Annual Report 2022

Aruba Bank N.V.

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1 Notes to the Reader

1.1 Introduction

The Annual Report for the year 2022 of Aruba Bank N.V. consists of the Report of the Supervisory Board, the Report of the Management Board, the consolidated financial statements for the year ended December 31, 2022, as prepared by the Management Board of Aruba Bank N.V. and adopted by the Supervisory Board of Aruba Bank N.V. as well as the unqualified independent auditor's report dated January 30, 2023 of Ernst & Young Accountants on these consolidated financial statements.

1.2 Presentation of information

The financial information contained in this Annual Report has been prepared in accordance with International Financial Reporting Standards. The financial information is presented in Aruban Florin * 1,000, which is the functional and presentation currency of Aruba Bank N.V. Certain percentages in this document have been calculated using rounded figures.

1.3 Abbreviations

The following abbreviations have been used in the Annual Report (in alphabetical order):

Abbreviation	**Definition**
"AIB"	AIB Bank N.V.
"Annual Report"	Annual Report 2022
"Aruba Bank" or "Bank"	Aruba Bank N.V.
"AWG"	Aruban Florins
"CBA"	Central Bank of Aruba
"Consolidated financial statements"	Consolidated financial statements for the year ended December 31, 2022
"Directives"	State Ordinance on the Supervision of the Credit System for Credit Institutions
"EAD"	Exposure at default
"ECL"	Expected credit loss
"ERM"	Enterprise Risk Management
"EUR"	Euro
"FVOCI"	Fair value through other comprehensive income
"FVTPL"	Fair value through profit or loss
"Group"	Aruba Bank N.V. and its subsidiaries
"IAS"	International Accounting Standards
"IFRS"	International Financial Reporting Standards
"EY	Ernst & Young Accountants
"LGD"	Loss given default
"LGL"	Loss given loss
"LTECL"	Lifetime expected credit loss
"Management Board"	Board of Managing Directors of Aruba Bank
"Managing Directors"	Members of the Board of Managing Directors of Aruba Bank
"OCI"	Other comprehensive income
"OHRA"	OHRA Hypotheekbank N.V.
"Orco Aruba Holding"	Orco Aruba Holding N.V.
"PD"	Probability of default
"POCI"	Purchased or originated credit impaired
"SPPI"	Solely payments of principal and interest
"Supervisory Board"	Board of Supervisory Directors of Aruba Bank
"Supervisory Directors"	Members of the Board of Supervisory Directors of Aruba Bank N.V.
"USD"	US dollars

2 Report of the Supervisory Board

The Supervisory Board has reviewed and adopted the Annual Report including the consolidated financial statements. After careful evaluation, the Supervisory Board discussed the Annual Report with the Management Board and the independent auditor Ernst & Young Accountants (“EY”). Due notice was taken of the independent auditor’s report dated January 30, 2023, issued by EY on the consolidated financial statements. The consolidated financial statements were prepared by the Management Board and have been authorized for issue on January 30, 2023.

2.1 Supervisory Board

The Supervisory Board is charged with the supervision and advising of the Management Board. The Corporate Strategy, Risk, and the Internal Control Framework, amongst others, are typically discussed and assessed by the Supervisory Board in their meetings, which take place at least five times a year. Following the developments concerning the global pandemic, the Supervisory Board continued to closely monitor the developments concerning the global pandemic and how it affected the bank.

The Supervisory Board has closely followed the initiatives to ensure solid ratio adherence, Portfolio Management, Risk, Compliance, Corporate Governance, Financial affairs, and Integrity. Maintaining the right balance between its leadership position, while continue to show empathy for those in need remained at the center of Aruba Bank’s efforts throughout the year.

The Supervisory Board has five committees in place: the Audit and Compliance Committee, the Nomination and Remuneration Committee, the Related Party Transactions Committee, the Board Credit Committee, and the Board Asset and Liability Management Committee. However, the Supervisory Board as a whole remains responsible for the various tasks and responsibilities of each committee.

2.2 Audit and Compliance Committee (ACC)

In addition to virtual consultations, the ACC formally convened seven times in 2022. Standard items on the agenda of the Committee include topics such as Financial Reporting, Internal and External Audit (management letter, hard-close findings, and audit report), Risk Management, and Compliance. The Committee also discusses the performance of the independent audit firm. The bank’s independent officers, the Regional Head Internal Audit, the Money Laundry Compliance Officer, and the Integrity Officer have a direct reporting line to the ACC.

2.3 Board Credit Committee (BCC)

While the BCC convened twice during 2022, regular consultations by telephone and email have taken place to assess and discuss credit extensions as well as relevant market developments. Loans in excess of the threshold amount of 2,000 of both Retail and Corporate clients were discussed, in addition to credit in general and specific risks related therewith.

2.4 Nomination and Remuneration Committee (N&RC)

The N&RC is responsible for the performance assessment of the Managing Directors including realization of performance targets. The committee also prepares recommendations regarding the Supervisory Board member profiles and Management Board member profiles when applicable.

2.5 Board Asset and Liability Management Committee (BALM)

The BALM monitors overall financial performance of the bank, including sound ratio developments, asset/liability management strategies and tactics, liquidity positions and funding needs, current and prospective capital levels, interest rates, asset mix, investment portfolio, as well as significant changes and trends in the Bank's results.

2.6 Related Party Transactions Committee (RPTC)

The purpose of this Committee is to evaluate and to approve transactions between the Bank and its related parties, be it other group companies, shareholders, and/or first- and second-degree family members of the Supervisory Board and Management Board members. The committee ensures that these transactions are at arm's length and compliant with the supervisory framework.

2.7 Change in composition of the Management Board

Mr. P.H.M. (Peter) Staal resigned effective April 7, 2022. We would like to extend our sincere appreciation to Mr. Staal for his contributions and dedication to Aruba Bank. Mrs. E.G.H. (Els) Avontuur was appointed as per August 1, 2022.

2.8 Independent audit firm

Aruba Bank appointed EY as its independent auditor for the financial year 2018 onwards.

2.9 Approval of the consolidated financial statements

The General Meeting of Shareholders is invited to approve the 2022 consolidated financial statements, the proposed appropriation of the net profit and to discharge the members of the Supervisory Board and Management Board, in accordance with article 16, sub 5, of the Articles of Association of Aruba Bank.

Considering this is another turbulent year, the Supervisory Board would like to express its heartfelt appreciation and gratitude towards the Management Board and staff of Aruba Bank for their unwavering commitment and hard work.

Oranjestad, Aruba, January 30, 2023

B.W.H. Guis
Chairman

F.A. Tuininga
Vice-chairman

P.C. Dams
Member

H.S. George
Member

J.A. Stam
Member

3 REPORT OF THE MANAGEMENT BOARD

3.1 Introduction

In 2022, the Aruban economy continued its recovery from the effects of the COVID-19 pandemic. As most countries have eased or eliminated the pandemic related measures that restricted travel and trade, the tourism sector gained momentum and tourism income for Aruba improved significantly. With the recovery of economies, inflation came into play and is a factor that should be considered for the coming years.

Following the recovery of the Aruban economy, the steady decrease of the need of relief efforts for businesses and personal banking customers, continued in 2022 and resulted in historically low numbers of non-performing loans in our portfolios. The economic recovery also propelled the demand for financial products. We continued to focus on offering our customers a superior experience, while ensuring that we remained compliant with requirements from a regulatory perspective.

In line with the continued demand for the usage of online and mobile banking as well as self-service options fueled by the COVID pandemic, our main initiatives and investments still revolved around making banking easier, faster, and better for our customers.

As we continue to focus on steering the bank into the future together with our customers, our employees, our partners and stakeholders, we acknowledge the good results of 2022, which the bank achieved, and we wish to express our genuine appreciation for the unwavering support and trust from all our stakeholders. We look forward to continuing to count on their support in the coming years.

3.2 Our Mission and Strategy

As a leading commercial bank in Aruba, our business is building long-term relationships with our clients and stakeholders and to serve them throughout their lifelong ambitions and challenges. Our mission is to be their preferred partner, offering innovative, effective and customer driven solutions that enable our customers and partners to achieve financial freedom in a responsible and sustainable way, while creating shared value for the communities we serve.

We seek to empower our customers by enabling their financial autonomy and providing financial peace of mind, during a lifetime relationship. We want to accompany our clients in their moments of truth and actively seek their input.
And to be able to realize this, we organize ourselves around core values, values we hold dear.
We strive to be professional, accountable, and innovative.

Our strategy is based on the following three pillars and the fundament of collaboration:
1. We Deliver: the best in banking and transactional services;
2. We Care: for our clients and for the society that we serve, with integrity and always striving for a golden license to operate;
3. We Build: an organization with a culture of trust and continuous improvement.

These three pillars are supported by the fundamental layer of We Collaborate: between departments, with our sister bank Orco Bank, and with our customers and stakeholders.

Roadmap for the Future
Our roadmap for the future rests on the above-mentioned building blocks: We Deliver, We Care, We Build, We Collaborate.

Collaboration is the fundament of our three pillars: Doing things together, as together we are stronger. This concept proved to be very valuable in the challenges we faced during the past three years. We have learned that caring, building, and delivering, together, with our sister bank Orco Bank, our customers, our staff and with society at large will support us as we pave the way ahead.

3.3 Economic and market conditions

In 2022, the Aruban economy continued its recovery from the effects of the COVID-19 pandemic. Aruba Bank has also seen a further improvement in performance of its business and personal banking customers, in line with the recovery of community activity as a whole.

The bank continued with its initiatives primarily directed at investing in innovation and enhancing customer experience. The bank was able to grow its market leadership position, while still providing aid there where needed to keep the economy going without taking unnecessary risks.

In the first quarter of 2022 the acquisition of the assets and liabilities of FCIB Aruba was completed and we welcomed our new clients in a seamless manner, providing former FCIB clients with the same care and dedication that our existing clients are receiving.

Amid the recuperation of the economies, the bank found it opportune to move forward and to strengthen the partnership with sister bank Orco Bank to together, be the preferred banking partner of our customers.

Our aim is to continue to serve our respective customers throughout a lifetime relationship with financial solutions that enable them to realize their ambitions and with that create prosperity and a sense of financial freedom and autonomy.

3.4 Consolidated statement of financial position

The net loan portfolio (gross loan portfolio minus allocated loan loss provision) as at December 31, 2022 increased with 10.5% to 1,606,366. The retail and corporate loan portfolio showed above market growth. Our overall market share increased with 2.9% and reached 45.7%, mainly as a result of the acquisition of the FCIB portfolio in February 2022. The Bank acquired 87.1 million in loan portfolio and and 139.9 million in deposits from FCIB Aruba.

As a result of new investments in government bonds of Aruba, the investment securities increased with 24.8% to 382,024 as per year end 2022.

Our financial position shows an increasing development in liquid assets (cash and cash equivalents and amounts due from banks), however due to a significant increase of the reserve requirement held at the CBA of 542,407 as at December 31, 2022, the prudential liquidity ratio decreased from 34.4% as at December 31, 2021 to 24.4% as at December 31, 2022, still well above the minimum regulatory ratio of 18%.

The capital ratio at year-end 2022 stood at 32.2% (2021: 29.7%), which is also well above the minimum regulatory requirement (16%). The loan-to-deposit ratio is 59.0% at year-end 2022 (2021: 57.9%), below the regulatory maximum of 80%.

3.5 Consolidated statement of profit or loss

The financial figures reflect hard work and dedication in a turbulent economic environment. All market segments in which the Bank operates made a positive contribution to the Bank's 2022 performance. The profit before tax for the year 2022 amounts to 72,065 (2021: 68,761). A significant increase in our loan portfolio together with stable market interest rates resulted in increased interest income. Besides an increase in the total net interest income of 3.3%, the consolidated statement of profit or loss shows the following developments:

- Increase in total net commission and fees income of 11.2% from 21,890 to 24,334 due to an increase in other commission and fee income.
- Our net result on financial transaction increased with 32.8% as a result of the recovery of the economy;
- Other operating expenses increased with 8.7% from 27,585 to 29,983 as a result of an increase in marketing activities, consulting expenses and significant investments in automation resulted in an increase in the depreciation expenses;
- The personnel expenses increased with 7.4% to 39,886, due to an increase in our number of staff and the number of temporary staff members hired for several projects;
- A net release on the credit loss expense on financial assets is 9,310 as a direct result of the decrease in our non-performing loans and recovery of the economy.

3.6 Organization and market

Network
Aruba Bank offers commercial and retail banking services to a wide variety of personal banking, commercial and institutional customers. The bank continues to develop, innovate, and invest in products and services, at the convenience of their customers and the community. The focus is on offering new services and products enabling customers and stakeholder to realize their plans and ambitions in an easier and faster way.

Staff
As a service providing institution the Bank strongly believes in the ongoing training and development of management and staff. As of December 31, 2022, our full-time staff numbered 271 (December 31, 2021: 269).

3.7 Corporate governance

Aruba Bank is a company established under the laws of Aruba. The Articles of Association form the foundation from which the Corporate Governance Structure is derived. It is based on a two-tier governance structure consisting of a Management Board and a Supervisory Board.

The **Supervisory Board** is charged with the supervision and advising of the Management Board. The corporate strategy, risk, and the internal control framework, amongst many other subjects, are discussed and assessed by the Supervisory Board in their meetings, which take place at least five times a year. The Supervisory Board has several committees in place, such as the Audit and Compliance Committee, the Nomination and Remuneration Committee, the Related Party Transactions Committee, the Board Credit Committee, and the Board Asset and Liability Management Committee. The Supervisory Board remains responsible for the various tasks and responsibilities of each committee.

The Management Board is responsible for the setting and achieving of the Bank’s strategy, objectives, and policies, and to ensure that the Bank is compliant with all relevant laws and regulations. The Management Board is accountable for the performance of its duties to the Supervisory Board and the General Meeting of Shareholders.

The **Management Team** of Aruba Bank supports the Management Board in the execution of the strategy and policies of the bank. It operates as a team together with the Management Board

members to ensure alignment in achieving effectiveness, as well as overseeing individual areas of responsibility.

In 2022 we said goodbye to two of our management team members, Mrs. R.M.T. (Rocila) Acosta and Ms. B.I. (Barbara) Bronswinkel. We sincerely thank them for their years of commitment and services rendered to Aruba Bank. Due to these changes the responsibilities amongst the management team members are divided as follows as per December 31, 2022:

Platinum, Insurance, and Corporate: Mrs. G.N. (Gina) Habibe - Arendsz
Risk, Compliance and Human Resources: Mrs. N.M. (Nataly) Simmons - Thompson
Finance and Operations: Mrs. M.C.C. (Marleen) van der Borgt

3.8 Corporate responsibility

Helping our community is at the heart of what we do. We have always supported community organizations. While we have seen a continued recovery of our community, we continue to focus our support to the most vulnerable.

In 2022 Aruba Bank entered a partnership with Qredits that has allowed us to promote financial literacy in Aruba and provide free BYOB (Be Your Own Boss) training to secondary (Mavo) school children across the island and enable them to meet and surpass their dreams and aspirations.

Through this partnership Aruba Bank shows its commitment towards the financial wellbeing of the Aruban community.

We assisted several foundations whose income was affected by the consequences of the pandemic. Aruba Bank and Koningin Wilhelmina Fonds Aruba signed an agreement to join forces for the “Walk and Run” with the goal to help the foundation to support Cancer patients and their families. The bank also donated Hyundai Accent to Red Cross Aruba to help them reach a broader audience.

The bank stimulated the adoption of digital technology at various schools, including Filomena College and St. Michael School as well as the incorporation of Syntropic Agroforestry into Prinses Amalia Elementary School’s curriculum. We helped fund a wide array of children, youth, and veteran sports teams’ uniforms and sporting goods. We promoted Aruban heritage and maintained our history and culture alive by sponsoring the production of the “Cas di Torto” (adobe house) documentary, a traditional technique of building the first homes in Aruba.

Our involvement in the areas of sports, art and culture, health and wellbeing, and education, allow us to continue to strengthen the community where our people live and work for the months and years ahead.

3.9 Outlook

The global COVID-19 health crisis as well as the Russian-Ukraine war have impact on the world economy and consequently on Aruba's economy, the depth of this however, remains still difficult to assess. For 2023 it is forecasted that despite a higher level of inflation, there will still be a favorable growth for the economy of Aruba, driven by a sustained recovery of tourism.

In these more favorable economic circumstances, Aruba Bank will continue to focus on maintaining its strong market position and will continue to invest in technological innovation as well as in its people and the organization, partnering with our clients, service providers, correspondent banking partners and regulators to create sustainable value.

Above all, we aim to continuously improve the quality of our products and services to our customers. This is the cornerstone of our continued long-term strong performance.

During the past challenging years, Aruba Bank enjoyed enduring trust amongst all stakeholders.
We do realize that the accomplishment of our objectives is only possible with the continued support of all stakeholders, for which we are truly grateful.
Above all, the unending dedication, commitment, and passion that our staff keeps on demonstrating towards our customers, makes us very proud and appreciative. We extend our sincere gratitude to each and every one of them.

The Management Board
Oranjestad, Aruba, January 30, 2023

E.G.H. (Els) Avontuur *Managing Director*	S.M.S. (Sharon) Fränkel – de Cuba *Managing Director*

4 Consolidated Statement of Financial Position

as at December 31, 2022.

	Note	December 31, 2022	December 31, 2021
Assets			
Cash and cash equivalents		308,231	527,049
Amounts due from banks		709,937	451,227
Investment securities	10.1	382,024	306,188
Loans and advances to customers	10.2	1,606,366	1,454,048
Other assets	10.3	10,725	10,914
Property and equipment	10.4	49,375	52,232
Goodwill and other intangible assets	10.5	28,617	24,508
Total assets		**3,095,275**	**2,826,166**
Shareholder's equity			
Share capital	10.6	35,000	35,000
Revaluation reserve	10.6	2,646	2,819
General (unallocated) loan loss provision	10.6	77,804	70,061
Retained earnings	10.6	350,971	297,650
Total shareholder's equity		**466,421**	**405,530**
Liabilities			
Amounts due to banks		16,294	13,217
Deposits from customers	10.7	2,570,251	2,368,600
Current tax liabilities	11.3	1,696	1,556
Other liabilities	10.8	26,132	22,940
Deferred tax liabilities	11.3	10,421	10,475
Provisions	10.9	4,060	3,848
Total liabilities		**2,628,854**	**2,420,636**
Total shareholder's equity and liabilities		**3,095,275**	**2,826,166**

The accompanying notes are an integral part of these consolidated financial statements.

5 Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2022.

	Note	2022	2021
Interest income		121,158	115,903
Interest expenses		(30,770)	(28,431)
Net interest income		**90,388**	**87,472**
Operating income		42,236	37,966
Total income	11.1	**132,624**	**125,438**
Operating expenses	11.2	(69,869)	(64,729)
Credit loss expense on financial assets	10.2	9,310	8,052
Total expenses		(60,559)	(56,677)
Income before tax		**72,065**	**68,761**
Tax expense	11.3	(11,001)	(12,483)
Net income for the year		**61,064**	**56,278**
Other comprehensive income:			
Net (loss) / gain on investments at FVOCI	10.1	(173)	51
Total comprehensive income for the year		**60,891**	**56,329**
Net income and other comprehensive income for the year attributable to:			
Shareholder		60,891	56,329
Total		**60,891**	**56,329**

The accompanying notes are an integral part of these consolidated financial statements.

6 Consolidated Statement of Changes in Equity

For the year ended December 31, 2022.

	Share capital	Revaluation reserve	General (unallocated) loan loss provision	Retained earnings	Total
Balance as at January 1, 2021	**35,000**	**2,768**	**70,080**	**241,353**	**349,201**
Net income 2021	-	-	-	56,278	56,278
Other comprehensive income for the year 2021	-	51	-	-	51
Transfer to general (unallocated) loan loss provision	-	-	(19)	19	-
Balance as at December 31, 2021	**35,000**	**2,819**	**70,061**	**297,650**	**405,530**
Net income 2022	-	-	-	61,064	61,064
Other comprehensive loss for the year 2022	-	(173)	-	-	(173)
Transfer to general (unallocated) loan loss provision	-	-	7,743	(7,743)	-
Balance as at December 31, 2022	**35,000**	**2,646**	**77,804**	**350,971**	**466,421**

The accompanying notes are an integral part of these consolidated financial statements.

7 CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2022.

	Note	2022	2021
Operating activities			
Income before tax	5	72,065	68,761
Adjustments for:			
Interest expenses	11.1	30,770	28,431
Interest income	11.1	(121,158)	(115,903)
Depreciation and amortization expenses	11.2	6,325	5,844
Credit loss expense on financial assets		(9,310)	(8,052)
Increase in amounts due from and due to banks		(255,633)	(200,615)
(Increase)/decrease in loans and advances to customers	10.2	(142,345)	45,254
Decrease in other assets and investment interest receivable	10.3	240	830
Increase in deposits from customers	10.7	199,972	198,453
Increase in other liabilities	10.8	3,192	2,765
Increase/(decrease) in provisions	10.9	212	(2,399)
Interest paid		(29,091)	(28,841)
Interest received		120,414	122,800
Income taxes paid		(10,916)	(9,747)
Cash (used in)/generated by operating activities		**(135,263)**	**107,581**
Investing activities			
Purchase of investment securities	10.1	(79,290)	(52,450)
Additions to property and equipment and intangible assets	10.4	(7,891)	(3,193)
Redemptions of investment securities	10.1	3,311	2,972
Disposals of property and equipment	10.4	315	347
Cash used in investing activities		**(83,555)**	**(52,324)**
Financing activities			
Dividends paid to the shareholder	6	-	-
Cash used in financing activities		**-**	**-**
Net (decrease)/increase in cash and cash equivalents		(218,818)	55,257
Cash and cash equivalents as at January 1	4	527,049	471,792
Cash and cash equivalents as at December 31	4	308,231	527,049
Changes in cash and cash equivalents for the year		**(218,818)**	**55,257**

The accompanying notes are an integral part of these consolidated financial statements.

8 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8.1 Corporate information

Aruba Bank provides corporate and retail banking operations in Aruba and has served the banking needs of their clients since 1925. The Bank is a limited liability company and is incorporated in Aruba and its registered office is Camacuri 12, Oranjestad, Aruba.

As at December 31, 2022, Aruba Bank has 3 branches, 30 ATMs, 9 smart deposit machines and 271 employees. Aruba Bank has managed to maintain its market-leading position and is a full-fledged, customer-oriented commercial bank.

The Group's parent company is Orco Aruba Holding N.V., a limited liability company, which is incorporated in Aruba and its registered office is Camacuri 12, Oranjestad, Aruba. The Group's intermediate parent company is Orco Bank International N.V., a limited liability company, which is incorporated in Curacao and its registered office is at Landhuis Cerrito, Schottegatweg Oost z/n, Curacao. The Group's ultimate parent company is Mereveo International B.V., incorporated in The Netherlands with its registered office at Weena 723, 3013 AM Rotterdam.

The consolidated financial statements were prepared and authorized for issue by the Management Board and subsequently approved by the Supervisory Board on January 30, 2023.

8.2 Basis of preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and are stated in thousands of Aruban Florins (AWG 1,000), except where otherwise stated. Reference is made to note 10.6.3 for the General (unallocated) loan loss provision.

These consolidated financial statements have been prepared on a historical cost basis, except for the for the measurement of investment securities measured at amortized cost or fair value. The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions. Actual results could differ from those estimates. Significant accounting judgements and estimates in applying the accounting policies have been described in note 9.

8.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of Aruba Bank and controlled entities, thus incorporating the assets, liabilities, revenues and expenses of Aruba Bank and its subsidiaries. Non-controlling interests in both equity and results of group companies are presented separately in the consolidated financial statements. The financial statements of subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies.

All intercompany balances and transactions, and any related unrealized gains and losses, are eliminated in preparing the consolidated financial statements.

8.4 Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2021. The Group did not early adopt any other standard, interpretation or amendment that has been issued but is not yet effective.

8.4.1 New and amended standards not affecting amounts reported and/or disclosures in the consolidated financial statements.

In the current year, a number of new and amended standards issued by the IASB are mandatorily effective as follows:

- Amendments to IAS 16 “Property, Plant and Equipment”
- Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”
- Amendment to IFRS 3 “Business Combinations”
- IFRS 17 “Insurance Contracts”.

Note that the new and amended standards are either not applicable or do not require any significant change to current practice and have not resulted in additional disclosures for the Group.

8.4.2 Standards and amendments issued but not yet effective

The following is a list of standards and amendments that are not yet effective up to the date of issuance of the Group’s consolidated financial statements. These standards will be applicable to the Group at a future date and will be adopted when they become effective. The Group will assess the impact of these standards and amendments in the coming period.

IAS 1	Presentation of Financial Statements (1)
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (1)
IAS 12	Income taxes (1)

(1) Effective January 1, 2023.

8.5 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

8.5.1 Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments, cash at hand and at bank, treasury bills and bankers’ acceptances with original maturities of three months or less.

8.5.2 Amounts due from banks

Amounts due from banks consists of the statutory deposit with the CBA and current accounts and deposits with other banks.

In accordance with statutory provisions, Aruba Bank N.V. is required to maintain with the CBA, statutory reserve requirements in relation to the short-term liabilities of less than 2 years and the statutory reserve requirement is excluded from the calculation of the prudential liquidity ratio.

8.5.3 Financial instruments – initial recognition

Financial assets and financial liabilities 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, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value and transaction costs are added to, or subtracted from, this amount. Except in the case of financial assets or financial liabilities recorded at FVTPL, transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (“ECL”) is recognized for financial assets measured at amortized cost and

investments in debt instruments measured at FVOCI, which results in an accounting loss being recognized in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Group recognizes the difference as follows:
(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.
(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial liabilities, other than loan commitments and financial guarantees are measured at amortized cost.

8.5.4 Financial assets

8.5.4.1 Classification and subsequent measurement

The Group only measures financial assets at amortized costs if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The classification requirements for debt and equity instruments are described below:

8.5.4.2 Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

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

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- **Amortized cost**: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in note 8.5.7. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

- **Fair value through other comprehensive income ("FVOCI")**: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial 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'. Interest

income from these financial assets is included in 'Interest income' using the effective interest rate method.

- **Fair value through profit or loss ("FVTPL")**: Assets that do not meet the criteria for Amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Business model assessment
The business model reflects how the Group manages the assets to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the period.

8.5.4.3 Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Gains and losses on equity investments at FVTPL are included in the 'Operating income' line in the statement of profit or loss.

8.5.5 Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets or liabilities in 2022.

8.5.6 Derecognition of financial assets and liabilities

Derecognition due to modification of terms and conditions
The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Derecognition other than for a substantial modification
Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

Financial liabilities
The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

8.5.7 Impairment of financial assets

ECL principles
The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss ("LTECL")), unless there has been no significant increase in credit risk since origination, in which case the allowance is based on the 12 months' expected credit loss ("12mECL"). The Groups policies for determining if there has been a significant increase in credit risk are set out in note 12.2.2.5.

The 12mECL is the portion of the LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio. The Groups policy for grouping financial assets measured on a collective basis is explained in note 12.2.2.6.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the loans are grouped into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognized, the Bank recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2;
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3;
- Stage 3: Loans considered credit impaired. The bank records an allowance for the LTECLs;
- POCI: Purchased or originated credit impaired ("POCI") assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit adjusted effective interest rate ("EIR"). ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

Calculation of ECLs

The Group calculates ECLs based on the historical measure of cash shortfalls. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements 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 assessed period, 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, considering 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.

Except for credit cards and other revolving facilities, for which the treatment is separately set out, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

The mechanics of the ECL method are summarized below:

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the

12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired, the Group recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

POCI: POCI assets are financial assets that are credit impaired on initial recognition. The Group only recognizes the cumulative changes in lifetime ECLs since initial recognition, discounted by the credit adjusted EIR.

8.5.8 Credit cards and other revolving facilities

The Group's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Group does not limit its exposure to credit losses to the contractual notice period, but instead calculates ECL over a period that reflects the Group's expectations of the customer behavior, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities. The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products.

8.5.9 Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments. Financial guarantees, letters of credit and loan commitments are off-balance sheet instruments and have no history of default.

8.5.10 Forward looking information

In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs (macro-economic variables), such as:

- GDP growth
- Unemployment rates
- Consumer Price Index

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

8.5.11 Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets, and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed at inception and re-assessed on a regular basis. For financial assets with sufficient collateral no provision has been recorded. The total outstanding balance for special assets is 112,936.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on independent valuations and other data provided by third parties or sight visits.

8.5.12 Write-offs

Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

8.5.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. The Group has a policy to not enter into finance leases.

All other leases classify as an exemption, leases of 'low-value' assets and/or short-term leases, for the accounting of the leases under the single on-balance sheet model. All other leases are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred

8.5.14 Property and equipment

Premises and equipment are stated at historical cost, less any accumulated depreciation and accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed and adjusted if appropriate on a prospective basis. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of income.

The depreciation rates used are as follows:

Freehold land	0%
Premises	2.5% - 10%
Other equipment	20% - 33.3%

Assets in the course of construction for operations are carried at cost, less any impairment loss. Cost includes professional fees and borrowing costs (specifically related to qualifying assets) capitalized in accordance with the Group's accounting policy and IFRS. Such assets are classified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

8.5.15 Goodwill and other intangible assets

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.
For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.
A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets, including software development costs are directly incurred in connection with identifiable and unique software products and which will likely provide economic benefits exceeding the costs for longer than one year are recognized as other intangible assets. Expenditures that improve the performance of software as compared with their original specifications are added to the original cost of the software. Software development costs are recognized as other intangible assets and are amortized on a linear basis over a period not exceeding five years. Costs related to the maintenance of software are recognized as an expense at the time they are incurred.

8.5.16 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

8.5.17 Employee benefits

Pension obligations
The Group has a defined contribution plan. Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions. Pension contributions are partially paid for by the Group and partially by the employees. The Group is under no obligation to cover back service liabilities, if any. For those employees that do not reach the minimum threshold, severance benefits have to be paid.

Severance benefits
The Group is committed, by legislation in Aruba, to make payments to employees upon severance. Such payments are considered severance benefits. As severance benefits do not provide the Group with future economic benefits, these severance benefits are recognized as an expense in profit or loss at the earlier of when the Group can no longer withdraw the offer of the severance benefit and when the Group recognizes any related restructuring costs. These severance benefits are calculated based

on the number of years employed. Severance benefits are also payable at retirement, but only if the retiree does not receive a pension from a pension plan of at least equal to the state pension.

Severance benefits are discounted when they fall due more than 12 months after the reporting period. The rate used to discount is determined by reference to long-term market yields (five-year government bonds) at the end of the reporting period.

8.5.18 Taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the consolidated statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognized as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognized as an asset when it is probable that future taxable profits will be available against which these losses can be utilized.

Aruba Bank and its subsidiaries (with the exception of OHRA, IB Aruba Finance N.V. and AB Beleggingen VBA) are part of the fiscal unity of which Orco Aruba Holding is the parent. Orco Aruba Holding files a consolidated tax return on behalf of the fiscal unity. The income tax calculation for Aruba Bank is prepared as if the entity is a stand-alone entity with all deferred and current tax charges or benefits, receivables, and payables included in these consolidated financial statements. Payables to or receivables from Orco Aruba Holding are included in the intercompany accounts with Orco Aruba Holding.

8.5.19 Foreign currencies

In preparing the consolidated financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing on the transaction date. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

8.5.20 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. Interest from interest-bearing assets and liabilities not measured at fair value through profit or loss is recognized as net interest income using the effective interest rate ("EIR"). EIR is the rate that discounts expected future cash flows for the expected life of the financial instrument to its carrying value. The calculation takes into account the contractual interest rate along with any fees or incremental costs that are directly attributable to the instrument and all other premiums or discounts.

Commission and fee income
Fees and commissions are recognized on an accrual basis when the service has been rendered. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-apportionate basis. Performance-linked fees or fee components are recognized when the performance criteria are fulfilled.

Dividend income
Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

9 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities. Actual results may differ from those estimates and assumptions. There have been no changes in accounting estimates in 2022.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

9.1 Critical judgments in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see note 9.2 below), that the Management Board has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

9.1.1 Equity securities at FVOCI

Note 8.5.4 describes how Aruba Bank has accounted for the shareholding in AIB. The Management Board has assessed the carrying value of the shareholding in AIB and are satisfied that the value in the consolidated statement of financial position, based on the discounted cash flow model with a discount rate of 9.5%, inflation of 2% and tax rate of 20%, is reliable under the circumstances considering the yield and limited liquidity.

9.1.2 Income tax

Besides some smaller other temporary differences, the loan loss provisioning under fiscal valuation rules and IFRS differs materially. Reference is made to note 11.3 for a breakdown of fiscal versus commercial differences. The Management Board believes that the calculation and assumptions used in the determination of the fiscal and commercial loan losses are appropriate in determining the tax position and tax benefits/ expense.

9.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

9.2.1 Impairment of financial assets

The measurement of impairment losses both under IFRS 9 and IAS 36 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- Internal credit rating model, which assigns individual provisions;
- Determining criteria for significant increase in credit risk;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs in the ECL models.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. The allocated loan loss provision as described in more detail in note 10.2.2 is estimated based on the combination of specific reviews and estimates with regards to credit rating, collateral type, and past due status. Certain aspects of this process require (significant) judgment, such as the determination of the probability of default, the expected loss, the (time) value of the collateral, discount rates, cash flows, relief given and other economic factors. As a result of COVID-19, additional individual provisions were calculated in 2020. Based on the improvements in the economic situation in 2021 and 2022, part of these individual provisions has been released based on repayments and cancellation of relief programs. However, seen the unpredictable situation the forward-looking macroeconomic scenario are still adjusted with a high probability on an adverse scenario. Despite the fact that Aruba's economy is recovering well, Aruba faces significant challenges, amongst others, reduction of the high government debt, global circumstances, inflationary pressures and Aruba's Tax plan. Considering the outlook and these challenges and the uncertainties mentioned, the scenario weights for the forward-looking macroeconomic scenarios have been maintained.

The Management Board believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments. Undrawn loan commitments and letters of credit are in the scope of the ECL requirements for all exposures classified as special assets, but no ECL was determined for non-special assets exposures based on historical observation of defaults.

The Management Board considers the expected credit loss on the credit card portfolio to be very low and immaterial, given that credit cards can be revoked when a client deteriorates or limits can be reduced, and that the lifetime of a credit card is short. Therefore, the Management Board has chosen to simplify the calculation of the provision of the credit card portfolio and not to be based on ECL.

9.2.2 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Management Board to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Reference is also made to note 10.5.

The Management Board believes that the impairment analysis and assumptions used are appropriate in determining that the goodwill is not impaired as at December 31, 2022 (December 31, 2021: no impairment).

9.2.3 Measurement of other liabilities and provisions

As described in note 10.9, the Group uses valuation techniques to measure the severance liabilities. Note 10.9 provides detailed information about the key assumptions used in the determination of the severance liabilities.

In addition, the Group is, from time to time, involved in litigation which requires material judgment from the Management Board with regards to the potential cash outflow including related interest charges and penalties, if any. The Management Board believes that the valuation techniques and assumptions used in the determination of the provisions are appropriate in determining the provisions. Reference is made to note 12.6.

10 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

10.1 INVESTMENT SECURITIES

Equity securities at FVOCI

Equity securities at FVOCI amounting to 7,353 (December 31, 2021: 7,496) relate for 7,265 to the shareholding by Aruba Bank in AIB and for 210 to an investment in Renobacion Aruba N.V.

Aruba Bank has 19.97% of the ownership interest and voting power as per December 31, 2022 (December 31, 2021: 19.97%) of AIB Bank N.V. AIB Bank N.V. is incorporated in Oranjestad, Aruba and their principal activity is banking. Although Aruba Bank has almost 20% shareholding in AIB, the Management Board does not consider that Aruba Bank is able to exercise significant influence over the financial and operating policy decision-making process due to the legal structure which allows only for limited voting rights for Aruba Bank which is not comparable to the actual shareholding. Dividends received are recognized in the consolidated statement of profit or loss and other comprehensive income.

AIB has been valued using a discounted cash flow model over the profit before tax of ten years and applying a terminal value.

Debt securities at amortized cost

Debt securities at amortized cost as at December 31 of 374,671 (December 31, 2021: 298,692) are government bonds and cash loan certificates related to the government of Aruba.

The fair values of the government bonds amount to 387,843 as at December 31, 2022 (December 31, 2021: 313,182) compared to a carrying value of 369,690 as at December 31, 2022 (December 31, 2021: 298,692).

The government bonds are not quoted in an active market. As a result, the fair values of these bonds have been derived from the discounted cash flow method. The Group has the firm intention to hold the Debt securities at amortized cost until maturity.

10.2 LOANS AND ADVANCES TO CUSTOMERS

10.2.1 Loans and advances to customers

Loans and advances to customers as at December 31 can be specified as follows:

December 31, 2022	Corporate lending	Retail lending	Overdrafts	Credit Cards	Total
Performing loans and advances	592,803	886,824	71,783	34,663	1,586,073
Non-performing loans and advances	33,765	17,892	1,380	2,187	55,224
	626,568	904,716	73,163	36,850	1,641,297
Accrued interest receivable	5,339	5,499	-	-	10,838
Total gross loans and advances	631,907	910,215	73,163	36,850	1,652,135
Allowance for ECL's	(18,990)	(17,292)	(6,962)	(2,525)	(45,769)
Net loans and advances	**612,917**	**892,923**	**66,201**	**34,325**	**1,606,366**
Fair value loans and advances	*612,815*	*908,071*	*66,201*	*34,325*	*1,621,412*

December 31, 2021	Corporate lending	Retail lending	Overdrafts	Credit Cards	Total
Performing loans and advances	552,825	797,480	53,974	32,834	1,437,113
Non-performing loans and advances	18,105	37,547	1,533	3,757	60,942
	570,930	835,027	55,507	36,591	1,498,055
Accrued interest receivable	4,057	6,117	-	-	10,174
Total gross loans and advances	574,987	841,144	55,507	36,591	1,508,229
Allowance for ECL's	(18,071)	(25,493)	(6,146)	(4,471)	(54,181)
Net loans and advances	**556,916**	**815,651**	**49,361**	**32,120**	**1,454,048**
Fair value loans and advances	*556,669*	*817,569*	*49,361*	*32,120*	*1,455,719*

10.2.2 Impairment allowance for loans and advances to customers

The table below shows the loans and advances to customers and the related ECLs per staging based on the Bank's criteria as explained in note 8.5.7.

December 31, 2022	Corporate lending	Retail lending	Overdrafts	Credit Cards	Total
Gross loans and advances	631,907	910,215	73,163	36,850	1,652,135
Stage 1	(3,122)	(2,848)	(5,582)	(424)	(11,976)
Stage 2	(3,855)	(810)	-	(129)	(4,794)
Stage 3	(12,013)	(13,634)	(1,380)	(1,972)	(28,999)
Net loans and advances	612,917	892,923	66,201	34,325	1,606,366

December 31, 2021	Corporate lending	Retail lending	Overdrafts	Credit Cards	Total
Gross loans and advances	574,987	841,144	55,507	36,591	1,508,229
Stage 1	(2,574)	(3,139)	(4,613)	(714)	(11,040)
Stage 2	(12,465)	(5,202)	-	(404)	(18,071)
Stage 3	(3,032)	(17,152)	(1,533)	(3,353)	(25,070)
Net loans and advances	556,916	815,651	49,361	32,120	1,454,048

Stage 1	Corporate lending	Retail lending	Overdrafts	Credit Cards	Total
ECL as at January 1, 2022	(2,574)	(3,139)	(4,613)	(714)	(11,040)
ECL on new instruments issued in 2022	(698)	(758)	-	-	(1,456)
Other credit loss movements	150	1,049	(969)	290	520
ECL as at December 31, 2022	(3,122)	(2,848)	(5,582)	(424)	(11,976)

Stage 2	Corporate lending	Retail lending	Overdrafts	Credit Cards	Total
ECL as at January 1, 2022	(12,465)	(5,202)	-	(404)	(18,071)
ECL on new instruments issued in 2022	(255)	(237)	-	-	(492)
Other credit loss movements	8,865	4,629	-	275	13,769
ECL as at December 31, 2022	(3,855)	(810)	-	(129)	(4,794)

Stage 3	Corporate lending	Retail lending	Overdrafts	Credit Cards	Total
ECL as at January 1, 2022	(3,032)	(17,152)	(1,533)	(3,353)	(25,070)
ECL on new instruments issued in 2022	(335)	(519)	-	-	(854)
Other credit loss movements	(8,646)	4,037	153	1,381	(3,075)
ECL as at December 31, 2022	(12,013)	(13,634)	(1,380)	(1,972)	(28,999)

The total ECL of 45,769 (54,181 as per December 31, 2021) is for 17% (16% as per December 31, 2021) based on a collective basis and for 83% (84% as per December 31, 2021) on an individual basis.

10.3 Other Assets

The balance of other assets as at December 31, 2022 and 2021, respectively, consists primarily of prepaid expenses, accrued interest receivables on investment securities and other receivables not related to loans and advances. These other assets have a short-term nature.

10.4 Property and Equipment

The movements of property and equipment per category can be specified as follows:

	Land and premises	Other equipment	Assets under construction	Total
January 1, 2022				
Acquisition costs	59,888	55,496	2,074	117,458
Accumulated depreciation	(19,069)	(46,157)	-	(65,226)
Carrying value	**40,819**	**9,339**	**2,074**	**52,232**
Movements				
Additions	-	2,014	1,109	3,123
Reclassification	-	2,506	(2,506)	0
Cost of disposals	(12)	(6,091)	(19)	(6,122)
Depreciation of disposals	12	5,796		5,808
Depreciation	(1,653)	(4,013)		(5,666)
	(1,653)	**212**	**(1,416)**	**(2,857)**
December 31, 2022				
Acquisition costs	59,876	53,925	658	114,459
Accumulated depreciation	(20,710)	(44,374)	-	(65,084)
Carrying value	**39,166**	**9,551**	**658**	**49,375**

	Land and premises	Other equipment	Assets under construction	Total
January 1, 2021				
Acquisition costs	58,474	55,579	8,969	123,022
Accumulated depreciation	(17,457)	(44,361)	-	(61,818)
Carrying value	**41,017**	**11,218**	**8,969**	**61,204**
Movements				
Additions	30	1,199	2,720	3,949
Reclassification	1,384	679	(9,378)	(7,315)
Cost of disposals	-	(1,961)	(237)	(2,198)
Depreciation of disposals	-	1,851	-	1,851
Depreciation	(1,612)	(3,647)	-	(5,259)
	(198)	**(1,879)**	**(6,895)**	**(8,972)**
December 31, 2021				
Acquisition costs	59,888	55,496	2,074	117,458
Accumulated depreciation	(19,069)	(46,157)	-	(65,226)
Carrying value	**40,819**	**9,339**	**2,074**	**52,232**

The difference of 804 (depreciation 2021: 756) between the depreciation in the movement per category and the depreciation expenses in the Consolidated Statement of profit or loss and other comprehensive income and the difference between the additions in the movement per category and the additions to property and equipment in the Consolidated Statement of cash flows relates to the surcharge to Orco Bank based on the Service Level Agreement and the amortization of the other intangible assets.

The amount of assets under construction is primarily related to several projects which are expected to be finalized in 2023.

10.5 Goodwill and other intangible assets

10.5.1 Goodwill

The goodwill of 18,534 (2021: 18,534) is primarily generated from the acquisitions of Interbank Aruba N.V. and OHRA. The recoverable amounts of the cash-generating unit are determined based on a value in use calculation which uses a discounted cash flow model covering a ten-year period. The Management Board believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. Based on the latest impairment test held in 2022, no impairment has been recognized as at December 31, 2022.

The key assumptions used in the value in use calculation (discounted cash flow method) for Interbank Aruba N.V. and OHRA (both together) cash-generating unit is based on a ten-year projected declining cash flow period based on financial budgets approved by management and the values assigned to key assumptions reflect past performance. The growth rate is nil.

The impact of COVID-19 and inflation has created uncertainty in the estimation of cash flow projections, discount rates and terminal growth rates. The goodwill impairment tests were conducted using sensitivity analysis, including a range of growth rates and recovery assumptions.

10.5.2 Other intangible assets

Other intangible assets include software development costs with a carrying value of 10,083 (2021: 5,974), an acquisition cost of 12,887 (2021: 7,315) and accumulated amortization of 2,804 (2021: 1,341).

10.6 Shareholder's equity

10.6.1 Share capital

The Group has issued share capital amounting to 35,000 as at December 31, 2022 (December 31, 2021: 35,000). The total authorized and issued share capital as at December 31, 2022 and 2021, respectively, amounted to 7,000 shares at par value of 5 per share. All shares have been issued and paid-in. The Group has not granted share options as at December 31, 2022 and 2021, respectively.

10.6.2 Revaluation reserve

The revaluation reserve arises from the revaluation of Equity securities at FVOCI. When revalued Equity securities at FVOCI are sold, the portion of the revaluation reserve that relates to that asset is transferred directly to retained earnings. Items of other comprehensive income included in the revaluation reserve will not be reclassified subsequently to profit or loss.

Distributions from the revaluation reserve can be made where they are in accordance with the requirements of Aruba Bank's Articles of Incorporation, and relevant case law or any amounts transferred directly to retained profits in accordance with IFRS. The Management Board has currently no intention to make any distributions from the revaluation reserve.

10.6.3 General (unallocated) loan loss provision

The Directives of the CBA require the Group to maintain a general (unallocated) loan loss provision. This is a special form of a dynamically determined provision related to the general risk that the Group runs, directly or indirectly, originating from granting loans and conducting other banking activities. This provision serves as a buffer for losses, which cannot be foreseen and therefore cannot be quantified. The Directives require a minimum provision of 3% of the net loan portfolio plus other risk items on the asset side of the consolidated statement of financial position. The net portfolio is calculated as gross

loans less the allocated loan loss provision. The general (unallocated) loan loss provision of Aruba Bank (4%) is higher than the minimum requirement. The primary driver thereof is related to the current economic picture of Aruba in combination with the large dependency on tourism as Aruba's primary mean of revenues. As a result, Aruba Bank believes that it should be slightly more conservative than the requirements set forth by the CBA.

10.6.4 Retained earnings

Retained earnings is related to past net results appropriated to shareholder's equity based on the decisions taken at the Annual General Meeting of Shareholders and net income for the year. Dividends paid will be offset against retained earnings. Dividend payments are subject to approval by the CBA. No dividend payments were made in 2022.

10.7 Deposits from customers

Deposits from customers as at December 31 can be specified as follows:

	2022	2021
Corporate	1,544,854	1,426,002
Retail	1,012,878	931,758
Accrued interest payable	12,519	10,840
	2,570,251	**2,368,600**

10.8 Other liabilities

Other liabilities as at December 31 can be specified as follows:

	2022	2021
Due to insurance companies	9,263	8,913
Accounts payable	4,214	2,061
Personnel related liabilities	5,312	5,210
Insurance prepayments by customers	759	1,068
Other liabilities and accrued expenses	6,584	5,688
	26,132	**22,940**

The other liabilities and accrued expenses consist of accruals for pending invoices and a liability related to the Aruba Bank Rewards program of cards.

10.9 Provisions

The movements can be specified as follows:

	2022	2021
Balance at the beginning of the year	3,848	6,247
Additions/(releases)	212	(2,399)
Balance at the end of the year	**4,060**	**3,848**

The balance consists of severance and legal provisions. For an explanation of the legal provisions, reference is made to note 12.6.1.

The Group has calculated the severance liabilities in accordance with IAS 19 "*Employee benefits*". The key assumptions as at December 31, 2022 are a discount rate of 4.5% (December 31, 2021: 4.50%), employee turnover 6.0% (December 31, 2021: 6.0%), and salary increase of 2.0% (December 31, 2021: 2.0%).

Anniversary bonus provisions are calculated based on bonuses expected to be payable to the current employees.

The Group operates a defined contribution pension plan for all qualifying employees. The assets of the defined contribution plan are held separately from those of the Group in funds under the control and management of the Guardian Group Fatum, Aruba. The total expense recognized in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2022 amounted to 1,364 (2021: 1,350). The total expense represents contributions paid/payable to this defined contribution plan by the Group at rates specified in the rules of the Plan as well as to other personal pension schemes. As at December 31, 2022, contributions of nil (December 31, 2021: nil) due in respect of the 2022 (2021) reporting period had not been paid over to the defined contribution plan. The amounts were paid subsequent to the end of the reporting period.

The legal provisions amounting to 2,258 is mainly related to an old case dating back to 2005. The bank believes that it has sufficiently provided for the expected outflow in the consolidated statement of financial position.

11 NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

11.1 TOTAL INCOME

Total income can be specified as follows:

	2022	2021
Interest income on loans and advances to customers	106,740	102,480
Interest income on investment securities	14,418	13,423
Interest expense	(30,770)	(28,431)
Net interest income	**90,388**	**87,472**
Card commissions	36,945	29,913
Other commission and fee income	24,752	19,227
Commission expense	(37,363)	(27,250)
Net result on financial transactions	15,773	11,881
Other income	2,129	4,195
Operating income	**42,236**	**37,966**
	132,624	**125,438**

11.2 OPERATING EXPENSES

Operating expenses can be specified as follows:

	2022	2021
Personnel	39,886	37,144
Automation	8,282	8,803
Depreciation and amortization	6,325	5,844
Premises	4,334	4,240
Marketing	1,752	1,125
Communication	1,429	1,507
Consulting	1,573	576
Legal	590	572
Insurance	752	602
Others	4,946	4,316
	69,869	**64,729**

11.3 PROFIT TAX

11.3.1 Tax expense recognized in profit or loss

	2022	2021
Tax expense current year	13,018	12,885
Movement in deferred tax liabilities	(1,422)	-
Current tax expense due to amendment prior years	(595)	(402)
	11,001	**12,483**

11.3.2 Reconciliation of the effective tax rate

	2022	2021
Income before tax	72,065	68,761
Income tax at applicable statutory tax rates	18,016	17,190
Effect profit tax subsidiaries	(4,847)	(4,488)
Movement in deferred tax liabilities	(1,422)	-
Prior year differences	(595)	(402)
Other differences	(151)	183
	11,001	**12,483**

The tax rate for the 2022 reconciliations is the corporate tax rate of 25% (2021: 25%), payable by corporate entities in Aruba on taxable profits under tax law in Aruba. The corporate tax rate will decrease to 22% as per January 1, 2023. The effective tax rate for 2022 is 15.3% (2021: 18.2%).

11.3.3 Current tax liabilities

The current tax liabilities are settled with Orco Aruba Holding as head of the fiscal unity. The outstanding balance is primarily related to tax liabilities for IB Aruba Finance N.V. and AB Beleggingen VBA which are not part of the fiscal unity.

11.3.4 Deferred tax liabilities

The following is the analysis of deferred tax liabilities presented in the consolidated statement of financial position:

	Balance as at January 1, 2021	Net move-ments 2021	Balance as at December 31, 2021	Net move-ments 2022	Balance as at December 31, 2022
Loan loss provision	3,728	2,403	6,131	520	6,651
Goodwill	3,738	-	3,738	(449)	3,289
Other	278	328	606	(125)	481
	7,744	**2,731**	**10,475**	**(54)**	**10,421**

The deferred tax liability related to the loan loss provision is determined in accordance with previous years, a consistent line has been maintained based on the assumption that the tax authority will maintain the percentage of the unallocated loan loss provision for 2022.

12 OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12.1 SUBSIDIARY COMPANIES

Name of Company	Principal activity	Country of incorporation	Equity interest	
			12/31/22	12/31/21
Aruba Bank Onroerend Goed N.V.	Holding branches	Aruba	100%	100%
Aruba Bank Onroerend Goed II N.V.	Holding Camacuri office	Aruba	100%	100%
Aruba Bank Onroerend Goed III N.V.	Holding Hato office	Aruba	100%	100%
OHRA Hypotheekbank N.V.	Dormant	Aruba	100%	100%
IBA Corporation N.V.	Holding of loans	Aruba	100%	100%
IB Aruba Finance N.V.	Holding of loans	Aruba	100%	100%
AB Beleggingen VBA	Investments	Aruba	100%	100%

12.2 RISK MANAGEMENT

12.2.1 Introduction

The Group's prudent banking practices are founded on solid risk management. In an effort to keep pace with its dynamic environment, the Group has established a comprehensive framework for managing risks, which is continually evolving as the Group's business activities change in response to market, credit, product and other developments.

The Group monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk, liquidity risk and operational risk.

Aruba Bank has an ERM policy in place as well as an ERM Framework to capture significant risks to which Aruba Bank is (potentially) exposed. This ERM Framework covers the most important risks that Aruba Bank is exposed to and covers risk areas such as Acts of God, compliance, credit, foreign exchange, interest rate, liquidity, legal, operational, outsourcing, price, reputation, and strategy. The Asset, Liability and Risk Management department is responsible for the risk identification, documentation, assessment, testing, and follow-up plans for mitigating the likelihood and impact of identified risks. No significant changes in exposures to risks and how they arise were identified compared to 2021.

The use of financial instruments is governed by the Group's policies approved by the Management Board, which provide written principles on asset and liability management. Compliance with policies and exposure limits is reviewed by the Internal Audit department. The Group does not enter into or trade financial instruments for speculative purposes.

The main risks arising from the Group's financial instruments are credit risk, interest rate and market risk, liquidity risk, foreign currency risk and operational risk.

12.2.2 Credit risk

Credit risk is the potential that a borrower or counterparty will fail to meet its stated obligations in accordance with agreed terms. The objective of the Group's credit risk management function is to maximize the Group's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters.

The Group 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 industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. The Management

Board and Supervisory Board periodically discuss the level of credit exposure by product and by industry sector at its periodic meetings. Certain limits are also imposed by the CBA and any limits set by the Group take into account the regulatory requirements. Concentrated Group accounts are monitored closely. The total large exposures as defined in the regulatory requirements are allowed up to 600% of test capital. The total large exposures account for 17.0 % (December 31, 2021: 32.5%) of test capital.

Classification of gross carrying amount is as follows:

	Dec 31, 2022	Dec 31, 2021
Satisfactory	1,511,082	1,272,843
Substandard	84,813	182,991
Doubtful / Loss	56,239	52,395
	1,652,134	1,508,229

12.2.2.1 Impairment assessment

Individual provisions are reviewed at least two times a year and recommended provisions arising out of this review are submitted to the Management Board and Supervisory Board for approval. Non-performing debts recommended for write-off are also reviewed annually and action taken in accordance with the internal procedures. Subsequent recoveries of accounts previously written off are recognized in the consolidated statement of profit or loss and other comprehensive income.

12.2.2.2 Default

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in cases when the borrower becomes 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include, but are not limited to:

- The borrower requesting emergency funding from the Bank;
- The borrower is deceased;
- A material decrease in the borrower's turnover or the loss of a major customer;
- The debtor filing for bankruptcy application.

The credit risk from loans and advances to customers is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate.

12.2.2.3 Modification of Financial assets and recovery

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximizing recovery. Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. These modifications rarely result in an impairment loss and if it does, it is not material.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

12.2.2.4 Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss ("ECL") is measured on either a 12-month ("12M") or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default ("PD"), Exposure at Default ("EAD"), and Loss Given Default ("LGD"), whereby the the LGD is considered to be equal to the Loss Given Loss ("LGL") multiplied with one minus the Cure Rate ("CR"), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. The Group calculates the average PD based on the transition of assets in each half year data. From this data an annual average is derived.

- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). The Group estimates the EAD as the expected discounted exposure at half of the remaining contractual lifetime, or as the current exposure.

- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

- LGL represents the part of the exposure that results in a loss given there is a loss. The Group assumes the loss to be associated with the historical discounted write-offs. LGL is calculated as the percentage of a loss (write-off) at the time of default (account has entered the nonaccrual status).

- CR is calculated as the probability that an impaired asset becomes performing in the future. In the ECL model the CR is applied conditionally to default (greater than 90 days). The CR depends on the days past due and does not differ per product type.

The ECL is determined by projecting the PD, LGD and EAD for future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

12.2.2.5 Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition. The two backstops the Group applies on which the latest an asset should move to the next stage is as follows:

- Facility should be the latest in stage 2 if the asset is 30 days past due;
- Facility should be the latest in stage 3 if the asset is 90 days past due.

In addition to the backstops the Group applies the criteria that if a facility is within the special assets portfolio the facility is in stage 2.

The Group has special assets procedure in place to monitor the quality of the facilities. Based on qualitative and quantitative factors a facility can be in special assets. This could be when a facility starts to show behavior which could indicate significant increase in credit risk, or when a facility is recovering, but is still in special assets to monitor the behavior more closely. This way the IFRS 9 staging is consistent with how the Group manages their credit risk.

12.2.2.6 Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed based on shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are outlined below:

Retail Groupings for collective measurement:

- Product types: personal loans, car loans and mortgage loans/ term loans

Corporate Groupings for collective measurement:

- Product types: personal loans, car loans and mortgage loans/ term loans

The Mortgage and Term loans are considered to be very similar with similar credit risk characteristics, therefore are treated as one product (type) and not individually.

The following exposures are assessed individually:

- Accounts within the Special Assets portfolio. If an asset is in Stage 2 and in special assets, the ECL is assessed on an individual basis and calculated according to the procedures for individual assessments. If an asset is in Stage 3, the ECL is always based on an individual assessment.
- Current Accounts, not classified as special assets.
- Credit Cards. The expected credit loss on the credit card portfolio is considered very low and immaterial, therefore the provision calculation of the Credit Card portfolio will be simplified and not based on the ECL parameters.

Credit-related commitments

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extent credit are contingent upon customers maintaining specific credit standards.

12.2.2.7 Credit risk exposure

Analysis of gross carrying amount and corresponding ECLs are as follows:

	Dec 31, 2022	Dec 31, 2021
Stage 1	91.3%	89.1%
Stage 2	5.2%	7.4%
Stage 3	3.5%	3.5%
	100.0%	100.0%

December 31, 2022

Stage 1	Corporate lending	Retail lending	Overdrafts	Credit Cards	Total
Gross loans and advances	514,422	887,851	71,783	34,663	1,508,719
ECL	(3,122)	(2,848)	(5,582)	(424)	(11,976)
Net loans and advances	511,300	885,003	66,201	34,239	1,496,743
ECL as a % of gross loans and advances	0.6%	0.3%	7.8%	1.2%	0.8%

December 31, 2021

Stage 1	Corporate lending	Retail lending	Overdrafts	Credit Cards	Total
Gross loans and advances	390,029	796,006	53,974	32,834	1,272,843
ECL	(2,574)	(3,139)	(4,613)	(714)	(11,040)
Net loans and advances	387,455	792,867	49,361	32,120	1,261,803
ECL as a % of gross loans and advances	0.7%	0.4%	8.5%	2.2%	0.9%

The ECLs of Stage 1 decreased from December 31, 2021 (0.9%) to December 31, 2022 (0.8%).

December 31, 2022

Stage 2	Corporate lending	Retail lending	Overdrafts	Credit Cards	Total
Gross loans and advances	83,215	2,589	-	214	86,018
ECL	(3,855)	(810)	-	(129)	(4,794)
Net loans and advances	79,360	1,779	-	85	81,224
ECL as a % of gross loans and advances	4.6%	31.3%	-	60.3%	5.6%

December 31, 2021

Stage 2	Corporate lending	Retail lending	Overdrafts	Credit Cards	Total
Gross loans and advances	168,102	14,485	-	404	182,991
ECL	(12,465)	(5,202)	-	(404)	(18,071)
Net loans and advances	155,637	9,283	-	-	164,920
ECL as a % of gross loans and advances	7.4%	35.9%	-	100.0%	9.9%

The ECLs of Stage 2 decreased from December 31, 2021 (9.9%) to December 31, 2022 (5.6%), due to a significant exposure transitioning from stage 2 to stage 3.

December 31, 2022

Stage 3	Corporate lending	Retail lending	Overdrafts	Credit Cards	Total
Gross loans and advances	34,271	19,775	1,380	1,972	57,398
ECL	(12,013)	(13,634)	(1,380)	(1,972)	(28,999)
Net loans and advances	22,258	6,141	-	-	28,399
ECL as a % of gross loans and advances	35.1%	68.9%	100.0%	100.0%	50.5%

December 31, 2021

Stage 3	Corporate lending	Retail lending	Overdrafts	Credit Cards	Total
Gross loans and advances	16,856	30,653	1,533	3,353	52,395
ECL	(3,032)	(17,152)	(1,533)	(3,353)	(25,070)
Net loans and advances	13,824	13,501	-	-	27,325
ECL as a % of gross loans and advances	18.0%	56.0%	100.0%	100.0%	47.8%

The ECLs of Stage 3 increased from December 31, 2021 (47.8%) to December 31, 2022 (50.5%), due to a significant exposure transitioning from stage 2 to stage 3.

The analysis of transitioning of ECL between stages are as follows:

	Stage 1	Stage 2	Stage 3	Total
ECL December 31, 2021	11,040	18,071	25,070	54,181
Transfer from new loan to stage 1	1,456	-	-	1,456
Transfer from new loan to stage 2	-	492	-	492
Transfer from new loan to stage 3	-	-	854	854
Transfer from stage 1 to Stage 2	(902)	2,190	-	1,288
Transfer from stage 1 to Stage 3	(6)	-	396	390
Transfer from stage 2 to Stage 1	50	(3,835)	-	(3,785)
Transfer from stage 2 to Stage 3	-	(9,625)	9,741	116
Transfer from stage 3 to Stage 1	6	-	(428)	(422)
Transfer from stage 3 to Stage 2	-	299	(495)	(196)
Remeasurements	980	(1,706)	(551)	(1,277)
Payments received	(648)	(777)	(2,835)	(4,260)
Write-offs	-	(315)	(2,753)	(3,068)
ECL December 31, 2022	11,976	4,794	28,999	45,769

12.2.3 Liquidity risk

This is the risk to earnings or capital arising from a possible scenario that the Group might not be able to meet its obligations when they come due, without incurring unacceptable losses. This is the ability of the Group to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. Liquidity risk also arises from a failure to recognize or address changes in the market conditions that affect the ability to liquidate assets quickly and with minimal loss in value. The Group is exposed to daily calls on its available cash resources from current accounts, maturing deposits, loan drawdowns and guarantees. The Group does not maintain cash resources to meet all of these calls as experience indicates that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The liquidity analysis presents the same grouping as would be applicable for the interest sensitivity analysis, except for the non-interest-bearing amount, considering that in most cases the contractual reprising date equals the maturity date. Ultimate responsibility for liquidity risk management rests with the Management Board, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by

maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The statutory deposit with the CBA (542,407 as at December 31, 2022 and 232,817 as at December 31, 2021) relates to restricted reserve deposits mandatorily held at the CBA. These funds are restricted and therefore unavailable to be used in the Bank's day-to-day operations. The following analysis is based upon the amounts as stated in the consolidated statement of financial position:

December 31, 2022	**Less than 1 month**	**1 - 12 months**	**1 - 5 years**	**more than 5 years**	**Total**
Assets					
Cash and cash equivalents	308,231	-	-	-	308,231
Amounts due from banks	709,937	-	-	-	709,937
Investment securities	-	-		382,024	382,024
Loans and advances to customers	115,786	104,299	188,330	1,197,951	1,606,366
Other assets	10,725	-	-	-	10,725
Total assets	**1,144,679**	**104,299**	**188,330**	**1,579,975**	**3,017,283**
Liabilities					
Amounts due to banks	16,294	-	-	-	16,294
Deposits from customers	1,433,080	247,507	329,803	559,861	2,570,251
Current tax liabilities	1,696	-	-	-	1,696
Other liabilities	26,132	-	-	-	26,132
Provisions	-	-	4,060	-	4,060
Total liabilities	**1,477,202**	**247,507**	**333,863**	**559,861**	**2,618,433**
Net balance sheet position	**(332,523)**	**(143,208)**	**(145,533)**	**1,020,114**	**398,850**

December 31, 2021	**Less than 1 month**	**1 - 12 months**	**1 - 5 years**	**more than 5 years**	**Total**
Assets					
Cash and cash equivalents	455,549	71,500	-	-	527,049
Amounts due from banks	437,291	13,936	-	-	451,227
Investment securities	-	-	68,367	237,821	306,188
Loans and advances to customers	99,888	106,804	168,553	1,078,803	1,454,048
Other assets	10,914	-	-	-	10,914
Total assets	**1,003,642**	**192,240**	**236,920**	**1,316,624**	**2,749,426**
Liabilities					
Amounts due to banks	13,217	-	-	-	13,217
Deposits from customers	1,307,911	173,432	188,658	698,599	2,368,600
Current tax liabilities	1,556	-	-	-	1,556
Other liabilities	22,940	-	-	-	22,940
Provisions	-	-	3,848	-	3,848
Total liabilities	**1,345,624**	**173,432**	**192,506**	**698,599**	**2,410,161**
Net balance sheet position	**(341,982)**	**18,808**	**44,414**	**618,025**	**339,265**

12.2.4 Market risk

This is the risk to earnings or capital arising from changes in the value of traded portfolios of financial instruments. The term market risk is also known as "price risk". Price risk may result in volatile earnings. Market risks arise from open positions in interest rate, currency, and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group's approved risk tolerance for fixed interest securities and other equity products is prudent. Furthermore, the portfolio and related market risks are monitored periodically.

12.2.4.1 Foreign exchange risk

Foreign exchange risk is the risk to earnings or capital arising from movement of foreign exchange rates. This risk is found in cross border investing and operating activities. Market making and position taking in foreign currencies is price risk. Substantially all loans and off-balance sheet commitments granted by the Group are to customers located in Aruba and to a lesser extent to customers in Latin America and Europe (with collateral held in Aruba). Deposits received are primarily from customers located in Aruba and Latin America.

Foreign currency sensitivity analysis

The Group only enters into transactions in ANG, USD, AWG, and/or the EUR. The Group's exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its consolidated financial position and consolidated cash flows is minimal as a major part of the position is in US Dollars to which the AWG is pegged. Note that the ANG is also pegged to the USD.

The following details the Group's sensitivity to a 10% increase and decrease in the AWG against the EUR. 10% is the sensitivity used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding EUR denominated monetary items and adjusts its translation at the period end for a 10% change in foreign currency rates. The total outstanding balance in EUR as per December 31, 2022, was AWG 409 (December 31, 2021: AWG 2,406). An increase or decrease of 10% will not have a material impact on the profit or equity.

12.2.4.2 Interest rate risk

This is the current and prospective risk to earnings or capital arising from movement in interest rates. Changes in interest rates affect income earned from assets and the cost of funding those assets. A change in interest rates also affects the economic value of the Group's consolidated statement of financial position. The economic perspective focuses on the value of the Group in today's interest rate environment and the sensitivity of that value to changes in interest rates.

A 100-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 100 basis points higher/lower and all other variables used were held constant, the Group's profit for the year ended December 31, 2022, would decrease/increase by 15,572 (December 31, 2021: 14,636). This is mainly attributable to the Group's exposure to interest rates on floating instruments.

12.2.4.3 Operational risk

This is the current and prospective risk to earnings and capital arising from fraud, error, and the inability to deliver products or services, maintain a competitive position and manage information. Systems that directly affect liquidity include wire transfers for check and securities clearing, electronic banking, and operations governing credit, debit, and smart card usage. Significant problems can develop very quickly if the systems that process transactions fail or delay execution. If customers have difficulty accessing their accounts, they may close them, which will diminish liquidity. As such, transaction risk is considered in the Group's contingency planning process.

The Group has implemented policies and procedures with sufficient internal controls and loss mitigation actions to mitigate the inherent risks in the business processes. Substantial resources are devoted to developing efficient procedures, to identify and rectify weaknesses in existing procedures and to train staff.

12.2.4.4 Compliance risk

This is the current and prospective risk to earnings or capital arising from violations of or non-conformance with, laws, rules, regulations, prescribed practices or ethical standards. Compliance risk also arises in situations where the laws or rules governing certain Bank products or activities of the Group's customers may be ambiguous or untested. The Group has implemented policies and procedures with internal controls and actions to mitigate the inherent risks in the area of compliance. Substantial resources are devoted to developing efficient procedures, to identify and rectify weaknesses in existing procedures and to train staff.

12.3 CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balances. The Group's overall strategy remains unchanged from 2021.

The Group is subject to externally imposed capital requirements. The Group monitors the adequacy of its capital using ratios established by the CBA and according to the CBA directives. These ratios measure the capital adequacy by comparing the Group's capital with its balance sheet assets, off-balance-sheet commitments and market and other risk positions at a weighted amount to reflect their relative risk. All assets are weighted according to broad categories of risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Four categories of risk weights (0%, 20%, 50%, 100%) have been applied. The minimum requirement for the capital ratio as set by the Basel Committee for Banking Supervision is 8% of risk-weighted assets whereas the CBA applies 16%, due to the fact that the Aruban economy is highly dependent on one source of income being tourism. During 2022, the Group complied with the capital requirements by the CBA.

	2022	**2021**
Capital Ratio	32.2%	29.7%

12.4 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Management Board consider that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values. There are no financial instruments designated as Level 1. The Group has the following financial instruments of which the respective carrying values approximate the fair value (Level 2):

- Cash and cash equivalents;
- Amounts due from banks;
- Investment securities;
- Loans and advances to customers;
- Deposits from customers;
- Current and deferred tax liabilities;
- Other liabilities;

The fair value of the financial instruments Level 3 amounts to 7,353 (December 31, 2021: 7,496). The movements in fair value of the Level 3 assets are specified in note 10.1.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- the fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

12.5 RELATED PARTY TRANSACTIONS

12.5.1 Trading transactions

The balance on the current accounts from related parties was 15,473 (2021: 70,865) at the end of the reporting period.

The related party transactions during the year were as follows:

	2022	2021
Interest income	63	19
Other income	4	3
Interest expenses	161	215
	228	**237**

The transactions with related parties are primarily with Orco Group N.V., Orco Aruba Holding N.V., Orco Bank International N.V. and Orco Bank N.V. Reference is also made to note 11.3 for the income tax payable of nil (December 31, 2021: nil) to Orco Aruba Holding and the current tax liability of 1,696 (2021: 1,556) in the consolidated statement of financial position which is related to IB Aruba Finance N.V. and AB Beleggingen VBA. In the course of normal business, the Bank, Orco Group N.V., Orco Bank N.V., and Orco Bank International N.V. have entered into transactions at arm's length.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current or prior years for bad or doubtful debts in respect of the amounts owed by/owed to related parties.

As a result of the service level agreements in place with related parties Orco Bank N.V. and Orco Bank International N.V., Aruba Bank has recharged 4,443, net (2021: 4,071) of the other operating expenses and personnel expenses to these related parties.

12.5.2 Loans to and from related parties

The Group has provided several of its Managing and Supervisory Directors with term loans at rates that are in accordance with the benefit protocol of the Group which applies to all employees, including the Managing Directors, and in accordance with commercial rates for the Supervisory Directors. The majority of the loans to the Managing Directors are secured.

The Group did not enter into loans from related parties except for the subordinated loan granted by Orco Bank International N.V. and bank accounts held by related parties in the ordinary course of business.

Aruba Bank is in full compliance with the requirements and ratios set forth by the CBA related to credit extensions to insiders. Note that all related party transactions are subject to pre-approval by the Related Party Transactions Committee.

	2022	2021
Loans and advances to Managing Directors	1,099	521
Loans and advances to Supervisory Directors	-	-
Total loans and advances	**1,099**	**521**
Liabilities due to Managing Directors	2,210	2,064
Liabilities due to Supervisory Directors	351	244
Total liabilities	**2,561**	**2,308**

12.6 CONTINGENT LIABILITIES AND OFF BALANCE SHEET COMMITMENTS

In the normal course of business the Bank is party in activities whose risks are not reflected in whole or part in the consolidated financial statements. Based on the needs of its customers, the Bank offers financial products related to loans. These products relate to traditional off-balance sheet credit related financial instruments.

Contingent liabilities and commitments as at December 31 can be specified as follows:

	2022	2021
Guarantees	63,078	53,955
Letters of credit	8,941	8,941
Balance at the end of year	**72,019**	**62,896**

All guarantees and letters of credit will mature in 2023, excluding the total amount of 20,031 (December 31, 2022: 2,850) with a maturity date in 2024. The irrevocable commitments as at December 31, 2022 amount to 67,626 (December 31, 2021: 85,128). This item relates to credit facilities not (yet) drawn that could lead to a credit risk. The Bank has insignificant leasing arrangements with external parties of 337 per annum (2021: 355).

12.6.1 Legal proceedings

As per reporting period the Group is involved with certain legal proceedings. Adequate provisions have been made as necessary based on management's assessment of the possible outcome of such proceedings.

12.7 EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting period that would have a (significant) effect on the 2022 consolidated financial statements, except as noted elsewhere in these financial statements.

12.8 STATUTORY PROVISIONS FOR PROFIT APPROPRIATION

Article 17 of the Articles of Association stipulates the following:

17.1 The profit, being the net profit after deduction of taxes as laid down in the determined profit and loss account, is in full at the disposal of the general meeting of shareholders.

17.2 If according to the profit and loss account in any year a loss is reported, that cannot be settled out of the reserves or discharged in any other way, no profit distributions will take place the following years for as long as such loss is not compensated.

17.3 Management is allowed, after receiving prior approval of the CBA, to declare interim dividend as prepayment on anticipated dividends.

12.9 PROPOSED PROFIT APPROPRIATION

In the General Annual Meeting of Shareholders, it will be proposed to appropriate the net profit of 61,064 to retained earnings which has been reflected in the consolidated financial statements.

13 INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To: the Management Board and the Supervisory Board of Aruba Bank N.V.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Aruba Bank N.V. and its subsidiaries ("the Bank"), which comprise:

- The consolidated statement of financial position as at December 31, 2022
- The consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2022
- The consolidated statement of changes in equity for the year ended December 31, 2022
- The consolidated statement of cash flows for the year ended December 31, 2022
- The notes to the consolidated financial statements, including a summary of significant accounting policies

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Bank as at December 31, 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 consolidated financial statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included in the Bank's 2022 annual report

Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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.

Ernst & Young is a partnership of limited liability companies ('professional corporations') established on Aruba. Our services are subject to the general terms and conditions, which contain a limitation of liability clause.

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Responsibilities of management and those charges with governance for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank'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 management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated 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 International Standards on Auditing 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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 Bank'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 consolidated 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 Bank to cease to continue as a going concern.

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

We communicate with the audit committee 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, 30 January 2023
12007104/RvN/004

for Ernst & Young Accountants

Signed by drs. R.J.W. van Nimwegen RA