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, 2020

(All amounts are expressed in thousands of Antillean Guilders)	2020	2019
ASSETS		
Cash and due from banks	161,685	245,943
Due from affiliates	892,031	843,822
Investment securities	99,138	27,923
Loans and advances to customers	570,548	548,978
Bank premises and equipment	32,613	34,978
Deferred tax asset	722	704
Other assets	6,758	13,680
TOTAL ASSETS	1,763,495	1,716,028
LIABILITIES AND EQUITY		
Liabilities		
Customers' deposits	1,495,325	1,401,172
Due to other banks	626	2,175
Lease Liabily	5,423	5,704
Due to affiliates	331	232
Profit tax payable	3,599	3,431
Deferred tax liability	3,769	6,922
Provisions	17,706	16,245
Other liabilities	13,525	59,250
	1,540,304	1,495,131
Equity		
Issued capital	156,794	156,794
Other reserves	24,679	24,679
Retained earnings	41,718	39,424
	223,191	220,897
TOTAL LIABILITIES AND EQUITY	1,763,495	1,716,028

Combined income statement of The Windward Islands Bank Ltd. and The Windward Islands Bank International N.V. as at December 31, 2020

(All amounts are expressed in thousands of Antillean Guilders)	2020	2019
Interest income	38,774	46,883
Interest expense	2,500	2,389
Net interest income	36,274	44,494
Fee and commission income	25,808	35,181
Fee and commission expenses	11,919	15,909
Net fee and commission income	13,889	19,272
Income from foreign exchange transactions	9,014	8,930
Operating income	59,177	72,696
Salaries and other employee expenses	23,033	24,793
Occupancy expenses	5,366	5,071
Credit loss expenses on financial assets and contingent liabilities	11,101	(3,365)
Other operating expenses	16,955	21,456
Operating expenses	56,455	47,955
Net result before tax	2,722	24,741
Profit tax	943	3,431
NET RESULT AFTER TAX	1,779	21,310

Explanatory notes to the Combined Financial Highlights as at December 31, 2020

A. ACCOUNTING POLICIES

1. GENERAL

The principal accounting policies adopted in the preparation of the Combined Financial Highlights of The Windward Islands Bank N.V. 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 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 Banks 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.

3. BASIS OF COMBINATION

The following entities have been combined as of December 31, 2020:

- 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 Trough 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 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 recognizes 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 financials 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 its 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)	2020	2019
I ASSETS		
Investment securities		
Debt securities at amortized cost	98,941	28,307
Accrued interest receivable on debt securities	469	185
Less: allowance for expected credit loss	(272)	(569)
TOTAL INVESTMENT SECURITIES	99,138	27,923
Loans and advances to customers		
Retail customers	237,584	216,730
Corporate customers	326,531	295,887
Public sector	19,038	47,211
Other	9,295	2,689
Gross loans and advances to customers	592,448	562,517
Accrued interest receivable on loans and advances	1,066	1,251
Less: allowance for expected credit loss	(22,966)	(14,790)
NET LOANS AND ADVANCES TO CUSTOMERS	570,548	548,978
II LIABILITIES		
Customers' deposits		
Retail customers	556,293	521,858
Corporate customers	531,380	524,820
Other	406,935	353,802
	1,494,608	1,400,480
Accrued interest payable	717	692
TOTAL CUSTOMERS' DEPOSITS	1,495,325	1,401,172

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 2020 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 2020.

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 2020 of the Banks in our auditor's reports dated 23 March 2021.

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, 20 April 2021
for Ernst & Young Accountants
drs. R.J.W. van Nimwegen RA

2020 Management Report

Our Country, Economy and Community

Like all other countries, St. Maarten & St. Eustatius suffered from the debilitating effects of COVID-19 on their economies, health care systems and the communities at large. This unprecedented health crises all but destroyed the cruise tourist season, as no more ships called on our ports, heavily impacted stay-over tourism and caused a temporary shutdown of the islands in an attempt to control the spread of the disease. Due to the significant negative impact of these occurrences, many in St. Maarten lost their jobs while other endured reduced wages. Fortunately, the government of St. Maarten received liquidity assistance, humanitarian aid and funds to stimulate the economy from the Netherlands, without which the situation would have been much more severe. St. Eustatius likewise received financial support from the Netherlands.

During the year, St. Maarten's economy recorded negative growth, with Gross Domestic Product (GDP) dipping by a staggering 29.1%. Inflation however increased slightly, moving to 0.6% from 0.5% when compared with the same period (3rd quarter) last year. This increase in inflation was fueled by higher food and housing prices. Although the government provided financial support to various groups in the society, such as payroll support to qualifying businesses and unemployment benefits, the significant decline in net foreign exchange exports, stymied these measures. For additional liquidity assistance, St. Maarten agreed to a support package from the Netherlands, which carries certain conditions. Given the heavy impact COVID-19 has had on the economy and by extension on government finances, assessing further liquidity support will be crucial in the coming months.

Our Bank

Coming off a great 2019 wherein the Bank posted it largest profits in history, 2020 opened with much optimism and promise. By the first quarter of the fiscal 2020, interim financials confirmed that we were on course for another historic performance. Then the global COVID-19 pandemic struck. This unparalleled health crisis of our generation cause major havoc on our island, its economy, our customers and by extension our Bank. During the crisis, our primary focus has been the availability of banking services in a safe and sanitized environment and the support of our customers. In view of such, we introduced a digital banking drive to encourage the use of our digital channels. We provided support to our borrowing customers through a full payment moratorium for up to nine (9) months. Internally we also made sure our staff operated in a safe environment by respecting all government issued workplace protocols and adapted to remote working for some. Regretfully, we permanently closed our Illidge Road branch as we sought to contain cost and shift our focus to the digital channels.
In not forgetting the most vulnerable within our community, WIB made a special donation of NAF 200,000.00 to two food programs run by the St. Maarten Development Foundation and the Rotary Club. We continued to support three other food programs on a monthly basis. This special donation was in conjunction with other donations made to various charities during the year, as we remained supportive of several sports, educational, cultural, and community minded initiatives.

Financial Highlights

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

Balance Sheet

WIB entered this crisis as a well-capitalized bank with healthy liquidity as demonstrated by our strengthening balance sheet.

Total assets increased by 3% moving from NAF 1.71 billion to NAF 1.76 billion, with Total Net Loans and Advances which now stands at NAF 571 million, increasing by a respectable 4% or NAF 22 million.

While the low interest rate environment remained in 2020 and which the health crisis further compounded, our deposit portfolio grew by NAF 94 million, which represented an increase of 7%. Total customer deposits now stand at NAF 1.5 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 59.1 million declined by NAF 14 million or 19% when compared with the previous fiscal year 2019, as our income was heavily impacted by the COVID-19 crisis. Nearly all income categories suffered. We were able to reduce our Total Operating Expenses (excluding credit loss expenses on financial assets and contingent liabilities) by NAF 6 million or 12%. The highest negative impact on our net income came from the significant increase in our Expected Credit Loss Expense (ECL) of NAF 11 million. This was a NAF 14 million increase when compared to the prior year. Noting the loss of income and the high ECL, our Net Profit after Taxes was only NAF 1.8 million, an 91.7% drop from the year before.

The Future

Notwithstanding that the global pandemic continues, we remain optimistic that 2021 will be a much better year for the Bank, as we continue to focus on our digital channels, improving customer service and supporting our many customers and communities.

Derek A. Downes
General Managing Director
April 20, 2021