfaction.

Partnership with Sentoo

As part of its focus on technological advancements, Orco Bank partnered with Sentoo to introduce an online payment solution. This collaboration enables clients to efficiently manage e-commerce transactions, invoicing, and donations directly from their Orco Bank accounts. This development aligns with modern payment trends.

Corporate Social Responsibility

In 2024, Orco Bank demonstrated its commitment to Corporate Social Responsibility (CSR) through initiatives across Curaçao, Bonaire, and Sint Maarten. Notably, Orco Bank has been the main sponsor of Ride for the Roses Curaçao since its inception, playing a pivotal role in the success of this annual event. By supporting this initiative, which raises awareness and funds for cancer research, the bank has consistently strengthened its connection to the community and supported vital health causes. This year, Orco Bank continued its involvement supporting Ride for the Roses Bonaire, further solidifying its dedication to health and well-being across the region.

In addition to other donation projects, Orco Bank stepped in to sponsor the meal program for two months, enabling Siloam to restore service to five days a week and provide meals to 80 individuals as part of its flagship initiative, The Kitchen, that serves warm meals to elderly individuals, the homeless, and families in need.

Bonaire saw Orco Bank's sponsorship of the Reef Renewal Foundation's ReeFiesta 2024, engaging over 120 community members in coral restoration activities to promote environmental conservation. In Sint Maarten, the bank contributed to the Sandial School's Annual Coach Day Retreat, supported the St. Dominic Primary School Cultural Tour, and sponsored the Reading Festival to foster literacy and imagination among children.

These initiatives underscore Orco Bank's unwavering commitment to promoting health, education, sustainability, and community engagement, reaffirming its role as a key partner in the communities it serves.

Bank's performance - financial highlights

In 2024, Orco Bank experienced remarkable growth and strengthened its market position, largely driven by the acquisition of CIBC FirstCaribbean's banking assets in Curaçao, finalized on May 24, 2024. This strategic move significantly expanded the bank's customer base and service capabilities in the region, with a seamless integration of former CIBC FirstCaribbean clients into Orco Bank's operations.

The bank's financial performance reflected this progress, with total assets increasing by 52% to reach 2,152 million. This growth was driven by a substantial rise in the bank's liquidity, which surged by 76.5% to 697 million, and an impressive increase in the Bank's investment portfolio, which grew to 319 million from 21 million. Loans and advances to customers also saw a notable increase of 13.1%, reaching 1,106 million.

Our solvency improved significantly due to an increased shareholder's equity position, driven by a capital contribution of 50 million and the addition of the result for the year 2024. On the liabilities side, deposits from customers grew by 53.3% to 1,935 million, underscoring our robust deposit base.

In terms of profitability, the bank's net interest income increased by 39.9% to 52 million, driven by a higher interest income of 80.3 million. Increased net fee and commission income and net operating income both contributed to an increased total income of 64.8 million, compared to 43.6 million in 2023. Despite an increase in operating expenses of 20 million, mostly due to CIBC acquisition-related costs, the bank maintained a solid net income of 13.8 million. The profit tax expenses for the year 2024 resulted in a benefit of 1.3 million accounting wise, due to movements in deferred tax positions.

These achievements highlight Orco Bank's commitment to sustainable growth and exceptional service delivery across its territories.

Outlook for 2025

Looking ahead, Orco Bank remains steadfast in its mission to deepen relationships with existing clients while attracting new ones, expand sales and service capabilities, and continue the development of Online and Mobile Banking applications. Additionally, the bank aims to enhance self-service and product options across the islands it operates in. These strategic priorities underscore our commitment to service excellence and growth.

The economic outlook for 2025 across the Dutch Caribbean aligns with Orco Bank's vision for fostering stability and development. Curaçao's economy is projected to grow by 3.2%, bolstered by steady progress in tourism and construction, coupled with declining inflation and a reduction in public debt. Sint Maarten expects a growth rate of 2.3%, driven by reconstruction efforts and a resilient tourism sector, despite facing ongoing challenges such as political instability and structural reform needs. Bonaire's continued emphasis on sustainable tourism and market diversification will be pivotal in addressing fiscal and unemployment challenges.

Orco Bank's strategic focus for 2025 positions the institution to navigate these evolving economic landscapes effectively, leveraging opportunities for growth while meeting the needs of its clients across the Dutch Caribbean.

The Management Board acknowledges the significant role played by Orco Bank's employees in achieving the milestones of 2024. The dedication and motivation of our team are the foundation of our success.

We also express our gratitude to the Supervisory Board for their guidance, our Shareholder for their continued support and most importantly, our valued clients for their trust, loyalty and patronage. Together, these partnerships inspire us to aim higher as we navigate the evolving financial landscape.

Willemstad, Curaçao, 31 January 2025

The Management Board of Orco Bank N.V.

Consolidated Balance Sheet of Orco Bank N.V.

(All amounts are expressed in thousands of Antillean Guilders)

	December 31, 2024	December 31, 2023
Assets		
Cash and due from banks	697,024	394,712
Investment securities	318,989	20,759
Loans and advances to customers	1,106,556	978,368
Bank premises and equipment	17,144	12,938
Goodwill and other intangible assets	297	722
Other assets	12,059	5,708
Total assets	2,152,068	1,413,207

	December 31, 2024	December 31, 2023
Liabilities and stockholders' equity		
Deposits from customers	1,935,067	1,261,701
Profit tax payable	1,330	1,078
Deferred tax liabilities	4,234	5,834
Provisions	960	902
Other liabilities	6,314	3,289
	1,947,905	1,272,804

Shareholder's equity		
Issued capital	7,774	7,774
Share premium	50,018	18
General provision on loans and leases	44,262	38,857
Retained earnings	102,109	93,754
	204,163	140,403
Total shareholder's equity and liabilities	2,152,068	1,413,207

Consolidated Income Statement of Orco Bank N.V.

(All amounts are expressed in thousands of Antillean Guilders)

	2024	2023
Interest income	80,325	55,400
Interest expense	27,925	17,940
Total net interest income	52,400	37,460
Fee and commission income	5,806	4,602
Fee and commission expense	(575)	(1,556)
Total net fee and commission income	5,232	3,046
Net trading income	6,326	2,947
Other operating income	805	176
Total net operating income	7,131	3,123
Total income	64,763	43,629
Salaries and other employee expenses	20,686	18,412
Occupancy expenses	4,695	4,100
Net impairment losses on loans and advances	1,412	(1,980)
Other operating expenses	25,557	12,165
Operating expenses	52,351	32,697
Net result from operations	12,411	10,932
Income from associates	-	-
Net result before tax	12,411	10,932
Profit tax expenses	(1,349)	164
Net income after tax	13,760	10,768

Specification of accounts

(All amounts are expressed in thousands of Antillean Guilders)

	December 31, 2024	December 31, 2023
I. Assets		
Investment securities		
Debt securities at amortized cost	318,983	20,753
Financial assets at fair value through profit or loss	6	6
Total investments	318,989	20,759
Allowance for ECL	-	-
Net investments	318,989	20,759
Loans and advances to customers		
Retail customers	659,315	574,290
Corporate customers	453,783	406,589
Other	-	-
Total loans and advances	1,113,099	980,879
Accrued interest receivable	4,701	4,318
Allowance for ECL	(11,245)	(6,830)
Net loans and advances	1,106,556	978,368
II. Liabilities		
Customers' deposits		
Retail customers	618,925	494,470
Corporate customers	1,301,800	758,054
Other	-	-
	1,920,725	1,252,524
Accrued interest payable on customers' deposits	14,341	9,177
Total customers' deposits	1,935,067	1,261,701

Explanatory Notes to the Consolidated Financial Highlights of Orco Bank N.V.

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, 2024: Orco Finance N.V., Orco Bank Onroerend Goed N.V., Flamboyant Onroerend Goed N.V., Jan Noordduynweg 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 from 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.

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 2024 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 2024.

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 consolidated financial highlights and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

The audited consolidated financial statements and our auditor's report thereon

We expressed an unmodified audit opinion on the consolidated financial statements 2024 of the Bank in our auditor's report dated 28 January 2025.

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, 31 January 2025
for Ernst & Young Accountants
signed by drs. R.J.W. van Nimwegen RA