**BANCO DI CARIBE (Aruba) N.V.**

Aruba

Financial statements for the year ended December 31, 2022

Grant Thornton

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# Management Report

## General information

Banco di Caribe (Aruba) N.V. (the "Bank") provides retail and corporate banking in Aruba. The Bank is incorporated and domiciled in Aruba, with its registered office at Vondellaan 31, Oranjestad, Aruba. The Bank commenced operation on January 1, 2008 with the transfer of the net assets of the Aruba branch of Banco di Caribe N.V. to the Bank. The Bank is a wholly owned subsidiary of Banco di Caribe N.V. (the "Group") that is domiciled in Willemstad, Curaçao. The Group's ultimate parent company is United Group Holdings B.V., which is a private limited company and is incorporated and domiciled in Willemstad, Curaçao. As of December 31, 2022 the Bank employed 71 employees.

## Financial position

The Bank realized a Pre-tax profit of AWG 3.7 million for the year 2022 (2021: AWG 2.5 million Pre-tax profit). After tax the Bank ended the year 2022 with a profit of AWG 4.1 million (2021: AWG 1.6 million). The Shareholder's Equity of the Bank increased from AWG 101.0 million per year end 2021 to AWG 105.1 million per year end 2022.

Management is very grateful to the Bank's customers, employees, shareholder, and especially the Supervisory Directors for their commitment and support to the continued success of the Bank.

## Business review

*Financial instruments*
In 2022 the investment in financial instruments has decreased by 7.8% to AWG 35.4 million (2021: AWG 38.4 million). The decrease is mainly due to maturities of Aruban government bonds.

*Loans and advances*
In 2022 gross loans outstanding increased compared to 2021 (2022: AWG 234.6 million and 2021: AWG 220.3 million). Per end of 2022 the Bank maintained AWG 23.2 million in allowance for doubtful accounts (2021: AWG 23.6 million). As in previous years the Bank maintained its focus on compliance with its strict credit risk management principles, which are based on the Bank's philosophy of conservative and prudent banking.

*Property and equipment*
In 2022 Property and equipment decreased compared to 2021 (2022: AWG 16.8 million and 2021: AWG 17.1 million). This is caused mainly due to depreciation expenses.

*Deposits from customers*
In 2022 total deposits from customers increased by 36.8% to AWG 331.8 million (2021: AWG 242.5 million).

*Provision for employee benefits*
In 2022 the Bank changed the categorization of its pension plan, from a defined benefit plan, to a defined contribution plan. This contributed mainly to the decrease in Provision for employee benefits from AWG 1.6 million per end of 2021 to AWG 0.7 million per end of 2022. The release of the provision for pensions due to change of Pension Plan amounted to approx. AWG 0.8 million in 2022.

**Financial risk management**

The Bank has exposure to the following risks:

- Credit risk
- Operational risk
- Compliance risk
- Liquidity risk
- Market risks
    i. Currency risk
    ii. Interest rate risk
    iii. Equity price risk

The Board of Managing Directors regularly monitors compliance with the Bank's policies and procedures in relation to the risks faced by the Bank. The Board of Managing Directors is assisted in these responsibilities by the Bank's Internal Audit, Compliance and Risk management functions. These functions also maintain a direct reporting line with the Board of Supervisory Directors.
On a quarterly basis material issues related to Credit risk, Operational risk, Compliance risk, Liquidity risk and Market risk are reported to the Board of Managing Directors and the Board of Supervisory Directors.

Regular monitoring of compliance with the Bank's policies and procedures in relation to the risks faced by the Bank also takes place at special committees within the Bank. In this regard the Credit Committee primarily monitors the credit risk related to loans and advances and the Assets and Liability Committee (ALCO) monitors mainly the credit risk and market risk associated with the Bank's investments in Financial Instruments. The ALCO also monitors the Bank's liquidity risk and compliance with the Central Bank's Supervisory Regulations.

**Future outlook**

The world economy has picked up strongly from the Corona pandemic. On the island this resulted in a booming tourism industry.

Although there is a boom in the tourism industry, other sectors have not fared quite as well. In the short to medium term the board of managing directors expects that the local credit market will continue to be challenged by a slow moving economy. The economic and social uncertainties still remain for the greater Dutch Caribbean islands. Geopolitical risks (Ukraine-Russia crisis) can adversely impact economic growth of the island of Aruba. Demand for credits is therefore expected to remain relatively weak and the downward pressure on interest rates is expected to continue. An important factor with regard to the latter is the ever increasing competition between the commercial banks locally and increased competition from other credit providers such as local pension funds and insurance companies. Taking these factors into account the Bank's focus for 2023 remains on strict credit risk management and cost management. The Bank intends to continue investing in technological solutions in order to further improve efficiency of processes internally and the banking ease of its clients. The possible sale to a third party is still being negotiated and would also have an effect for the Bank's possible strategic initiatives and views.

**Directors and their interest**

As at December 31, 2022, and up to the date of the approval of the accounts the Board of Supervisory Directors of the Bank consisted of:

- Mr. Johan Sjiem Fat (Chairman)
- Mr. Cornelis Rokx
- Mr. Anko Ringeling

As at December 31, 2022, and up to the date of the approval of the accounts the Board of Managing Directors of the Bank consisted of:

- Mr. Elvin Maduro
- Mr. Giovanni Croes

In the year ended December 31, 2022 and up to the date of the approval of the accounts none of the Directors held a share interest in the Bank.

Oranjestad, Aruba
May 20, 2023

| | |
|---|---|
| Giovanni Croes | Elvin Maduro |
| *Managing Director* | *Managing Director* |

Grant Thornton

# Independent auditor's report

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To the Board of Managing Directors, the Board of Supervisory Directors and the Shareholder of
Banco di Caribe (Aruba) N.V.
Aruba

*Our reference: 137582/ A-33049*

## *Report on the financial statements included in the annual report*

In our opinion, the financial statements give a true and fair view of the financial position of Banco di Caribe (Aruba) N.V., Aruba (the Company) as at December 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### *What we have audited*

The Company's financial statements comprise:

- the statement of profit or loss for the year ended December 31, 2022:
- the statement of comprehensive income for the year ended December 31, 2022:
- the statement of financial position as at December 31, 2022:
- the statement of cash flows for the year ended December 31, 2022:
- the statement of changes in shareholder's equity for the year ended December 31, 2022:
- the notes to financial statements 2022, which include a summary of significant accounting policies.

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Dutch Code of Ethics).

## *Report on the other information included in the annual report*

The Board of Managing Directors is responsible for the other information. The other information comprises the Management Report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above 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. 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 the Board of Managing Directors and the Board of Supervisory Directors for the financial statements*

The Board of Managing Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the relevant provisions of Book 2 of the Civil Code applicable for Aruba, and for such internal control as the Board of Managing Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Managing Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Managing Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Supervisory Directors is responsible for overseeing the Company's financial reporting process.

### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managing Directors.
- Conclude on the appropriateness of the Board of Managing Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Supervisory Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Aruba, June 7, 2023
Grant Thornton Aruba

Original signed by Edsel N. Lopez

# Statement of profit or loss for the year ended December 31, 2022

| | Note | 2022 | 2021* |
|---|---|---|---|
| *(in Aruban florins)* | | | |
| Interest and similar income | | 19,827,479 | 16,587,899 |
| Interest expense and similar charges | | (2,651,996) | (2,920,788) |
| **Net interest income** | 6 | **17,175,483** | **13,667,111** |
| Net fees and commission income | 7 | 2,597,152 | 3,509,014 |
| Other operating income | 8 | 75,805 | 11,898 |
| **Total non-interest revenue** | | **2,672,957** | **3,520,912** |
| **Total income** | | **19,848,440** | **17,188,023** |
| Personnel expenses | 9 | (8,073,017) | (8,520,304) |
| Premises expenses | 10 | (821,425) | (799,978) |
| Other administrative expenses | 11 | (3,876,640) | (3,651,916) |
| **Total administrative expenses** | | **(12,771,082)** | **(12,972,198)** |
| Net impairment on financial assets | | (2,559,246) | (434,278) |
| Depreciation of property and equipment | 16 | (821,230) | (1,304,589) |
| | | **(3,380,476)** | **(1,738,867)** |
| **Total operating expenses** | | **(16,151,558)** | **(14,711,065)** |
| **Profit before tax** | | **3,696,882** | **2,476,958** |
| Profit tax | 12 | 355,325 | (843,653) |
| **Net profit for the year** | | **4,052,207** | **1,633,305** |

*As restated for 2021

The accompanying notes are an integral part of these financial statements

# Statement of comprehensive income for the year ended December 31, 2022

| *(in Aruban florins)* | Note | 2022 | 2021* |
|---|---|---|---|
| **Net profit for the year** | | **4,052,207** | **1,633,305** |
| *Other comprehensive income to be reclassified to profit or loss in subsequent periods:* | | | |
| Fair value changes (financial assets) | 14 | 76,429 | (32,306) |
| Income tax relating to components of other comprehensive income | 12 | (19,107) | 8,076 |
| **Net other comprehensive income to be reclassified to profit or loss in subsequent periods** | | **57,322** | **(24,230)** |
| *Other comprehensive expense not to be reclassified to profit or loss in subsequent periods:* | | | |
| Actuarial losses, net employment benefits | 20 | 23,075 | (129,154) |
| **Net other comprehensive expense not to be reclassified to profit or loss in subsequent perods** | | **23,075** | **(129,154)** |
| **Total other comprehensive income for the year** | | **80,397** | **(153,384)** |
| **Total comprehensive income for the year attributable to equity holders** | | **4,132,604** | **1,479,921** |

*As restated for 2021
The accompanying notes are an integral part of these financial statements

# Statement of financial position as at December 31, 2022

| Assets | Note | 2022 | 2021* |
|---|---|---|---|
| *(in Aruban florins)* | | | |
| Cash and due from banks | 13 | 176,629,189 | 94,870,166 |
| Financial instruments | 14 | 35,398,941 | 38,356,126 |
| Loans and advances | 15 | 211,416,392 | 196,651,598 |
| Property and equipment | 16 | 16,812,728 | 17,147,677 |
| Deferred Tax Asset | 12 | 1,281,410 | 1,050,805 |
| Other assets | 17 | 2,803,936 | 4,162,691 |
| **Total assets** | | **444,342,596** | **352,239,063** |

| Shareholder's equity and liabilities | Note | 2022 | 2021* |
|---|---|---|---|
| *(in Aruban florins)* | | | |
| **Liabilities** | | | |
| Deposits from customers and banks | 18 | 331,750,677 | 242,451,985 |
| Deferred tax liabilities | 12 | 3,798,648 | 4,181,722 |
| Current tax liabilities | | 637,250 | 789,784 |
| Other liabilities | 19 | 2,285,035 | 2,179,071 |
| Provision for employee benefits | 20 | 746,279 | 1,644,398 |
| **Total liabilities** | | **339,217,889** | **251,246,960** |
| **Equity** | | | |
| Share capital and share premium | 21 | 75,000,000 | 75,000,000 |
| General reserve | | 4,730,344 | 4,349,812 |
| Other reserves | | 8,535,079 | 8,510,843 |
| Retained earnings | | 16,859,284 | 13,131,448 |
| **Total shareholder's equity** | | **105,124,707** | **100,992,103** |
| **Total shareholder's equity and liabilities** | | **444,342,596** | **352,239,063** |

*As restated for 2021
The accompanying notes are an integral part of these financial statements

## Statement of cash flows for the year ended December 31, 2022

| | Notes | 2022 | 2021* |
|---|---|---|---|
| *(in Aruban florins)* | | | |
| **Profit before tax for the year** | | 3,696,882 | 2,476,958 |
| *Adjustments for:* | | | |
| Amortization of premium, net | | 26,696 | 26,696 |
| Depreciation property and equipment | 16 | 821,231 | 1,304,589 |
| Net impairment loss on loans and advances | | 4,045,890 | (65,374) |
| Net interest income | 6 | (17,175,484) | (13,667,111) |
| | | **(8,584,785)** | **(9,924,242)** |
| *Changes in:* | | | |
| Due from banks | 13 | (24,047,009) | (11,846,000) |
| Loans and advances to customers | 15 | (14,764,793) | (10,936,379) |
| Other assets | 17 | 1,317,804 | (2,741,473) |
| Deposits from customers | 18 | 89,298,692 | 1,630,034 |
| Other liabilities and provisions | 12,19,20 | (657,232) | (1,489,775) |
| *Interest, dividends and income taxes:* | | | |
| Interest received | | 17,685,399 | 16,523,483 |
| Interest paid | | (2,647,696) | (2,922,251) |
| Income taxes paid | | (429,995) | (411,614) |
| **Net cash used in operating activities** | | **57,170,385** | **(22,118,217)** |
| **Cash flow from investing activities** | | | |
| (Purchase)/Sale of investment securities, net | 14 | - | - |
| Matured fixed income securities | 14 | 3,006,917 | 8,191,579 |
| Acquisition of property and equipment | 16 | (486,279) | (356,642) |
| **Net cash from investing activities** | | **2,520,638** | **7,834,937** |
| **Net movement in cash and cash equivalents** | | **59,691,023** | **(14,283,280)** |
| Cash and cash equivalents at January 1 | | 71,510,166 | 85,793,446 |
| **Cash and cash equivalents at December 31** | | **131,201,189** | **71,510,166** |
| Represented by: | | | |
| Cash on hand | 13 | 6,595,168 | 3,664,119 |
| Call account | | 6,334,853 | 10,370,499 |
| Due from Central Bank of Aruba | | 109,872,267 | 51,031,945 |
| Non interest-bearing deposits with Banco di Caribe N.V. | | 6,419,893 | 6,443,603 |
| Interest-bearing deposits with Other Banks | | 1,979,009 | - |
| Interest-bearing deposits with Central Bank of Aruba | | - | - |
| **Cash and Cash equivalents at December 31** | | **131,201,189** | **71,510,166** |
| Monetary cash reserve at the Central Bank of Aruba | | 45,428,000 | 23,360,000 |
| **Cash and cash equivalents at December 31** | | **176,629,189** | **94,870,166** |

*As restated for 2021
The accompanying notes are an integral part of these financial statements

## Statement of changes in shareholder's equity for the year ended December 31, 2022

| | Share Capital | General reserve* | Fair value changes** | Revaluation reserve** | Retained earnings | Total |
|---|---|---|---|---|---|---|
| *(in Aruban florins)* | | | | | | |
| **Balance at January 1, 2021** | **75,000,000** | **4,145,225** | **1,054,004** | **7,514,155** | **13,269,202** | **100,982,586** |
| Prior period error*** | | | | | (1,470,406) | (1,470,406) |
| **Restated Balance at January 1, 2021** | **75,000,000** | **4,145,225** | **1,054,004** | **7,514,155** | **11,798,796** | **99,512,180** |
| Net profit for the year | - | - | - | - | 1,633,306 | 1,633,306 |
| Addition to general reserve | - | 204,587 | - | - | (204,587) | - |
| *Other comprehensive income for the year, net of tax* | | | | | | |
| Actuarial gain/(loss), net employment benefits | - | - | - | - | (129,152) | (129,152) |
| Transfer of revaluation reserve to retained earnings | - | - | - | (33,085) | 33,085 | - |
| Fair value changes (FVOCI financial assets) | - | - | (24,231) | - | - | (24,231) |
| **Total comprehensive income for the year** | **-** | **204,587** | **(24,231)** | **(33,085)** | **1,332,652** | **1,479,923** |
| **Balance at December 31, 2021** | **75,000,000** | **4,349,812** | **1,029,773** | **7,481,070** | **13,131,448** | **100,992,103** |
| **Balance at January 1, 2022** | **75,000,000** | **4,349,812** | **1,029,773** | **7,481,070** | **13,131,448** | **100,992,103** |
| Net profit for the year | - | - | - | - | 4,052,207 | 4,052,207 |
| Addition to general reserve | - | 380,532 | - | - | (380,532) | - |
| *Other comprehensive income for the year, net of tax* | | | | | | |
| Actuarial gain/(loss), net employment benefits | - | - | - | - | 23,075 | 23,075 |
| Transfer of revaluation reserve to retained earnings | - | - | - | (33,085) | 33,085 | - |
| Fair value changes (FVOCI financial assets) | - | - | 57,322 | (1) | 1 | 57,322 |
| **Total comprehensive income for the year** | **-** | **380,532** | **57,322** | **(33,086)** | **3,727,836** | **4,132,604** |
| **Balance at December 31, 2022** | **75,000,000** | **4,730,344** | **1,087,095** | **7,447,984** | **16,859,284** | **105,124,707** |

*The General reserve is a legally required reserve that must be maintained based on the Supervisory Regulations of the Central Bank of Aruba.
**Surplus balances are restricted for distributions to Shareholders.
***Disclosed and explained in note 2 'Changes in prior year's figures'
The accompanying notes are an integral part of these financial statements

Initialed on behalf of
Grant Thornton Aruba.
For identification purposes only.

# Notes to financial statements 2022

## (1) Reporting entity

Banco di Caribe (Aruba) N.V. (the "Bank") provides retail and corporate banking in Aruba. The Bank is incorporated and domiciled in Aruba, with its registered office at Vondellaan 31, Oranjestad, Aruba. The Bank commenced operation on January 1, 2008 with the transfer of the net assets of the Aruba branch of Banco di Caribe N.V. to the Bank. The Bank is a wholly owned subsidiary of Banco di Caribe N.V. (the "Group") that is domiciled in Willemstad, Curaçao. The Group's ultimate parent company is United Group Holdings B.V., which is a private limited company and is incorporated and domiciled in Willemstad, Curaçao.

## (2) Basis of preparation

***Statement of compliance***
These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) applicable as at December 31, 2022. These financial statements have been prepared under the assumption that the Bank operates on a going concern basis.

These financial statements were authorized for issue by the Board of Directors on May 30, 2023.

***Basis of measurement***
The financial statements have been prepared on the historical cost basis except for the following:
- Financial instruments at fair value through other comprehensive income are measured at fair value.
- Premises are measured at the market value at revaluation date minus accumulated depreciation.
- The expected costs of the (post) employment benefits are accrued over the period of employment using the projected unit credit method.

***Use of estimates***
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in note 4.

***Functional and presentation currency***
These financial statements are presented in Aruban florins (AWG), which is the Bank's functional currency.

Transactions and Balances
Transactions occurring in United States dollars (USD) are converted at the rate of US$ 1 to Afl. 1.79. Other foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions, or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

***Changes in accounting policies***

**i New or Revised Standards and Interpretations**

**ii Changes in Accounting Policies and Disclosures**

During book year 2022 there were no material changes in Accounting Policies and disclosures adopted by the Bank. A number of new standards and amendments to standards are effective from January 1, 2022. None of these standards have a material effect on the Bank's financial statements.

**iii New Standards and Interpretations not yet adopted**

Several standards and amendments to standards are effective for annual periods after January 1, 2022 and earlier adoption is permitted. None of these standards or amendments have been adopted early by the Bank.
The following new and amended standards that are issued but not yet effective are not expected to have a significant impact on the Bank's financial statements:

- IFRS 17 Insurance Contracts;
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Deferred Tax related to Assets and Liabilities from a Single Transaction

**Changes in prior year's figures**

For financial statement presentation purposes certain 2021 items were restated. These restatements regard the following:

The 'Loans and advances' and 'Deferred Tax asset' and 'Shareholder's equity' in the 'Statement of financial position' and 'Net impairment on financial assets' and 'Profit tax' in the 'Statements of profit or loss and other comprehensive income' have been restated for 2021 in connection with a provision for allowance for doubtful accounts that was included retrospectively in the Bank's 2022 financial statements.

In connection with the above-mentioned adjustments the relevant changes have been processed in the 'Statement of financial position' as at January 1, 2021.

The changes are reflected on the following line items:

- Net impairment on financial assets
- Profit tax
- Loans and advances
- Deferred Tax asset
- Shareholder's equity

In relation to the adjustments on above-mentioned line items the corresponding adjustments have also been made in the 'Statements of profit or loss and other comprehensive income', the 'Statements of cash flows', the 'Statement of changes in shareholders' equity for the year ended December 31, 2021' and the corresponding 'Notes to the financial statements'.

The impact of the above-mentioned changes on the 'Statement of financial position' and 'Statement of comprehensive income' as at December 31, 2021 is as follows: (amounts in '000 Aruban guilders)

| | 2021 restated AWG | 2021 AWG | Difference AWG |
|---|---|---|---|
| **Expenses** | | | |
| Net impairment on financial assets | (434) | 65 | (499) |
| Profit tax | (844) | (969) | 125 |
| **Assets** | | | |
| Loans and advances* | 196,652 | 199,112 | (2,460) |
| Deferred Tax asset* | 1,051 | 436 | 615 |
| **Equity** | | | |
| Shareholder's equity* | 100,992 | 102,837 | (1,845) |

*The impact on the beginning balance 2021 in the 'Statement of financial position' regards AWG 1,470 thousand. This affects the items 'Loans and advances' (AWG 1,960 thousand addition to provision), 'Deferred Tax asset' (AWG 490 thousand addition to deferred tax asset), and 'Shareholder's equity' (AWG 1,470 thousand net charge to equity).

## (3) Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been consistently applied by the Bank, except when indicated otherwise.

***Basis of presentation***
IAS 1, *Presentation of financial statements,* requires a distinction between current and non-current items for all assets and liabilities in the balance sheet of the Bank. Such a distinction is not appropriate for banks, where close control over liquidity, asset and liability matching, and highly regulated capital and solvency positions are considered more relevant. An analysis of the financial assets and liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment are also presented.

***Foreign currency***
Transactions in foreign currencies are translated into the functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange date at that date. Foreign exchange differences arising on translation are recognized in OCI. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the foreign exchange rates at the dates that the values were determined.

***Revenue recognition***
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

***Interest income and expense***

**Effective interest rate ("EIR")**
Interest income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:
- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

**Amortized cost and gross carrying amount**
The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

***Fees and commission income and expense***
Fees and commission income and expense that are integral to the EIR on a financial asset or liability are included in the measurement of the EIR.

Other fees and commission income are recognized as the related services are performed. Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

***Investment income***
Investment income includes realized and unrealized result from fair value changes related to financial assets at fair value through profit or loss (FVTPL), realized results on fair value through other comprehensive income (FVOCI) securities, and dividend and similar income from equity securities.

***Cash and cash equivalents***
Cash and cash equivalents comprise cash balances on hand, cash deposited with central bank and short-term highly liquid investments with maturities of three months or less when purchased, including treasury bills and other bills eligible for rediscounting with the central bank.

***Financial instruments***

*Financial assets*

**Classification**
The Bank classifies its financial assets in the following categories: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortized cost (AC). The classification depends on:

- The Bank's assessment of the overall objective of the business model within which the financial assets are held; and
- The contractual cash flow characteristics of the financial assets.

*Business Model Assessment*
The business model reflects how the Bank manages its financial assets in order to generate cash flows, that is, whether the objective is to collect contractual cash flows, sell financial assets or both. The Bank assesses the business model at a portfolio level reflective of how a group of financial assets are managed together to achieve a particular business objective. Factors considered by the Bank in determining the business model for a group of financial assets include:

- How performance is evaluated and reported to key management personnel;
- The risks that affect performance and how they are managed;
- How managers are compensated; and
- The frequency and volume of sales in prior periods and expectations about future sales activity.

*Contractual Cash Flow Characteristics Assessment*
Where the business model is to hold financial assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank determines if they give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding that is consistent with a basic credit arrangement. In this context, 'principal' is the fair value of the financial asset on initial recognition and 'interest' is consideration for the time value of money and credit risk associated with the principal amount outstanding during a particular period of time and for other basic credit risks and costs as well as profit margin.

If the Bank identifies any contractual cash flows, such that cash flows are no longer consistent with a basic credit arrangement, the related financial asset is classified and measured at FVTPL. In making this assessment, the Bank considers:

- Contingent events;
- Leverage features;
- Prepayment and term extensions; and
- Terms that limit the Bank's recourse to specific financial assets and features that modify consideration of the time value of money.

**Recognition and measurement**
Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade date.

*Debt instruments measured at amortized cost*
Debt instruments are measured at amortized cost if they are held within a business model whose objective is to hold for collection of contractual cash flows, and where those cash flows represent solely payments of principal and interest (SPPI). After initial measurement, debt instruments in this category are carried at amortized cost using the effective interest method. The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition amount minus the principal repayments, plus or minus the cumulative amortization using the Effective Interest Rate (EIR) method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Purchases and sales of debt instruments at amortized cost are recognized at trade date – the date on which the Bank commits to purchase or sell the asset – and are measured at amortized cost when cash is advanced to the borrowers.

Debt instruments of the Bank comprise Cash and balances at central banks, Debt securities and Loans and advances. After assessing its business model for these instruments, which are held to collect the contractual cash flows, and where the cash flows represent solely payments of principal and interest, these instruments are measured at amortized cost.

Interest income using the effective interest rate method is recognized in the statement of profit or loss. Impairment on debt instruments measured at amortized cost is calculated using the expected credit loss (ECL) approach. Debt instruments measured at amortized cost are presented net of allowance for credit losses in the statement of financial position.

*Debt instruments measured at FVOCI*
Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold both for collection of contractual cash flows and for the sale of financial assets, where the financial assets' cash flows represent payments that are solely payments of principal and interest, and that are not designated at FVTPL. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are taken through other comprehensive income (OCI) in full, unless the instrument is designated in a fair value hedge relationship.

When the asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Net Investment Income'. Foreign exchange gains and losses that relate to the amortized cost of the debt instrument are recognized through profit or loss.

Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss approach. The expected credit loss on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the statement of financial position, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the financial assets were measured at amortized cost is recognized in OCI with a corresponding amount taken to Credit impairment losses in the statement of profit or loss and other comprehensive income through profit or loss. The accumulated amount recognized in OCI is recycled through profit or loss upon derecognition of the debt instrument.

*Debt instruments measured at FVTPL*
Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss.

*Financial Assets Mandatorily Measured at FVTPL*
Financial assets meeting either of the conditions below are mandatorily measured at fair value through profit or loss (other than in respect of an equity investment designated as at fair value through other comprehensive income):

- Financial assets with contractual terms that do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- Financial assets held within a business model whose objective is achieved neither by collecting contractual cash flows nor by both collecting contractual cash flows and selling financial assets. This includes financial assets held within a portfolio that is managed and whose performance is evaluated on a fair value basis. It further includes portfolios of financial assets that are 'held for trading'.

*Financial assets designated as measured at FVTPL*
A financial asset may be designated at fair value through profit or loss only if doing so eliminates or significantly reduces measurement or recognition inconsistencies (an 'accounting mismatch') that would otherwise arise from measuring financial assets or liabilities or recognizing gains and losses on them on different bases. They are carried in the statement of financial position at fair value, with all changes in fair value recorded in profit or loss in the statement of profit or loss and other comprehensive income through profit or loss.

*Equity instruments*
Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase. For equity instruments measured at FVTPL, changes in fair value are recognized in the statement of profit or loss and other comprehensive income through profit or loss as part of net gain/loss from other financial instruments carried at fair value. Instruments elected to be classified as non-trading equity instruments at FVOCI are made upon initial recognition, on an instrument-by-instrument basis and once made, are irrevocable.
Gains and losses on these instruments including when derecognized/sold are recorded in OCI and are not subsequently reclassified to profit or loss. Dividend received is recorded in profit or loss.

***Reclassification***
The Bank reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification is applied prospectively from the reclassification date, which is the first day of the first reporting period following the change in business model that results in the reclassification. Any previously recognized gains, losses or interest are not restated.

***Derecognition***
Financial assets are derecognized when the contractual rights to receive the cash flows from the financial assets have expired, or when they have been transferred and either:

- The Bank transfers substantially all the risks and rewards of ownership; or
- The Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

*Financial liabilities*

***Classification, recognition and subsequent measurement***
The Bank classifies its financial liabilities as being measured at amortized cost unless it has designated liabilities at fair value through profit or loss or is required to measure liabilities mandatorily at fair value through profit or loss. Financial liabilities are initially recognized at fair value, (normally the issued proceeds, that is, the fair value of consideration received) less, in the case of financial liabilities subsequently carried at amortized cost, transaction costs. For financial liabilities carried at amortized cost, any difference between the proceeds, net of transaction costs, and the redemption value is recognized through profit or loss using the effective interest method.

A financial liability may be designated as at fair value through profit or loss only when:

- It eliminates or significantly reduces a measurement or recognition inconsistency (an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or
- A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with documented risk management or investment strategy; or
- A contract contains one or more embedded derivatives that significantly change the cash flows of the contract and the separation of the embedded derivative(s) is not prohibited.

The movement in own credit risk related to financial liabilities designated at fair value through profit or loss is recorded in other comprehensive income unless this would create or enlarge an accounting mismatch in profit or loss for the Bank (in which case all gains or losses are recognized through profit or loss).

***Derecognition***
Financial liabilities are derecognized when they are extinguished, for instance, when the obligation specified in the contract is discharged, cancelled or expires.

**Impairment of financial assets**

*Scope*
The Bank recognizes impairment loss allowances for expected credit losses (ECL) for the following categories of financial instruments, unless measured at fair value through profit or loss:

- Financial assets that are debt instruments;
- Credit commitments;
- Financial guarantee contracts issued and not accounted for under IFRS 4 *Insurance Contracts* (These contrasts to the IAS 39 impairment model which was not applicable to loan commitments and financial guarantee contracts, as these were covered by IAS 37 *Provisions, contingent liabilities and contingent assets*); and
- Receivables and contract assets recognized under IFRS 15 *Revenue from contracts with customers*.

*Expected credit loss (ECL) model*
The determination of impairment losses and allowance moves from an incurred credit loss model whereby credit losses are recognized when a defined loss event occurs under IAS 39, to an expected credit loss model under IFRS 9, where credit losses are taken upon initial recognition of the financial asset, based on expectations of potential credit losses at the time of initial recognition. Under IFRS 9, the Bank first evaluates individually whether objective impairment exists for financial assets that are individually significant. It then collectively assesses financial assets that are not individually significant and loans which are significant but for which there is no objective evidence of impairment.
The Bank uses an ECL model developed to meet the requirements of IFRS 9. The allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. This model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination. Please refer to note 5 for further explanation on the three-stage approach.

New models and systems were developed to meet the requirements of IFRS 9.

The Bank assesses on a forward-looking basis, the expected credit losses (ECL) associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from credit commitments and financial guarantee contracts. The Bank recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

*Presentation of allowance for credit losses in the statement of financial position*

- *Financial assets measured at amortized cost:* presented as a deduction from the gross carrying amount of the financial assets;
- *Debt instruments measured at FVOCI*: no allowance is recognized in the statement of financial position because the carrying value of these assets is their fair value. However, the Fair value adjustment is presented in the accumulated other comprehensive income; and
- *Off-balance sheet credit risks including credit commitments and financial guarantees:* presented as a provision within the liabilities section of the statement of financial position.

*Write-offs*
When a debt instrument is uncollectible, it is written off against the related provision for credit loss impairment and reduces the gross carrying amount of the debt instrument. Such debt instruments are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized through profit or loss.

*Non-performing exposures*
The Bank's approach to classifying performing versus non-performing is through utilization of the internal credit risk grading process.

***Fair value measurement***
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value measuring using quoted process (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

***Property and equipment***
Land & Buildings owned are stated at revalued amounts. Revalued amounts are fair values based on appraisals prepared by external professional valuers once every five years or more frequently if market factors indicate a material change in fair value. Any revaluation surplus is recognized in other comprehensive income and credited to the revaluation reserve in shareholder's equity. To the extent that any revaluation decreases or impairment loss has previously been recognized in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognized in other comprehensive income. Downward revaluations of land are recognized upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognized in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings. As no finite useful life for land can be determined, related carrying amounts are not depreciated. Buildings are depreciated at a maximum useful life of 40 years.

All items classified as equipment (comprising motor vehicles, computer equipment, furnitures and fixtures) within the balance sheet are measured on initial recognition at cost. The historical cost includes capitalized borrowing costs. Following initial recognition, equipment is carried at cost less any accumulated amortization and any accumulated impairment losses. All items classified as equipment within the balance sheet are amortized using a straight-line method over their residual values of their estimated useful lives.

| **Classification** | **Useful lives** | **Residual values** |
|---|---|---|
| Land | No depreciation | No depreciation |
| Buildings | max till 40 years | 0% |
| Motor vehicles | 4-10 years | 0% |
| Computer equipment | 2-10 years | 0% |
| Furniture, fixtures | 5-20 years | 0% |

Gains and losses arising on disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount and are taken into account in determining operating profit.

***Leases***

Under IFRS 16 a lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

*The Bank as a lessee*

For any new contracts entered into on or after 1 January 2019, the Bank considers whether a contract is, or contains a lease. To apply this definition the Bank assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank;
- the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

*Measurement and recognition of leases as a lessee*

At lease commencement date, the Bank recognizes a right-of-use asset and a lease liability on Statement of Financial Position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank amortizes the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.
The Bank has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

*The Bank as a lessor*
The Bank's accounting policy under IFRS 16 has not changed from the comparative period. As a lessor the Bank classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.
The agreements of the Bank containing a lease are limited to low value assets. Hence the adoption of IFRS 16 has had no significant impact on the financial statements of the Bank. The entity elected to apply the practical expedients in IFRS 16 for short-term leases and leases for which the underlying asset is of low value. Short-term leases with a term not exceeding 12 months (and no purchase option) as well as leases where the underlying asset is of low value are not recognized using the option under IFRS 16.5.

***Impairment of non-financial assets***
Non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use.

***Taxation***
Income tax expense comprises current and deferred tax. Income tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, and any adjustments to tax payable in respect of previous years (e.g. tax carry-forwards).

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

***Employee benefits***
*Anniversary allowance*
According to the Bank's personnel manual, employees are entitled to an anniversary allowance linked to the amount of years of service. An independent actuary calculated the Bank's liability for anniversary allowances. The valuation used for accounting under IAS 19 has been based on the most recent actuarial valuations, updated to take account of that standard's requirements in order to assess the liabilities of the plan at year end. Details of the IAS 19 actuarial calculations including assumptions underlying the calculations have been disclosed in note 20.

*Post-retirement pension benefits*
Employees of the Bank participate in the Ennia Aruba Pension Plan. This plan is funded at Ennia Aruba. Up till year-end 2022 the Bank's pension was categorized as a Defined Benefit Plan. As per January 1, 2023 the Bank's Pension Plan was changed to a Defined Contribution Plan.

***Provisions and contingencies***
Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at year-end.

***Shareholder's equity***

*Share capital*
Share capital is carried at par (nominal) value.

*Revaluation reserve*
Revaluation reserve comprise gains and losses from revaluation of land and buildings.

*General reserve*
General reserve is a legally required reserve that must be maintained based on the Supervisory Regulations of the Central Bank of Aruba.

*Fair value changes*
Fair value changes on financial assets recognized in other comprehensive income.

## (4) Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The areas involving significant estimates or judgements are:

- **Useful lives Property and equipment**
  In calculating the depreciation expenses the determination of the useful life of the Property and equipment is important. In Note 3 'Significant accounting policies' under 'Property and equipment' the applied useful lives per type of Property and equipment are disclosed. Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

- **Effective interest rate**
  As to the effective interest rates application we refer to disclosure in Note 6 'Net interest income'.

- **Fair value through other comprehensive income (FVOCI)**
  The Bank's Fair value through other comprehensive income (FVOCI) investments portfolio consists of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate. The fair value of the unlisted FVOCI equity securities has been estimated based on the equity method of accounting and/or historical cost due to a lack of a valuation technique based on assumptions that are supported by observable market prices or rates. For details regarding the FVOCI investments reference is made to Note 14 'Financial instruments'.

- **Impairment of financial instruments at amortized cost and FVOCI**
  In determining the Expected Credit Loss (ECL) impairment, management is required to exercise judgement in defining what is considered a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is presented in Note 5.

- **Provision for employee benefits**
  In accordance with the Bank's personnel manual, employees are entitled to an anniversary allowance linked to the amount of years of service. In this regard an independent actuary calculates the Bank's IAS 19 provision for anniversary allowances. These calculations require the use of estimates and assumptions. Details of the IAS 19 actuarial calculations including assumptions underlying the calculations have been disclosed in note 20.

- **Fair value of Property (Land and Buildings)**
  In determining the fair value of the three properties owned by Banco di Caribe, three appraisal reports were prepared by a qualified appraiser. The appraisal reports dated 16 July 2020 each includes three different valuation methodologies to determine the market value of the properties: the reconstruction value approach, the open market value approach and the liquidation value approach.

  The reconstruction value is based on a price per m2 per unit or floor. The open market value approach is based on the reconstruction value multiplied by a weighting factor of the market value of the reconstruction per object and adding the value of the terrain. This subtotal is then corrected for a weighting value based on market conditions. The liquidation value approach assumes that the liquidation value is 80% of the open market value.

  The appraisal reports state it is assumed that the current decrease in open market value due to the COVID-19 pandemic will not have any impact on the long-term value of the properties.

  Management has applied the open market value as best estimate of the fair value of all three properties.

- **Uncertain tax positions**
  Uncertain tax positions are measure to the extent that the likelihood of the resulting tax impact. Probable amounts are included within the tax line in the Statement of Profit or Loss or the Statement of Other Comprehensive Income, and the liability would be included within the tax liability on the Statement of Financial Position. Where uncertain tax position is deemed to not be probable, they are disclosed in the notes to the Financial Statements. Further details are set out in accounting policy for Taxation and Note 12.

- **Recognition of deferred tax assets**
  The extent to which deferred tax assets can be recognized is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilized. Further details are set out in accounting policy for Taxation and Note 12.

## (5) Financial risk management

The Bank has exposure to the following risks:

- Credit risk
- Operational risk
- Compliance risk
- Liquidity risk
- Market risks

i. Currency risk
ii. Interest rate risk
iii. Equity price risk

This note provides details of the Bank's exposure to each of the above risks and describes the methods used by management for measurement and control of risk.

***Risk management framework***

The Board of Managing Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework.

The Bank's risk management framework comprises of policies and procedures that are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Bank's Risk management function oversees the Bank's Risk management framework and regularly reviews it to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board of Managing Directors regularly monitors compliance with the Bank's policies and procedures in relation to the risks faced by the Bank. The Board of Managing Directors is assisted in these responsibilities by the Bank's Internal Audit, Compliance and Risk management functions. These functions also maintain a direct reporting line with the Board of Supervisory Directors.
Quarterly the most material issues related to Credit Risks, Operational Risks, Compliance Risks, Liquidity Risks and Market Risks are reported to the Board of Managing Directors and the Board of Supervisory Directors.

***Credit risk***

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans and advances to customers, deposits with other banks and investment debt securities. The Bank is also exposed to off balance sheet credit risk through commitments to extend credit and guarantees issued – refer to note 22 for disclosure on guarantees and letter of credit.

The Board of Supervisory Directors has delegated responsibility for the oversight of credit risk to its Credit Committee. Their responsibilities include the following:

- Formulating credit policies covering collateral requirements, credit assessments, risk grading and reporting, documentary and legal proceedings, and compliance with regulatory requirements.
- Establishing the delegated limits of authority for the approval, renewal and reviews of credit facilities. Authorization limits are granted to business unit managers and the credit committee. Larger facilities require approval of the Board of Supervisory Directors.
- Reviewing compliance of business units with agreed exposure limits.
- Reviewing and assessing portfolio quality and the business unit's compliance with the policies and procedures concerning periodic credit file reviews.

In light of IFRS 9 the Bank's approach towards credit risk management and impairment of credits can be described as follows:

**Expected Credit Loss Measurement**

IFRS 9 outlines a three-stage approach for impairment based on changes in credit quality since initial recognition as summarized below:

***Stage I: 12-month ECL (Performing, not Credit-Impaired)***

These are financial instruments where there has not been a Significant Increase in Credit Risk (SICR) since initial recognition. An impairment loss allowance equal to 12-month Expected Credit Loss (ECL) is recognized. This is the portion of Lifetime Expected Credit Loss (LECL) resulting from default events that are possible within the next 12 months. Credit risk is continuously monitored by the Bank.

***Stage 2: Lifetime ECL (Underperforming, not Credit-Impaired)***
These are financial instruments where there has been a Significant Increase in Credit Risk (SICR) since initial recognition but which are not credit-impaired. An impairment loss allowance equal to lifetime ECL is recognized. Lifetime ECLs are the ECL resulting from all possible default events over the expected life of the financial instrument. Refer to paragraph Significant Increase in Credit Risk (SICR) Since Initial Recognition below for a description of how the Bank determines when a Significant Increase in Credit Risk (SICR) has occurred.

***Stage 3: Lifetime ECL (Non-Performing, Credit-Impaired)***
These are financial instruments that are credit-impaired at the reporting date but were not credit-impaired at initial recognition. An impairment loss allowance equal to lifetime ECL is recognized. Please refer to paragraph Credit-Impaired Financial Assets at Stage 3 below for a description of how the Bank defines credit-impaired and default.

*Significant Increase in Credit Risk (SICR) Since Initial Recognition*
IFRS 9 requires the recognition of 12-month expected credit losses (the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition (stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit impaired (stage 3). The Bank assesses when a Significant Increase in Credit Risk (SICR) has occurred based on quantitative and qualitative assessments. Exposures are considered to have resulted in a Significant Increase in Credit Risk (SICR) and are moved to stage 2 when:

Qualitative & Quantitative Test

- In short term forbearance
- Watch status of a borrower. The Bank assigns the watch status to individual counterparties with an increased risk. This process allows for intensive monitoring, early detection of deterioration in the credit portfolio and appropriate follow-up measures.
- A backstop has been applied and the financial instrument considered to have experienced a Significant Increase in Credit Risk (SICR) if the obligor is more than 30 days past due on its contractual payments.

The Bank will continually monitor and assess the defined quantitative and qualitative criteria to reflect changes in markets, products and emerging best practice.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL, as these do not contain a significant financing component. The Bank considers certain debt instruments measured at amortized cost to have low credit risk and the loss allowance recognized is based on the 12 months expected loss. Management considers 'low credit risk' to be those with high quality external credit ratings (investment grade) or that have reporting date 'Probability of Defaults' (PDs) equivalent to the PD of high-quality external credit ratings (investment grade).

*Credit-Impaired Financial Assets at Stage 3*
The Bank has aligned its definition of credit-impaired under IFRS 9 to when a financial asset has defaulted or become non-performing for regulatory purposes. Credit-impaired is when the exposure has defaulted.

The determination of whether a financial asset is credit-impaired focuses exclusively on default risk, without taking into consideration the effects of credit risk mitigations such as collateral or guarantees. A financial asset is credit-impaired in Stage 3 when the Bank considers the obligor is unlikely to pay its credit obligations to the Bank. Determination may include forbearance actions, where a concession has been granted to the borrower or economic or legal reasons that are qualitative indicators of credit impairment, or contractual payments of either principal or interest by the obligor are past due by more than 90 days.

*Purchased or Originated Credit Impaired Financial Assets in Stage 3*
Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis. All subsequent changes in lifetime expected credit losses, whether positive or negative, are recognized in the Statement of Comprehensive Income through profit or loss as a component of the credit impairment losses.

The Bank determines appropriate groups of assets when ECL is measured on a collective basis. Refer to section 'Impairment Provisioning Policies' for grouping of assets for collective basis assessments.

*Measuring ECL – Basis of Inputs, Assumptions and Estimation Techniques*
The Bank uses three main components to measure ECL: Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD).

Details of these statistical parameters/inputs are as follows:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.
- EAD – The exposure at default 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.
- LGD – The loss given default 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 usually expressed as a percentage of the EAD.

*Forward-Looking Macroeconomic Factors*
A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. The measurement of expected credit losses for each stage and the assessment of Significant Increase in Credit Risk (SICR) considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement. Management has considered macroeconomic variables forecasted by the Central Banks in the Dutch Caribbean and or institutions such as the IMF and Oxford Economics, considered by specific entity and customer category and based on statistical relevance as credit risk driver and expert judgement of the business. Specific forecasts of macro-economic variables are made for two to three years, subsequent periods gradually align to the long-term average.

Due to COVID-19 the Bank has increased its frequency for adapting the Forward looking information in its calculation of ECL. With the frequent adaptation the Bank aims for its ECL to incorporate the latest expectations regarding the current and mid-term macro-economic performance.

*Segmentation*
IFRS 9 requires that exposures be appropriately grouped into homogenous segments based on shared credit characteristics that are expected to react to the current environment. Forward-Looking Information (FLI) and macroeconomic factors in a similar way with respect to changes in the level of credit risk.

**Risk Limit Control and Mitigation Policies**

The Bank manages limits and controls concentrations of credit risk wherever they are identified in particular, to individual counterparties and groups, industries and countries. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below.

*Collateral*
The Bank employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Bank has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no change in the overall quality of the collateral held by the Bank.

The Bank obtains appraisal reports for valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans are:
- Mortgages over properties; and
- Lien on business assets such as premises, inventory and accounts receivable, and
- Lien on financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured.
The Bank closely monitors collateral held for financial assets considered credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses.

**Impairment Provisioning Policies**
Under IFRS 9 the Bank has established policies that describe its principles for the identification, assessment and recognition of impairment and for loss provisioning in respect of all financial assets except those measured at FVTPL. The internal risk rating system assists management to determine whether objective evidence of impairment exists based on the criteria set out by the Bank. The Bank makes a distinction between two types of calculation methods for expected credit loss allowances:

- Individual ECL for (stage 1, 2 and 3) financial instruments with an internal BRR-risk code and also for exposures above AWG 250 thousand; and

- Collective ECL for (stage 1, 2 and 3) financial instruments with exposures below AWG 250 thousand and that have similar credit risk characteristics are clustered in portfolios and collectively assessed for impairment losses. The Bank has developed models to quantify the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) for calculating the collective ECL for these financial assets. Whereas the credit loss allowance is collectively determined for these assets, the stage is determined per individual financial instrument.

*Individually Assessed Impairment*
Under IFRS 9, whilst individual assessment remains for individually significant assets, the assessment is of expected rather than incurred loss. The expected loss calculation is a present value calculation of the credit losses expected from default events that may occur during a specified time period. The required time period being determined by risk at the reporting date relative to that at origination. Collateral valuation, timing, and costs of recovery forms part of the assessment.

*Collectively Assessed Impairment*
The calculation methodology under IFRS 9 for 'collectively assessed impairments' relies on the historical experience of pools of similar assets; hence, the impairment allowance is collective. The impairment calculation is based on the roll-rate approach, where the percentage of assets that move from the initial delinquency to default is derived from statistical probabilities based on historical experience. ECL

assessments under IFRS 9 are based upon forward looking modelled PD, EAD and LGD parameters which are run at account level (at minimum for material portfolios) and applied across all assets from the point of origination/booking.

The following tables set out the credit quality of loans and advances to customers as at December 31, 2022:

**December 31, 2022**

***I Individually Assessed Loans***

| *(in Aruban florins)* | Stage 1 | Stage 2 | Stage 3 | Total 2022 | Total 2021 |
|---|---|---|---|---|---|
| **Loans and advances to corporate customers at amortized cost** | | | | | |
| Satisfactory | 55,582,363 | - | 734,643 | **56,317,006** | **44,472,922** |
| Special Mention | 4,238,248 | - | 368,922 | **4,607,170** | **11,777,802** |
| Substandard | 1,642,234 | - | 12,906,900 | **14,549,134** | **13,114,122** |
| Doubtful | - | - | 4,309,828 | **4,309,828** | **4,667,677** |
| Loss | - | - | 5,585,056 | **5,585,056** | **11,027,837** |
| | **61,462,845** | **-** | **23,905,349** | **85,368,194** | **85,060,360** |
| Loss Allowance | (472,666) | - | (12,250,274) | **(12,722,940)** | **(14,880,146)** |
| Carrying amount | **60,990,179** | **-** | **11,655,075** | **72,645,254** | **70,180,214** |

| *(in Aruban florins)* | Stage 1 | Stage 2 | Stage 3 | Total 2022 | Total 2021 |
|---|---|---|---|---|---|
| **Loans and advances to retail mortgages at amortized cost** | | | | | |
| Satisfactory | 43,385,736 | 437,736 | - | **43,823,472** | **27,996,268** |
| Special Mention | 290,890 | - | - | **290,890** | **365,728** |
| Substandard | 234,517 | 46,110 | 1,019,139 | **1,299,766** | **338,329** |
| Doubtful | - | - | 1,405,912 | **1,405,912** | **692,145** |
| Loss | - | - | 2,524,455 | **2,524,455** | **1,496,327** |
| | **43,911,143** | **483,846** | **4,949,506** | **49,344,495** | **30,888,797** |
| Loss Allowance | (211,514) | (2,170) | (769,540) | **(983,224)** | **(528,329)** |
| Carrying amount | **43,699,629** | **481,676** | **4,179,966** | **48,361,271** | **30,360,468** |

| *(in Aruban florins)* | Stage 1 | Stage 2 | Stage 3 | Total 2022 | Total 2021 |
|---|---|---|---|---|---|
| **Loans and advances to retail customers at amortized cost** | | | | | |
| Satisfactory | 2,073,209 | - | 283,515 | **2,356,724** | **2,041,199** |
| Special Mention | - | - | 29,891 | **29,891** | **176** |
| Substandard | - | - | 1,943 | **1,943** | **2,094** |
| Doubtful | - | - | 260,903 | **260,903** | **198,507** |
| Loss | - | - | 3,395,919 | **3,395,919** | **2,479,179** |
| | **2,073,209** | **-** | **3,972,171** | **6,045,380** | **4,721,155** |
| Loss Allowance | (22,653) | - | (3,422,702) | **(3,445,355)** | **(2,369,654)** |
| Carrying amount | **2,050,556** | **-** | **549,469** | **2,600,025** | **2,351,501** |

***II Collectively Assessed Loans***

| (in Aruban florins) | Stage 1 | Stage 2 | Stage 3 | Total 2022 | Total 2021 |
|---|---|---|---|---|---|
| **Loans and advances to customers at amortized cost** | | | | | |
| Corporate | 714,477 | 4,623 | 5,337,809 | **6,056,908** | **6,017,874** |
| Retail | 77,484,306 | 5,057,895 | 5,223,009 | **87,765,210** | **93,599,432** |
| | **78,198,783** | **5,062,518** | **10,560,818** | **93,822,119** | **99,617,306** |
| Loss Allowance | (3,113,834) | (636,784) | (2,261,659) | **(6,012,277)** | **(5,857,891)** |
| Carrying amount | **75,084,949** | **4,425,734** | **8,299,159** | **87,809,842** | **93,759,415** |

***III) Total Assessed Loans***

| (in Aruban florins) | Stage 1 | Stage 2 | Stage 3 | Total 2022 |
|---|---|---|---|---|
| **Loans and advances to customers at amortized cost** | | | | |
| Gross | 185,645,980 | 5,546,364 | 43,387,844 | **234,580,188** |
| Loss Allowance | (3,820,667) | (638,954) | (18,704,175) | **(23,163,796)** |
| Carrying amount | **181,825,313** | **4,907,410** | **24,683,669** | **211,416,392** |

The following tables set out the credit quality of loans and advances to customers as at December 31, 2021:

**December 31, 2021**

***I Individually Assessed Loans***

| (in Aruban florins) | Stage 1 | Stage 2 | Stage 3 | Total 2021 | Total 2020 |
|---|---|---|---|---|---|
| **Loans and advances to corporate customers at amortized cost** | | | | | |
| Satisfactory | 44,278,720 | 56,130 | 138,072 | **44,472,922** | **39,381,639** |
| Special Mention | 11,232,532 | 429,303 | 115,967 | **11,777,802** | **11,466,439** |
| Substandard | 2,273,854 | - | 10,840,268 | **13,114,122** | **6,809,348** |
| Doubtful | - | - | 4,667,677 | **4,667,677** | **13,437,040** |
| Loss | - | - | 11,027,837 | **11,027,837** | **8,475,920** |
| | **57,785,106** | **485,433** | **26,789,821** | **85,060,360** | **79,570,386** |
| Loss Allowance | (273,333) | (370) | (14,606,443) | **(14,880,146)** | **(11,975,488)** |
| Carrying amount | **57,511,773** | **485,063** | **12,183,378** | **70,180,214** | **67,594,898** |

| *(in Aruban florins)* | Stage 1 | Stage 2 | Stage 3 | Total 2021 | Total 2020 |
|---|---|---|---|---|---|
| **Loans and advances to retail mortgages at amortized cost** | | | | | |
| Satisfactory | 27,714,786 | 131 | 281,351 | **27,996,268** | **22,993,391** |
| Special Mention | 365,728 | - | - | **365,728** | **236,729** |
| Substandard | - | - | 338,329 | **338,329** | **1,688,200** |
| Doubtful | - | - | 692,145 | **692,145** | **513,142** |
| Loss | - | - | 1,496,327 | **1,496,327** | **1,259,064** |
| | **28,080,514** | **131** | **2,808,152** | **30,888,797** | **26,690,526** |
| Loss Allowance | (125,758) | - | (402,571) | **(528,329)** | **(1,008,992)** |
| Carrying amount | **27,954,756** | **131** | **2,405,581** | **30,360,468** | **25,681,534** |

| *(in Aruban florins)* | Stage 1 | Stage 2 | Stage 3 | Total 2021 | Total 2020 |
|---|---|---|---|---|---|
| **Loans and advances to retail customers at amortized cost** | | | | | |
| Satisfactory | 1,731,598 | 290,853 | 18,748 | **2,041,199** | **1,903,384** |
| Special Mention | - | - | 176 | **176** | **475** |
| Substandard | - | - | 2,094 | **2,094** | **17,704** |
| Doubtful | - | - | 198,507 | **198,507** | **156,909** |
| Loss | - | - | 2,479,179 | **2,479,179** | **3,092,211** |
| | **1,731,598** | **290,853** | **2,698,704** | **4,721,155** | **5,170,683** |
| Loss Allowance | (24,916) | (27,467) | (2,317,271) | **(2,369,654)** | **(2,992,518)** |
| Carrying amount | **1,706,682** | **263,386** | **381,433** | **2,351,501** | **2,178,165** |

***II Collectively Assessed Loans***

| *(in Aruban florins)* | Stage 1 | Stage 2 | Stage 3 | Total 2021 | Total 2020 |
|---|---|---|---|---|---|
| **Loans and advances to customers at amortized cost** | | | | | |
| Corporate | 5,255,864 | 374,372 | 387,638 | **6,017,874** | **4,771,969** |
| Retail | 74,199,136 | 14,202,955 | 5,197,341 | **93,599,432** | **90,819,177** |
| | **79,455,000** | **14,577,327** | **5,584,980** | **99,617,306** | **95,591,146** |
| Loss Allowance | (2,161,135) | (1,543,260) | (2,153,496) | **(5,857,891)** | **(5,330,524)** |
| Carrying amount | **77,293,865** | **13,034,067** | **3,431,483** | **93,759,415** | **90,260,622** |

***III) Total Assessed Loans***

| *(in Aruban florins)* | Stage 1 | Stage 2 | Stage 3 | Total 2021 |
|---|---|---|---|---|
| **Loans and advances to customers at amortized cost** | | | | |
| Gross | 167,052,218 | 15,353,743 | 37,881,657 | **220,287,618** |
| Loss Allowance | (2,585,142) | (1,571,097) | (19,479,781) | **(23,636,020)** |
| Carrying amount | **164,467,076** | **13,782,646** | **18,401,876** | **196,651,598** |

As mentioned above the Bank employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

| | Gross Exposure | Impairment Allowance | Carrying Amount | (Fair) value of Collateral held |
|---|---|---|---|---|
| *(in Aruban florins)* | | | | |
| ***Total loans and advances 2022*** | | | | |
| **Loans to Individuals** | | | | |
| Overdrafts | 2,027,260 | (1,082,358) | **944,902** | 1,437,665 |
| Credit Cards | 2,317,258 | (283,228) | **2,034,030** | 2,363,283 |
| Term Loans & Mortgages | 138,810,568 | (16,304,03) | **122,506,532** | 172,281,918 |
| **Loans to Corporate entities** | | | | |
| Large corporate customer | 80,399,739 | (4,959,418) | **75,440,321** | 148,085,174 |
| Small and medium-sized | 11,025,363 | (534,755) | **10,490,608** | 52,374,539 |
| Total credit-impaired assets | **234,580,188** | **(23,163,795)** | **211,416,393** | **376,542,579** |

| | Gross Exposure | Impairment Allowance | Carrying Amount | (Fair) value of Collateral held |
|---|---|---|---|---|
| *(in Aruban florins)* | | | | |
| ***Total loans and advances 2021*** | | | | |
| **Loans to Individuals** | | | | |
| Overdrafts | 1,321,304 | (603,174) | **718,130** | 662,614 |
| Credit Cards | 2,169,626 | (191,260) | **1,978,366** | 2,058,686 |
| Term Loans & Mortgages | 125,730,119 | (17,558,203) | **108,171,916** | 163,678,046 |
| **Loans to Corporate entities** | | | | |
| Large corporate customer | 78,743,520 | (3,043,039) | **75,700,481** | 127,207,447 |
| Small and medium-sized | 12,323,048 | (2,240,345) | **10,082,703** | 37,645,260 |
| Total credit-impaired assets | **220,287,617** | **(23,636,021)** | **196,651,596** | **331,252,053** |

The following tables explain the changes in the Expected Credit Loss (ECL) allowance between the beginning and the end of the annual period due to these factors:

***I ECL allowance loans and advances:***
***December 31, 2022***

| | **Stage 1 12-month ECL** | **Stage 2 Lifetime ECL** | **Stage 3 Lifetime ECL** | **Total** |
|---|---|---|---|---|
| *(in '000 Netherlands Antilles guilders)* | | | | |
| **Loans and advances at amortized costs** | | | | |
| **Loss Allowance as at 1 January 2022** | **2,548,501** | **1,561,292** | **19,526,229** | **23,636,020** |
| **Movements with P&L impact* | | | | |
| Transfers | | | | |
| - Transfers from Stage 1 to Stage 2 | (10,053) | 10,053 | - | **-** |
| - Transfers from Stage 1 to Stage 3 | (866,965) | - | 866,965 | **-** |
| - Transfers from Stage 2 to Stage 1 | 225,045 | (225,045) | - | **-** |
| - Transfers from Stage 2 to Stage 3 | - | (622,898) | 622,898 | **-** |
| - Transfers from Stage 3 to Stage 1 | 1,860 | - | (1,860) | **-** |
| - Transfers from Stage 3 to Stage 2 | - | 3,153 | (3,153) | **-** |
| New financial assets originated or purchased | 960,515 | 25,277 | 196,316 | **1,182,108** |
| Changes in PD/LGD/EADs | 300,348 | 262,135 | 512,208 | **1,074,691** |
| Changes to model assumptions and methodologies | - | - | - | **-** |
| Modification of contractual cash flows of financial assets | 631,701 | (209,404) | 1,749,266 | **2,171,563** |
| Unwind of discount | (21,251) | (4,356) | (236,135) | **(261,742)** |
| Financial assets derecognized during the period | (116,156) | (168,770) | (571,874) | **(856,800)** |
| Other additions to the loss allowance | - | - | (750,574) | **(750,574)** |
| Write-offs | - | - | - | **-** |
| **Total net P&L Charge/(Release) during the period** | **1,105,044** | **(929,855)** | **2,384,057** | **2,559,246 *** |
| **Other movements with no P&L impact* | | | | |
| - Change in provision for interest and penalty income | - | - | (1,406,712) | **(1,406,712)** |
| - Write-offs | - | (2,289) | (1,622,468) | **(1,624,757)** |
| **Expected Credit Loss allowance as at 31 December 2022** | **3,653,545** | **629,148** | **18,881,103** | **23,163,796** |

***II ECL allowance Investments:***
***December 31, 2022***

| (in '000 Netherlands Antilles guilders) | **Stage 1 12-month ECL** | **Stage 2 Lifetime ECL** | **Stage 3 Lifetime ECL** | **Total** |
|---|---|---|---|---|
| **Loans and advances at amortized costs** | | | | |
| **Loss Allowance as at 1 January 2022** | - | - | - | - |
| **Movements with P&L impact* | | | | |
| Transfers | | | | |
| - Transfers from Stage 1 to Stage 2 | - | - | - | - |
| - Transfers from Stage 1 to Stage 3 | - | - | - | - |
| - Transfers from Stage 2 to Stage 1 | - | - | - | - |
| - Transfers from Stage 2 to Stage 3 | - | - | - | - |
| - Transfers from Stage 3 to Stage 1 | - | - | - | - |
| - Transfers from Stage 3 to Stage 2 | - | - | - | - |
| New financial assets originated or purchased | - | - | - | - |
| Changes in PD/LGD/EADs | 589 | - | - | **589** |
| Changes to model assumptions and methodologies | - | - | - | - |
| Unwind of discount | (589) | - | - | **(589)** |
| Financial assets derecognized during the period | - | - | - | - |
| Other additions to the loss allowance | - | - | - | - |
| Write-offs | - | - | - | - |
| **Total net P&L Charge/(Release) during the period** | - | - | - | -* |
| **Other movements with no P&L impact* | | | | |
| - Change in provision for interest and penalty income | - | - | - | - |
| **Expected Credit Loss allowance as at 31 December 2022** | - | - | - | - |

*The 'Net impairment on financial assets' in the P&L of AWG 2,559,246 (increase) consists of:

- Net impairment on Loans and advances: AWG 2,559,246 increase;
- Net impairment on Investment securities measured at amortized costs: AWG 0 increase

***I ECL allowance loans and advances:***
***December 31, 2021***

| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
|---|---|---|---|---|
| *(in '000 Netherlands Antilles guilders)* | | | | |
| **Loans and advances at amortized costs** | | | | |
| **Loss Allowance as at 1 January 2021** | **3,079,826** | **423,704** | **17,803,992** | **21,307,522** |
| **Movements with P&L impact* | | | | |
| Transfers | | | | |
| - Transfers from Stage 1 to Stage 2 | (1,275,862) | 1,275,862 | - | **-** |
| - Transfers from Stage 1 to Stage 3 | (595,222) | - | 595,222 | **-** |
| - Transfers from Stage 2 to Stage 1 | 11,810 | (11,810) | - | **-** |
| - Transfers from Stage 2 to Stage 3 | - | (197,342) | 197,342 | **-** |
| - Transfers from Stage 3 to Stage 1 | 81,797 | - | (81,797) | **-** |
| - Transfers from Stage 3 to Stage 2 | - | 2,892 | (2,892) | **-** |
| New financial assets originated or purchased | 653,586 | 35,158 | 220,864 | **909,609** |
| Changes in PD/LGD/EADs | 341,779 | 84,215 | (906,676) | **(480,682)** |
| Changes to model assumptions and methodologies | - | - | (251,535) | **(251,535)** |
| Unwind of discount | 458,383 | (9,700) | (64,602) | **384,081** |
| Financial assets derecognized during the period | (320) | (1,055) | (9,331) | **(10,706)** |
| Other additions to the loss allowance | (207,276) | (40,632) | 50,518 | **(197,390)** |
| Write-offs | - | - | 80,900 | **80,900** |
| | - | - | - | **-** |
| **Total net P&L Charge/(Release) during the period** | **(531,324)** | **1,137,588** | **(171,987)** | **434,278*** |
| **Other movements with no P&L impact* | | | | |
| - Change in provision for interest and penalty income | - | - | 1,894,220 | **1,894,220** |
| **Expected Credit Loss allowance as at 31 December 2021** | **2,548,501** | **1,561,292** | **19,526,229** | **23,636,022** |

***II ECL allowance Investments:***
***December 31, 2021***

| (in '000 Netherlands Antilles guilders) | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
|---|---|---|---|---|
| **Investments at amortized costs** | | | | |
| **Loss Allowance as at 1 January 2021** | - | - | - | - |
| **Movements with P&L impact* | | | | |
| Transfers | | | | |
| - Transfers from Stage 1 to Stage 2 | - | - | - | - |
| - Transfers from Stage 1 to Stage 3 | - | - | - | - |
| - Transfers from Stage 2 to Stage 1 | - | - | - | - |
| - Transfers from Stage 2 to Stage 3 | - | - | - | - |
| - Transfers from Stage 3 to Stage 1 | - | - | - | - |
| - Transfers from Stage 3 to Stage 2 | - | - | - | - |
| - New financial assets originated or purchased | - | - | - | - |
| Changes in PD/LGD/EADs | 269 | - | - | **269** |
| Changes to model assumptions and methodologies | - | - | - | - |
| Unwind of discount | (269) | - | - | **(269)** |
| Financial assets derecognized during the period | - | - | - | - |
| Other additions to the loss allowance | - | - | - | - |
| Write-offs | - | - | - | - |
| **Total net P&L Charge/(Release) during the period** | - | - | - | - * |
| **Other movements with no P&L impact* | | | | |
| - Change in provision for interest and penalty income | - | - | - | - |
| **Expected Credit Loss allowance as at 31 December 2021** | - | - | - | - |

*The 'Net impairment on financial assets' in the P&L of AWG 434,278 addition consists of:
- Net impairment on Loans and advances: AWG 434,278 addition;
- Net impairment on Investment securities measured at amortized costs: AWG 0 release

***Operational risk***
Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Bank's operations.

The Bank's objective is to manage operational risks in order to balance the avoidance of financial losses and damage to the Bank's reputation, maintaining overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. With regards to this responsibility senior management is assisted by the Bank's Risk management function. This responsibility entails the development of overall standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the periodic assessments of the operational risks faced, and the adequacy of controls and procedures to assess the risks identified.
- Development of contingency plans.
- Training and professional development of staff.
- Ethical and business standards.

Compliance with procedures is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with management of the business unit/department to which they relate, with quarterly summaries submitted to the Board of Managing Directors and Board of Supervisory Directors.

***Compliance risk***

Compliance risk is defined as the risk of impairment of the Bank's integrity, which could lead to damaging the Bank's reputation, legal or regulatory sanctions, or financial loss, as a result of failure (or perceived failure) to comply with applicable laws, regulations and standards.

To support the Board of Managing Directors of the Bank in establishing an adequate Compliance framework, the Bank has appointed a Senior Compliance Officer, who reports directly to the Board of Managing Directors and the Board of Supervisory Directors of the Bank. The Bank's Senior Compliance Officer, is functionally responsible for the Compliance Officers and Money Laundering Reporting Officers of the Bank.

Quarterly the most material Compliance issues related to the compliance with regulations and specific applicable law are reported to the Board of Managing Directors and the Board of Supervisory Directors.

***Liquidity risk***

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities in the short and long term, that are settled by delivering cash or another financial asset.

The Bank's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. For this purpose, the Bank has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits and share capital. The Bank also maintains a large portfolio of local government bonds that can easily be sold, without incurring unacceptable losses, in response to unexpected high level of liquidity needs. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities.

The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Bank strategy. The daily liquidity position is monitored and all liquidity policies and procedures are subject to review and approval of the Bank's Assets & Liabilities Committee (ALCO). Daily and weekly reports cover the liquidity of the Bank. The weekly reports are discussed in the Bank's Assets & Liabilities Committee meetings at least once a month.

The key measure used for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and debt securities for which there is an active and liquid market less any deposits from banks, and expected withdrawal of demand deposits and saving accounts. The Bank assumes that at the most 20% of demand deposits will be withdrawn within the next month, while the withdrawal rate for saving deposits is calculated based on a factor of 1.75 times the average withdrawals. A similar, but not identical, calculation is used to measure the Bank's compliance with the liquidity requirements set by the Central Bank of Aruba. Details of the Bank's ratio of net liquid assets to customers' deposits as of year-end and during the reporting period were as follows:

| | 2022 | 2021 |
|---|---|---|
| At December 31 | 37.3% | 32.1% |
| Average for the period | 35.1% | 33.8% |

In accordance with IFRS 7 the following table provides an analysis of the financial assets and liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment.

| | Less than one month | Between one and three months | Between three months and one year | Between one and three years | More than three years | Total |
|---|---|---|---|---|---|---|
| *(in '000 Aruban florins)* | | | | | | |
| **December 31, 2022** | | | | | | |
| **Financial assets** | | | | | | |
| Cash and due from banks | 170,209 | - | - | - | - | 170,209 |
| Financial instruments | - | - | 2,972 | 4,500 | 27,927 | 35,399 |
| Loans and advances | 16,837 | 1,797 | 12,969 | 13,618 | 166,195 | 211,416 |
| | **187,046** | **1,797** | **15,941** | **18,118** | **194,122** | **417,024** |
| **Financial liabilities** | | | | | | |
| Deposits from customers | 204,221 | 5,075 | 56,023 | 45,792 | 20,639 | 331,750 |
| | **(17,175)** | **(3,278)** | **(40,082)** | **(27,674)** | **173,483** | **85,274** |

| | Less than one month | Between one and three months | Between three months and one year | Between one and three years | More than three years | Total |
|---|---|---|---|---|---|---|
| *(in '000 Aruban florins)* | | | | | | |
| **December 31, 2021** | | | | | | |
| **Financial assets** | | | | | | |
| Cash and due from banks | 94,870 | - | - | - | - | 94,870 |
| Financial instruments | - | - | - | 10,478 | 27,878 | 38,356 |
| Loans and advances | 22,413 | 1,619 | 4,934 | 24,220 | 143,466 | 196,652 |
| | **117,283** | **1,619** | **4,934** | **34,698** | **171,344** | **329,878** |
| **Financial liabilities** | | | | | | |
| Deposits from customers | 152,713 | 14,653 | 23,762 | 31,843 | 19,481 | 242,452 |
| | **(35,430)** | **(13,034)** | **(18,828)** | **2,855** | **151,863** | **87,426** |

As discussed above the Bank monitors its liquidity closely through periodic reports that cover the liquidity of the Bank. On a monthly basis this is also done within the Bank's ALCO meetings. In the ALCO meeting cash flow forecasts and upcoming time deposit maturities are discussed. Based on all these monitoring activities the Bank manages the liquidity gap shown in the above table.

The fair value of the financial assets and liabilities which are not measured at fair value approximate their fair value due to their short-term nature (with the exception of loans and advances to customers). Management also estimates that the fair value of the loans and advances to customers approximate their value due to the variable market conform interest rates. These are categorized as level 3 (inputs for the assets that are not based on observable market data).

The fair value of the loans and advances, categorized as level 3, has been determined based on the 'discounted cash flow method' whereby expected cash flows from debt service and collateral sale are discounted based on the interest rates of the respective loans.

The financial instruments, categorized as level 3, relate to the Bank's investment in shares of a local entity. The investment in shares, categorized at fair value through other comprehensive income, has been included in the financial statements at the net asset value of the local entity due to no available market for the shares and lack of observable market prices. Management believes that the current book value for the investments in local shares provides the most reasonable and appropriate valuation basis at year end. Refer to note 14 for further detailed disclosures on the financial instruments.

***Market risks***
Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. Market risk includes currency risk, interest rate risk, and equity price risk. Overall authority for market risk is vested in the Bank's ALCO.

***Price risks***
The Bank is exposed to price risk in respect of its property (land and buildings) which are measured at revalued amounts. Revalued amounts are fair values based on appraisals prepared by external professional valuers once every five years or more frequently if market factors indicate a material change in fair value.

***Currency risk***
The Bank's exposure to currency risk is limited mainly to the Euro. Of total assets and total liabilities, amounts equivalent to AWG 756.1 thousand of assets and AWG 7.0 thousand of liabilities are denominated in currencies other than the Aruban florins, the Netherlands Antilles guilders or the US Dollar. The Netherlands Antilles guilders and the Aruban florins are both pegged to the US Dollar. The foreign currency positions of the Bank are monitored daily.

***Interest rate risk***
The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Bank's business strategies.

***Sensitivity analysis – interest rate risk***
The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard interest rate scenarios. These scenarios include a 100 and a 50 basis points (bp) fall of interest rates locally combined with a reduction of the interest rate on the overnight deposits to nil; and a 100 and a 50 bp rise of interest rates locally combined with a similar rise of the interest rate on the overnight deposits.

Based on these scenarios the respective changes in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, would impact the Bank's Equity and Total comprehensive income for the year (on a before tax basis) as follows: (decrease)/increase

| | 2022 | 2021 |
|---|---|---|
| *(in '000 Aruban florins)* | | |
| 50 bp increase | 26 | 132 |
| 100 bp increase | 51 | 265 |
| 50 bp decrease | (309) | (197) |
| 100 bp decrease | (1,030) | (659) |

***Equity price risk***
Equity price risk is subject to regular monitoring by the Bank's ALCO but is currently not significant in relation to the overall results and financial position of the Bank.

***Sensitivity analysis-Market risk***
Although the Bank believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. Actual prices determined between a willing buyer and seller could differ from the book values. The effect of such a change would not affect profit or loss as these securities are classified as fair value through other comprehensive income financial assets.
The Bank is unable to determine the precise effect on the fair value of the level 3 securities it holds using different observable inputs or assumptions because other pricing sources, observable inputs or assumptions were unavailable.

**Capital management**
The Bank's lead regulator is the Central Bank of Aruba. Capital adequacy for the Bank is therefore governed by the Central Bank of Aruba. As in previous year the Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and sustain future development of the business. The impact of the level of capital on shareholder's return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

As to the capital adequacy of Aruban banks the Central Bank of Aruba requires all banks in Aruba to maintain a minimum regulatory capital adequacy ratio (CAR-%) of 16%. Based on the Bank's year end Central Bank chart of accounts reporting (the 'Maandstaten') the Bank's CAR-% is 62.05% (2021: 63.17%). The CAR-% is monitored on a monthly basis by the Bank's Management and ALCO.

## (6) Net interest income

| | 2022 | 2021 |
|---|---|---|
| *(in Aruban florins)* | | |
| **Interest and similar income** | | |
| Interest and similar income that arise from | | |
| Loans and advances | 18,226,959 | 14,377,924 |
| Balances due from affiliated companies | - | 275,585 |
| Government paper | 1,562,017 | 1,934,408 |
| Deposits with other banks | 38,503 | (18) |
| Total interest revenue | 19,827,479 | 16,587,899 |
| **Interest expense and similar charges** | | |
| Interest expenses and similar charges that arise from | | |
| Demand deposits | 270,961 | 264,319 |
| Savings deposits | 407,364 | 615,808 |
| Time deposits | 1,973,671 | 2,040,661 |
| Total interest expense | 2,651,996 | 2,920,788 |
| **Net interest income** | **17,175,483** | **13,667,111** |

*Interest and similar income*

The Bank's banking system accrues for interest on loans and advances based on the nominal interest rates. However, for the Bank this does not result in material differences with the interest income calculated based on the effective interest rate, because the effect of additional fees charged on newly issued loans is immaterial over the life of the loans. As to the interest income arising from the Bank's debt securities (mainly Aruba government bonds) the interest income is accrued for based on the effective yield method in Aruba government bond issues take place mainly at par. In the case of secondary market offerings of Aruba government bonds, those are bought at a discount or premium and interest income on those bonds is accrued based on the effective yield method.

Interest income arising from deposits with other banks is accrued, taking into effect the effective yield on the deposits. However due to their short-term nature their carrying amounts reasonably equal their amortized cost and their nominal interest rates do not differ materially from their effective rates. Therefore, the Bank's annual interest income from its deposits at banks reasonably approximates the interest income based on the effective interest of the deposits at banks with no material differences.

*Interest expenses and similar charges*

The Bank's banking system accrues for interest on demand, savings and time deposits based on the nominal interest rates. However, for all these deposits the nominal rate does not differ from the effective rate and for the demand deposits the effect of a difference in rates (if any) would have no material effect for the Bank due to their short-term nature. Due to all the aforementioned reasons the Bank's annual interest expense from customers' deposits reasonably approximates the interest expense based on the effective interest of the customers' deposits with no material differences.

## (7) Net fees and commission income

| *(in Aruban florins)* | 2022 | 2021 |
|---|---|---|
| Net fees and commissions on bank services | 2,351,241 | 2,778,767 |
| Foreign exchange fees and results | 245,911 | 730,247 |
| **Net fees and commission income** | **2,597,152** | **3,509,014** |

## (8) Other operating income

Other operating income can be specified as follows:

| *(in Aruban florins)* | 2022 | 2021 |
|---|---|---|
| Release of dormant suspense accounts | 10,696 | (51,593) |
| Income from Government Bonds subscriptions | 7,234 | 31,250 |
| Other | 57,875 | 32,241 |
| | **75,805** | **11,898** |

## (9) Personnel expenses

This is specified as follows:

| *(in Aruban florins)* | 2022 | 2021 |
|---|---|---|
| Salaries and wages | 5,600,511 | 5,769,992 |
| Social premiums | 578,340 | 549,150 |
| Insurance premiums | 576,662 | 550,712 |
| Pension premiums | (471,733) | 138,266 |
| Training and education | 36,599 | 47,271 |
| Head office support | 1,600,945 | 1,397,940 |
| Other personnel expenses | 151,693 | 66,973 |
| | **8,073,017** | **8,520,304** |

The total number of personnel as of December 31, 2022 was 71 (2021: 70).

The Bank makes contributions to a defined benefit plan that provides pension benefits for employees upon retirement.

The plan was a Defined Benefit plan and as per January 1, 2023, the Bank has decided to change the plan to a Defined Contribution plan.

## (10) Premises expenses

| *(in Aruban florins)* | 2022 | 2021 |
|---|---|---|
| Property maintenance | 322,676 | 361,688 |
| Utilities | 230,901 | 203,174 |
| Rent property | 74,606 | 45,650 |
| Property tax | 73,830 | 73,830 |
| Insurance | 90,293 | 90,979 |
| Kitchen & Cleaning Supplies | 29,119 | 24,657 |
| | **821,425** | **799,978** |

## (11) Other administrative expenses

| *(in Aruban florins)* | 2022 | 2021 |
|---|---|---|
| Maintenance of office equipment | 53,476 | 50,747 |
| Transportation expenses | 38,456 | 38,569 |
| Telephone and postage | 350,114 | 372,006 |
| Advertising & promotion | 257,358 | 188,772 |
| Professional fees | 495,562 | 602,237 |
| Travel and lodging | 20,782 | 19,311 |
| Donations | 22,007 | 12,487 |
| Memberships and subscriptions | 11,477 | 14,806 |
| Representation | 40,950 | 23,020 |
| Office expenses | 64,163 | 63,280 |
| IT supplies | 765,116 | 644,967 |
| Security expenses | 435,152 | 426,880 |
| Head office support | 1,067,296 | 931,960 |
| Board expenses | 198,000 | 198,000 |
| Other operating expenses | 56,731 | 64,874 |
| | **3,876,640** | **3,651,916** |

## (12) Profit tax

| | 2022 | 2021 |
|---|---|---|
| *(in Aruban florins)* | | |
| **Amounts recognized in profit or loss** | | |
| **Current tax expense** | | |
| Current year | 924,221 | 619,240 |
| Effect of non-deductible expenses | (31,869) | (42,751) |
| Effect of adjustments related to previous years | (499,074) | 85,502 |
| **Deferred tax assets** | | |
| Effect of profit tax rate change on Deferred tax liability | (517,998) | - |
| Effect of profit tax rate change on Deferred tax asset | 141,549 | - |
| Origination/ (reversal) of temporary differences relating to IFRS 9 | (372,154) | 181,662 |
| | **(355,325)** | **843,653** |
| **Amounts recognized in OCI** | | |
| Tax on movement in revaluation reserve | (11,029) | (11,029) |
| Tax on movement in general reserve | 126,844 | 68,196 |
| Tax on fair value changes (FVOCI financial assets) | 19,107 | (8,076) |
| | **134,922** | **49,091** |

Operating income from domestic banking activities is subject to Aruban tax at the rate of 25%.

The profit tax expense can be specified as follows:

| | 2022 | Effective tax rate | 2021 | Effective tax rate |
|---|---|---|---|---|
| *(in Aruban florins)* | | | | |
| **Result before Income tax** | **3,696,882** | | **2,476,958** | |
| Income tax using the domestic corporation tax rate | 924,221 | 25.0% | 619,240 | 25.0% |
| Effect of non-deductible expenses | (31,869) | (0.9%) | (42,751) | (1.7%) |
| Effect of adjustments related to previous years | (499,073) | (13.5%) | 85,502 | 3.5% |
| Effect of profit tax rate change on Deferred tax liability | (517,998) | (14.0%) | - | - |
| Effect of profit tax rate change on Deferred tax asset | 141,549 | 3.8% | - | - |
| Origination / (reversal) of temporary differences relating to IFRS 9 | (372,154) | (10.1%) | 181,662 | 7.3% |
| **Profit tax** | **(355,325)** | **(9.6%)** | **843,653** | **34.1%** |

Following the discussions with the Aruban Tax Authorities concerning the tax allowable book value of the General Provision for Doubtful Debt (algemene voorziening dubieuze debiteuren) the Bank's Tax Advisor reached a settlement agreement regarding the guidelines for the calculation of the book value for tax purposes of the general loan loss provision with the Aruban Tax Authorities in April 2017. Based here on the final profit tax returns concerning the years 2011 through 2015 have been prepared and filed with the Tax Authorities. Since the settlement agreement concerns only the period of 2011 through 2015, a request for extension of this settlement agreement concerning the terms and conditions regarding the calculation method of the concerned provision for the years 2016 and 2017 has been filed. The request for the extension of the settlement agreement for the calculation of the book value for tax purposes of this provision was filed with the Tax Authorities in November 2017. No further changes to the calculation method as applicable for the years 2011 through 2015 are expected and based on this settlement agreement the book value for tax purposes of this provision could be calculated with certainty. Furthermore, the tax returns 2016 and 2017 have been prepared and filed with the Aruban Tax Authorities. Since the terms and conditions regarding the tax allowable calculation method for the book value of the general loan loss provision for the period as of January 1, 2016 have been settled with the Tax Authorities, the impacts hereof for the taxable temporary difference and therefore also for the financial statements for the period through December 31, 2017 can be determined with certainty. Taking the aforementioned into account, the Bank carries a deferred tax liability in its balance to account for the taxable temporary difference in the tax base and carrying amount of the general provision for doubtful debt respectively the general loan loss provision through December 31, 2017.

Since the 2018 financial year the Bank determines the carrying amount of the loan loss provision on the basis of IFRS 9, where the expected credit loss method is applied. The Bank's Tax Advisor have discussed the adoption of IFRS 9 with the Aruba Tax Authorities and concluded that based on the earlier recognition of a provision for credit losses under the application of IFRS 9 the agreed upon terms and conditions for the calculation of the tax base of the general provision for doubtful debt should be revised. As soon as the calculated provision based on the expected credit loss method has been revised by the Aruba Tax Authorities, the tax allowable guidelines for the calculation of the tax base for the general provision for doubtful debt can be determined and settled. The procedure to agree upon the allowable calculation method of the tax base of the general provision for doubtful debt has been initiated with the Aruba Tax Authorities. As soon as this has been settled the impact hereof for the years 2018 through 2022 shall be determined and accounted for accordingly.

The profit tax expense through OCI has been processed in the deferred tax liability. The deferred tax liability can be specified as follows:

| *(in Aruban florins)* | Net balance at 1 January 2022 | Recognized in OCI with 25% tax rate | Release with 22% tax rate in 2023* | Net balance at 31 December 2022 |
|---|---|---|---|---|
| Property and equipment | 2,388,109 | (11,029) | (285,250) | 2,091,830 |
| General reserve | 1,450,148 | 126,844 | (189,239) | 1,387,753 |
| FVOCI financial assets | 343,465 | 19,107 | (43,509) | 319,063 |
| | **4,181,722** | **134,922** | **(517,998)** | **3,798,646** |

*The tax rate has been changed to 22% as of January 2023. The impact is reflected in above table

Given the specific factors that give rise to the deferred tax liabilities of the Bank it is not practical to include a specification of the current and non-current part of the deferred tax liability balance. However, the majority of the Net Balance at 31 December 2022 of the deferred tax liability is non-current.

The movement in the Bank's deferred tax assets is as follows:

| *(in Aruban florins)* | 2022 | 2021 |
|---|---|---|
| Balance at January 1 | 1,050,805 | 742,332 |
| Prior period error* | - | 490,135 |
| Release with 22% tax rate | (141,549) | - |
| Movement in Deferred tax assets related to IFRS 9 | 372,154 | (181,662) |
| **At December 31** | **1,281,410** | **1,050,805** |

*Disclosed and explained in note 2 'Changes in prior year's figures'

## (13) Cash and due from banks

| *(in Aruban florins)* | 2022 | 2021 |
|---|---|---|
| Cash on hand | 6,595,168 | 3,664,119 |
| Call account | 6,334,853 | 10,370,499 |
| Due from Central Bank | 109,872,266 | 51,031,945 |
| Interest-bearing deposits with Banco di Caribe N.V. | 6,419,893 | 6,443,603 |
| Interest-bearing deposits with Other Banks | 1,979,009 | - |
| Cash and cash equivalents | 131,201,189 | 71,510,166 |
| Monetary cash reserve at the Central Bank of Aruba | 45,428,000 | 23,360,000 |
| | **176,629,189** | **94,870,166** |

The non-interest-bearing deposit with the Central Bank of Aruba in the amount of AWG 45,428,000 (2021: AWG 23,360,000), is restricted as it represents the depository reserve requirements.

## (14) Financial instruments

| *(in Aruban florins)* | 2022 | 2021 |
|---|---|---|
| Investment securities measured at amortized cost | 33,749,180 | 36,782,793 |
| Investment securities designated as at FVOCI–equity instruments | 1,649,761 | 1,573,333 |
| | **35,398,941** | **38,356,126** |

The movement in the Investment securities measured at amortized cost is as follows:

| *(in Aruban florins)* | 2022 | 2021 |
|---|---|---|
| Balance at January 1 | 36,782,793 | 45,001,068 |
| Matured fixed income investments | (3,006,917) | (8,191,579) |
| Amortization of premium, net | (26,696) | (26,696) |
| **Total** | **33,749,180** | **36,782,793** |

The movement in the Investment securities designated as at FVOCI–equity instruments is as follows:

| | 2022 | 2021 |
|---|---|---|
| *(in Aruban florins)* | | |
| Balance at January 1 | 1,573,333 | 1,605,639 |
| Change in unrealized result FVOCI-equity instruments | 76,428 | (32,306) |
| **Total** | **1,649,761** | **1,573,333** |

Financial instruments in debt securities can be broken down in the following categories:

| | 2022 | 2021 |
|---|---|---|
| *(in Aruban florins)* | | |
| Measured at amortized cost securities | | |
| Unlisted | 33,749,180 | 36,782,793 |
| **Total debt securities** | **33,749,180** | **36,782,793** |

In Aruba bond issues take place mainly at par. In the case of secondary market offerings of Aruba government bonds, those are bought at a discount or premium and interest income on those bonds is accrued based on the effective yield method.

Financial instruments in equity securities can be broken down in the following categories:

| | 2022 | 2021 |
|---|---|---|
| *(in Aruban florins)* | | |
| Fair value through other comprehensive income | | |
| Unlisted | 1,649,761 | 1,573,333 |
| **Total equity securities** | **1,649,761** | **1,573,333** |

Fair value through other comprehensive income (FVOCI) equity securities consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate. The fair value of the unlisted FVOCI equity securities has been estimated based on the equity method of accounting and/or or historical cost due to a lack of a valuation technique based on assumptions that are supported by observable market prices or rates. Management believes that the current book value recorded in the balance sheet is reasonable and the most appropriate at year end. The fair value of any listed equity securities measured mandatorily at fair value through profit or loss is determined at the quoted closing prices on the stock exchanges by alternate other data providers. The unrealized result related to FVOCI-equity securities recognised in equity for the year was AWG 76.4 thousand gain (2021: AWG 32.3 thousand loss) and the gain recognised in profit or loss on disposals was nil (2021: nil).

The following is a summary of the cost, gross unrealized gains and losses and fair value of the FVOCI securities:

| | Equity securities at December 31, 2022 | Equity securities at December 31, 2021 |
|---|---|---|
| *(in Aruban florins)* | | |
| Cost | 200,000 | 200,000 |
| Unrealized gains | 1,449,761 | 1,373,333 |
| **Total FVOCI securities** | **1,649,761** | **1,573,333** |

The Bank's accounting policy on fair value measurement and the definition of the fair value hierarchy is discussed in the accounting policies. The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized.

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| *(in Aruban florins)* | | | | |
| **December 31, 2022** | | | | |
| Investment securities | - | - | **1,649,761** | **1,649,761** |

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| *(in Aruban florins)* | | | | |
| **December 31, 2021** | | | | |
| Investment securities | - | - | **1,573,333** | **1,573,333** |

The movements in the Level 3 category of Equity Securities are as follows for the year 2022:

| Equity securities | December 31, 2022 | December 31, 2021 |
|---|---|---|
| *(in Aruban florins)* | | |
| Balance at January 1 | 1,573,333 | 1,605,639 |
| Revaluations | 76,428 | (32,306) |
| **Balance at December 31** | **1,649,761** | **1,573,333** |

The fair value of the equity securities is considered a critical accounting estimate, refer to Note 4.

## (15) Loans and advances

| *(in Aruban florins)* | 2022 | 2021 |
|---|---|---|
| **Corporate loans** | | |
| Mortgages | 53,854,946 | 47,917,249 |
| Overdraft facilities | 7,850,430 | 14,508,420 |
| Loans and advances | 16,370,162 | 17,884,205 |
| | 78,075,538 | 80,309,874 |
| **Consumer loans** | | |
| Mortgages | 110,724,384 | 96,310,574 |
| Overdraft facilities | 2,811,509 | 2,453,322 |
| Personal loans | 42,968,757 | 41,213,848 |
| | 156,504,650 | 139,977,744 |
| **Total gross loans** | 234,580,188 | 220,287,618 |
| Less: allowance for doubtful accounts | (23,163,796) | (23,636,020) |
| | **211,416,392** | **196,651,598** |

The carrying value of the loans and advances is considered a critical accounting estimate, refer to Note 4.

***Sector analysis***
The portfolio of loans and advances can be divided in the following economic sectors:

| *(in Aruban florins)* | 2022 | 2021 |
|---|---|---|
| Other manufacturing & construction | 5,160,764 | 4,846,328 |
| Wholesale & retail | 9,852,368 | 9,252,080 |
| Restaurants & hotels | 5,629,925 | 3,744,889 |
| Transport, storage & communication | 703,741 | 440,575 |
| Financial services | 52,740,877 | 49,910,182 |
| Other services | 3,987,863 | 12,115,820 |
| Consumer loans | 156,504,650 | 139,977,744 |
| | **234,580,188** | **220,287,618** |

## (16) Property and equipment

| | Land | Buildings | Equipment | Vehicles | Total |
|---|---|---|---|---|---|
| *(in Aruban florins)* | | | | | |
| *Balance as at January 1, 2022* | | | | | |
| Cost and revaluations | 1,830,179 | 14,440,821 | 9,104,545 | 319,021 | 25,694,566 |
| Accumulated depreciation | - | (675,480) | (7,669,215) | (202,193) | (8,546,888) |
| Net book value | **1,830,179** | **13,765,341** | **1,435,330** | **116,828** | **17,147,678** |
| *Changes for the year* | | | | | |
| Acquisitions | - | - | 441,980 | 44,300 | 486,280 |
| Depreciation charge | - | (238,034) | (543,986) | (39,210) | (821,230) |
| Revaluation increase | - | - | - | - | - |
| Disposal - cost | - | - | (371,460) | (48,212) | (419,672) |
| Disposal - Accumulated depreciation | - | - | 371,460 | 48,212 | 419,672 |
| Net changes | - | (238,034) | (102,006) | 5,090 | (334,951) |
| *Balance as at December 31, 2022* | | | | | |
| Cost and revaluations | 1,830,179 | 14,440,821 | 9,175,065 | 315,109 | 25,761,174 |
| Accumulated depreciation | - | (913,514) | (7,841,741) | (193,191) | (8,948,446) |
| Net book value | **1,830,179** | **13,527,307** | **1,333,324** | **121,918** | **16,812,728** |

| | Land | Buildings | Equipment | Vehicles | Total |
|---|---|---|---|---|---|
| *(in Aruban florins)* | | | | | |
| *Balance as at January 1, 2021* | | | | | |
| Cost and revaluations | 1,830,179 | 14,440,821 | 9,841,252 | 270,436 | 26,382,688 |
| Accumulated depreciation | - | - | (8,093,240) | (193,824) | (8,287,065) |
| Net book value | **1,830,179** | **14,440,821** | **1,748,012** | **76,612** | **18,095,623** |
| *Changes for the year* | | | | | |
| Acquisitions | - | - | 269,375 | 87,267 | 356,642 |
| Depreciation charge | - | (675,480) | (582,057) | (47,052) | (1,304,589) |
| Revaluation increase | - | - | - | - | - |
| Disposal - cost | - | - | (1,006,081) | (38,683) | (1,044,764) |
| Disposal - Accumulated depreciation | - | - | 1,006,081 | 38,683 | 1,044,764 |
| Net changes | - | (675,480) | (312,682) | 40,215 | (947,947) |
| *Balance as at December 31, 2021* | | | | | |
| Cost and revaluations | 1,830,179 | 14,440,821 | 9,104,545 | 319,021 | 25,694,566 |
| Accumulated depreciation | - | (675,480) | (7,669,215) | (202,194) | (8,546,889) |
| Net book value | **1,830,179** | **13,765,341** | **1,435,330** | **116,827** | **17,147,677** |

## (17) Other assets

| *(in Aruban florins)* | 2022 | 2021 |
|---|---|---|
| Interest receivable from investment securities and time deposits | 581,390 | 622,339 |
| Bank card transactions to be settled | 39,678 | 2,178,519 |
| Accounts receivable | 1,307,569 | - |
| Other | 875,299 | 1,361,833 |
| | **2,803,936** | **4,162,691** |

## (18) Deposits from customers and banks

| *(in Aruban florins)* | 2022 | 2021 |
|---|---|---|
| **Payable on demand** | | |
| Retail customers | 20,673,363 | 18,314,500 |
| Corporate customers | 69,654,629 | 52,823,505 |
| Public sector | 52,281,291 | 24,303,453 |
| | 142,609,283 | 95,441,458 |
| **Savings deposits** | | |
| Retail customers | 52,011,175 | 55,023,981 |
| Corporate customers | 2,580,995 | 2,213,030 |
| | 54,592,170 | 57,237,011 |
| **Time deposits** | | |
| Retail customers | 11,285,252 | 11,914,543 |
| Corporate customers | 123,263,972 | 77,858,973 |
| | 134,549,224 | 89,773,516 |
| | **331,750,677** | **242,451,985** |

## (19) Other liabilities

| *(in Aruban florins)* | 2022 | 2021 |
|---|---|---|
| Current accounts with insurance companies | 1,401,987 | 1,158,016 |
| Accounts payable | 358,382 | 390,233 |
| Security deposit safe boxes | 29,500 | 32,970 |
| Accrued expenses | - | 138,000 |
| Cashiers cheques in suspense | 372,715 | 355,554 |
| Interest payable | 10,498 | 6,198 |
| Taxes payable | 111,953 | 98,100 |
| | **2,285,035** | **2,179,071** |

## (20) Provision for employee benefits

Employee benefits are all forms of consideration given by the Bank in exchange for service rendered by employees (pension obligations and other benefits).

The amounts recognized in the balance sheet are as follows:

| *(in Aruban florins)* | 2022 | 2021 |
|---|---|---|
| Pension Plan (Defined benefit plan) | - | 777,060 |
| Anniversary allowances | 746,279 | 867,338 |
| **Provision for employee benefits** | **746,279** | **1,644,398** |

***Pension Plan (Defined benefit plan)***

Employees of the Bank participate in the Ennia Aruba Pension Plan. This plan is funded at Ennia Aruba (a local insurance company) up till 2022. The plan was a Defined Benefit plan. As per January 1, 2023, the Bank has decided to change the plan to a Defined Contribution plan. In a Defined Contribution plan, the expense is equal to the contributions payable, and the Funded Status is nil. This resulted in a release of the provision in 2022 of AWG 777,060. The gain from the release of provision has been recognized through Income (as a negative Past Service Cost).

The amounts recognized in the balance sheet are as follows:

| *(in Aruban florins)* | 2022 | 2021 |
|---|---|---|
| Present value of funded obligations | - | 4,712,995 |
| Fair value of plan assets | - | (3,935,935) |
| **Provision for post-retirement employee benefits** | **-** | **777,060** |

An actuarial result of AWG nil (2021: loss of AWG 139.30 thousand) has been recognized in other comprehensive income.

Movement in the present value of the funded obligations is as follows:

| *(in Aruban florins)* | 2022 | 2021 |
|---|---|---|
| Present value of funded obligations at January 1 | 4,712,995 | 4,262,948 |
| Actuarial gain | - | (25,295) |
| Current service cost | - | 277,792 |
| Interest cost | - | 197,550 |
| Negative past service cost | (4,712,995) | - |
| **Present value of funded obligations at December 31** | **-** | **4,712,995** |

Movement in plan assets is as follows:

| *(in Aruban florins)* | 2022 | 2021 |
| --- | --- | --- |
| Fair value of plan assets at January 1 | 3,935,935 | 3,462,196 |
| Contributions | - | 466,461 |
| Expected Return on plan assets | - | 171,879 |
| Actuarial loss on assets | - | (164,601) |
| Negative past service cost | (3,935,935) | - |
| **Fair value of plan assets at December 31** | **-** | **3,935,935** |

Expense recognized in profit or loss is as follows:

| *(in Aruban florins)* | 2022 | 2021 |
| --- | --- | --- |
| Current service cost | (777,060) | 277,792 |
| Interest cost | - | 197,551 |
| Expected Return on Plan Assets | - | (171,879) |
| Employee contribution | - | (211,920) |
| **Pension expenses** | **(777,060)** | **91,544** |

Expense recognized in other comprehensive income is as follows:

| *(in Aruban florins)* | 2022 | 2021 |
| --- | --- | --- |
| Actuarial Loss, net | - | (139,305) |
| **Pension actuarial result, net of income tax** | **-** | **(139,305)** |

Actuarial gains and losses occur when assumptions change, and when realization differs from assumptions.

The principal actuarial assumptions used were as follows:

| | 2022 | 2021 |
| --- | --- | --- |
| Discount rate | 4.375% | 4.375% |
| Future salary increases | 1.5% | 1.5% |
| Mortality rate | GBM/V 2000-2005 Minus 2 years | GBM/V 2000-2005 Minus 2 years |

***Anniversary allowances***
According to the Bank's personnel manual, employees are entitled to an anniversary allowance linked to the number of years of service. An independent actuary calculates the Bank's liability for anniversary allowances, based on which the Bank includes a provision for anniversary allowances in its statement of financial position.

The amounts recognized in the balance sheet are as follows:

| *(in Aruban florins)* | 2022 | 2021 |
|---|---|---|
| Present value of funded obligations | 746,279 | 867,338 |
| **Provision for anniversary allowances** | **746,279** | **867,338** |

Movement in the present value of the funded obligations is as follows:

| *(in Aruban florins)* | 2022 | 2021 |
|---|---|---|
| Present value of funded obligations at January 1 | 867,338 | 822,624 |
| Actuarial (Gain)losses | (23,075) | (10,151) |
| Current service cost | 111,627 | 121,181 |
| Interest cost | 30,424 | 31,350 |
| Past service cost | - | - |
| Estimated benefits | (240,035) | (97,666) |
| **Present value of funded obligations at December 31** | **746,279** | **867,338** |

Movement in plan assets is as follows:

| *(in Aruban florins)* | 2022 | 2021 |
|---|---|---|
| Fair value of plan assets at January 1 | - | - |
| Contributions | 240,035 | 97,666 |
| Estimated benefits | (240,035) | (97,666) |
| **Fair value of plan assets at December 31** | **-** | **-** |

Expense recognized in profit or loss is as follows:

| *(in Aruban florins)* | 2022 | 2021 |
|---|---|---|
| Current service cost | 111,627 | 121,181 |
| Interest cost | 30,424 | 31,350 |
| Past service cost | - | - |
| **Anniversary allowance expenses** | **142,051** | **152,531** |

Expense recognized in other comprehensive income is as follows:

| | 2022 | 2021 |
|---|---|---|
| *(in Aruban florins)* | | |
| Actuarial gains | (23,075) | (10,151) |
| **Anniversary allowance expenses, net of income tax** | **(23,075)** | **(10,151)** |

Actuarial gains and losses occur when assumptions change, and when realization differs from assumptions.

The principal actuarial assumptions used were as follows:

| | 2022 | 2021 |
|---|---|---|
| Discount rate | 4.25% | 3.75% |
| Future salary increases | 1.5% | 1.5% |
| Personnel turnover rate | 8.2% | 8.2% |
| Mortality rate | GBM/V 2000-2005 Minus 2 years | GBM/V 2000-2005 Minus 2 years |

A sensitivity analysis on the present value of the provision for anniversary allowances is presented below:

A negative or positive 0.75%-point change in the discount rate would result in deviations of respectively AWG 30,000 (increase) and AWG 27,000 (decrease) of the provision for anniversary allowances.

A negative or positive 0.5%-point change in the annual inflation correction of salaries would result in deviations of respectively AWG 23,000 (decrease) and AWG 24,000 (increase) of the provision for anniversary allowances.

| Provision for anniversary allowances | Basis | Deviation in discount rate | | Deviation in salary increase | |
|---|---|---|---|---|---|
| *(in '000 Aruban florins)* | | | | | |
| Discount rate | 4.25% | 3.5% | 5.0% | 4.25% | 4.25% |
| Average annual inflation correction salaries | 1.5% | 1.5% | 1.5% | 1% | 2% |
| Funded Status | 746 | 775 | 720 | 725 | 769 |

## (21) Shareholder's equity

The authorized capital of the Bank capital consists of 100,000 shares (2021: 100,000 shares) with a par value of AWG 750 per share. All shares are issued.

The general reserve includes the amount that is set aside for general banking risks, including future losses and other unforeseeable risks or contingencies.
The transfer from revaluation reserve to retained earnings concerns the difference between depreciation of fixed assets based on the revalued amounts and the original cost base of assets.

## (22) Commitments and contingent liabilities

At any time, the Bank has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities. The maximum credit card interest rate at December 31, 2022 is 18 percent (2021: 18 percent). Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one to three months. Commitments extended to customers for longer periods at fixed interest rates or fixed spreads are written options and are recorded at fair value.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. Expirations are not concentrated in any period.

The following table presents details of commitments and contingent assets and liabilities for the year ended December 31, 2022 and 2021:

| *(in '000 Aruban florins)* | 2022 | 2021 |
|---|---|---|
| Undrawn facilities | 18,518 | 13,398 |
| Guarantees | 1,761 | 1,976 |
| **At December 31** | **20,279** | **15,374** |

## (23) Related parties

The following disclosures are made in accordance with the provisions of IAS 24 'Related Party Disclosures'.

**Transactions with directors and key management personnel**
The Bank has defined key management as the Supervisory Board of Directors, Board of Managing Directors and any other Executive officers of the Bank.

As per December 31, 2022 loans granted to the Managing Directors amounted to 18,567 (2021: nil). As per December 31, 2022 loans granted to Supervisory Directors amounted to nil (2021: nil).

Total remuneration of managing directors amounts to AWG 883,866 (2021: AWG 875,631) and is included in personnel expenses (see note 9).

In the table below a breakdown of the components of the total remuneration of managing directors is provided:

| *(in Aruban florins)* | 2022 | 2021 |
|---|---|---|
| Salaries | 738,300 | 727,324 |
| Other short-term employment benefits | 72,498 | 73,635 |
| Post-employment benefits | 73,068 | 74,672 |
| **At December 31** | **883,866** | **875,631** |

**Transactions with group/ related companies**
As disclosed in note 1 the Bank is a wholly owned subsidiary of Banco di Caribe N.V. (the "Parent company") that is domiciled in Willemstad, Curaçao. Banco di Caribe N.V.'s ultimate parent company is United Group Holdings B.V., which is a private limited company and is incorporated and domiciled in Willemstad, Curaçao.

*Transactions with Banco di Caribe N.V. and Bancarib Real Insurance Aruba N.V.*
The Bank incurred expenses related to services performed by its Parent company for the benefit of the Bank. These expenses are included under personnel expenses and other administrative expenses for a total amount of approximately AWG 2.7 million (2021: approximately AWG 2.3 million).

As disclosed in note 13 the Bank held interest bearing deposits with its Parent of AWG 6.4 million (2021: 6.4 million) and non-interest-bearing deposits with its Parent of nil (2021: nil).

A wholly owned subsidiary of the Parent company, named Bancarib Real Insurance Aruba N.V. (BRIA) held deposits with the Bank that totaled AWG 13.0 million per December 31, 2022 (2021: AWG 12.7 million). BRIA is a captive insurance company that falls under supervision of the CBA. BRIA provides captive insurance services to the Parent company and its branches in Bonaire and St. Maarten. BRIA insures the death risk related to the personal and car loan portfolio of the Parent and its branches in Bonaire and St. Maarten. The insurance premiums payable by the Parent company and its branches in Bonaire and St. Maarten are mainly paid in Netherlands Antillean guilders and US dollars. As per December 31, 2022 deposits of BRIA placed at the Bank amounted to AWG 13.0 million (2021: AWG 12.7 million), which includes deposits in the ANG currency of ANG 12.8 million (2021: ANG 12.5 million). During 2022 the Bank incurred AWG 280 thousand (2021: AWG 577 thousand) in interest expenses on these deposits. The Bank placed nil (2021: nil) at its Parent company. In this regard we refer to note 13 where the Bank disclosed that it held both interest bearing deposits of AWG 6.4 million (2021: AWG 6.4 million) and non-interest-bearing deposits of nil (2021: nil) at its Parent in Curaçao.

During 2022 the Bank earned nil (2021: AWG 276 thousand) on the interest bearing deposits at its Parent in Curaçao.

For the captive insurance services provided to the Bank by BRIA's wholly owned subsidiary, Bancarib Real Insurance Curaçao N.V. (BRIC), the Bank incurred AWG 0.9 million of death risk insurance premiums in 2022 (2021: 0.9 million). Per December 31, 2022 the Bank had a payable balance for premiums due to BRIC of AWG 106.5 thousand (2021: AWG 69 thousand).

*Transactions with Ennia Aruba's companies*
The Ennia Aruba companies were related to the Bank by common ownership till June 2022, when the transaction and transfer of shares have been officially executed. During the first have of the year 2022 the Bank incurred AWG 0.5 million (2021: AWG 0.7 million) in interest expense on these deposits.

## (24) Post balance sheet date events

*Sale of the Bank*
In January 2022 United Group Holdings B.V. was approved by the Central Bank of Curaçao and Sint Maarten for the sale of Ennia Caribe Holding N.V.'s shares in Banco di Caribe N.V. The transaction and transfer of shares have been officially executed in June 2022. As an integral part of said sale, strategic initiatives for Banco di Caribe (Aruba) N.V., such as a possible sale to a third party, is being negotiated. At the date of issuance of these financial statements this process is still ongoing.