Combined Financial Highlights

WIB
WINDWARD ISLANDS BANK

Combined balance sheet of The Windward Islands Bank Ltd. and The Windward Islands Bank International N.V. as at December 31, 2019

(All amounts are expressed in thousands of Antillean Guilders)	2019	2018
ASSETS		
Cash and due from banks	245,943	104,053
Due from affiliates	843,822	698,721
Investment securities	27,923	244,094
Loans and advances to customers	548,978	543,386
Bank premises and equipment	34,978	31,227
Deferred tax asset	704	634
Other assets	13,680	9,640
TOTAL ASSETS	1,716,028	1,631,755
LIABILITIES AND EQUITY		
Liabilities		
Customers' deposits	1,401,172	1,340,738
Due to other banks	2,175	2,940
Lease Liabily	5,704	-
Due to affiliates	232	134
Profit tax payable	3,431	6,468
Deferred tax liability	6,922	8,123
Provisions	16,245	13,873
Other liabilities	59,250	14,488
	1,495,131	1,386,764
Equity		
Issued capital	156,794	158,870
Other reserves	24,679	24,679
Retained earnings	39,424	61,442
	220,897	244,991
TOTAL LIABILITIES AND EQUITY	1,716,028	1,631,755

Combined income statement of The Windward Islands Bank Ltd. and The Windward Islands Bank International N.V. as at December 31, 2019

(All amounts are expressed in thousands of Antillean Guilders)	2019	2018
Interest income	46,883	43,528
Interest expense	2,389	1,792
Net interest income	**44,494**	**41,736**
Fee and commission income	35,181	29,680
Fee and commission expenses	15,909	12,667
Net fee and commission income	**19,272**	**17,013**
Income from foreign exchange transactions	8,930	10,015
Operating income	**72,696**	**68,764**
Salaries and other employee expenses	24,793	24,500
Occupancy expenses	5,071	5,358
Credit loss expenses on financial assets	(3,365)	(726)
Other operating expenses	21,456	17,181
Operating expenses	**47,955**	**46,313**
Net result before tax	**24,741**	**22,451**
Profit tax	3,431	5,242
NET RESULT AFTER TAX	21,310	17,209

2019 Management Report

Our Country, Economy and Community

During 2019, the country continued the rebuilding of the island, with post-Irma construction nearing its conclusion. While not all major hotels were yet restored or rebuilt, some reopened, and coupled with the partial restoration of the Princess Juliana International Airport, these supported the rebounding of the island's stay-over tourism product and increase in visitors from traditional tourism markets, particularly North and South America. Unfortunately, cruise tourism did not fare as well as stay-over tourism, recording a decline when compared with the previous year. This decline resulted mainly from increased competition from other Caribbean islands and the redeployment of ships by major cruise lines.

Overall during the year, St. Maarten's economy recorded growth, with Gross Domestic Product (GDP) growth being recorded at 5.6% as at the end of the 3rd quarter of 2019, which was in contrast to the 4.7% decline experienced in the same period in 2018. The aforementioned sharp increase in stay-over tourism contributed mostly to the GDP growth. Other sectors in the economy performed as well. These included the restaurants, manufacturing, wholesale and retail trade, real estate and renting sectors. Positively, inflation remained stable, only increasing by 0.1% during the year and unemployment declined, as many more businesses reopened in 2019.

Our Bank

We opened the year by celebrating the 25th anniversary of the opening of our St. Eustatius branch followed closely by the opening of our new digital banking branch in Bush Road, St. Maarten in February 2019. This state of the art branch offers all the comforts of digital banking, while maintaining many aspects of traditional banking. We also continued the process we started a few years ago to increase efficiency, reduce costs and improve customer service, by centralizing certain activities and tasks either locally or with our parent company MCB. Our Compliance focus remained steadfast as we make more progress with the file remediation project restarted in 2018.

WIB also continued its commitment to give back to the communities in which it operates and during the year made several donations and sponsorships. Our 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, continued. Projects and/or charitable causes undertaken via this partnership included support for an open door feeding program, sponsorship of a foster home's after school tuition program and providing access to various extracurricular activities, such as dance, soccer and swimming, to name a few.

Our further support continued as one of the main sponsors of the annual St. Maarten Heineken Regatta and Golden Rock Regatta of St. Eustatius, which brought several tourists to St. Maarten & St. Eustatius yearly, thereby contributing to the economies of these islands.

Financial Highlights

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

2019 was another good year for our Bank, as we built on the strong performance from the prior year.

Balance Sheet

WIB's total assets increased by 5.2% moving from NAF 1.63 billion to NAF 1.71 billion, underscoring the strength of the Bank. Total Net Loans and Advances were NAF 549 million as at fiscal year-end grew slightly by 1% when compared to the prior year.

The low interest rate environment remained in 2019. However, our deposit portfolio grew by NAF 60 million, which represented an increase of 4.5%. Total customer deposits now stand at NAF 1.4 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 72.7 million increased by NAF 3.9 million or 5.7% when compared with the previous fiscal year 2018, due to increases in net interest income and net commission income. Foreign exchange income declined by NAF 1.1 million or 10.8% when compared to 2018, as the reconstruction activities requiring imports reduced. Total operating expenses increased by NAF 1.6 million or 3.5% during the fiscal year, as higher Parent Company charges were paid for services rendered. Net income after taxes of NAF 21.3 million was up by 23.8% when compared to fiscal 2018.

The Future

Our Bank will continue with its effort to improve customer service, reduce costs and strengthen corporate governance and compliance.

Derek A. Downes
General Managing Director

April 30, 2020

Explanatory notes to the Combined Financial Highlights as at December 31, 2019

A. ACCOUNTING POLICIES

1. GENERAL

The principal accounting policies adopted in the preparation of the Combined Financial Highlights of The Windward Islands Bank Ltd and The Windward Islands Bank International N.V. (together the 'Banks') are set out below. These explanatory notes are an extract of the detailed notes included in the financial statements of the Banks 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 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.

The statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss, and financial assets that are measured at amortized cost. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

In 2019 the Banks adopted IFRS16 Lease contracts.

3. BASIS OF COMBINATION

The following companies have been combined as at December 31, 2019:
- The Windward Islands Bank Ltd.
- The Windward Islands Bank International N.V.

4. CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS

Classification and subsequent measurement of the financial assets depend on:
(i) the Banks' business model for managing the asset; and
(ii) the cash flow characteristics of the asset.

Based on these factors, the Banks classify their debt instruments into one of the following two 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 Fair Value Through Profit or Loss (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 profit or loss ("FVTPL"):
Assets that do not meet the criteria for amortized cost are measured at fair value through profit or loss. These assets are unquoted equity securities that are not held for trading purposes. A gain or loss on such an equity investment is subsequently measured at fair value through profit or loss. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Business model assessment
The business model reflects how the Banks manage the assets in order to generate cash flows. That is, whether the Banks' objective is solely to collect the contractual cash flows from the assets. If this condition is not applicable (unlisted equity securities), 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, the Banks assess whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Banks consider 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 FVTPL.

Derecognition of financial assets
The Banks sometimes renegotiate or otherwise modify the contractual cash flows of loans to customers. When this happens, the Banks assess whether or not the new terms are substantially different to the original terms. If the terms are substantially different, the Banks derecognize the original financial asset and recognize a 'new' asset 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.

Expected credit loss principles
Based on IFRS 9 the financial assets and loan commitments ('financial assets') are grouped into Stage 1, Stage 2 and Stage 3 as described below:
- Stage 1: When financial assets are first recognized, the Banks recognize an allowance based on twelve months' ECLs. Stage 1 financial assets also include facilities where the credit risk has improved and the financial asset has been reclassified from Stage 2.
- Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Banks record an allowance for these Lifetime ECLs. Stage 2 financial assets also include facilities, where the credit risk has improved and the financial asset has been reclassified from Stage 3.
- Stage 3: Financial assets considered credit-impaired and the Banks record an allowance for these Lifetime ECLs.

Calculation of Expected credit losses
The key elements of the ECL calculations are as follows:
- The Probability of Default (PD) 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.
- The Exposure at Default (EAD) 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.
- The Loss Given Default (LGD) 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 expressed as a percentage of the EAD.

In their ECL models, the Banks rely 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.

B. SPECIFICATION OF ACCOUNTS

(All amounts are expressed in thousands of Antillean Guilders)	2019	2018
I ASSETS		
Investment securities		
Debt securities at amortized cost	28,307	243,834
Accrued interest receivable on debt securities	185	838
Less: loss allowance for expected credit losses	(569)	(578)
TOTAL INVESTMENT SECURITIES	27,923	244,094
Loans and advances to customers		
Retail customers	216,730	212,609
Corporate customers	295,887	303,237
Public sector	47,211	41,636
Other	2,689	3,683
Gross loans and advances to customers	**562,517**	**561,165**
Accrued interest receivable on loans and advances	1,251	1,353
Less: loss allowance for expected credit losses	(14,790)	(19,132)
NET LOANS AND ADVANCES TO CUSTOMERS	548,978	543,386
II LIABILITIES		
Customers' deposits		
Retail customers	521,858	552,097
Corporate customers	524,820	525,714
Other	353,802	262,232
	1,400,480	1,340,043
Accrued interest payable	692	695
TOTAL CUSTOMERS' DEPOSITS	1,401,172	1,340,738

Independent auditor's report on the audit of the combined financial highlights

Opinion

The accompanying combined financial highlights, which comprise the combined balance sheet as at 31 December 2019 and 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 31 December 2019.

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, as set by the Central Bank of Curaçao and Sint Maarten ("CBCS").

Combined financial highlights

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

The audited financial statements and our auditor's reports thereon

We expressed unmodified audit opinions on the financial statements 2019 of the Banks in our auditor's reports dated 17 March 2020.

Other Information

Other information consists of the Management's Report. Management is responsible for the other information. Our opinions on the financial statements of the Banks do not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audits of the financial statements of the Banks, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated, as is required by article 121 sub 3 Book 2 of the Civil Code of Sint Maarten. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the combined financial highlights

Management is responsible for the preparation of the accompanying combined 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 combined financial highlights are consistent, in all material respects, with the audited financial statements of the Banks 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, 29 April, 2020
for Ernst & Young Accountants

drs. R.J.W. van Nimwegen RA