

Consolidated Financial Highlights

December 31, 2015



Your Personal Banker

Report of the Managing Board

Profitable year for Orco Bank

Orco Bank in 2015 continued to build its success, being the ultimate banker in the high-end segment and differentiating itself by offering tailor-made products throughout Curaçao, Bonaire and Sint Maarten. However, compared to previous years the challenges were noticeable, since we are conscious we are operating in an environment and market(s) of increasing regulatory laws and procedures, especially in the fields of compliance and corporate governance. On the other hand we are confident that the mentality within the organization is geared to strike the balance between being fully compliant and at the same time continue to cater in a professional, efficient and personalized manner to our niche market.

Our forecast for 2015 predicted interest margins would remain under significant pressure, the many competitors on a limited playing field, and the local and global economic forecast remaining gloomy would also not improve the interest margins. Those predictions proved to be correct. Fortunately, due to the continuous commercial efforts of our staff and the unconditional support of our stakeholders, Orco Bank ('the Bank') was still able to record a profitable year once again.

The economic situation of the islands

The tourism sector continued in 2015 to be the most important pillar of the Curaçao economy, with increased stay-over arrivals, improved average hotel occupancy, a higher average daily rate ('ADR') and equally increased revenue per available room ('RevPar').

Other positive developments in 2015 in Curaçao were the increased government spending related to primarily the construction of the new hospital, the upgrading of the road infrastructure and the renovation of school buildings. These projects together with lower international prices caused Curaçao's inflation rate to turn negative (-0.20%) in the third quarter of 2015.

All the aforementioned is expected to translate into a real GDP expansion of 0.20% for the entire year 2015.

Sint Maarten continues to experience political as well as macro-economic challenges. Most economic sectors recorded a negative growth, with the exception of primarily the restaurant and hotel sectors, which recorded a growth of 3.60%. The Sint Maarten government is aware that it needs to achieve sustainable public finances and has decided to embark on measures to structurally strengthen its fiscal position.

In Bonaire there are visible improvements, which are mainly being voiced by the CFT, which is the committee in charge of monitoring and reviewing the Island Council's budget and the liquidity position of the island. The liquidity position of the island remains a concern, but with cash flow forecasts the Executive Council hopes to anticipate and remediate the situation.

Major developments within the Bank

In 2015 the Bank realized, that in order to maintain its strategic focus, a realignment of the strategic focus was required due to the changing and challenging markets. This required the Managing Board, the complete staff with the assistance of the immediate stakeholders to operate the Bank with the mission, that we are the one and only alternative to offer preferred and personalized banking.

The challenges we encountered in 2015 were in some cases similar in each jurisdiction, and coming from all regulatory institutions operating in each jurisdiction, and it concerned the fields of Corporate Governance, Compliance, sound Risk Management and Client Awareness Assessments.

As a result various Policies and Procedures were introduced, modified and updated to meet the regulatory and international standard requirements.

Bank's performance - financial highlights

In 2015, the balance sheet total decreased by (-1%) to ANG 896,782

(2014: ANG 904,471). The decrease can be attributed to the decrease of the Loans and advances to customers (-3%) and of the Investment securities (-8%). Funds borrowed (-18%) decreased mainly due to early repayment of certain loans and advances to customers.

Interest income decreased to ANG 41,520 (-4%) and interest expenses increased by 6% compared to 2014. The Net Interest Income decreased to ANG 24,466 (-10%). The decrease of the Net Interest Income can be attributed to the unanticipated decrease in the Bank's portfolio and the fierce competition on all markets, resulting in a lower interest margin. The Net Other Operating Income decreased, primarily because of the foreign exchange results. The foreign exchange results decreased substantially as a result of a more conservative approach to the open positions in foreign currency. Primarily as a result of the decrease in Net Interest Income, the Total Operating Income over 2015 amounted to ANG 29,943 compared with ANG 33,448 over 2014, a decrease of 11%.

The Total Operating Expenses decreased in 2015 with 14% from ANG 24,256 to ANG 20,965, mainly due to staff expenses with 8% and impairment losses on loans and advances to customers with 70%. The staff expenses decrease is primarily because some vacancies were unfilled or filled with consultants for the greater part of 2015. The decrease in impairment losses on loans and advances to customers is because of the elimination and settling of several special asset exposures.

The profit after tax for 2015 is ANG 8,005 (2014: ANG 8,972), a decrease of 11%.

Outlook for 2016

In August 2016 Orco Bank will be celebrating its 30th Anniversary. In early April 2016 we expect to inaugurate the expansion of our bank premises with a rooftop floor, hereby expressing our trust and confidence in Curaçao's economy. We believe in excellence, efficiency and more importantly servicing our loyal clients in a comfortable and majestic office space.

Our aim, will be to continue to excel in the markets we operate, Bonaire, Curaçao and Sint Maarten. We are even more committed and even pledge to go the extra mile for the clients. Service Excellence will be our motto during 2016. Challenges, which we will encounter, will not affect our strategic focus, but will only help us align once again our priorities and goals.

The Ride for the Roses event continues to be our flagship event and we are here again even more committed to promote awareness 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. In December 2015 the foundation Ride for the Roses Bonaire was established with the support of Orco Bank Bonaire and in April 2016 they are scheduled to organize their first Walk, Ride and Swim in Bonaire. We are proud to be also the main sponsor on Bonaire.

The Managing 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 2015. The Managing Board also thanks our Supervisory Board, our shareholders, and above all our esteemed clients for their continuous guidance, trust and business.

Curaçao, April 22, 2016

The Managing Board of Orco Bank N.V.

K.R. Canword
Managing Director
Commercial Affairs / CEO

M.N.S. Sprock
Managing Director
Finance & Operations

CONSOLIDATED BALANCE SHEET OF ORCO BANK N.V.
(All amounts are expressed in thousands of Antillean Guilders)

	2015 ANG	2014 ANG
Assets		
Cash and due from banks	215,854	201,028
Investment securities	66,302	71,815
Loans and advances to customers	585,568	602,882
Bank premises and equipment	19,622	18,046
Deferred tax assets	922	1,319
Other assets	8,514	9,381
Total assets	896,782	904,471
Liabilities		
Customers' deposits	746,567	749,011
Due to other banks	1,497	7,151
Deferred tax liabilities	6,601	6,679
Other liabilities	10,724	10,780
Funds borrowed	34,171	41,633
	799,560	815,254
Stockholders' equity		
Issued capital	7,774	7,774
Share premium	18	18
Other reserves	23,243	23,930
Retained earnings	66,187	57,495
	97,222	89,217
Total liabilities and stockholders' equity	896,782	904,471

CONSOLIDATED INCOME STATEMENT OF ORCO BANK N.V.
(All amounts are expressed in thousands of Antillean Guilders)

	2015 ANG	2014 ANG
Interest income	41,520	43,273
Interest expense	17,054	16,073
Net interest income	24,466	27,200
Fee and commission income	3,344	3,126
Fee and commission expense	-	-
Net fee and commission income	3,344	3,126
Net trading income	1,652	2,679
Gains and losses from investment securities	233	161
Other operating income	248	282
Operating income	29,943	33,448
Salaries and other employee expenses	11,417	12,348
Occupancy expenses	578	665
Net impairment losses on loans and advances	1,009	3,359
Other operating expenses	7,961	7,884
Operating expenses	20,965	24,256
Net result from operations	8,978	9,192
Income from associates	-	-
Net result before tax	8,978	9,192
Profit tax expense	973	220
Net result after tax	8,005	8,972

Independent Auditor's Report

The accompanying consolidated financial highlights, which comprise the consolidated balance sheet as at December 31, 2015, the consolidated income statement for the year then ended, and related notes, are derived from the audited consolidated financial statements of Orco Bank N.V. for the year ended December 31, 2015. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated March 2, 2016. Those consolidated financial statements, and the consolidated financial highlights, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The consolidated financial highlights do not contain all the disclosures required by International Financial Reporting Standards. Reading the consolidated financial highlights, therefore, is not a substitute for reading the audited consolidated financial statements of Orco Bank N.V.

Management's responsibility for the consolidated financial highlights

Management is responsible for the preparation of the consolidated financial highlights derived from the audited consolidated financial statements in accordance with the Provisions for the Disclosure of Consolidated Financial Highlights of Domestic Banking Institutions, issued by the Central Bank of Curaçao and Sint Maarten ('CBCS').

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial highlights based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, Engagements to Report on Summary Financial Statements.

Opinion

In our opinion, the consolidated financial highlights derived from the audited consolidated financial statements of Orco Bank N.V. for the year ended December 31, 2015 are consistent, in all material respects, with those consolidated financial statements, in accordance with the Provisions for the Disclosure of Consolidated Financial Highlights of Domestic Banking Institutions, issued by the CBCS.

Curaçao, April 22, 2016

KPMG Accountants B.V.
Lindomar L.P. Scoop RA

SPECIFICATION OF ACCOUNTS
(All amounts are expressed in thousands of Antillean Guilders)

	2015 ANG	2014 ANG
Assets		
Investment securities		
Held-to-maturity	66,296	70,721
Financial assets at fair value through profit or loss	6	1,094
Total investments	66,302	71,815
Less allowance for losses	-	-
Net investments	66,302	71,815
Loans and advances to customers		
Retail customers	331,830	334,923
Corporate customers	251,880	267,980
Other	10,310	10,635
Total loans and advances	594,020	613,538
Less: allowance for loan losses	(8,452)	(10,656)
Net Loans and advances	585,568	602,882
Liabilities		
Customers' deposits		
Retail customers	241,783	215,695
Corporate customers	489,840	519,008
Other	14,944	14,308
Total customers' deposits	746,567	749,011

Accounting policies

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.

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.

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 wholly owned subsidiaries have been consolidated as of December 31, 2015: Orco Finance N.V., Orco Bank Onroerend Goed N.V., Flamboyant Onroerend Goed N.V., Jan Noorduynd Onroerend Goed N.V., Orco Bank Investments Holding N.V., Orco Bank Investments B.V., Cerrito Onroerend Goed N.V., Willemsplein Onroerend Goed N.V., Westpunt Onroerend Goed N.V.

Investment securities

The Bank classifies its investment securities in the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss have two subcategories: financial assets held-for-trading and those designated at fair value through profit or loss at inception. An investment security is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by Management. Financial assets carried at fair value through profit or loss are assets that are managed, and the performance of which is evaluated, on a fair value basis in line with the Bank's investment strategy.

Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale. When the Bank sells other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale. On the other hand, if, as a result of a change in intention or ability, it becomes appropriate to reclassify a financial asset other than loans and advances from the category available-for-sale to held-to-maturity, the fair value (carrying amount) of such financial asset on that date becomes its amortized cost. Any previous gain or loss on that asset that has been recognized directly in equity is amortized to profit or loss over the remaining life of the held-to-maturity investment using the effective interest method. Any difference between the new amortized cost and maturity amount is also amortized over the remaining life of the financial asset using the effective interest method.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Investment securities are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the consolidated income statement.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently, in principle, carried at fair value. Held-to-maturity securities are carried at amortized cost, using the straight-line method of amortization. The aforementioned method does not differ materially from the effective interest method. The gains and losses arising from changes in the market value of financial assets at fair value through profit or loss are included in the income statement under net trading

income in the period in which they arise. Unlisted equity securities for which no readily available market exists are valued at net equity value which is Management's best estimate of the fair value of these securities.

Gains and losses arising from changes in fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity is recognized in the consolidated income statement as gains or losses from investment securities.

Regular-way purchases and sales of financial assets of fair value through profit and loss, held-to-maturity and available-for-sale are recognized on trade date - the date on which the Bank commits to purchase or sell the assets.

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.

Loans and advances to customers

Loans and advances are initially recognized at fair value - which is the cash consideration to originate or purchase the loan plus any transactions costs - and measured subsequently at amortized cost using the effective interest method. Loans and advances are reported in the consolidated balance sheet as loans and advances to customers. Interest on loans is included in the consolidated income statement and is reported as 'interest income'. In the case of impairment, the impairment loss is reported as a deduction from carrying value of the loan and recognized in the consolidated income statement as net impairment losses on loans and advances.

A loan is classified as non-accrual when there is reasonable doubt as to the full collection of the loan and / or the unpaid interest. When a loan is classified as non-accrual, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.