

## MANAGEMENT REPORT

### OUR COUNTRY, ECONOMY AND COMMUNITY

2017 will be remembered as the year when St. Maarten was devastated by the one of the most powerful hurricanes in history to pass through the Caribbean. Hurricane Irma's winds topped speeds of over 295 kilometers per hour, and by some estimates, damaged over 70% of the island's infrastructure, 85% of private and public property and caused losses and damages in excess of US \$1.5 billion.

Up until the second quarter of 2017, St. Maarten's economy was on a growth path. Sectors such as construction, hotel and restaurant, transportation and real estate were experiencing growth. However, the damage to major arteries of the island's economy such as the airport and sea-port, along with damage to many commercial and public properties, resulted in the economy and real GDP contracting by 4% in 2017. This represented a retreat in economic growth when compared with 2016, when the economy grew by 0.1%.

Due to the significant loss of revenue by the government, the surplus of NAF 65 million on the budget as at the end of the second quarter, quickly turned into a large deficit of approximately NAF 150 million by year end. Some budgetary support (Euro 40 million) was provided by the Dutch government to cover a part of the budget deficit. In the meantime, The Netherlands has also promised reconstruction funds of Euro 550 million, with a trust fund being set up to manage these funds under the auspices of the World Bank.

Throughout 2017, WIB continued its commitment to give back to the communities in which it operates and during 2017 made donations and sponsorships totaling approximately NAF 140,000. In the aftermath of hurricane Irma, we provided our many clients with various concessions aimed at assisting them during this difficult time. This included waiving all interest on personal loans for a period of 6 months while also not requiring them to make any loans payments during this time if they were not in a position to do so. Although this interest waiver concession resulted in the Bank foregoing NAF 4.5 million in income, we felt the need to assist our community with such an initiative. WIB also entered a partnership with The St. Maarten Development Fund, whereby the Bank agreed to allow this organization to manage a portion of its social responsibility budget to support the many worthy causes within our communities. We were also pleased with our continuation as one of the main sponsors of the annual Heineken Regatta and Golden Rock Regatta of St. Eustatius, which bring several tourists to St. Maarten & St. Eustatius yearly, thereby contributing to the economies of these islands.

### OUR BANK

#### Financial Highlights:

These combined highlights are for The Windward Islands Bank Ltd. and The Windward Islands Bank International N.V. (together "WIB").

#### Balance Sheet:

WIB's total assets increased by 22% moving from NAF 1.296 billion to NAF 1.580 billion, underscoring the strength of the Bank. Total net loans and advances were NAF 547 million as at fiscal year-end, decreasing by 4% during the year.

The low interest rate environment remained in 2017. However, our deposit portfolio grew by NAF 132 million, which represented an increase of 11%. Total customer deposits now stand at NAF 1.303 billion. We continue to apply a policy to provide prudent interest compensation on time deposits and on saving accounts.

#### Income Statement:

Total operating income of NAF 66.1 million increased by 1.8% when compared with the previous fiscal year 2016. Net income after taxes of NAF 4.4 million was down by 68.8% or NAF 9.7 million. This decline was due primarily to the significant increase in loan loss provisions, as the potential impact of the hurricane on the loan portfolio has to be recognized in the current fiscal year.

### THE FUTURE

The Central Bank of Curaçao and St. Maarten advised that the outlook for St. Maarten in 2018 will be negative, with the economy expected to contract by 9.1%. While there will be growth in domestic demand, primarily in the construction and real estate sectors, this will be off-set by the higher decline in foreign demand from tourism and tourism related sectors and export activities.

Throughout 2018, we will continue in our efforts to be more efficient and introduce new systems and products for our clients. We expect to open a new branch in Bush Road, which will be cutting edge, more spacious and providing the secured environment you have become accustomed to at WIB. We also expect to complete repairs to our head office and other locations damaged by the hurricane along with the renovations of our St. Eustatius branch.

In summary, 2018 will be a challenging year for the Bank. However we anticipate and look forward to a much better performance in the coming year.

We thank our clients, staff, shareholders and the Management of the Maduro & Curiel's Bank Group for placing their confidence in us. Together we can face all challenges ahead.

Derek A. Downes  
General Managing Director  
April 25, 2018

## Combined Financial Highlights

### Combined balance sheet of The Windward Islands Bank Ltd. and The Windward Islands Bank International N.V. as at December 31, 2017

(All amounts are expressed in thousands of Antillean Guilders)

	2017	2016
<b>ASSETS</b>		
Cash and due from banks	214,692	149,734
Due from affiliates	749,782	498,012
Investment securities	31,273	32,306
Loans and advances to customers	546,642	570,620
Bank premises and equipment	28,831	29,516
Deferred tax asset	506	425
Other assets	7,924	15,201
<b>Total assets</b>	<b>1,579,650</b>	<b>1,295,814</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Customers' deposits	1,303,023	1,170,813
Due to other banks	2,661	5,796
Due to affiliates	255	546
Accrued interest payable	697	2,147
Profit tax payable	1,256	4,726
Deferred tax liability	9,789	10,352
Provisions	9,817	11,532
Other liabilities	20,011	13,688
	1,347,506	1,219,600
<b>EQUITY</b>		
Issued capital	158,870	8,870
Other reserves	24,679	24,679
Retained earnings	48,595	42,665
	232,144	76,214
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,579,650</b>	<b>1,295,814</b>

### Combined income statement of The Windward Islands Bank Ltd. and The Windward Islands Bank International N.V. as at December 31, 2017

(All amounts are expressed in thousands of Antillean Guilders)

	2017	2016
Interest income	43,222	41,702
Interest expense	1,223	1,646
<b>Net interest income</b>	<b>41,999</b>	<b>40,056</b>
Fee and commission income	28,919	31,444
Fee and commission expenses	13,365	14,423
<b>Net fee and commission income</b>	<b>15,554</b>	<b>17,021</b>
Income from foreign exchange transactions	7,711	7,870
Gains from sold assets	858	-
<b>Operating income</b>	<b>66,122</b>	<b>64,947</b>
Salaries and other employee expenses	23,315	24,685
Net impairment on loans and advances	15,865	2,592
Other operating expenses	21,936	19,284
<b>Operating expenses</b>	<b>61,116</b>	<b>46,561</b>
<b>Net result before tax</b>	<b>5,006</b>	<b>18,386</b>
Profit tax	601	4,278
<b>NET RESULT AFTER TAX</b>	<b>4,405</b>	<b>14,108</b>

### Explanatory notes to the combined financial highlights as at December 31, 2017

#### A) Accounting policies

##### 1. GENERAL

The principal accounting policies adopted in the preparation of the combined financial statements of The Windward Islands Bank Ltd. and The Windward Islands Bank International N.V. (together the "Bank") are set out below. These explanatory notes are an extract of the detailed notes included in the financial statements and are consistent in all material respects with those from which they have been derived.

##### 2. BASIS OF PREPARATION

The financial statements, from which the combined 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 ("NAF") and are rounded to the nearest thousand.

The 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 COMBINATION

The following entities have been combined as of December 31, 2017:

- The Windward Islands Bank Ltd.
- The Windward Islands Bank International N.V.

##### 4. INVESTMENT SECURITIES

The Bank classifies its investment securities as held-to-maturity. Investment securities with fixed maturities where management has both the intent and ability to hold to maturity are classified as held-to-maturity. Held-to-maturity securities are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest method.

##### 5. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances are initially recognized at fair value and subsequently carried at amortized cost, less an allowance for impairment ("allowance"). Corporate loans and mortgage loans are classified as impaired if there is objective evidence that the Bank will not be able to collect all amounts due according to the original contractual loan terms. Personal loans and credit card advances are impaired as a group. A collective component of the total allowance is established for groups of homogeneous loans that are not considered individually significant. Incurred But Not Reported

(IBNR) impairment losses are recognized for credit exposures in the performing portfolio. Next to the assessment for individually significant loans, a specific model was developed by the Bank to collectively assess estimated losses resulting from Hurricane Irma (September 2017) that may have occurred however have not been identified. The model is based on assumptions with respect to the probability of default, the valuation of collateral and the impact of macro-economic developments.

#### B) Specification of accounts

(All amounts are expressed in thousands of Antillean Guilders)

	2017	2016
<b>I ASSETS</b>		
<b>Investment securities</b>		
Held-to-Maturity	31,273	32,306
<b>Total investment securities</b>	<b>31,273</b>	<b>32,306</b>
<b>Loans and advances to customers</b>		
Retail customers	254,553	254,838
Corporate customers	292,952	309,963
Public sector	15,881	9,215
Other	4,540	5,174
<b>Gross loans and advances to customers</b>	<b>567,926</b>	<b>579,190</b>
Less: allowance for loan impairment	(21,284)	(8,570)
<b>Net loans and advances to customers</b>	<b>546,642</b>	<b>570,620</b>
<b>II LIABILITIES</b>		
<b>Customers' deposits</b>		
Retail customers	532,063	461,297
Corporate customers	519,911	415,560
Other	251,049	293,956
<b>Total customers' deposits</b>	<b>1,303,023</b>	<b>1,170,813</b>

### Independent auditor's report on the combined financial highlights

To the Board of Directors and Shareholders of The Windward Islands Bank Ltd. and The Windward Islands Bank International N.V.

#### Opinion

The combined financial highlights, which comprise the combined balance sheet as at December 31, 2017, the combined income statement for the year then ended, and related notes, are derived from the audited financial statements of The Windward Islands Bank Ltd. and The Windward Islands Bank International N.V. (together the "Banks") for the year ended December 31, 2017.

In our opinion, the accompanying combined financial highlights are consistent, in all material respects, with the audited financial statements of the Banks, in accordance with the Provisions for the Disclosure of Consolidated Financial Highlights of Domestic Banking Institutions, issued by the Central Bank of Curaçao and St. Maarten ("CBCS").

#### Combined financial highlights

The combined financial highlights do not contain all the disclosures required by International Financial Reporting Standards. Reading the combined financial highlights, and our report thereon, therefore, is not a substitute for reading the audited financial statements of the Banks and our report thereon.

#### The audited financial statements and our report thereon

We expressed unmodified audit opinions on the financial statements of the Banks in our reports dated April 25, 2018.

#### Management's Responsibility for the combined financial highlights

Management is responsible for the preparation of the combined financial highlights in accordance with the Provisions for the Disclosure of Consolidated Financial Highlights of Domestic Banking Institutions, issued by the CBCS.

#### Auditor's Responsibility

Our responsibility is to express an opinion on whether the combined financial highlights are consistent, in all material respects, with the audited financial statements of The Windward Islands Bank Ltd. and The Windward Islands Bank International N.V. based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), "Engagements to Report on Summary Financial Statements".

#### Other information

Management is responsible for the preparation of the other information, which comprises the Management's Report. We have read the Management's Report and, in doing so, considered whether the report is materially inconsistent with the audited financial statements, as required by article 121 sub 3 Book 2 of the Civil Code of St. Maarten. We have nothing to report in this regard.

Curaçao,  
April 25, 2018

KPMG Accountants B.V.

R.J. Liedenaum RA