Consolidated Financial Highlights

MCB
MADURO & CURIEL'S BANK

Consolidated balance sheet of Maduro & Curiel's Bank N.V. and its subsidiaries as at December 31, 2019

(All amounts are expressed in thousands of Antillean Guilders)	2019	2018
ASSETS		
Cash and due from banks	2,625,990	2,608,413
Investment securities	772,370	914,777
Loans and advances to customers	4,218,613	4,160,380
Bank premises and equipment	198,462	189,586
Customers' liability under acceptances	1,487	1,490
Deferred tax assets	6,883	6,675
Other assets	39,009	40,638
TOTAL ASSETS	7,862,814	7,921,959
LIABILITIES AND EQUITY		
Liabilities		
Customers' deposits	6,603,939	6,751,441
Due to banks	28,306	21,717
Acceptances outstanding	1,487	1,490
Profit tax liabilities	(3,150)	6,910
Deferred tax liability	21,679	20,899
Provisions	149,943	124,270
Other liabilities	154,939	104,418
	6,957,143	7,031,145
Equity		
Share capital	51,000	51,000
General reserve	12,500	12,500
Other reserves	192,844	191,470
Retained earnings	649,327	618,365
	905,671	873,335
Minority interest	-	17,479
TOTAL LIABILITIES AND EQUITY	7,862,814	7,921,959

Consolidated income statement of Maduro & Curiel's Bank N.V. and its subsidiaries for the year ended December 31, 2019

(All amounts are expressed in thousands of Antillean Guilders)	2019	2018
Interest income	317,180	313,956
Interest expense	15,374	16,157
Net interest income	301,806	297,799
Fee and commission income	242,917	229,866
Fee and commission expenses	99,312	90,436
Net fee and commission income	143,605	139,430
Income from foreign exchange transactions	52,512	53,357
Other revenues	974	-
Operating income	498,897	490,586
Salaries and other employee expenses	207,693	197,829
Occupancy expenses	27,673	23,977
Credit loss expenses/(income) on financial assets and contingent liabilities	7,376	(6,673)
Other operating expenses	83,120	81,442
Operating expenses	325,862	296,575
Net result before profit tax	173,035	194,011
Profit tax	25,524	32,512
NET RESULT AFTER PROFIT TAX	147,511	161,499

Our Financial Statements and Other Highlights

- The MCB Group consists of 15 companies operating local and international businesses based in Curaçao, Aruba, Sint Maarten, Bonaire and Sint Eustatius. The information contained in these consolidated highlights represents the total of the financial statements of all 15 members of the MCB Group.
- The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS').
- We continue to provide more than the required disclosures and transparency of our financial statements and we are ready and more than willing to discuss and clarify any aspect of these reports or statements.

Balance Sheet and Equity

- Our shareholders' equity surpassed the NAF 900 million mark for the first time and reached a very solid NAF 906 million, for a growth of 4% or NAF 32 million. This growth in equity was achieved even though the Group agreed to purchase the 23.4% minority interest in our banking activities on Sint Maarten, which had a decreasing effect on the shareholders' equity.
- Our Group considers a strong and solid consolidated capitalization as well as the strong capitalization of each subsidiary a key strength and one that we as management stand for and that our community, our customers and our staff can continue to rely and count on.
- In 2019, MCB Group's Total Assets decreased with a modest NAF 59 million, or 1% to NAF 7,863 million.
- The decrease in total assets is mainly caused by a decrease of NAF 148 million (2%) in "Customers' deposits". The main cause of this decrease was the general weak state of our economies in 2019, whereby our customers used some of their savings with us for their purchasing and investing needs. Nevertheless, "Customers' deposits" at year-end stood at NAF 6.6 billion, which was 84% of our balance sheet total. We remain very grateful for the trust and confidence that our customers have in our MCB Group and as always we remain committed to a very responsible use of these funds.
- Most of the deposits are used for the financial needs of local businesses and individuals and our "Loans and advances to customers" increased with NAF 58 million (1%) to a record NAF 4.2 billion.
- The remainder of the deposits are mostly invested responsibly and conservatively through "Cash and due from banks" for a total of NAF 2.6 billion and "Investment securities" NAF 772 million. During 2019 the interest rates on USD deposits with banks abroad was more attractive than the previous years at relatively low risks and the returns on these funds were a welcome addition to our income statement.
- The "Provisions" increased significantly with 21% or NAF 26 million, mainly due to an increase in the provisions for Post-Retirement Medical Benefits and Anniversary bonuses, compensated by a decrease in the provision for expected credit losses on contingent liabilities.
- The increase of NAF 51 million or 48% in "Other liabilities" was for a large part caused by the payable our Group had at year-end for the agreed purchase of the minority shares in our banking activities on Sint Maarten and for lease liabilities.

Profit & Loss Statement

- The income presented in our financial statements is derived from both local and international activities of the Group. These income streams continue to be well-diversified.
- In 2019 our Group's "Net result after tax" was NAF 148 million or 9% below the previous year. This was caused by a much larger increase in "Operating expenses" by NAF 29 million (10%) compared to the increase in "Operating income" which was NAF 7 million (2%).
- The increase in operating expenses was predominantly due to the "Credit loss expenses on financial assets and contingent liabilities". In the previous year (2018) our Group adopted IFRS 9, which resulted in a net release of NAF 7 million, compared to a credit loss expense of NAF 7 million in 2019.
- Our "Net interest income" showed a modest increase of NAF 4 million (1%), because of the combination of a small increase in "Interest income" combined with a small decrease in interest expenses due to the lesser "Customers' deposits" as described previously.
- Our Group's "Fee and commission income" grew a healthy NAF 13 million or 6%, mainly because of volume growth in several businesses lines, in particular our cards and merchants business due to increase in tourism in our markets. A large part of this growth was offset by the increase of the "Fee and commission expenses" with 10% or NAF 9 million, partly due to the volume increases, but also because of fee increases from VISA and MasterCard. All in all this resulted in a "Net fee and commission income" growth of NAF 4 million or 3%.
- The combination of a small increase in "Operating income" and a much larger increase in "Operating expenses" as described above resulted in the substantial decrease in "Net result before tax" of NAF 21 million or 11% and the previously mentioned decrease of the "Net result after tax" to NAF 148 million.

Loans

- Despite the challenging economies, our "Loans and advances to customers" increased NAF 58 million (1%) to a record NAF 4.2 billion. This year the growth in our portfolio came from both the "Retail customers" with NAF 9 million (1%) and especially our "Corporate customers" with a growth of 4% or NAF 88 million. Our exposure on the "Public and other sectors" on the other hand showed a decrease totaling NAF 37 million.
- Our management together with our Supervisory Board and especially its Credit Committee continuously monitors our Group's credit risks and we ensure that the loans in our loan portfolio remain well diversified by types of customers, size, maturity and sectors.

Taxes

- In 2019 MCB Group contributed NAF 153 million to the public coffers of our countries with the total of all the taxes, fees and premiums paid as mentioned below.
- MCB Group's profit tax obligation resulting from operations in 2019 was NAF 26 million, while our Group also paid NAF 8 million in turnover taxes.
- Our employees paid wage taxes amounting to NAF 29 million, and the social premiums paid were NAF 28 million.
- The foreign exchange license fee collected on behalf of the Central Banks to be remitted to the Governments amounted to NAF 62 million in 2019.

Employment

- In 2019, MCB Group paid its employees NAF 107 million in salaries, not including social benefits, pensions, medical and other insurances.
- As at December 31, 2019, MCB Group employed 1,497 persons across all islands.

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

A. ACCOUNTING POLICIES

1. GENERAL

The principal accounting policies adopted in the preparation of the Consolidated Financial Highlights of Maduro & Curiel's Bank N.V. and its subsidiaries (the 'Group') 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.

2. BASIS OF PREPARATION

The consolidated financial statements, from which the Consolidated 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 Group 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 MCB Group adopted IFRS16 Lease contracts.

3. BASIS OF CONSOLIDATION

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date that control ceases.

The following subsidiaries have been consolidated as of December 31, 2019:
- Caribbean Mercantile Bank N.V. and subsidiaries
- The Windward Islands Bank Ltd.
- Maduro & Curiel's Bank (Bonaire) N.V. and subsidiary
- Maduro & Curiel's Insurance Services N.V.
- MCB Risk Insurance N.V.
- MCB Group Insurance N.V.
- MCB Securities Holding B.V.
- MCB Securities Administration N.V.
- Progress N.V.

4. CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS

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

Based on these factors, the Group classifies its 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 Group manages the assets in order to generate cash flows. That is, whether the Group's 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 Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers 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 Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. If the terms are substantially different, the Group derecognizes 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 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 Group recognizes 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 Group records 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 Group records 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 Group relies 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	762,807	905,060
Financial assets at fair value through profit or loss	6,494	5,764
Total investment securities	769,301	910,824
Accrued interest receivables on debt securities	4,229	5,184
Less: Loss allowance for expected credit losses	(1,160)	(1,231)
NET INVESTMENTS	772,370	914,777
Loans and advances to customers		
Retail customers	1,605,815	1,596,919
Corporate customers	2,505,801	2,418,217
Public sector	162,713	182,052
Other	44,317	61,769
Total loans and advances to customers	4,318,646	4,258,957
Accrued interest receivable on loans and advances	11,207	11,727
Less: allowance for loan impairment	(111,240)	(110,304)
NET LOANS AND ADVANCES TO CUSTOMERS	4,218,613	4,160,380
II LIABILITIES		
Customers' deposits		
Retail customers	2,561,911	2,565,819
Corporate customers	2,754,514	2,867,865
Other	1,281,829	1,311,575
	6,598,254	6,745,259
Accrued interest payable on customers' deposits	5,685	6,182
TOTAL CUSTOMERS' DEPOSITS	6,603,939	6,751,441

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

Opinion

The accompanying consolidated financial highlights, which comprise the consolidated balance sheet as at 31 December 2019 and consolidated income statement for the year then ended and related notes, are derived from the audited consolidated financial statements of Maduro & Curiel's Bank N.V. ("the Bank") for the year ended 31 December 2019.

In our opinion, the accompanying consolidated financial highlights are consistent, in all material respects, with the audited consolidated financial statements of the Bank, 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").

Consolidated financial highlights

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

The audited consolidated financial statements and our auditor's report thereon

We expressed an unmodified audit opinion on the consolidated financial statements 2019 of the Bank in our auditor's report dated 24 March 2020.

Other information

Other information consists of the Management's Report. Management is responsible for the other information. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Curaçao Civil Code. 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 consolidated financial highlights

Management is responsible for the preparation of the accompanying consolidated 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 consolidated financial highlights are consistent, in all material respects, with the audited consolidated financial statements of the Bank 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