

# Consolidated Financial Highlights 2012

Girobank N.V.

## Report of the Managing Board

This past year, we continued the process to shape our culture around customer service rather than around our products. As a result, our products and services are aligned to what matters most to our customers. Our objective is to make banking easier for our customers by providing access to solutions that match their financial goals and lifestyles.

### Customer service

Our customers' success comes first. Our staff turn-up each day committed to exceed customers' expectations. That is our constant focus. An increasing number of our customers bank with us online or through mobile devices. Yet, even today, most customers establish their banking relationships through face-to-face visits at branches. That is why we continue to invest heavily in training for our team members to ensure that we are well prepared to offer the service you deserve. We are also committed to offering more digital access via mobile phones, tablet, and computers to allow customers to choose when, where, and how to conduct their banking business.

### Our economy

Curaçao faced both economic and political challenges since its inception in 2010. Our country is coping with a deficit on the current account balance of payments and budgetary deficits of the government that will require some decisive measures to solve. Considering the declining international reserves and import coverage, the Central Bank of Curaçao and St. Maarten ('CBCS') tightened its monetary policy to contain the extension of consumptive credits and hence impede worsening of the current account deficit. Early 2013, the Government also presented several proposals to the Parliament intended to curtail the (projected) budget deficits of 2011, 2012 and 2013. These projected budget amendments are expected to have an inflationary effect and will further restrict the growth of GDP. On the other hand, should the government succeed in bringing stability and sincerity to the management of public finances, this would have a positive impact on the overall investors' confidence.

Last year, in conversation after conversation we perceived signs of the worries and uncertainty that influenced consumer and business behaviors. There were bright spots, such as the inception of the construction of the ultra-modern facility of the Curaçao Technology Exchange N.V. that reminded us of the potential that our economy still holds. But overall, our customers remained cautious given the lackluster economy, political skirmishing and pending measures to be introduced by the government.

### Financial Highlights

Considering the difficult economic environment described above, we drew inspiration from the quote of the illustrious philosopher, Mahatma Gandhi, 'A man is but the product of his thoughts. What he thinks, he becomes'. It is precisely in times of difficulty that we must persevere and continue to focus on our strategic goals and objectives. The best measure of progress against that goal is revenue growth. In 2012, we grew net operating income 21% to ANG 98 million, net interest income by 17% to ANG 71 million and non-interest income by 31% to ANG 27 million. Despite a difficult economic environment Girobank's overall performance in 2012 was commendable. The Bank grew its net profit after tax by 15% to ANG 27 million. Total assets increased by ANG 281 million or 20%. Loans and advances increased by 34% or ANG 279 million and our loan portfolio broke the barrier of 1 billion guilders. Total customers' deposits grew by ANG 228 million or 19%. The Bank's risk adjusted capital ratio now stands at 13%. These positive results are a direct reflection of our continuous focus on providing first class customer service, innovative products and services, competitive lending rates and compliance to sound risk management principles.

At Girobank, we believe in making expense management a competitive advantage. Our strategy is to grow efficiently in ways that result in products and services that our customers value. This discipline is expressed by our efficiency ratio, which reflects how much we spend in expenses for every guilder of net operating income we earn. In 2012, the Bank's efficiency ratio was 65%, which contends with some of the largest financial institutions of the world. The Bank did not cut expenses to meet this feat. We simply struck a balance between managing expenses wisely and spending on what matters most to our customers. We hired people where we saw opportunities for growth or to strengthen our foundation and reduced expenses where these did not add value for our customers.

### Corporate Social Responsibility

Corporate Social Responsibility is integral to the success of our Bank and its customers, shareholders and the communities we serve. Our community activities are core to our business, as we continually strive to lead by example. From providing manpower to charitable organizations and to providing financial support, we are making every effort to be responsive to our society. Last year, Girobank contributed an unprecedented 5% of its net income after taxes to charitable organizations, but our social involvement extends far beyond mere financial contributions.

### Outlook 2013

We remain optimistic for 2013, although we strongly believe that measures must be taken to improve the investment climate and to incentivize the entrepreneurial spirit. Motivated by yet another quote of Mahatma Gandhi, "You must be the change you wish to see in the world", Girobank intends to launch a new initiative, the *Giro VentureLab*. This initiative aims to fill the void experienced by many entrepreneurs that have great difficulty in gaining access to traditional sources of financing. The Bank's underlying motivation for this initiative is to provide an avenue for prospective entrepreneurs to inspire others with their vision, leadership and achievement, which will result in economic growth and prosperity. The Bank appreciates the value of entrepreneurship and considers the nurturing of entrepreneurs detrimental to the development of economic growth. A fluid private equity market is a driving force that enables entrepreneurs to successfully develop innovations and interesting new business concepts and models. Access to private equity makes an important contribution to sustainable business development, growth, job creation and the greater welfare of society.

This past year's achievements would not have been possible without the talent and commitment of our people. We are fortunate in having an exceptionally passionate and dedicated team at all levels of the organization that are determined to give paramount service to our customers. So, we would like to take this opportunity to thank our team members, our customers and the communities we serve, the Supervisory Board, and our Shareholders for their continued support. Your confidence reminds us of the reason we are so excited to serve customers each day.

Curaçao, April 23, 2013

The Managing Board of Girobank N.V.

Eric L. Garcia

Stephen A. Capella

Richard Rajack

## Explanatory notes to the consolidated financial highlights for the year ended December 31, 2012

### Significant accounting policies

#### General

The principal accounting policies adopted in the preparation of these consolidated financial highlights of Girobank 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 statements have been prepared on a historical cost basis, except for 'available-for-sale' investments and other financial assets and liabilities 'held-for-trading', which have all been measured at fair value. The consolidated financial statements are presented in Netherlands Antilles Guilders (ANG) and all values are rounded to the nearest ANG thousands, except when otherwise indicated. The policies used have been consistently applied by the Bank and are consistent, in all material respects, with those used in previous years. Restatement has been made for pension and other long term employee benefits. For financial statements presentation purposes, certain amounts reported in 2011 were reclassified to remain in conformity with the presentation in 2012. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB).

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of Girobank N.V. and its subsidiaries ('the Bank') for the year ended December 31, 2012. All inter-group balances, income and expenses are eliminated in preparing the consolidated financial statements.

#### Financial Instruments – initial recognition and measurement

All financial assets and liabilities are initially recognized on the settlement date at fair value, plus transaction costs, except for financial assets or financial liabilities at fair value through profit or loss, which are recognized at fair value.

#### Determination of fair value

The fair value for financial instruments traded in active markets at December 31, 2012 is based on their quoted market price or dealer price quotations. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.

#### Financial assets or financial liabilities 'held-for-trading'

Financial assets or financial liabilities 'held-for-trading' are recorded in the consolidated statement of financial position at fair value. Subsequent changes in fair value are recognized in 'net trading income'.

#### 'Available-for-sale' financial investments

'Available-for-sale' investments are non-derivative investments that are intended to be held for an indefinite period of time. Subsequent changes in fair value are recorded in "other comprehensive income" in the consolidated statement of comprehensive income. A financial asset or a group of financial assets is deemed to be impaired only if there is objective evidence that the Bank will not be able to collect all amounts due in accordance with the original contractual terms. The amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income.

#### 'Loans and advances to customers'

'Loans and advances to customers' include non-derivative financial assets with fixed or determinable payments. 'Loans and advances to customers' are measured at amortized cost using the EIR, less allowance for impairment. The amortization is included in 'Interest and similar income' in the consolidated statement of income. The Bank assesses whether there is objective evidence of impairment based on the same criteria as 'available-for-sale' financial investments. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate and is recorded through an allowance account.

## Consolidated statement of financial position as of December 31, 2012

(All amounts expressed in thousands of Netherlands Antillean Guilders)

	2012 ANG	2011 ANG
<b>Assets</b>		
Cash and due from banks	344,766	323,942
Investment securities	209,369	242,828
Loans and advances to customers	1,096,280	816,963
Customers' liability under acceptances	30,282	23,047
Bank premises and equipment	9,005	9,895
Intangible assets	4,632	3,329
Deferred tax assets	780	-
Other assets	8,358	6,674
Non-current assets held-for-sale	4,475	-
<b>Total assets</b>	<b>1,707,947</b>	<b>1,426,678</b>
<b>Liabilities and equity</b>		
Customers' deposits	1,445,953	1,217,574
Due to other banks	35,255	18,447
Acceptances outstanding	30,282	23,047
Profit tax payable	559	971
Deferred tax liability	8,123	11,209
Provisions	2,067	-
Other liabilities	19,013	16,490
<b>Total liabilities</b>	<b>1,541,252</b>	<b>1,287,738</b>
<b>Equity</b>		
Issued capital	46,500	46,500
Other reserves	55,933	49,229
Retained earnings	64,262	43,211
<b>Total equity</b>	<b>166,695</b>	<b>138,940</b>
<b>Total liabilities and equity</b>	<b>1,707,947</b>	<b>1,426,678</b>

## Consolidated statement of income for the year ended December 31, 2012

(All amounts expressed in thousands of Netherlands Antillean Guilders)

	2012 ANG	2011 ANG
<b>Income</b>		
Interest income	86,356	74,791
Interest expense	(15,187)	(14,095)
<b>Net interest income</b>	<b>71,169</b>	<b>60,696</b>
Fee and commission income	9,341	12,202
Net trading income	6,989	5,587
Other operating income	10,506	2,624
<b>Operating income</b>	<b>98,005</b>	<b>81,109</b>
<b>Expenses</b>		
Salaries and other employee expenses	24,119	19,648
Occupancy expenses	10,992	9,837
Net impairment losses on loans and advances	20,981	14,375
Other operating expenses	15,344	13,240
<b>Operating expenses</b>	<b>71,436</b>	<b>57,100</b>
<b>Net result before tax</b>	<b>26,569</b>	<b>24,009</b>
Profit tax expenses	(287)	600
<b>Net result after tax</b>	<b>26,856</b>	<b>23,409</b>

### Specification of accounts

(All amounts expressed in thousands of Netherlands Antillean Guilders)

	2012 ANG	2011 ANG
<b>I. Assets</b>		
<b>Investment securities</b>		
Securities available-for-sale	199,073	231,795
Financial assets held-for-trading	10,296	11,033
<b>Total investment securities</b>	<b>209,369</b>	<b>242,828</b>
<b>Loans and Advances to customers</b>		
Corporate customers	1,026,535	770,649
Retail customers	129,788	86,255
<b>Gross loans and advances to customers</b>	<b>1,156,323</b>	<b>856,904</b>
Less: allowance for loan impairment	(60,043)	(39,941)
<b>Net loans and advances to customers</b>	<b>1,096,280</b>	<b>816,963</b>
<b>II. Liabilities</b>		
<b>Customers' deposits</b>		
Corporate customers	1,240,125	1,000,967
Retail customers	205,828	216,607
<b>Total customers' deposits</b>	<b>1,445,953</b>	<b>1,217,574</b>

## REPORT OF THE INDEPENDENT AUDITOR ON THE CONSOLIDATED FINANCIAL HIGHLIGHTS

To the Shareholders, Board of Supervisory Directors and Managing Board of Girobank N.V.

The accompanying consolidated financial highlights, which comprise the consolidated statement of financial position as at December 31, 2012, the consolidated statement of income for the year then ended, and related notes, are derived from the audited consolidated financial statements of Girobank N.V. for the year ended December 31, 2012. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated April 23, 2013.

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 Girobank N.V.

### Management's Responsibility for the Consolidated Financial Highlights

Management is responsible for the preparation of the consolidated financial highlights 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").

### 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 Girobank N.V. for the year ended December 31, 2012 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, as set by CBCS.

Curaçao, April 23, 2013  
for Ernst & Young Accountants

E.R. Stadius van Eps CPA