

# Consolidated Financial Highlights 2011

Girobank N.V.

## Report of the Managing Board

**"To live is to choose. But to choose well, you must know who you are, what you stand for, where you want to go and why you want to get there."** This quote by the former Secretary-General of the United Nations, Mr. Kofi Annan, accurately reflects Girobank's vision. One of our primary objectives has always been to assist our customers in achieving financial success. This is demonstrated by our Bank's commitment to actively promote savings and discourage frivolous consumer spending. In the short term, this approach certainly affects the growth of our consumer loan portfolio, but in the long term it contributes to sustainable economic growth. It is our commitment to safeguard the financial soundness of our clients in particular and that of our community in general. This "against the grain" attitude towards traditional banking earned the Bank a reputation as a solid business partner and a responsible corporate citizen. During the year, we welcomed an additional member to the managing board. Richard Rajack joined the Bank in April 2011 as its Managing Director and Chief Commercial Officer. His appointment further strengthened the Bank's Managing Board and organizational structure. We are confident that the year 2012 will bring new successes and challenges, but our direction is clear. We will continue to focus intently on providing our customers the optimal customer experience, innovative services, support community development programs and contribute to overall socio-economic development.

### Innovation

We believe that innovation is the means to facilitate the demanding lives of our customers. It is therefore a key element of our vision and business model. Following the successful launch of the first mobile banking service in the Dutch Caribbean, Girobank continued to invest in technology to meet and exceed our customers' expectations. The year 2011 was not an exception in this respect. In 2011, we focused on the development of a new core banking system, a new internet banking site and a new mobile banking platform.

Early in 2012, we concluded the implementation process of the new core banking system that allows us to introduce a wide array of new services in 2012 and the years to come. As with any IT implementation, ours also had its challenges. Following the implementation, we focused on rapidly remediating the issues experienced by customers in order to enable them to benefit from the many advantages offered by the new systems. We are committed to earn your trust, actively listen to your concerns, admitting mistakes when we make them, and more importantly, making things right for our customers as quickly as we can. The customer is always at the center of every decision we make. We interact with people and businesses countless times a year. Every single interaction is vital to each customer so it is vital to us. Our focus is to continuously improve customer experience. When the customer is at the core of everything we do, we strengthen relationships and we create more opportunities for the Bank, our customers, our team, our shareholders and the community at large. We will never be perfect, because no company is. However, smart companies learn from their mistakes, apologize for them, fix them fast and provide the customer with the solution they deserve. That is our commitment to you.

### Our economy

The year 2011 was the first full year of doing business in the restructured Dutch Kingdom. The government debt relief program that was negotiated with the Netherlands as part of this process resulted in a significant reduction of the public debt to GDP ratio, and an overall decline of local interest rates. This provides a unique opportunity to apply the projected budget surplus towards investments in physical infrastructure, improvements of the educational system and to initiate socio-economic projects. This would have to go hand-in-hand with tax reform, the elimination of bureaucratic red-tape, implementation of measures to improve the investment climate, control of health care spending and reform of the social security system. Although headway has been made in some of the aforementioned areas, it is still insufficient to sustain real GDP growth. Curaçao posted a GDP growth of 0.2% in 2011, combined with an inflation rate of 2.3%. Real GDP is projected to contract with 0.5% in 2012 as a result of pressures of the global economy. Thus, 2012 will mark the fourth consecutive year of either minimal economic growth or contraction of GDP. An inflation rate of 3.8% is expected for 2012, but even more worrisome is the fact that the unemployment rate is expected to remain around the 10% mark. Our local economy will continue to be influenced by developments in the U.S. and other global economies. The aftermath of the European Union sovereign debt crisis, escalation of the crisis in the Middle East, large budget imbalances in key developed nations, and the implementation of global financial reform will also continue to be of influence.

### Financial highlights 2011

The results of 2011 were outstanding. The Bank's total assets increased by ANG 191 million or 16%. Total loans and advances increased by ANG 301 million, up 58%. The increase of the loan portfolio came mainly from corporate loans that posted a net growth of ANG 278 million or 60%. During the year, our customers entrusted us with even more of their deposits. Total customers' deposits grew by ANG 245 million or 25%. In 2011, the Bank grew its shareholders' equity by ANG 21 million. Consequently, the Bank's risk adjusted Tier 1 capital ratio remains robust at 9.8%. The Bank achieved a net income before taxes of ANG 24 million, up 47%. This represents an increase of ANG 8 million over our 2010 results. This outstanding result is due to an increase of net interest income of ANG 12 million (25%) and an increase of fees and commissions of ANG 4 million. As a result, net operating income increased by ANG 17 million; an increase of 27%.

Operating expenses, excluding net impairment losses on loans and advances, increased by 9% to ANG 41 million, mainly due to an increase of personnel expenses. The increase of personnel expenses reflects our commitment to attract the best and continuously train our staff to provide excellent customer service.

Overall, the Bank has achieved a commendable performance in 2011 and we wish to express our appreciation to our customers, for making us their Bank of choice and to our entire staff that has worked as a team, without whose efforts and dedication, these results would not have been achieved.

### Expectations 2012

The Central Bank of Curaçao and St. Maarten recently introduced measures to temporarily contain the extension of consumptive credits in an effort to contain the worsening of the deficit on the current account balance. This makes it even more imperative for the Bank to focus its attention on cross-selling opportunities. To that end, the Bank will be introducing innovative services that are sure to capture the customers' attention. We also believe in making expense management a competitive advantage. This not necessarily by cutting costs, but just making sure that we operate efficiently and that we spend money on what really matters to our customers. We will also continue to focus on the management of our human capital, because it is the creativity, work ethic and service mindedness of our team that have allowed our Bank to grow and prosper. We are also grateful to our customers who entrust us with their business and to our Shareholders and Board of Supervisory Directors for their continued support. We are confident that the resourcefulness of our fellow citizens will allow our island to withstand all challenges that lay ahead, and that together we will seize the opportunities.

Curaçao, April 10, 2012

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, 2011

### 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. For financial statements presentation purposes, certain amounts reported in 2010 were reclassified to remain in conformity with the presentation in 2011. 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, 2011. 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, 2011 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, 2011

(All amounts expressed in thousands of Netherlands Antillean Guilders)

	2011 ANG	2010 ANG
<b>Assets</b>		
Cash and due from other banks	323,942	286,201
Investment securities	242,828	370,750
Loans and advances to customers	816,963	515,643
Intangible assets	3,329	1,705
Bank premises and equipment	9,895	10,542
Customers' liability under acceptances	23,047	41,962
Other assets	6,674	8,773
<b>Total assets</b>	<b>1,426,678</b>	<b>1,235,576</b>

### Liabilities and equity

Customers' deposits	1,217,574	972,570
Due to other banks	18,447	58,180
Acceptances outstanding	23,047	41,962
Profit tax payable	971	367
Deferred tax liabilities	11,209	10,449
Other liabilities	16,490	34,067
<b>Total liabilities</b>	<b>1,287,738</b>	<b>1,117,595</b>

### Equity

Issued capital	46,500	46,500
Other reserves	49,229	39,752
Retained earnings	43,211	31,729
<b>Total equity</b>	<b>138,940</b>	<b>117,981</b>
<b>Total liabilities and equity</b>	<b>1,426,678</b>	<b>1,235,576</b>

## Consolidated statement of income for the year ended December 31, 2011

(All amounts expressed in thousands of Netherlands Antillean Guilders)

	2011 ANG	2010 ANG
<b>Income</b>		
Interest income	74,791	61,257
Interest expense	(14,095)	(12,641)
<b>Net interest income</b>	<b>60,696</b>	<b>48,616</b>
Fee and commission income	12,202	8,592
Net trading income	5,559	3,551
Net gains from investment securities	1,049	2,114
<b>Operating income</b>	<b>79,506</b>	<b>62,873</b>
<b>Expenses</b>		
Salaries and other employee expenses	19,648	17,466
Occupancy expenses	9,837	8,759
Net impairment losses on loans and advances	14,375	8,941
Other operating expenses	11,637	11,416
<b>Operating expenses</b>	<b>55,497</b>	<b>46,582</b>
<b>Net result before tax</b>	<b>24,009</b>	<b>16,291</b>
Profit tax expenses	600	363
<b>Net result after tax</b>	<b>23,409</b>	<b>15,928</b>

### Specification of accounts

(All amounts expressed in thousands of Netherlands Antillean Guilders)

#### I. Assets

	2011 ANG	2010 ANG
<b>Investment securities</b>		
Securities available-for-sale	231,795	339,613
Financial assets held-for-trading	11,033	31,137
<b>Total investment securities</b>	<b>242,828</b>	<b>370,750</b>

#### Loans and advances to customers

Corporate customers	739,195	462,016
Retail customers	86,255	70,964
Other	31,454	11,140
<b>Gross loans and advances to customers</b>	<b>856,904</b>	<b>544,120</b>
Less allowance for loan impairment	(39,941)	(28,477)
<b>Net loans and advances to customers</b>	<b>816,963</b>	<b>515,643</b>

#### II. Liabilities

##### Customers' deposits

Corporate customers	712,232	525,890
Retail customers	216,607	203,109
Other	288,735	243,571
<b>Total customers' deposits</b>	<b>1,217,574</b>	<b>972,570</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 of December 31, 2011, 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, 2011. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated April 10, 2012.

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, 2011 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 10, 2012  
for Ernst & Young Accountants

E.R. Status van Eps CPA