Independent Auditor's Report on the Abbreviated Financial Statements

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

Our ref: 137582/ A-31638

Our Opinion
The abbreviated financial statements, which comprise the abbreviated statement of financial position as at December 31, 2019, the abbreviated statement of profit or loss for the year ended December 31, 2019 and notes to the abbreviated financial statements, are derived from the audited financial statements of Banco di Caribe (Aruba) N.V. ('the Company') for the year ended December 31, 2019.

In our opinion, the accompanying abbreviated financial statements are consistent, in all material respects, with the audited financial statements of the Company, as described in note 2"Basis of preparation".

The Abbreviated Financial Statements
The abbreviated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the abbreviated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The audited financial statements and the abbreviated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The Audited Financial Statements and Our Report Thereon
We expressed an unmodified audit opinion on the audited financial statements in our report dated June 12, 2020. That report also includes:

- An emphasis of matter paragraph that draws attention to Note 24 of the audited financial statements. Note 24 of the audited financial statements includes the Board of Managing Directors' assessment of the Coronavirus (Covid-19) on the future results, cash flows and financial position of the Company. As stated in Note 24 of the audited financial statements, based on its assessment of the impact of the Coronavirus for the year 2020 and beyond, and taking into account the uncertainties that exist as per the date of issuance of the audited financial statements, the Board of Managing Directors concludes that it does not consider the impact to cast significant doubt upon the Company's ability to continue as a going concern. These matters are addressed in Note 5 "Subsequent Events" of the notes to the abbreviated financial statements.

The Board of Managing Directors' Responsibility for the Abbreviated Financial Statements
The Board of Managing Directors is responsible for the preparation of the abbreviated financial statements in accordance with the basis as described in Note 2 "Basis of preparation".

Auditor's Responsibility
Our responsibility is to express an opinion on whether the abbreviated financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810, Engagements to Report on Summary Financial Statements.

Aruba, August 24, 2020
Grant Thornton Aruba
Original signed by **Edsel N. Lopez**

Abbreviated Statement of Financial Position

As at December 31 (in '000 Aruban Florins)

Assets	2019	2018
Cash and due from banks	99,636	130,110
Financial instruments	52,607	58,971
Loans and advances	192,496	187,351
Property and equipment	15,119	15,483
Deferred Tax Assets	82	1,241
Other assets	2,595	2,074
Total assets	**362,535**	**395,230**
Shareholder's equity and liabilities		
Liabilities		
Deposits from customers and banks	251,828	288,301
Deferred tax liabilities	3,402	3,369
Current tax liabilities	1,491	895
Other liabilities	6,206	6,548
Provisions for employee benefits	771	679
Total liabilities	**263,698**	**299,792**
Shareholder's equity		
Issued capital	75,000	75,000
Other reserves	10,521	10,423
Retained earnings	13,316	10,015
Total shareholder's equity	**98,837**	**95,438**
Total liabilities and shareholder's equity	**362,535**	**395,230**

Abbreviated Statement of Profit or Loss

For the year ended December 31 (in '000 Aruban Florins)

	2019	2018
Interest and similar income	18,066	17,471
Interest expense and similar charges	(3,298)	(3,120)
Net interest income	**14,768**	**14,351**
Net fees and commission income	**3,626**	**3,287**
Other operating income	247	198
Total income	**18,641**	**17,836**
Personnel expenses	(9,375)	(9,337)
Occupancy expenses	(1,915)	(1,683)
Net impairment on financial assets	2,298	81
Other operating expenses	(3,690)	(3,231)
Operating expenses	**(12,682)**	**(14,170)**
Profit/ (Loss) before tax	**5,959**	**3,666**
Profit tax	(2,661)	(580)
Net profit/(loss) for the year	**3,298**	**3,086**

Management Report Banco di Caribe (Aruba) N.V.

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, Curacao. The Group's ultimate parent company is Parman International B.V., which is a private limited company and is incorporated and domiciled in Willemstad, Curacao. As of December 31, 2019 the Bank employed 78 employees.

Financial position
The Bank realized a Pre-tax profit of AWG 6.0 million for the year 2019 (2018: AWG 3.7 million Pretax profit). After tax the Bank ended the year 2019 with a profit of AWG 3.3 million (2018: AWG 3.1 million). The Shareholder's Equity of the Bank increased from AWG 95.4 million per year-end 2018 to AWG 98.8 million per year-end 2019. The Bank continued to focus on providing first class customer service, new leading-edge online products and services, competitive lending rates while complying with sound compliance and risk management principles.
Also in 2019 Aruba's credit rating was upgraded by S&P, which resulted in a release in 2019 of the Expected Credit Loss (ECL) provision for the investments in Aruban government bonds.

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

BUSINESS REVIEW

Financial instruments
In 2019 the investment in financial instruments has decreased by 10.8% to AWG 52.6 million (2018: AWG 59.0 million). The decrease is mainly due to maturities of Aruban government bonds and sale of an Aruban government bond. Due to these developments and the above-mentioned upgrading of Aruba's S&P credit rating in 2019 the ECL provision for the investments in Aruban government bonds (AWG 2.4 million per year end 2018) was released in 2019.

Loans and advances
In 2019 gross loans outstanding increased compared to 2018 (2019: AWG 206.7 million and 2018: AWG 205.8 million). Per end of 2019 the Bank maintained AWG 14.2 million in allowance for doubtful accounts (2018: AWG 18.5 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.

Deposits from customers
In 2019 total deposits from customers decreased by 12.7% to AWG 251.8 million (2018: AWG 288.3 million).

Financial risk management
The Bank has exposure to the following risks:

- *Credit risk*
- *Operational risk*
- *Compliance risk*
- *Liquidity risk*
- *Market risks*
- *Currency risk*
- *Interest rate risk*
- *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
Due to the recent new Corona virus outbreak (COVID-19) in major parts of the world the year 2020 will be a challenging one for the economy of Aruba. The (inter)national travel restrictions that have been imposed in connection with the COVID-19 outbreak will have a significant impact on the crucial tourism industry (incl. transport and hospitality) of Aruba. To alleviate the Bank's clients during the difficult times ahead, the Bank has offered all its clients a 3-month moratorium for the payments of principal and interest. In addition to the aforementioned relief the government of Aruba also issued its national COVID-19 relief program for the citizens and businesses that are expected to have been affected significantly by the (inter)national restrictive measures imposed in connection with COVID-19. For the national COVID-19 relief program the government of Aruba is in close contact with the government of the Dutch Kingdom in the Netherlands.

It is obvious that the macro economic challenges caused by the COVID-19 virus will impact the banking sector significantly. It is not possible at this stage to quantify this impact. This is mainly because it is not possible to make reasonably reliable projections on how the COVID-19 virus will develop in the rest of 2020 in the countries with which Aruba maintains close trade relationships. It is also not possible to project to what extent the national COVID-19 relief measures will offset the negative impact of the COVID-19 (partial) lockdown measures.

Despite the difficulty at this moment to make reliable estimates of the COVID-19 impact on the Bank, the Bank has made a sensitivity analysis for the Expected Credit Loss (ECL) provision for loans based on the scenario that the economy of Aruba would gradually recover with 6 months. In this scenario the Bank assumed that the economy of Aruba would contract by approx. 29.5% in 2020. Based on this scenario the ECL provision for loans per year-end 2019 could then increase by approx. AWG 2.2 million.

Given all the uncertainties that still exist with regard to the further development of the COVID-19 virus both in Aruba and internationally the above impact amount is a preliminary rough estimate. Actual outcome for 2020 could be materially different. These estimates also do not take into consideration the positive effects of that the national COVID-19 relief program could have.

Furthermore if the S&P credit rating of Aruba would return back to the level per year end 2018 the released ECL provision of the Aruban government bonds that are still outstanding per year end 2019 would probably have to be re-instated in 2020.

Taking the difficult COVID-19 situation into account the Bank's focus for 2020 will remain 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.

Directors and their interest
As at December 31, 2019, 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, 2019, and up to the date of the approval of the accounts the Board of Managing Directors of the Bank consisted of:

- *Mr. Elvin Maduro*
- *Mrs. Natascha Davelaar-Jansen*

In the year ended December 31, 2019 and up to the date of the approval of the accounts none of the Directors held a share interest in the Bank.

Oranjestad, Aruba
June 12, 2020

Elvin Maduro
Managing Director

Natascha Davelaar-Jansen
Managing Director

B. Specification of Accounts

(in '000 Aruban Florins)

I. Financial instruments

Investment securities	2019	2018
Measured at amortized costs investment securities	51,086	57,583
FVOCI – equity securities	1,521	1,388
Total Financial instruments	**52,607**	**58,971**

Loans and advances to customers	2019	2018
Retail customers	151,750	149,143
Corporate customers	54,917	56,669
Gross loans and advances to customers	**206,667**	**205,812**
Less: allowance for doubtful accounts	(14,171)	(18,461)
Net loans and advances to customers	**192,496**	**187,351**

II. Liabilities

Deposits from customers and banks	2019	2018
Retail customers	80,227	79,437
Corporate customers	153,217	206,888
Other	18,384	1,976
Total Deposits from customers and banks	**251,828**	**288,301**

Notes to the abbreviated financial statements 2019

As at December 31, 2019

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, Curacao. The Group's ultimate parent company is Parman International B.V., which is a private limited company and is incorporated and domiciled in Willemstad, Curacao.

2. Basis of preparation

Statement of compliance

These abbreviated financial statements, are derived from the audited financial statements of the Bank which have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) applicable as at December 31, 2019. The abbreviated financial statements do not contain all the disclosures required by International Financial Reporting Standards. These abbreviated financial statements have been prepared under the assumption that the Bank operates on a going concern basis. The financial statements from which these abbreviated financial statements were derived, were authorized for issue by the Board of Directors on June 12, 2020.

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.

Transaction 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. Changes in Accounting Policies and Disclosures

IFRS 16 Leases

IFRS 16 became effective for periods beginning on or after January 1, 2019. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular.

Lessee accounting

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use' asset for virtually all lease contracts. The IASB has included an optional exemption for short-term leases and leases of low- value assets; however, this exemption can only be applied by lessees.

Lessor accounting

For lessors, the accounting will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For the leases where the Bank acts as lessor there was no significant impact for the Bank.

Management has assessed the impact of IFRS 16 for the Bank. The Bank has only short-term leases and hence accounting of the right of use is not applied. Due to this reason there is no material impact on the financial statements.

II. New Standards and Interpretations not yet Adopted

At the date of authorization of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations has been adopted early by the Bank. Other Standards and amendments that are not yet effective and have not been adopted early by the Bank include:

- *IFRS 17 Insurance Contracts*
- *Definition of a Business (Amendments to IFRS 3)*
- *Definition of Material (Amendments to IAS 1 and IAS 8)*
- *Conceptual Framework for Financial Reporting*

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, Amendments and Interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the Bank's financial statements.

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. The current/non-current distinction is therefore not given.

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 the income statement. 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 FVTPL , realized results on 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 banks 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 banks.

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 were 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 the income statement. Dividend received is recorded in the income statement.

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 re-stated.

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 (This 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. 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 allowance determined 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, which is materially unchanged compared to IAS 39. 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.

Modified instruments

Instruments are identified as renegotiated and classified as credit-impaired when the Bank modifies the contractual payment terms due to significant credit distress of the counterparty. Renegotiated instruments remain classified as credit-impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of nonpayment of future cash flows and retain the designation of renegotiated until maturity or derecognition. An instrument that is renegotiated is derecognized if the existing agreement is cancelled and a new agreement is made on substantially different terms or if the terms of an existing agreement are modified such that the renegotiated instrument is a substantially different financial instrument. Any new instruments that arise following derecognition events in these circumstances are considered to be purchased or originated credit-impaired financial assets (POCI) and will continue to be disclosed as renegotiated instruments. Other than originated credit-impaired instruments, all other modified instruments could be transferred out of stage 3 if they no longer exhibit any evidence of being credit-impaired and, in the case of renegotiated instruments, there is sufficient evidence to demonstrate a significant reduction in the risk of non¬payment of future cash flows, over the minimum observation period, and there are no other indicators of impairment. These instruments could be transferred to stage 1 or 2 by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms). Any amount written off as a result of the modification of contractual terms would not be reversed.

Modified instruments that are not credit-impaired

Instrument modifications that are not identified as renegotiated are considered to be restructured. Where a restructuring results in a modification such that the Bank's rights to the cash flows under the original contract have expired, the old instrument is derecognized and the new loan is recognized at fair value. The rights to cash flows are generally considered to have expired if the restructure is at market rates and no payment-related concession has been provided.

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).*

Owner-occupied property

Owner-occupied property is measured on initial recognition at cost. Following initial recognition at cost, owner-occupied property (land and buildings) is carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and subsequent accumulated impairment losses. A revaluation reserve is established in shareholder's equity for the revaluations being the difference between the book value and the revalued amounts at the moment of revaluation. A deferred tax liability is set up for the differences between the carrying value of the assets and the tax base. Valuations are performed by an independent appraiser frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Land is not depreciated.

Property and equipment

All items classified as equipment 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 other 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 Values	*Useful Lives*	*Residual Values*
Land	*No Depreciation*	*No Depreciation*
Buildings	*max till 40 Years*	*0%*
Leasehold improvements	*4-20 years*	*0%*
Motor vehicles	*4-10 years*	*0%*
Computer equipment	*2-10 years*	*0%*
Furniture, fixtures	*5-20 years*	*0%*

Gains and losses on disposal of equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

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.

Leases

The leases entered into by the Bank are primarily short-term leases. The total payments made under these leases are charged to the statement of profit or loss on a straight-line basis over the period of the lease. When a lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized 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.

Post-retirement pension benefits

The Bank's employees participate in the Bank's collective pension plan for post-retirement benefits. The pension plan has been insured at Ennia Caribe Leven (Aruba) N.V., a company related to the Bank by common ownership. The pension plan is funded by payments from the employees and the Bank. No IAS 19 valuation of the Bank's pension plan was carried out as the pension plan is regarded as 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.

Share capital

Share capital is carried at par (nominal) value.

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:

- *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.
- *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.

5. Subsequent events

Due to the impact of the Coronavirus (COVID-19), the Board of Managing Directors has assessed its impact on the future results, cash flows and financial position of the Bank. The Board of Managing Directors emphasizes that as per the date of issuance of these abbreviated financial statements, it is uncertain to estimate what the eventual impact of the Coronavirus will be on the (Aruban) economy and the Bank's future results, cash flows and financial position.

Notwithstanding this uncertainty, the Board or Managing Directors has assessed the Bank's future results, cash flows and financial position by estimating the impact of COVID-19. The Bank has prepared a sensitivity analysis for the Expected Credit Loss (ECL) provision for loans and advances and financial instruments based on the scenario that the economy of Aruba would gradually recover with 6 months from the date the first case of COVID-19 was discovered on Aruba (March 13, 2020). In this scenario the Bank assumed that the economy of Aruba would contract by approx. 29.5% in 2020. Based on this scenario the ECL provision for loans and advances per year end 2019 could then increase by approx. AWG 2.2 million.

Furthermore, the Board of Managing Directors estimate that if the S&P credit rating of Aruba would return back to the level per year end 2018 the released ECL provision of the Financial Instruments that are still outstanding per year end 2019 would probably have to be re-instated in 2020.

Overall, based on its assessment of the impact of the Coronavirus for the year 2020 and beyond, and taking into account the uncertainties that exist as per the date of issuance of these abbreviated financial statements, the Board of Managing Directors concludes that it does not consider the impact to cast significant doubt upon the Bank's ability to continue as a going concern.