FATUM LIFE ARUBA N.V.

FINANCIAL STATEMENTS

31 DECEMBER 2022

FATUM LIFE ARUBA N.V.
FINANCIAL STATEMENTS

Table of Contents

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

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report

Grant Thornton Aruba
L.G. Smith Boulevard 62
Oranjestad
Aruba
T +297 522 1647
F +297 582 4864

Our reference: 135930/ A-33102

To the Board of Directors, the Supervisory Board
and the Shareholder of
Fatum Life Aruba N.V.
Aruba

Our opinion

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

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of income for the year ended 31 December 2022;
- the statement of comprehensive income for the year ended 31 December 2022;
- the statement of changes in equity for the year ended 31 December 2022;
- the statement of cash flows for the year ended 31 December 2022; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Responsibilities of the Board of Directors and the Supervisory Board for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Aruba, June 28, 2023
Grant Thornton Aruba

Edsel N. Lopez
Partner Advisory & Assurance

FATUM LIFE ARUBA N.V.
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
Expressed in thousands of Aruban Florins

	Notes	2022 AFL'000	2021 AFL'000
Assets			
Property, plant and equipment	**5**	190	236
Investment properties	**6**	2,061	1,998
Intangible assets	**7**	153	–
Investment in associated company	**8**	42,452	38,134
Investment securities	**9**	721,608	656,296
Loans and receivables	**10**	132,330	111,682
Reinsurance assets	**12**	757	757
Deferred acquisition costs	**13**	2,718	3,244
Due from affiliated companies	**14**	206	206
Cash and cash equivalents	**15**	76,389	56,954
Total assets		978,864	869,507
Equity and liabilities			
Share Capital	**16.1**	400	400
Share premium	**16.2**	24,528	24,528
Reserves	**16.3**	(19,346)	(1,429)
Retained earnings		66,028	70,001
Total equity		71,610	93,500
Liabilities			
Insurance contracts	**17**	876,702	761,607
Due to affiliates	**19**	13,592	56
Profit tax payable	**20**	3,184	1,533
Other liabilities	**21**	13,776	12,811
Total liabilities		907,254	776,007
Total equity and liabilities		978,864	869,507

The accompanying notes form an integral part of these financial statements. On 27 June 2023, the Board of Directors of Fatum Life Aruba N.V. authorized these financial statements for issue.

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

FATUM LIFE ARUBA N.V.
STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
Expressed in thousands of Aruban Florins

	Notes	2022 AFL'000	2021 AFL'000
Insurance activities			
Insurance premium income	**22**	129,358	63,302
Insurance premium ceded to reinsurers	**22**	(594)	(382)
Net underwriting revenue		128,764	62,920
Policy acquisition expenses	**23**	(2,030)	(1,415)
Net insurance benefits and claims	**24**	(144,692)	(75,512)
Underwriting expenses		(146,722)	(76,927)
Net result from insurance activities		(17,958)	(14,007)
Investing activities			
Investment income	**25**	34,751	33,039
Net realized gains	**26**	(1,057)	681
Net fair value gains/(losses)	**27**	(3,817)	5,849
Fee income	**28**	354	240
Other income	**29**	315	1,060
Net income from investing activities		30,546	40,869
Net income from all activities		12,588	26,862
Net impairment gains/(losses) on financial assets	**30**	(1,724)	(295)
Operating expenses	**31**	(15,091)	(13,951)
Finance charges	**32**	(246)	(734)
Operating profit		(4,473)	11,882
Share of profit of associated companies	**8**	3,734	2,444
Profit/(loss) before taxation		(739)	14,326
Taxation	**33**	(3,234)	(1,534)
Profit for the year		(3,973)	12,792

The accompanying notes form an integral part of these financial statements.

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

FATUM LIFE ARUBA N.V.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
Expressed in thousands of Aruban Florins

	Notes	2022 AFL'000	2021 AFL'000
Profit/(loss) for the year		(3,973)	12,792
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		584	(2,646)
Net fair value gains/(losses) on debt securities at fair value through other comprehensive income		(18,512)	(3,754)
Net change in allowance for expected credit losses on debt securities at fair value through other comprehensive income	**30**	11	(39)
Net other comprehensive loss that may be reclassified subsequently to profit or loss		(17,917)	(6,439)
Total comprehensive income for the period, net of tax		(21,890)	6,353

The accompanying notes form an integral part of these financial statements.

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

FATUM LIFE ARUBA N.V.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
Expressed in thousands of Aruban Florins

	Attributable to equity holders of the parent				
	Share capital AFL'000	Share premium AFL'000	Reserves (Note 15.3) AFL'000	Retained earnings AFL'000	Total equity AFL'000
Balance at 1 January 2022	400	24,528	(1,429)	70,001	93,500
Total comprehensive income/(loss)	–	–	(17,917)	(3,973)	(21,890)
Dividends (Note 32)	–	–	–	–	–
Balance at 31 December 2022	400	24,528	(19,346)	66,028	71,610
Balance at 1 January 2021	400	24,528	5,010	57,209	87,147
Total comprehensive income/(loss)	–	–	(6,439)	12,792	6,353
Dividends (Note 33)	–	–	–	–	–
Balance at 31 December 2021	400	24,528	(1,429)	70,001	93,500

The accompanying notes form an integral part of these financial statements.

FATUM LIFE ARUBA N.V.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
Expressed in thousands of Aruban Florins

	Notes	2022 AFL'000	2021 AFL'000
Cash flows from operating activities			
Profit/(loss) before taxation from continuing operations		(739)	14,326
Adjustment for specific items included on the accruals basis:			
- Finance charges		246	734
- Investment income		(35,561)	(33,925)
Adjustment for non-cash items	**35**	3,026	(8,675)
Interest received		30,475	32,626
Dividends received		343	1,333
Operating profit before changes in operating assets/liabilities		(2,210)	6,419
	30		
Net increase in insurance liabilities		115,095	51,287
Net decrease / (increase) in reinsurance assets		–	–
Net decrease / (increase) in deferred acquisition costs		526	616
Purchase of investment securities		(199,262)	(148,249)
Proceeds from sale of investment securities		114,548	129,289
Net decrease / (increase) in loans and receivables		(22,282)	(6,176)
Net decrease / (increase) in other operating assets/liabilities		1,743	815
Net decrease / (increase) in intercompany		13,536	(18,980)
Cash provided by operating activities		21,694	15,021
Net taxation paid		(1,583)	(1,581)
Net cash provided by/(used in) operating activities		20,111	13,440
Cash flows from investing activities			
Purchase of property, plant and equipment	**5**	–	(38)
Purchase of investment properties	**6**	(10)	–
Purchase of intangible assets	**7**	(230)	–
Net cash provided by/(used in) investing activities		(240)	(38)
Cash flows from financing activities			
Interest paid		(246)	(734)
Net cash provided by/(used in) financing activities		(246)	(734)
Net increase/(decrease) in cash and cash equivalents	**15**	19,625	12,668
Balance Cash and Cash Equivalents as of January 1		56,954	44,303
Net increase / (decrease) in Cash		19,625	12,668
Net movement in loss allowance		(190)	(17)
Balance Cash and Cash Equivalents as of December 31		76,389	56,954

The Company presents its statement of cash flows using the indirect method.

The accompanying notes form an integral part of these financial statements.

1. Incorporation and principal activities of the Company

Fatum Life Aruba N.V. (the Company) is a Company domiciled in Aruba and has its registered office at L.G. Smith Boulevard #162. The Company was incorporated on 7 March 2008, however officially started its operations on 1 January 2009. Fatum Life N.V. (the parent) was incorporated in Curacao on 27 December 2002. The address of the registered office is, Cas Coraweg 2, Curacao. The ultimate parent of the Company is Guardian Holdings Limited, Trinidad and Tobago.

The Company is engaged in life insurance operations.

These financial statements were authorized for issue by the Board Directors of Fatum Life Aruba N.V. on 27 June 2023.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation, statement of compliance with IFRS and going concern assumption

These financial statements are prepared according to Book 2 of the Civil Code of Aruba and in accordance with International Financial Reporting Standards (IFRS). They have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, investment properties, derivative financial instruments and financial assets at fair value through profit or loss, which are carried at fair value. The financial statements are prepared using the going concern basis of accounting.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

The following amendment to published standards took effect for the Company's accounting periods beginning on or after 1 January 2022:

IFRS 3 Business Combinations - Amendments - Reference to the Conceptual Framework

Amendments were made to IFRS 3 to update the references to the 2018 Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also clarify that contingent assets, as defined by IAS 37, do not qualify for recognition at the acquisition date.

These amendments had no impact on the financial statements of the Company as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments during the year.

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

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2022 (continued)

IFRS 16 Leases - Amendments - Covid-19-Related Rent Concessions beyond 30 June 2021

In May 2020, the IASB published an amendment to IFRS 16 that provided lessees with relief in the form of an optional practical expedient from assessing whether a rent concession related to Covid-19 is a lease modification. Lessees could elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications.

The practical expedient applied only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the conditions were met:

a. the change in lease payments resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b. any reduction in lease payments affected only payments originally due on or before 30 June 2021; and
c. there was no substantive change to the other terms and conditions of the lease.

The amendment to IFRS 16, issued on 31 March 2021, extends the date in condition b from 30 June 2021 to 30 June 2022.

The amendment had no material impact on the financial statements of the Company.

IAS 16 Property, Plant and Equipment - Amendments - Proceeds before intended use

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds received from sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendments also clarify that contingent assets, as defined by IAS 37, do not qualify for recognition at the acquisition date.

The amendments had no impact on the financial statements of the Company.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments - Onerous contract - Cost of fulfilling a contract

An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Unavoidable costs are the lower of the net cost of exiting the contract and the costs to fulfil the contract.

The amendments clarify that the direct cost of fulfilling a contract consists of both:

- The incremental costs of fulfilling the contract (e.g., the costs of direct labour and materials); and
- An allocation of other costs that relate directly fulfilling contracts (e.g., an allocation of the depreciation charge on property, plant and equipment used in fulfilling the contract).

The amendments also clarify that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

These amendments had no material impact on the financial statements of the Company.

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

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2022 (continued)

Annual Improvements to IFRSs 2018 - 2020 Cycle:
IFRS 9 Financial Instruments - Amendments - Fees in the '10 per cent' test for derecognition of financial liabilities

This amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either entity or lender on the other's behalf.

The amendment had no impact on the financial statements of the Company.

Annual Improvements to IFRSs 2018 - 2020 Cycle:
IFRS 16 Leases - Amendments - Illustrative examples

The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

(b) New standards and amendments/revisions to published standards and interpretations effective in 2022 but not applicable to the Company

The following new IFRS amendments that have been issued do not apply to the activities of the Company:

- Annual Improvements to IFRSs 2018 - 2020 Cycle:
  - IFRS 1 First-time Adoption of International Financial Reporting Standards - Amendments - Subsidiary as a first-time adopter
  - IAS 41 Agriculture - Amendments - Taxation in fair value measurements

(c) New standards, interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Company

The following is a list of new IFRS standards, interpretations and amendments issued that are not yet effective as at 31 December 2022 and have not been early adopted by the Company. The Company expects to implement these standards when they become effective.

Effective 1 January 2023:

- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 - Amendments - Disclosure of accounting policies
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments - Definition of accounting estimates
- IAS 12 Income Taxes - Amendments - Deferred tax related to assets and liabilities arising from a single transaction
- IFRS 17 Insurance Contracts

IFRS 17 will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Company's financial statements (See Note (d) below for additional details). All other amendments, effective 1 January 2023, are not expected to have a material impact on the Company's financial statements.

Effective 1 January 2024:

- IAS 1 Presentation of Financial Statements - Amendments - Classification of liabilities as current or non-current

Amendments Postponed:

- IFRS 10 and IAS 28 - Amendments - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - In December 2015, the IASB deferred the effective date of the amendments until such time it has finalised any amendments that result from its research project on the equity method of accounting.

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

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) IFRS 17 Insurance Contracts

Effective 1 January 2023:

IFRS 17, 'Insurance Contracts' was issued in May 2017 with an original effective date of 1 January 2021. Amendments to IFRS 17 "Insurance Contracts" were issued in June 2020 and included a two-year deferral of the effective date to 1 January 2023. IFRS 17 will replace IFRS 4, 'Insurance Contracts' and will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Company's financial statements. The Company will implement IFRS 17 effective 1 January 2023.

Transition Approach

IFRS 17 must be applied retrospectively. However, if full retrospective application to a group of contracts is impractical, the modified retrospective or fair value methods may be used. The drivers for impracticability for retrospective application relate to a lack of required data and the use of hindsight, consistent with the principles of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The transition approach can have a significant impact on the contractual service margin ("CSM"), and relatedly, on both shareholders' equity and profits on in-force business in future reporting periods. On transition, the Company will apply the fair value approach and the full retrospective approach according to the data that is available for the various groups of contracts, and the date from which it is available.

The fair value approach will be applied only to portfolios within the Life, Health, and Pensions businesses. Within this approach, the CSM is determined to be the difference between the fair value of a group of insurance contracts measured in accordance with IFRS 13 and its fulfillment cash flows at the transition date. Judgements will be made in estimating the fair value of groups of insurance contracts. IFRS 13 requires fair values to be determined using recent market transactions, however this is not available, therefore a valuation approach under IFRS 13 will be applied, with consideration to information from a market participant's perspective.

Redesignation of Finance Assets

The Company, having previously applied IFRS 9, is permitted to change its classification and designation of financial assets. This reassessment is relevant only to eligible financial assets held in connection with insurance contracts under the scope of IFRS 17. Any redesignation will be based on facts and circumstances that exist at the date of initial application of IFRS 17 and will be applied on that date. When applying the IFRS 9 transition requirements, the date of initial application is considered the date of initial application of IFRS 17. Some financial assets will be reclassified upon implementation of IFRS 17.

Level of Aggregation

For measurement purposes, IFRS 17 requires contracts to be grouped together into contracts that are managed together and have similar risk and profitability profiles, all within the same issue year. The resulting portfolios are roughly similar to that which existed under IFRS 4 for internal management reporting purposes, although the profitability and cohort grouping requirements are new. With respect to cohort grouping, the Company decided to apply annual cohorts to all portfolios where the Premium Allocation Approach ("PAA") is applied, and quarterly cohorts to all other portfolios.

Scope, Definition, and Classification

All contracts classified as insurance products under IFRS 4 will continue to be defined as such under IFRS 17, and similarly, all contracts that meet the definition of an insurance contract under IFRS 17 also had done so under IFRS 4. The definition of insurance risk will also be maintained, except to add that benefits payable is determined on a present value basis. Further, there was no significant impact on the recognition and derecognition of insurance contracts under IFRS 4 as compared with IFRS 17.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) IFRS 17 Insurance Contracts (continued)

Measurement Models

The standard requires that insurance liabilities be measured using the General Measurement Model ("GMM"), with modifications to this approach available for certain types of contracts. For contracts with participating features (where a substantial share of the fair value of the related investments and other underlying items is paid to policyholders), the CSM) reflects the variable fee to shareholders, and therefore the Variable Fee Approach ("VFA") will be utilised. For these contracts, the CSM is adjusted to reflect the changes in economic experience and assumptions. The Premium Allocation Approach ("PAA") will be automatically applied to short-term contracts where the profit is realised within twelve months, but also to contracts with durations of up to 2 years, where the PAA eligibility criteria were successfully appliedmet. For all other contracts where the CSM is only adjusted for non-economic assumptions, the GMM will be applied.

Onerous contracts

IFRS 17 requires the identification of groups of onerous contracts. When these groups are identified, the Company is required to recognise a loss immediately in profit or loss along with an increase in the insurance contract liability known as a loss component. Where the Company has reasonable and supportable information to conclude that a set of contracts will all be in the same profitability group for IFRS 17, these contracts are evaluated together based on aggregate expected profitability to determine if the insurance contracts are onerous in the reporting period in which they are first effective.

Reinsurance contracts held

Reinsurance contracts held will apply GMM or PAA, adapted to reflect the characteristics of a reinsurance contract held. For contracts applying the GMM model, the CSM reflects the expected net cost or net gain rather than unearned profit. If certain criteria are met, a loss recovery component can be recognised to offset a portion of the losses recognised on the underlying insurance contracts.

Contractual Service Margin

CSM is a new concept in IFRS 17. The contractual service margin is a component of the asset or liability for a group of insurance contracts that represents the unearned profit the entity will recognise as it provides services in the future. An entity is required to determine the contractual service margin on initial recognition of a group of insurance contracts as follows:

- For profitable business, expected profits must not be recognised on day one but instead be captured within the CSM to be released as the service is provided over the life of that business.
- For onerous contracts, expected losses must not be deferred in a negative CSM, but instead recognised in full on day one.

Major Accounting Policies

Discount Rates

As allowed by IFRS 17.B80, the Company developed discount rates using the bottom-up approach.

For PAA business, no discounting will be applied to the Liability for Remaining Coverage ("LRC") or to claims and other cash flows that are expected to occur within 1 year of the reporting period.

Risk Adjustment

The Company will use a risk margin approach for the risk adjustment within the Life, Health, and Pensions business units, and will apply a cost of capital approach for the risk adjustment within the Property & Casualty business units.

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

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) IFRS 17 Insurance Contracts (continued)

Major Accounting Policies (continued)
Risk Adjustment (continued)

For the Life companies, the risk adjustment is based on the Margins for Adverse Deviation (MfADs) already used within IFRS 4, except with the financial assumption margins excluded. MfADs meet the criteria within IFRS 17 B.91 which requires a confidence interval to be attached to the level of each margin. In Curacao and Trinidad and Tobago, guidance provided by the insurance regulators, and in Jamaica, best practice, as outlined by the Canadian Institute of Actuaries , define the MfAD range to which the Company must adhere.

Insurance acquisition costs

The Company has elected not to apply the option allowed under IFRS 17.59(a) for contracts measured under the PAA to recognise insurance acquisition cash flows as an expense when incurred. Instead, these costs will be captured within the insurance contract liability and then amortised over the life of the insurance contract. Additionally, cost related to the starting, selling or underwriting of insurance contracts which are directly attributable to a portfolio are eligible to be capitalised on the statement of financial position within insurance acquisition cost as insurance acquisition cash flows and amortised over the life of the related group of insurance contracts to which they are allocated. The Company expects that this will result in additional cost being eligible to be capitalised and amortised as compared to IFRS 4.

Presentation and Disclosure

The Company has made the following presentation and disclosure decisions:

- As allowed by IFRS 17.81, the entire change in the risk adjustment for non-financial risk will be included as part of the insurance service result.
- As allowed by IFRS 17.86, income and expenses from reinsurance contracts held will be presented on a net basis in the statement of income
- As allowed by IFRS 17.89, the Company will disaggregate insurance finance income or expenses between amounts allocated to profit or loss to eliminate accounting mismatches with income and expenses in profit or loss on the underlying items held, and to other amounts allocated to other comprehensive income.
- As allowed by IFRS 17.96(a), the Company will aggregate insurance contracts by type of contract or major product line for disclosure purposes. The categories will be as follows:

o Traditional life & Interest Sensitive without Guarantees
o Unit linked life & Interest Sensitive with Guarantees
o Annuities
o Short-term Group Life & Health
o Property & Casualty

Impact on Insurance Contract Balances and Profitability

IFRS 17 introduces many new measurement criteria that will have an impact on the Company's results, including the following:

- Insurance Revenue

IFRS 17 measures revenue based on the delivery of services to policyholders and, importantly, excludes any premiums related to the investment elements of policies. The determination of what constitutes an investment component is an area of judgement significantly affecting amounts of recognised insurance revenue and insurance service expenses as investment components should be excluded from those. An investment component exists where the contract requires the Company to pay the policyholder even if the insured event does not occur either upon the surrender of the policy or at the request of the policyholder. The impact of this is a reduction of insurance revenue.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) IFRS 17 Insurance Contracts (continued)

Impact on Insurance Contract Balances and Profitability (continued)

IFRS 17 introduces many new measurement criteria that will have an impact on the Company's results, including the following (continued):

• Insurance Revenue (continued)

Applying considerations from IFRS 17 and IFRS 15, 'Contracts with Customers', the Company now combines fronting contracts with the related insurance policies if certain conditions are met, eliminating the premium income against the reinsurance premium expense. This adjustment will reduce insurance revenue and reinsurance expenses by a commensurate amount and therefore has no net impact to profitability.

• Insurance Service Expenses

IFRS 17 requires the identification of all fulfilment cash flows including operating expenses and overheads that are directly attributable to the acquisition and management of insurance contracts. Such expenses have been classified within operating expenses under IFRS 4. A systematic and rational method to identify and allocate such overheads to insurance and reinsurance contracts has been implemented. These expenses will be reallocated – either directly to insurance service expenses, or initially as a reduction in the insurance contract liability, where they are then amortised to the insurance service expense over the contract duration. The result is a reduction in operating expenses, and a commensurate increase in insurance service expenses and decrease in the insurance contract liability.

• Insurance Contract Liability

The establishment of a CSM on in-force business is expected to lead to an increase in insurance contract liabilities and a corresponding decrease in equity upon transition. The CSM represents unearned profits that are expected to amortise into income as services are provided.

Further, the principles underlying IFRS 17 differ from the Caribbean Premium Policy Method (CPPM) that is permitted by IFRS 4. These differences include, but are not limited to:

Discount Rates

Under IFRS 17 the discount rate used to estimate the present value of insurance contract liabilities is based on the characteristics of the liability, whereas under CPPM, the Company uses the rates of returns for current and projected assets supporting insurance contract liabilities to value the liabilities. The difference in the discount rate approach also impacts the timing of investment-related experience earnings emergence. Under CPPM, investment-related experience includes the impact of investing activities. The impact of investing activities is directly related to the CPPM methodology. Under IFRS 17, the impact of investing activities will emerge over the life of the asset and is independent of the liability measurement.

Under IFRS 17, the discount rate used to present value future cashflows is disconnected from the assets the Company holds to support its insurance contract liabilities. As a result, the Company is considering electing the other comprehensive income option under IFRS 17 for insurance contract liabilities and the fair value through other comprehensive income option under IFRS 9 for fixed income assets.

The Timing of Recognition of Losses and Gains

Under IFRS 17, new business gains are recorded on the Statements of Financial Position (in the CSM component of the insurance contract liability) and amortized into income as services are provided. New business losses are recorded into income immediately. Under CPPM, both new business gains and new business losses are recognized in income immediately.

Note that the above changes, while impacting the insurance contract liability, may also have consequential impacts on revenue recognition, insurance service expenses, finance expenses, and other items in the statement of income.

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

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) IFRS 17 Insurance Contracts (continued)

Impact on Insurance Contract Balances and Profitability (continued)

IFRS 17 introduces many new measurement criteria that will have an impact on the Company's results, including the following (continued):

Overall, IFRS 17 will have a significant impact on the Company's financial statements, tax and regulatory capital positions and other financial metrics that are dependent upon IFRS accounting values. Despite these changes in recognition criteria, IFRS 17 does not impact the cash flows generated by the business, and hence, does not impact the economics of the Company's business.

Implementation Project Structure and Status

There is a Group-wide IFRS 17 implementation programme, led by an Executive Project Sponsor, which involves significant enhancements to the Group's IT, actuarial, and finance systems. These three (3) elements were organised into three (3) separate but highly collaborative project streams to ensure attention to detail while achieving the cohesiveness required of the programme. Key tasks within the programme included:

• Identifying data requirements.

This is one of the most significant aspects of the IFRS 17 implementation. This new standard requires a higher level of granularity in cash flow and other data to appropriately measure insurance contracts and make the necessary disclosures for reporting purposes.

• Identifying and implementing changes to systems and processes

As a result of the IFRS 17 implementation, new systems were acquired, and functionality of existing systems were expanded. The new systems centre around the appropriate calculation and allocation of CSM and directly attributable expenses. Functionality was expanded for accounting and reporting systems.

• Modifying actuarial models.

Changes to actuarial models centred around discount rates and how policies were grouped.

• Determining the appropriate accounting policies and formulating disclosures.

There are many accounting policy options with IFRS 17, but also many ways in which a required policy or disclosure can be formulated. Various approaches were carefully considered before the Group arrived at its final result.

An IFRS 17 Executive and Technical Committee, which includes the Group's CEOs, provides oversight and strategic direction to the implementation programme. A Finance sub-committee was also in place to provide governance over the technical interpretation and accounting policies selected, design and delivery of the programme. During 2022, the Group finalised the build and testing of new actuarial and finance systems and transitioned the new elements of the financial statement close process into its day-to-day operations. IFRS 17 will be implemented effective 1 January 2023, with further refinement and consideration of estimates and areas of judgement ongoing.

2. Significant accounting policies (continued)

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in thousands of Aruban Florins, which is the Company's presentation and functional currency.

(b) Transactions and balances in the financial statements

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

2.3 Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on assets is charged over the estimated useful lives of the assets using the following rates and methods:

Installations	-	straight-line method, 10% per annum
Office furniture & equipment	-	straight line method, 10 - 25% per annum

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of income.

2.4 Investment properties

Freehold or leasehold properties held for long-term rental yields that are not occupied by the Company are classified as investment properties. Investment properties comprise freehold land and buildings. They are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is based on active market prices, adjusted as necessary, for any difference in the nature, location or condition of the specified asset. Fair value is determined annually by accredited external valuators. Investment properties are not subject to depreciation. Any appreciation or diminution in value is recognized in the statement of income.

If investment properties become owner-occupied, they are reclassified as property, plant and equipment, and their fair value at the date of reclassification becomes its cost for subsequent accounting periods. Alternatively, where properties classified as held for use become investment properties because of a change in use, these properties are accounted for as investment properties and any differences arising between the carrying amount and the fair value of these items at the date of transfer are recognized in equity as a revaluation of property. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the statement of income.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Upon disposal, any surplus previously recorded in the property revaluation reserve in equity is transferred to retained earnings.

2.5 Investment in Associate

The Company's investment in associated companies is accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Under the equity method, the investment in associates is carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment and is not amortized. The statement of income reflects the share of the results of operations of the associates. When there has been a change recognized directly in the equity of the associates, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

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

2. Significant accounting policies (continued)

2.5 Investment in Associate (continued)

The financial statements of the associates are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring their accounting policies in line with the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on the Company's investment in associates. The Company determines at each statement of financial position date, whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognizes the amount in the statement of income.

The Company discontinues the use of the equity method from the date when the investment ceases to be an associate or when the investment is classified as held for sale.

A listing of the Company's associates is set out in Note 39.

2.6 Financial instruments

(a) Initial recognition and measurement

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, the date on which the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

At initial recognition, the Company measures financial assets at its fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of income.

The Company's financial assets include cash and short-term deposits, investment in debt and equity securities, interest receivable, receivables arising from insurance contracts and reinsurance contracts and other loans and receivables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs. The Company's financial liabilities include trade, intercompany and other payables.

(b) Classification and subsequent measurement

Debt instruments

Subsequent to initial recognition, the Company's debt instruments are measured in accordance with the business models determined by the Company's respective business units for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classified its debt instruments:

(i) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The carrying amounts of these assets are adjusted by any expected credit loss allowance recognised. In addition to certain debt securities, the Company's loans and receivables are carried at amortised cost.

(ii) Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss.

(iii) Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income 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 is recognised in the statement of income in the period in which it arises. The Company may, on initial recognition, irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or fair value through other comprehensive income as fair value through profit or loss, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets held for trading, or are managed and whose performance is evaluated on a fair value basis, are measured at fair value through profit or loss.

The Company reclassifies debt instruments 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 infrequent.

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

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

(b) Classification and subsequent measurement (continued)

Debt instruments (continued)

Business model assessment

The Company's business units determine their business models at the level that best reflects how it manages groups of financial assets to achieve its business objective. Factors considered by the business units in determining the business model for a group of assets include:

► the stated policies and objectives for the Company of assets and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets with the duration of any related liabilities or expected cash outflows or realising cash flows through sale of the assets;

► how performance of the Company of assets is evaluated and reported to management;
► the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
► how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
► the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

If cash flows after initial recognition are realised in a way that is different from original expectations, the business units do not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets.

The solely payment of principal and interest (SPPI) test

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and other basic lending risks and costs, as well as a profit margin.

Where the business model is to hold assets and collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial assets' cash flows represent solely payments of principal and interest. In making this assessment, the business units considers whether the contractual cash flows are consistent with a basis lending arrangement i.e. the definition of interest. 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 fair value through profit or loss.

Equity instruments

Subsequent to initial recognition, the Company measures all equity investments at fair value, and changes in the fair value of equity instruments are recognised in the statement of income.

(c) Derecognition of financial assets

A financial asset (or when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:
► The rights to receive cash flows from the asset have expired.
► The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement.
► The Company has transferred its rights to receive cash flows from the asset and either:
  ► has transferred substantially all the risk and rewards of the asset, or
  ► has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

(c) Derecognition of financial assets (continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received is recognised in the statement of income. In addition, on derecognition of an investment in a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to the statement of income.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(d) Modifications of financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different from that of the original asset. If the terms are substantially different, the Company derecognises the original financial asset and recognises a new financial asset at fair value. The date of modification 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. The Company also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the modification was driven by the debtor being unable to make the originally agreed payments.

If the cash flows of the modified asset are not substantially different, the modification does not result in derecognition of the financial asset. The Company recalculates the gross carrying amount of the financial asset based on revised cash flows, discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets), and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

2.7 Impairment of assets

(a) Financial assets

At each reporting date, the Company assesses, on a forward-looking basis, the expected credit losses (ECL) associated with its financial assets measured at amortised cost and fair value through other comprehensive income (excluding equity instruments).

The Company measures loss allowances on its debt instruments at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised is 12-month ECL:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments for which credit risk has not increased significantly since initial recognition.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial asset, whereas 12-month ECL are the portion of ECL that results from default events that are possible within the 12 months after the reporting date.

For receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Loss allowances for ECL are presented in the financial statements as follow:

- Financial assets measured at amortised cost: the loss allowance is deducted from the gross carrying amount of the assets in the statement of financial position. Movement in ECL is recognised in the statement of income.
- Debt instruments measured at fair value through other comprehensive income: the loss allowance is recognised in other comprehensive income with the corresponding entry recognised in the statement of income. The loss allowance does not reduce the carrying amount of the financial asset in the statement of financial position.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

The quantitative assessment to identify whether a significant increase in credit risk has occurred for an exposure is performed by comparing:

- the remaining lifetime probability of default as at the reporting date; with
- the remaining lifetime probability of default for this point in time that was estimated at the time of initial recognition of the exposure.

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

2. Significant accounting policies (continued)

2.7 Impairment of assets (continued)

(a) Financial assets (continued)

The qualitative assessment to identify whether credit risk has increased significantly since initial recognition takes into account the following:

- ► Actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- ► Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- ► Actual or expected significant changes in the operating results of the debtor;
- ► Significant increases in credit risk on other financial instruments of the debtor;
- ► Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor;
- ► Actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant change in the debtor's ability to meet its debt obligation.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrated otherwise. In the prior year, several of the Group's insurance subsidiaries offered a deferral in premium payments to support customers during the Covid-19 pandemic. Many of these deferrals have since expired, and customers have been required to either resume monthly payments or fully bring their accounts back up to date.

Despite the aforementioned, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations. The Company considers a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt instruments carried at fair value through comprehensive income are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- ► Significant financial difficulty of the debtor or issuer;
- ► A breach of contract, such as a default or past due event;
- ► The disappearance of an active market for a financial asset because of financial difficulties;
- ► It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- ► Rating agencies' assessments of creditworthiness.

Definition of default

The Company considers a financial asset to be in default when:

- ► the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- ► the debtor is past due more than 90 days unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate

In assessing whether a debtor is in default, the Company considers indicators that are qualitative, quantitative and based on data developed internally and obtained from external sources.

Write-off

The Company writes off financial assets, either partially or in full, 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 ceasing enforcement activity and where the Company'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.

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

2. Significant accounting policies (continued)

2.7 Impairment of assets (continued)

(a) Financial assets (continued)

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.

Measurement of expected credit losses

The measurement of expected credit losses is a function of:
(i) Probability of default - an estimate of the likelihood of default over a given time horizon;
(ii) Loss given default - an estimate of the loss arising in the case where a default occurs at a given time; and
(iii) Exposure of default - an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Forward-looking information considered by the Company includes economic data and forecasts published by governmental bodies and monetary authorities, supranational organisations such as the Organization for Economic Cooperation and Development and the International Monetary Fund, and selected private-sector and academic forecasters.

Expected credit losses are measured as the present value of all cash shortfalls i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The mechanics of the expected credit losses method are summarised below:

- A financial instrument that is not credit-impaired on initial recognition, a 12-month ECL allowance is calculated. The Company calculates the 12-month ECL allowance based on the expectation of a default occurring in the twelve months following the reporting date. The expected 12-month default probability is applied to a forecast exposure at default and multiplied by the expected loss given default, and discounted by the original effective interest rate.
- When a financial instrument has shown a significant increase in credit risk since initial recognition, the Company records an allowance for life-time ECL. The mechanics are similar to 12-month ECL calculation on a financial instrument that is not credit-impaired on initial recognition, but default probability and loss given default are estimated over the life of the instrument.
- A financial instrument that is credit-impaired, but is not a purchased or originated credit-impaired financial instrument, the Company records an allowance for lifetime ECL calculated similar to lifetime ECL on a financial instrument that has shown a significant increase in credit risk since initial recognition.
- Purchased or credit-impaired financial assets are assets that are credit-impaired on initial recognition. ECL on these assets are always measured on a lifetime basis, discounted by a credit adjusted effective interest rate. The Company has no purchased or credit-impaired financial instruments.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the basis of shared risk characteristics that include: instrument type; credit risk ratings; nature, size and industry of debtors; collateral type; and geographic location of the debtor.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

(b) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined on an individual asset basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

2. Significant accounting policies (continued)

2.7 Impairment of assets (continued)

(b) Impairment of non-financial assets (continued)

The Company bases its impairment calculations on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three years. For longer periods, a long-term growth rate is applied to project future cash flows after the third year.

Impairment losses of continuing operations are recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Company makes an estimate of the recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase.

2.8 Fair value measurement

The Company measures financial instruments and non-financial assets at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in either its highest and best use, or by selling it to another market participant that would use the asset in its highest and best use.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market. If there is no quoted price in an active market, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis making maximum use of market inputs and relying as little as possible on entity-specific inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. Assets and liabilities, with the exception of freehold and investment properties, included in level 3 are held at cost, being the fair value of the consideration paid on acquisition and are regularly assessed for impairment. Freehold and investment properties included in level 3 are held at fair value which is the estimated replacement value.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of certain assets such as investment properties and freehold and leasehold properties. Involvement of external valuers is decided annually and selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

2.9 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liabilities simultaneously.

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

2. Significant accounting policies (continued)

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, when they arise, are shown within borrowings in current financial liabilities on the statement of financial position.

Cash and cash equivalents are carried at amortised cost on the statement of financial position.

2.11 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

2.12 Reserves

Reserves are maintained in relation to the recognition of changes in the fair value of certain investments in debt securities and foreign currency exchange differences. The statutory reserve is maintained in accordance with provisions of the by-laws of the Company where the Company is required to appropriate an amount towards statutory reserve in accordance with requirements of the Central Bank.

2.13 Insurance and investment contracts

(a) Classification

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

A number of insurance contracts contain a discretionary participation feature ("DPF"). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

a) that are likely to be a significant portion of the total contractual benefits;
b) whose amount or timing is contractually at the discretion of the Company;
c) and that are contractually based on:
  (i) the performance of a specified pool of contracts or a specified type of contract;
  (ii) realized and/or unrealized investment returns on a specified pool of assets held by the Company; or
  (iii) the profit or loss of the Company, fund or other entity that issues the contract.

The terms and conditions of these contracts set out the bases for the determination of the amounts on which discretionary benefits are based and within which the Company may exercise its discretion as to the quantum and timing of their payments to contract holders, which will be subject to the advice of the Company's actuary or a locally appointed actuary.

(b) Recognition and measurement

Insurance contracts are classified into two main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

(i) Long-term insurance contracts with fixed and guaranteed terms and without DPF

These contracts insure events associated with human life over a long duration. Premiums are recognized as revenue when they become payable by the policyholder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when incurred.

A liability for policyholders' benefits that are expected to be incurred in the future is established on acceptance of the insurance risk. The liability is based on the present value of estimated amounts for projected future premiums, claims, benefits, investment income and policy maintenance expenses. The liability is based on key assumptions made with respect to variables such as mortality, persistency, investment returns and expense inflation.

The liabilities are actuarially recalculated at each reporting date and the change in the liability is recognized as an expense in the statement of income.

The reserves are calculated on a Modified Net Premium Method in accordance with the requirements of the Central Bank of Aruba.

2. Significant accounting policies (continued)

2.13 Insurance and investment contracts (continued)

(b) Recognition and measurement (continued)

(i) Long-term insurance contracts with fixed and guaranteed terms and without DPF (continued)

Unit Linked insurance contracts
The liabilities arising from the unit linked contracts comprise the liability for the insured risk and the accumulated cash value. The liability for the insured risk is determined in a manner identical to the liability for contracts with fixed and guaranteed terms and is included in the policyholders' liability balance, while the liability for the accumulated cash value is carried at fair value of the assets which fund the liabilities. The liabilities for the accumulated cash values are included in the segregated funds' liability balance. The Company bears no risk in relation to segregated funds' liability. With the adoption of IFRS 10, the Company no longer recognizes the segregated funds assets and liabilities in these unit linked contracts.

The change in the liability arising from the insurance risk is recognized as an expense in the statement of income.

(ii) Long-term insurance contracts without fixed terms

These contracts insure human life events (for example death or survival) over a long duration. Insurance premiums are recognized directly as liabilities whereas the change in the liabilities is reflected in the statement of income. These liabilities are increased by credited interest or change in the unit prices and are decreased by policy administration fees, mortality and surrender charges and any withdrawals.

(iii) Long-term insurance contracts with fixed and guaranteed terms and with DPF

In addition to death or life benefits, these contracts contain a DPF that entitles the holders to a bonus or dividend declared by the company from time to time. The discretionary element of the benefits payable under these policies, as well as the guaranteed elements are treated as liabilities. The actuarial calculations make allowance for future expected policyholder bonuses and dividends. Any changes in the total benefits due are recognized as charges in the statement of income and form part of increases in reserves for future benefits of policyholders.

(iv) Investment contracts

The Company issues investment contracts including deposit administration contracts and individual deferred annuity contracts. Insurance premiums are recognized directly as liabilities. These liabilities are increased by credited interest or change in the unit prices and are decreased by policy administration fees, mortality and surrender charges and any withdrawals. Revenue consists of investment income and interest credited is treated as an expense.

(c) Policyholders' benefits

Maturities and annuities are accounted for when due. Death and disability claims and surrenders are recognized in the financial statements in the year in which they have been notified. Differences between the estimated claims and subsequent settlements are recognized in the statement of income in year of settlement.

(d) Deferred acquisition costs ("DAC")

Commissions paid to agents and brokers for life insurance contracts that are related to securing new contracts and renewing existing contracts are expensed over the terms of the policies as premium is earned. All other costs are recognized as expenses when incurred.

(e) Liability adequacy test

At each reporting date, the Company assesses whether its recognized insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate, the deficiency is recognized in the statement of income and the amount of the relevant insurance liabilities is increased.

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

2. Significant accounting policies (continued)

2.13 Insurance and investment contracts (continued)

(f) Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inward reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the statement of income.

(g) Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognized when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in the statement of income.

2.14 Taxation

Tax on the profit or loss for the year comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the taxable income for the year using the prevailing tax rate and any adjustment of tax payable for previous years.

Deferred tax is provided, using the liability method, on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable profit. Deferred tax assets are taxes recoverable in future periods in respect of deductible temporary differences and tax losses carried forward. Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2.15 Employee benefits

(a) Pension plans

The Company operates both defined benefit and defined contribution plans, the assets of which are held in a separate trustee-administered fund. The plans are fully funded by payments from the Company and voluntary contributions from employees after taking account of the recommendations of the independent qualified actuaries.

The pension plan assets or liabilities are fully recognized in Fatum Holding N.V., the parent company, and the expenses are allocated to the subsidiaries. The asset or liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. Plan assets exclude any insurance contracts issued by the Company. There are no restriction applicable on plan assets.

For defined benefit plans, the pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of income so as to spread the regular cost over the service lives of employees in accordance with the advice of a qualified actuary, who carries out full valuations of the plans every year. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Remeasurements of the net defined benefit liability, which comprise of actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately through other comprehensive income in the statement of comprehensive income. The defined benefit plan mainly exposes the Company to actuarial risks such as investment risk, interest rate risk and longevity risk.

Starting 2008 all employees entering in service are eligible to a defined contribution plan. The company adopted for 2011 and beyond a defined contribution plan. This means that a fixed amount for future pension obligations will be applied for the employees and that there is no back office costs anymore. The accrued rights of the employees of a defined benefit plan up till 2010 remain intact. The assets are held in a separate trustee-administered fund.

The Company's contributions to the defined contribution pension plans are charged to the statement of income in the year to which they relate.

2. Significant accounting policies (continued)

2.15 Employee benefits (continued)

(b) Post retirement medical benefit obligations

The Company provides post-retirement medical benefits to its permanent employees who retire from active service, their spouses and their dependents. The entitlement to these benefits is based on the employee remaining in service up to retirement age or leaving service due to ill health. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit plans. External qualified actuaries carry out a valuation of these obligations. Post retirement medical benefit obligations are fully recognized in Fatum Holding N.V., the parent company, and the expenses are allocated to the subsidiaries.

(c) Bonus plans

The Company recognizes a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholder after certain adjustments. The Company recognizes a provision where contractually obligated or where there is a past practice that has created a constructive obligation.

2.16 Provisions

Provisions are made when the Company has a present legal or constructive obligation as a result of past events, for which is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.17 Revenue recognition

Revenue comprises the fair value for services rendered. Revenue is recognized as follows:

(a) Premium income
Premium income is recognized on the accrual basis in accordance with the terms of the underlying contracts as outlined in Note 2.13.

(b) Investment income
Interest income is recognised using the effective interest method. Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- ► Purchased or originated credit-impaired financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- ► Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to their amortised cost i.e. net of the expected credit loss provision.

Dividend income is recognised when the right to receive payment is established.

(c) Rental Income
Rental income is recognised in the statement of income on the accrual basis.

(d) Realised and unrealised investment gains and losses
Realised and unrealised gains and losses on investments measured at amortised cost or fair value through profit or loss are recognised in the statement of income in the period in which they arise.

Unrealised gains and losses on investment securities measured at fair value through other comprehensive income are recognised in other comprehensive income. On derecognition, debt securities gains and losses accumulated in other comprehensive income are reclassified to the statement of income.

(e) Commission income
Commissions are recognized on the accrual basis when the services have been provided.

(f) Fee income
Fees are earned from the management of the assets of the segregated funds and deposit administration funds and from general policy administration and surrenders. Fees are recognized in the period in which the services are rendered.

2. Significant accounting policies (continued)

2.18 Leases

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The Company as a lessee

The Company mainly leases office space used in its operations. Rental contracts for these leases are typically made for fixed periods of a year but may have extensions options, which is described below. Some contracts contain lease and non-lease components, which are accounted for as separate components based on the stand-alone prices stated in the contracts.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

The Company applies a single recognition and measurement approach to all leases, except for short-term leases and leases of low-value assets. At lease commencement date, the Company recognises a right-of-use asset and a lease liability in the statement of financial position.

The right-of-use asset is initially measured at cost, which comprises the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequent to initial measurement, the right-of-use asset is depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Company also assesses the right-of-use asset for impairment when such indicators exist. The Company does not revalue any of its right-of-use assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the lease commencement date, discounted using the interest rate implicit in the lease. If the interest rate implicit in the lease cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalty payments for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made.

The Company remeasures the lease liability when there is a change in future lease payments arising from a change in an index or rate, or if the Company changes its assessment of whether it will exercise an extension or termination option. Extension and termination options are included in a number of leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

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

2. Significant accounting policies (continued)

2.18 Leases (continued)

Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments. The Company does not have any variable lease payments that do not depend on an index or a rate.

The Company applies the short-term lease recognition exemption to its short-term leases i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets to leases that are considered to be low value. The Company recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

The Company as a lessor

The Company leases out its investment property. The Company has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Rental income arising is accounted for on a straight-line basis over the lease term and is included in other income in the statement of income.

2.19 Dividend distribution

Dividend distribution to the Company's shareholder is recognized as an appropriation in the financial statements in the period in which the dividends are approved by the Company's shareholder.

2.20 Finance charges

Finance charges are recognized as an expense in the period in which they are incurred except to the extent that they are capitalized when directly attributable to the acquisition, construction or production of an investment property or in developing properties for sale.

2.21 Comparative information

Where necessary, comparative data have been adjusted to conform with changes in presentation in the current year.

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

3. Critical accounting estimates and judgments in applying accounting policies

The Company makes estimates and assumptions that may affect the reported amounts of assets and liabilities during the succeeding financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Covid-19 Pandemic

A source of estimation uncertainty that originated in 2020 was the COVID-19 pandemic. While the worst of the health and economic effects of the pandemic have abated, some uncertainty remains in 2022 about the shape of the ongoing economic recovery and many aspects of the economy have not yet recovered to 2019 levels. The Group has made forward-looking projections using the macroeconomic indicators, such as real GDP, unemployment, and inflation, which were available as at the end of the reporting period. The residual uncertainty means an increased likelihood that actual economic outcomes will vary from estimates used, resulting in differences between the current accounting estimates and the actual future results of the Group. These uncertainties predominantly affected the measurement of expected credit losses on financial assets (see Note 3(e)).

(a) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is an important accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims.

(b) Estimate of future benefit payments and premiums arising from long-term insurance contracts

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Company. Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of future mortality, morbidity, administrative expenses, investment income and the variability in contract holder behaviour. Estimates are made as to the expected number of deaths, voluntary terminations and other events giving rise to cash flows for each of the years in which the Company is exposed to risk. The Company bases these estimates on standard actuarial tables adjusted where appropriate to reflect the Company's own experience or expectations. Although the pattern of future cash flows may be close to that indicated by past experience some deviation in that pattern is probable.

The estimated number of deaths determines the value of the benefit payments. The main source of uncertainty is that epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age group in which the Company has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Company is exposed to longevity risk.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. See Note 4.1.1 (d) for the sensitivity of the value of insurance liabilities to changes in assumptions used to value these liabilities.

The carrying amount of long-term insurance contracts (claims) as at 31 December 2022 was AFL 820,093 (2021: AFL 761,607).

(c) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(d) Fair valuation of financial assets

The fair value of financial assets that are not traded in an active market is determined by using an internally developed bond valuation model. Assumptions used in this model are validated and periodically reviewed internally by qualified personnel. Since 2014 the Company has developed an internal investment valuation methodology based on the yield curves published by the Central Bank of Curacao and St. Maarten (CBCS) to estimate the fair value of local fixed rate securities that do not have regular prices in an active market. The yield curve used to value Aruban investments is the CBCS curve before issuance of debt to the Netherlands.

Expressed in thousands of Aruban Florins

3. Critical accounting estimates and judgments in applying accounting policies (continued)

(d) Fair valuation of financial assets (continued)

	Effect on fair value reserve		Effect on statement of income	
	2022	2021	2022	2021
	AFL'000	AFL'000	AFL'000	AFL'000
1% increase in market yields	(6,349)	(7,318)	–	–
1% decrease in market yields	7,195	8,376	–	–

(e) Impairment losses on financial assets

The measurement of expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income 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 Company's expected credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the expected credit loss models that are considered accounting judgements and estimates include:

- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should
- 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 to derive the economic inputs into the expected credit loss models
- Development of forward-looking scenarios probability weighted based on macroeconomic trends and expectations
- Determination of associations between macroeconomic scenarios and, economic inputs and the effect on probabilities of default, exposure at default and loss given default

The Company regularly reviews its internal models in the context of actual loss experience and adjust when necessary. The carrying amounts of expected credit loss allowance on financial assets are disclosed in Note 4.2.3(d).

Forward-looking macroeconomic variables

The estimation and application of forward-looking information requires significant judgment. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. The estimation of ECL on 12-month ECLs and Lifetime ECLs is a discounted probability-weighted estimate that considers three future macroeconomic scenarios, with macroeconomic projections varying by territory. The base case scenario assumes that a stable economic enviroment where current conditions, based on available macroeconomic data, will largely continue. Upside and downside scenarios are set relative to the base case scenario based on reasonably possible alternative macroeconomic conditions, considering macroeconomic forecasts and trends.

Scenarios are reassessed on at least an annual basis and more frequently if conditions warrant. Scenarios are probability-weighted separately for each territory modeled according to the best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights are updated on an annual basis or more frequently as warranted.

Covid-19 Pandemic

For the two previous financial years, to incorporate the economic impact of the Covid-19 pandemic, the Company made adjustments to its ECL models such as increasing the likelihood of pessimistic scenarios and overlaying a further pessimistic scenario that explicitly accounts for acute negative economic fallout. For the year ended 31 December 2022, the overlay for the acute negative scenario remains; however, the likelihood attributed to this and other pessmistic scenarios have been reduced given the improvements in the current and expected economic environment. The resulting probability of default and losses given default were applied to all financial assets.

Management also maintains the position that the lifetime default risk of assets with several years remaining to maturity has not significantly changed since the onset of the Covid-19 pandemic, an important factor given that IFRS 9 requires that entities assess the risk of default over the life of expected assets. Such assets account for a significant portion of the Company's investment portfolio.

3. Critical accounting estimates and judgments in applying accounting policies (continued)

(f) Income taxes

The Company is subject to income taxes according to Aruban laws. Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(g) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from approved budgets and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The carrying amount of impairment provisions on non-financial assets as at 31 December 2022 was nil (2021: nil).

(h) Determining the lease term of contracts with extension and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The Company considers factors such as penalties to terminate, historical lease durations and the costs and business disruption required to replace leased assets. Where applicable, extension options in office space leases have been included in the lease liability.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(i) Post employment benefits

In conducting valuation exercises to measure the effect of all post employment benefit plans throughout the Company, the company's external qualified actuaries use judgment and assumptions in determining discount rates, salary increases, pension increases and health care costs. These assumptions are detailed in Note 10 and Note 17.

Expressed in thousands of Aruban Florins

4. Management of insurance and financial risk

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarizes these risks and the way the Company manages them.

4.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

4.1.1 Long-term insurance contracts

(a) Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or wide spread changes in lifestyle, such as in eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

At present, these risks do not vary significantly in relation to the location of the risk insured by the Company. However, undue concentration could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed terms, there are no mitigating terms and conditions that reduce the insurance risk accepted. For contracts without fixed terms, a significant portion of the insurance risk is shared with the insured party. The Company charges for mortality risk on a monthly basis for most life and critical insurance contracts without fixed terms. It has the right to alter these charges based on its mortality experience and hence minimizes its exposure to mortality risk.

The Company manages these risks through its underwriting strategy and reinsurance arrangements. Medical selection is included in the Company's underwriting procedures with premiums varied to reflect the health condition and family medical history of the applicants. The Company uses excess of loss reinsurance contracts with retention limits that vary by product.

The table below presents the concentration of insured benefits across five bands per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above. These tables do not include annuity contracts, for which a separate analysis is reported further below.

	2022 - Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life AFL'000	**AFL'000**	**%**	**AFL'000**	**%**
AFL 0 - 500	1,426,037	91.9%	1,382,557	95.4%
AFL 501 - 1,000	88,397	5.7%	42,991	2.9%
AFL 1,001 - 1,500	22,673	1.5%	12,729	0.9%
AFL 1,501 - 2,000	11,570	0.7%	8,097	0.6%
More than AFL 2,000	3,219	0.2%	2,886	0.2%
Total	1,551,896	100.0%	1,449,260	99.9%

The risk is concentrated in the lower value bands. This has not changed from last year.

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

Expressed in thousands of Aruban Florins

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)

4.1.1 Long-term insurance contracts (continued)

(a) Frequency and severity of claims (continued)

	2021 - Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life AFL'000	**AFL'000**	**%**	**AFL'000**	**%**
AFL 0 - 500	1,405,542	92.0%	1,366,319	95.5%
AFL 501 - 1,000	84,617	5.5%	41,832	2.9%
AFL 1,001 - 1,500	25,292	1.7%	14,023	1.0%
AFL 1,501 - 2,000	9,773	0.6%	6,123	0.4%
More than AFL 2,000	3,219	0.2%	2,675	0.2%
Total	1,528,443	100.0%	1,430,972	100.0%

The following tables for annuity insurance contracts illustrate the concentration of risk based on five bands that group these contracts in relation to the amount payable per annum, as if the annuity were in payment at the year end. The Company does not hold any reinsurance contracts against the liabilities carried for these contracts.

Insurance risk for contracts disclosed in this note is also affected by the contract holders' right to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. As a result, the amount of insurance risk is also subject to contract holder behaviour.

	Total annuities payable per annum			
	2022		2021	
Annuity payable per annum per life	**AFL'000**	**%**	**AFL'000**	**%**
AFL 0 - 10,000	1,433	27.4%	1,386	27.3%
AFL 10,001 - 20,000	1,333	25.5%	1,312	25.9%
AFL 20,001 - 30,000	661	12.6%	525	10.4%
AFL 30,001 - 40,000	531	10.1%	564	11.1%
AFL 40,001 - 50,000	413	7.9%	413	8.2%
More than AFL 50,001	867	16.6%	867	17.1%
Total	5,239	100.0%	5,067	100.0%

The risk is spread over all bands, which is consistent with the prior year.

(b) Process used to decide on assumptions

For long term insurance contracts, the Company determines assumptions in relation to future deaths, voluntary termination, investment returns, administrative expenses and other items that are appropriate to the policies, their location and the local statutory reserving requirements. The assumptions used are those appropriate for traditional net premium valuation methods.

The nature and method of determining the significant assumptions made by the Company in the computation of policyholders' liabilities are described in the following paragraphs.

- **Mortality & Morbidity**

  An appropriate base table of standard mortality or morbidity is chosen depending on the type of contract. Supplemental information such as reinsurance rates is used where standard tables are not available. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements.

- **Voluntary Terminations and Persistency**

  Estimates of the amounts and timings of future benefit and premium payments are based on Company experience over extended periods. Voluntary termination and variable premium assumptions vary by product type and policy duration.

- **Investment returns**

  The computation of policyholders' liabilities takes into account projected net investment income on assets supporting policyholders' liabilities and income expected to be earned or foregone on reinvestment or financing of mismatched cash flows. In the absence of robust market information, long term yields are determined using recent asset returns, current market expectations and relevant regulatory guidelines. Other information such as macro-economic data and projections is considered where available.

Expressed in thousands of Aruban Florins

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)

4.1.1 Long-term insurance contracts (continued)

- **Policy maintenance expense and inflation**

  Amounts are included in policyholders' liabilities to provide for the future costs of administering policies in force. The expense base is determined from a review of current, recent and expected Company expense levels and allowance is made for future expense inflation.

- **Tax**

  It has been assumed that current tax legislation and rates for long-term insurance companies continue unaltered.

(c) Change in assumptions

No changes have been made to the assumptions used to determine the value of long-term insurance liabilities.

(d) Sensitivity analysis

The following tables present the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities.

Long-term insurance contracts with fixed and guaranteed terms and without DPF:

	Change in Variable 2022	Change in liability 2022 AFL'000	Change in Variable 2021	Change in liability 2021 AFL'000
Worsening of mortality	+ 10.0%	2,123	+ 10.0%	2,239
Improvement of annuitant mortality	+ 10.0%	702	+ 10.0%	629
Lowering of investment returns	- 10.0%	10	- 10.0%	40
Worsening of base renewal expense level	+ 10.0%	265	+ 10.0%	207

Long-term insurance contracts with fixed and guaranteed terms and with DPF:

	Change in Variable 2022	Change in liability 2022 AFL'000	Change in Variable 2021	Change in liability 2021 AFL'000
Worsening of mortality	+ 10.0%	2,958	+ 10.0%	2,675
Improvement of annuitant mortality	+ 10.0%	3,851	+ 10.0%	3,250
Lowering of investment returns	- 10.0%	43,270	- 10.0%	35,632
Worsening of base renewal expense level	+ 10.0%	4,871	+ 10.0%	4,179

The above analyses are based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

4.2 Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The components of this financial risk are interest rate risk, equity price risk, foreign currency risk, liquidity risk and credit risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

Risk management is carried out by Executive Investment Committees and Actuarial departments of operating units under policies approved by the Company's board of directors. The Company identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

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

Expressed in thousands of Aruban Florins

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk - currency risk, interest rate risk and other price risk, each of which are considered below.

(a) Currency risk

The Company takes on exposure to effects of fluctuations in the prevailing foreign currency rates on its financial position and cash flows. The Company's main operations are in Aruba. The main exposure to risks are in respect to the US dollar, Aruban Florin and Euro. The Company's strategy for dealing with foreign exchange risk is to offset, as far as possible, foreign currency liabilities with assets denominated in the same currency.

The tables below summarizes the Company's exposure to foreign currency exchange rate risk as at 31 December. The Company's assets and liabilities at carrying amounts are included in the table, categorized by the currency at their carrying amount. The Aruban Florins (AFL) have been linked to the USD at a fixed rate of AFL 1.79 for more than 30 years.

	USD	AFL	EUR	CAD	Total
	AFL'000	AFL'000	AFL'000	AFL'000	AFL'000
As at 31 December 2022					
Total Assets	270,949	696,836	5	11,074	978,864
Total Liabilities	8,400	897,283	1,571	–	907,254
	262,549	(200,447)	(1,566)	11,074	71,610
As at 31 December 2021					
Total Assets	224,745	632,493	5	12,264	869,507
Total Liabilities	8,301	765,575	2,131	–	776,007
	216,444	(133,082)	(2,126)	12,264	93,500

The analysis below is performed for reasonable possible movements in foreign currency exchange rates with all other variables held constant, showing the impact on the statement of income and equity at the reporting date.

Change in variables	EUR	CAD
2022	1.0%	1.0%
2021	1.0%	1.0%

	EUR	CAD	Total
	AFL'000	AFL'000	AFL'000
Impact on statement of income			
2022	(16)	111	95
2021	(21)	123	102

(b) Interest rate risk

The Company is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The major element of interest rate risk within the Company is the risk that the interest earned on the Company's investments is insufficient to meet the interest rates credited or guaranteed to policyholders. This applies to traditional life insurance policies and the deposit administration plans.

Exposure is managed largely by the use of natural hedges that arise by matching interest sensitive assets with liabilities of a similar nature. The Company also mitigates the effect of interest rate risk of the investment portfolio through the functioning of an Executive Investment Committee and the pricing of products by the actuarial function. The investment portfolio return is continually monitored by the Investment Committees. The results of these reviews inform the pricing of products and interest rates to be credited to the respective policies and plans.

Expressed in thousands of Aruban Florins

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.1 Market risk (continued)

The sensitivity analysis for interest rate risk illustrates how changes in the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For the sensitivity analyses, a 1% movement in interest rates was used for 2022 (2021 - 1%). The following table shows the estimated effect of an increase or decrease in the above rates on the profit or loss and fair value reserve.

	Effect on fair value reserve		Effect on statement of income	
	2022	2021	2022	2021
	AFL'000	AFL'000	AFL'000	AFL'000
Increase in interest rates	(6,349)	(7,318)	-	-
Decrease in interest rates	7,195	8,376	-	-

(c) Other price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company is exposed to equity securities price risk because of investments held by the Company and classified on the statement of financial position as fair value through profit or loss. The Company manages its price risk by limiting the amount of its investments in equities and by monitoring movements in equity prices.

The sensitivity analysis for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices at the reporting date. For the sensitivity analysis, a 1% movement in prices of local equities was used for 2022 (2021 - 1%). The effect of an increase / decrease in the above rates would result in an increase/decrease in the statement of income and equity of AFL 382 for 2022 (2021: AFL 358).

4.2.2 Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due, at a reasonable cost. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions.

The Company monitors liquidity on a regular basis. An internally constituted Executive Investment Committee sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover claims.

There are no individual contracts or policyholders who have the potential to influence the withdrawal of a significant amount of liabilities.

The following tables analyze the reinsurance and financial assets and insurance and financial liabilities of the Company into relevant maturity groupings based on the remaining period to the contractual or expected maturity date. Financial liabilities are at contractual undiscounted cash flows, and insurance contracts and investment contracts are at expected undiscounted cash flows.

		Contractual/Expected Undiscounted Cash Flows		
	Carrying amount	Less than one year	One - five years	Over five years
Insurance and financial liabilities	AFL'000	AFL'000	AFL'000	AFL'000
As at 31 December 2022				
Long-term insurance contracts	876,702	32,140	250,272	1,899,976
Other liabilities	30,552	30,552	–	–
Total	907,254	62,692	250,272	1,899,976
Insurance and financial liabilities				
As at 31 December 2021				
Long-term insurance contracts	761,607	30,056	194,236	1,811,158
Other liabilities	14,400	14,400	–	–
Total	776,007	44,456	194,236	1,811,158

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

Expressed in thousands of Aruban Florins

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk

Credit risk is defined as the potential for loss that can occur as a result of an individual, counterparty or issuer being unable or unwilling to honour its contractual obligations to us. Each subsidiary in the various jurisdictions, has an Executive Investment Committee (EIC) that sets credit limits and monitors exposure by constraining the magnitude and tenor of the exposure to counterparties and issuers. Some of the credit risk mitigation techniques include, where appropriate, the right to require initial collateral or margin, the right to terminate transactions, or to obtain collateral (including guarantees) should unfavourable events occur.

Collateral held as security for mortgage loans and other loans includes physical or tangible residential and commercial edifices as well as legal rights to insurance portfolio and other assets of the respective borrowers. The EIC initiates regular portfolio reviews, monitors counterparty creditworthiness, and evaluates potential transaction risks with a view towards early problem identification and protection against unacceptable credit-related losses.

(a) Assets bearing credit risk

The Company actively monitors the financial status of its reinsurers both by reference to publicly available information and the Financial Strength Ratings of A.M. Best. All of the Company's reinsurers are rated superior by A.M. Best. A rating of superior is assigned to reinsurance companies that have, in the opinion of A.M. Best, a superior ability to meet their ongoing obligations to the primary insurer.

Below is an analysis of assets bearing credit risk (excluding equity instruments).

	Gross exposure		Net carrying amount	
	2022	**2021**	**2022**	**2021**
	AFL'000	**AFL'000**	**AFL'000**	**AFL'000**
As at 31 December				
Investment securities measured at fair value through profit or loss (excluding equity instruments)	–	–	–	–
Investment securities measured at fair value through other comprehensive income	133,047	120,626	133,047	120,626
Investment securities measured at amortised cost	541,957	486,246	541,302	485,416
Loans and receivables including insurance receivables	135,744	113,953	132,330	111,682
Reinsurance contracts	757	757	757	757
Due from affiliated companies	206	206	206	206
Cash and cash equivalents	76,763	57,138	76,389	56,954
	888,474	778,926	884,031	775,641

(b) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings if available or to a rating assigned by the investment manager using an approach consistent with that used by Standard and Poor's.

AAA

An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA

An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment is very strong.

A

An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

BBB

An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

Below BBB

Obligations rated 'Below BBB' are regarded as having significant speculative characteristics. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

Expressed in thousands of Aruban Florins

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(b) Credit quality of financial assets (continued)

Not Rated

This indicates that there is insufficient information on which to base a rating. These balances are current and are monitored regularly for impairment. This classification includes obligations due from individuals, and short term securities.

The following tables set out the credit quality analysis for financial assets measured at amortised cost and fair value through other comprehensive income.

		Lifetime ECL		
Investment securities measured at fair value through other comprehensive income	**12-month ECL AFL'000**	**Not credit impaired AFL'000**	**Credit impaired AFL'000**	**Total AFL'000**
As at 31 December 2022				
AAA	2,185	–	–	2,185
AA	28,584	–	–	28,584
A	39,799	–	–	39,799
BBB	61,387	–	–	61,387
Below BBB	596	–	–	596
Not rated	–	496	–	496
Gross carrying amount	132,551	496	–	133,047
As at 31 December 2021				
AAA	3,114	–	–	3,114
AA	22,254	–	–	22,254
A	41,704	–	–	41,704
BBB	52,279	–	–	52,279
Below BBB	627	–	–	627
Not rated	–	648	–	648
Gross carrying amount	119,978	648	–	120,626
Investment securities measured at amortised cost				
As at 31 December 2022				
AAA	–	–	–	–
AA	–	–	–	–
A	–	–	–	–
BBB	541,957	–	–	541,957
Below BBB	–	–	–	–
Not rated	–	–	–	–
Gross carrying amount	541,957	–	–	541,957
Loss allowance	(655)	–	–	(655)
Net carrying amount	541,302	–	–	541,302
As at 31 December 2021				
AAA	–	–	–	–
AA	–	–	–	–
A	–	–	–	–
BBB	367,862	–	–	367,862
Below BBB	118,384	–	–	118,384
Not rated	–	–	–	–
Gross carrying amount	486,246	–	–	486,246
Loss allowance	(830)	–	–	(830)
Net carrying amount	485,416	–	–	485,416

Expressed in thousands of Aruban Florins

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(b) Credit quality of financial assets (continued)

	12-month ECL AWG'000	Lifetime ECL Not credit impaired AWG'000	Lifetime ECL Credit impaired AWG'000	Total AWG'000
Loans and receivables				
As at 31 December 2022				
AAA	–	–	–	–
AA	–	–	–	–
A	–	–	–	–
BBB	6,603	–	–	6,603
Below BBB	79,368	–	–	79,368
Not rated	34,949	12,316	2,508	49,773
Gross carrying amount	120,919	12,316	2,508	135,744
Loss allowance	(2,584)	(830)	–	(3,414)
Net carrying amount	118,335	11,486	2,508	132,330
As at 31 December 2021				
AAA	–	–	–	–
AA	–	–	–	–
A	–	–	–	–
BBB	2,434	–	–	2,434
Below BBB	71,991	–	–	71,991
Not rated	32,169	3,945	3,414	39,528
Gross carrying amount	106,594	3,945	3,414	113,953
Loss allowance	(1,287)	(957)	(27)	(2,271)
Net carrying amount	105,307	2,988	3,387	111,682
Due from affiliated companies				
As at 31 December 2022				
AAA	–	–	–	–
AA	–	–	–	–
A	–	–	–	–
BBB	–	–	–	–
Below BBB	206	–	–	206
Not rated	–	–	–	–
Gross carrying amount	206	–	–	206
Loss allowance	–	–	–	–
Net carrying amount	206	–	–	206
As at 31 December 2021				
AAA	–	–	–	–
AA	–	–	–	–
A	–	–	–	–
BBB	–	–	–	–
Below BBB	206	–	–	206
Not rated	–	–	–	–
Gross carrying amount	206	–	–	206
Loss allowance	–	–	–	–
Net carrying amount	206	–	–	206

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

Expressed in thousands of Aruban Florins

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(b) Credit quality of financial assets (continued)

	12-month ECL AFL'000	Lifetime ECL: Not credit impaired AFL'000	Lifetime ECL: Credit impaired AFL'000	Total AFL'000
Cash and cash equivalents				
As at 31 December 2022				
AAA	–	–	–	–
AA	–	–	–	–
A	9,280	–	–	9,280
BBB	62,643	–	–	62,643
Below BBB	3,842	–	–	3,842
Not rated	998	–	–	998
Gross carrying amount	76,763	–	–	76,763
Loss allowance	(374)	–	–	(374)
Net carrying amount	76,389	–	–	76,389
As at 31 December 2021				
AAA	–	–	–	–
AA	–	–	–	–
A	1,666	–	–	1,666
BBB	7,502	–	–	7,502
Below BBB	46,128	–	–	46,128
Not rated	1,842	–	–	1,842
Gross carrying amount	57,138	–	–	57,138
Loss allowance	(184)	–	–	(184)
Net carrying amount	56,954	–	–	56,954

The following table sets out the credit quality analysis for reinsurance assets.

	AAA AFL'000	AA AFL'000	A AFL'000	BBB AFL'000	Below BBB AFL'000	Total AFL'000
At 31 December 2022						
Reinsurance assets	–	–	757	–	–	757
Deferred acquisition costs	–	–	–	–	–	–
	–	–	757	–	–	757

	AAA AFL'000	AA AFL'000	A AFL'000	BBB AFL'000	Below BBB AFL'000	Total AFL'000
At 31 December 2021						
Reinsurance assets	–	–	757	–	–	757
Deferred acquisition costs	–	–	–	–	–	–
	–	–	757	–	–	757

(c) Credit-impaired reinsurance and financial assets and collateral held

There are no assets which are credit-impaired.

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

Expressed in thousands of Aruban Florins

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(d) Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial asset. Reconciling items include the following:

- New assets originated or purchased, which reflect the allowance related to assets newly recognized during the period.
- Assets derecognised, which reflect the allowance related to assets derecognized during the period without a credit loss being incurred, including those assets that were derecognized following a modification of terms.
- Net transfer to/(from) 12-month ECL and lifetime ECL, which are presumed to occur before any corresponding remeasurement of the allowance.
- Remeasurements, which comprise the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions; changes in the measurement following a transfer between 12-month ECL and lifetime ECL; and unwinding of the time value discount due to the passage of time.

		Lifetime ECL			
Investment securities measured at fair value through other comprehensive income	**12-month ECL AFL'000**	**Not credit impaired AFL'000**	**Credit impaired AFL'000**	**Purchased credit impaired AFL'000**	**Total AFL'000**
Year ended 31 December 2022					
Balance at beginning of year	56	106	–	–	162
New assets originated or purchased	17	–	–	–	17
Assets derecognised (excluding write-offs)	–	–	–	–	–
Net transfer to/(from) 12-month ECL	–	–	–	–	–
Net transfer to/(from) lifetime ECL - not credit impaired	–	–	–	–	–
Net transfer to/(from) lifetime ECL - credit impaired	–	–	–	–	–
Remeasurements	25	(31)	–	–	(7)
Amounts written-off	–	–	–	–	–
Amounts recovered	–	–	–	–	–
Exchange rate adjustments	–	–	–	–	–
Balance at end of year	97	75	–	–	172
Contractual amounts outstanding on assets written off during the year but still subject to enforcement activity				–	

		Lifetime ECL			
Investment securities measured at fair value through other comprehensive income	**12-month ECL AFL'000**	**Not credit impaired AFL'000**	**Credit impaired AFL'000**	**Purchased credit impaired AFL'000**	**Total AFL'000**
Year ended 31 December 2021					
Balance at beginning of year	64	137	–	–	201
New assets originated or purchased	2	–	–	–	2
Assets derecognised (excluding write-offs)	–	–	–	–	–
Net transfer to/(from) 12-month ECL	–	–	–	–	–
Net transfer to/(from) lifetime ECL - not credit impaired	–	–	–	–	–
Net transfer to/(from) lifetime ECL - credit impaired	–	–	–	–	–
Remeasurements	(10)	(31)	–	–	(41)
Amounts written-off	–	–	–	–	–
Amounts recovered	–	–	–	–	–
Exchange rate adjustments	–	–	–	–	–
Balance at end of year	56	106	–	–	162
Contractual amounts outstanding on assets written off during the year but still subject to enforcement activity				–	

Expressed in thousands of Aruban Florins

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(d) Loss allowance (continued)

		Lifetime ECL		Purchased	
Investment securities measured at amortised cost	**12-month ECL AFL'000**	**Not credit impaired AFL'000**	**Credit impaired AFL'000**	**credit impaired AFL'000**	**Total AFL'000**
Year ended 31 December 2022					
Balance at beginning of year	830	–	–	–	830
New assets originated or purchased	72	–	–	–	72
Assets derecognised (excluding write-offs)	–	–	–	–	–
Net transfer to/(from) 12-month ECL	–	–	–	–	–
Net transfer to/(from) lifetime ECL - not credit impaired	–	–	–	–	–
Net transfer to/(from) lifetime ECL - credit impaired	–	–	–	–	–
Remeasurements	(247)	–	–	–	(247)
Amounts written-off	–	–	–	–	–
Amounts recovered	–	–	–	–	–
Exchange rate adjustments	–	–	–	–	–
Balance at end of year	655	–	–	–	655
Contractual amounts outstanding on assets written off during the year but still subject to enforcement activity				–	
Year ended 31 December 2021					
Balance at beginning of year	933	–	–	–	933
New assets originated or purchased	123	–	–	–	123
Assets derecognised (excluding write-offs)	–	–	–	–	–
Net transfer to/(from) 12-month ECL	–	–	–	–	–
Net transfer to/(from) lifetime ECL - not credit impaired	–	–	–	–	–
Net transfer to/(from) lifetime ECL - credit impaired	–	–	–	–	–
Remeasurements	(226)	–	–	–	(226)
Amounts written-off	–	–	–	–	–
Amounts recovered	–	–	–	–	–
Exchange rate adjustments	–	–	–	–	–
Balance at end of year	830	–	–	–	830
Contractual amounts outstanding on assets written off during the year but still subject to enforcement activity				–	
Loans and receivables					
Year ended 31 December 2022					
Balance at beginning of year	1,289	956	26	–	2,271
New assets originated or purchased	998	–	–	–	998
Assets derecognised (excluding write-offs)	–	–	–	–	–
Net transfer to/(from) 12-month ECL	–	–	–	–	–
Net transfer to/(from) lifetime ECL - not credit impaired	–	–	–	–	–
Net transfer to/(from) lifetime ECL - credit impaired	–	–	–	–	–
Remeasurements	493	181	(26)	–	648
Amounts written-off	(196)	(307)	–	–	(503)
Amounts recovered	–	–	–	–	–
Exchange rate adjustments	–	–	–	–	–
Balance at end of year	2,584	830	–	–	3,414
Contractual amounts outstanding on assets written off during the year but still subject to enforcement activity				503	

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

Expressed in thousands of Aruban Florins

4. Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(d) Loss allowance (continued)

		Lifetime ECL			
	12-month ECL AFL'000	Not credit impaired AFL'000	Credit impaired AFL'000	Total AFL'000	Total AFL'000
Loans and receivables					
Year ended 31 December 2021					
Balance at beginning of year	1,955	256	77	–	2,288
New assets originated or purchased	155	–	–	–	155
Assets derecognised (excluding write-offs)	–	–	–	–	–
Net transfer to/(from) 12-month ECL	–	–	–	–	–
Net transfer to/(from) lifetime ECL - not credit impaired	–	–	–	–	–
Net transfer to/(from) lifetime ECL - credit impaired	–	–	–	–	–
Remeasurements	(821)	1,086	(51)	–	214
Amounts written-off	–	(386)	–	–	(386)
Amounts recovered	–	–	–	–	–
Exchange rate adjustments	–	–	–	–	–
Balance at end of year	1,289	956	26	–	2,271
Contractual amounts outstanding on assets written off during the year but still subject to enforcement activity				386	

Cash and cash equivalents

Impairment on cash and cash equivalents measured at amortised cost has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company uses a similar approach for the assessment of expected credit losses for cash and cash equivalents to those used for debt secutrities.

The impairment allowance on cash and cash equivalents as at 31 December 2022 is AFL 374 (2021: AFL184). The Company recognised a net impairment expense of AFL 190 for the year ended 31 December 2022 (2021: AFL 17).

(e) Modified financial assets

There are no financial assets that were modified while having a loss allowance measured at an amount equal to lifetime ECL.

(f) Assets obtained by taking possession of collateral

There were no financial nor non-financial assets obtained by the Company during the year by taking possession of collateral held as security and held at year end. The Company's policy is to pursue timely realisation of collateral in an orderly manner. The Company does not generally use non-cash collateral for its own operations.

(g) Concentrations of risks of reinsurance and financial assets with credit risk exposure

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The following table breaks down the Company's main credit risk exposure as categorised by the industry sectors of its counterparties.

	2022 AFL'000	2021 AFL'000
Financial institutions	354,293	322,564
Public sector	397,936	334,217
Insurance and reinsurance	5,173	19,827
Consumers/individuals	6,593	2,420
Other industries	120,036	96,613
	884,031	775,641

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

Expressed in thousands of Aruban Florins

4. Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.4 Capital management

The Company's capital includes share capital, reserves and retained earnings.

- to comply with the capital requirements required by the regulator;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

In Aruba where the Company operates, the local insurance regulator indicates the required minimum amount and type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities and the Company is subject to insurance solvency regulations in all the territories in which it issues insurance contracts. The minimum required capital must be maintained at all times throughout the year. The Company monitors these requirements throughout the year to ensure compliance.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

The table below summarizes the minimum required capital. The Company has complied with the minimum capital requirements.

	AFL'000
2022	
Regulatory capital held	71,610
Minimum regulatory capital	60,919
2021	
Regulatory capital held	93,500
Minimum regulatory capital	56,506

The Company was incorporated in 2008 with an initial capital of AFL 400.

The Company is being supervised by the local regulator being the Central Bank of Aruba. For Life Insurance the highest outcome of 8% of the provision for insurance obligations in the preceding year or AFL 400 is applicable. The company applies a safety margin above this minimum requirement of at least 100%. The Company has always managed to comply with the minimum requirement established by the Central Bank as well as its own. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

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

Expressed in thousands of Aruban Florins

5. Property, plant and equipment

	Office furniture, plant and equipment AFL '000	Total AFL '000
Year ended 31 December 2022		
Balance at beginning of year	236	236
Depreciation charge	(46)	(46)
Balance at end of year	190	190
At 31 December 2022		
Cost or valuation	4,430	4,430
Accumulated depreciation	(4,240)	(4,240)
Balance at end of year	190	190
Year ended 31 December 2021		
Balance at beginning of year	349	349
Additions	38	38
Disposals and adjustments	(88)	(88)
Depreciation charge	(63)	(63)
Balance at end of year	236	236
At 31 December 2021		
Cost or valuation	4,430	4,430
Accumulated depreciation	(4,194)	(4,194)
Balance at end of year	236	236

Depreciation expense of AFL 46 (2021: AFL 63) has been charged in other operating expenses.

6. Investment properties

	2022	2021
Investment properties	2,061	1,998
	2,061	1,998
Investment properties		
Balance at beginning of year	1,998	2,150
Additions	10	–
Fair value adjustments (Note 27)	53	(152)
Balance at end of year	2,061	1,998
Rental income	61	64

The investment properties were last valued in 2018 by external independent valuators. All valuators are accredited in the territory that they serve specializing in the valuation of commercial, residential and a mixed use properties.

Residential properties are mainly revalued using the comparable sales approach, which estimates the fair value based on sale prices of properties of similar nature or in similar locations with price adjustments being made for any notable differences between the sample and subject properties.

Residential properties are revalued using the cost approach which is based upon the premise that the value of a property can be indicated by the current cost to construct a reproduction or replacement for the improvements, minus the amount of depreciation evident in the structures from all causes, plus the value of the land and entrepreneurial profit.

No investment property in the Company is subject to any liens or mortgages and the Company has no curtailments with regard to the transfer, resale or other use of its investment properties. The Company is not under any contractual obligation with regard to significant development, enhancement, repair or maintenance of any investment properties.

Expressed in thousands of Aruban Florins

7. Intangible assets

	Goodwill AFL'000	Customer-related intangibles AFL'000	Total AFL'000
Year ended 31 December 2022			
Balance at beginning of year	–	–	–
Additions	75	155	230
Amortization	–	(77)	(77)
Balance at end of year	75	78	153
At 31 December 2022			
Cost	75	155	230
Accumulated amortization	–	(77)	(77)
Balance at end of year	75	78	153

8. Investment in associated company

	2022 AFL'000	2021 AFL'000
Balance at beginning of year	38,134	38,336
Exchange rate adjustment	584	(2,646)
Share of profit after tax	3,734	2,444
Balance at end of year	42,452	38,134

The Company's interests in its associate, which is unlisted, is as follows:

Name	Principal activity	Country of incorporation	2022	2021
Guardian Resorts International Inc.	Hotel & Resorts Operations	St. Lucia	23.1%	23.1%

Summarized financial information in respect of the Company's associate is set out below. The summarized financial information below represents amount shown in the associate's financial statements prepared in accordance with IFRSs (adjusted by the Company for equity accounting purposes).

	Guardian Resorts International Inc. 2022 AFL'000	2021 AFL'000
Total assets	178,092	159,346
Total liabilities	(10,078)	(10,045)
Equity attributable to ordinary shareholders	168,014	149,301
Ordinary shares	38,775	34,457
Preference shares	3,677	3,677
Carrying amount of the investment	42,452	38,134
Revenue	10,809	7,838
Profit/(loss) for the year	16,181	10,589

The associate had no contingent liabilities at 31 December 2022 or 2021. No component of other comprehensive income is applicable.

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

Expressed in thousands of Aruban Florins

9. Investment securities

	2022		2021	
	Carrying value AFL'000	Fair value AFL'000	Carrying value AFL'000	Fair value AFL'000
Investment securities	721,608	732,487	656,296	669,846
	721,608	732,487	656,296	669,846

	Carrying value AFL'000	Fair value AFL'000	Carrying value AFL'000	Fair value AFL'000
Investment securities mandatorily measured at fair value through profit or loss (FVPL-M)	47,259	47,259	50,253	50,253
Investment securities measured at fair value through other comprehensive income (FVOCI)	133,047	133,047	120,627	120,627
Investment securities measured at amortised cost (AC)	541,302	552,181	485,416	498,966
Total investment securities	721,608	732,487	656,296	669,846

	Carrying value				Fair value
	FVPL-D 2022 AFL'000	FVPL-M 2022 AFL'000	FVOCI 2022 AFL'000	AC 2022 AFL'000	AC 2022 AFL'000
Equity securities:					
- Listed	–	28,054	–	–	–
- Unlisted	–	19,205	–	–	–
	–	47,259	–	–	–
Debt securities:					
- Government securities	–	–	31,830	332,392	343,092
- Debentures and corporate bonds	–	–	99,840	–	–
	–	–	131,670	332,392	343,092
Deposits (more than 90 days)	–	–	–	197,846	197,370
Other	–	–	–	–	–
	–	–	–	197,846	197,370
	–	47,259	131,670	530,238	540,462
Interest receivable	–	–	1,377	11,719	11,719
Loss allowance	–	–	–	(655)	–
	–	47,259	133,047	541,302	552,181
Current	–	0	5,400	462,769	
Non-current	–	47,259	127,647	78,533	
	–	47,259	133,047	541,302	

The carrying amount of investment securities above that were pledged as collateral for liabilities was nil (2021: nil).

Expressed in thousands of Aruban Florins

9. Investment securities

	Carrying value				Fair value
	FVPL-D 2021 AFL'000	FVPL-M 2021 AFL'000	FVOCI 2021 AFL'000	AC 2021 AFL'000	AC 2021 AFL'000
Equity securities:					
- Listed	–	29,969	–	–	–
- Unlisted	–	20,284	–	–	–
	–	50,253	–	–	–
Debt securities:					
- Government securities	–	–	23,068	282,874	298,872
- Debentures and corporate bonds	–	–	96,458	–	–
	–	–	119,526	282,874	298,872
Deposits (more than 90 days)	–	–	–	192,846	189,568
Other	–	–	–	–	–
	–	–	–	192,846	189,568
	–	50,253	119,526	475,720	488,440
Interest receivable	–	–	1,101	10,526	10,526
Loss allowance	–	–	–	(830)	–
	–	50,253	120,627	485,416	498,966
Current	–	–	16,705	462,145	
Non-current	–	50,253	103,922	23,271	
	–	50,253	120,627	485,416	

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

Expressed in thousands of Aruban Florins

10. Loans and receivables

	2022 AFL'000	2021 AFL'000
Mortgages loans	43,343	36,428
Premiums receivable	5,307	1,624
Deposits with / balances due from reinsurers	303	217
Policy loans	468	752
Commercial and other loans	85,549	74,070
Interest receivable	603	540
Other receivables	171	322
Loss allowance	(3,414)	(2,271)
	132,330	111,682
Current	11,040	5,641
Non-current	121,290	106,041
	132,330	111,682
Fair value loans and receivables	138,064	114,370

With regard to mortgages the property serves as collateral whereas in the case of the other loans either there is a property as collateral or in some instances insurance portfolios or in the case of policy loans the cash value of the policy. There were no loans and receivables pledged as collateral for liabilities at year end (2021: nil).

11. Pension plan assets/liabilities

The following information explains the quantification of the assets and liabilities recognized in the statement of financial position and the net income for the year in accordance with the provisions of IAS 19. Pension plan assets are fully recognized in the statement of financial position of Fatum Holding N.V.

The amount in the statement of income is made up as follows:	2022 AFL'000	2021 AFL'000
Net interest expense	160	230
Net gain for the year (Note 31)	160	230

The principal actuarial assumptions used for accounting purposes were:

	2022	2021
Discount rates	5.13%	2.91%
Future salary increases	0.00%	0.00%
Post retirement mortality table	NISTT2012	NISTT2012
Pre-retirement mortality	Ignored	Ignored
Withdrawal from service	Ignored	Ignored
Future pension increases	Ignored	Ignored
Proportion of employees opting for early retirement	Ignored	Ignored

There is no standard mortality table available for Aruba. For this reason the standard NISTT2012 (2021: NISTT2012) has been used which is considered representative for the plan.

12. Reinsurance assets

	2022 AFL'000	2021 AFL'000
This represents the Company's net contractual rights under reinsurance contracts:		
Long-term insurance contracts:		
Total reinsurers' share of insurance liabilities	757	757

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

Expressed in thousands of Aruban Florins

13. Deferred acquisition costs

	2022 AFL '000	2021 AFL '000
Balance at beginning of year	3,244	3,860
Increase in the year	431	465
Release in the year	(957)	(1,081)
Balance at end of year	2,718	3,244
Current	783	930
Non-current	1,935	2,314
	2,718	3,244

14. Due from affiliated companies

	2022 AFL'000	2021 AFL'000
Bancassurance Caribbean Ltd	145	145
Guardian Resorts International Inc	61	61
	206	206

15. Cash and cash equivalents

	2022 AFL'000	2021 AFL'000
Cash at bank and in hand	76,510	56,886
Short term deposits (90 days or less)	253	252
Cash and cash equivalents	76,763	57,138
Cash and cash equivalents in mutual funds	0	–
Loss allowance	(374)	(184)
Net cash and cash equivalents	76,389	56,954
At beginning of year	56,954	44,303
Net movement in loss allowance	(190)	(17)
	56,764	44,286
At end of year	76,389	56,954
Net decrease in cash used in cash flow	19,625	12,668

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. The interest rate on short term bank deposits ranged from 0.25% - 2% (2021: 0.25% – 2%).

16. Equity

16.1 Share Capital

Authorized
400 shares with a par value of AFL 1 each.

Issued and fully paid
400 shares with a par value of AFL 1 each (2021 - 400 shares)

16.2 Share premium

The share premium AFL 24,528 concerns that portion of the capital issued above par.

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

Expressed in thousands of Aruban Florins

16. Equity (continued)

16.3 Reserves

	Fair Value reserve AFL'000	Foreign Currency reserves AFL'000	Statutory reserve AFL'000	Total AFL'000
Balance at 1 January 2022	8,835	(14,978)	4,714	(1,429)
Other comprehensive income/(loss)	(18,501)	584	–	(17,917)
Balance at 31 December 2022	(9,666)	(14,394)	4,714	(19,346)
Balance at 1 January 2021	12,628	(12,332)	4,714	5,010
Other comprehensive income/(loss)	(3,793)	(2,646)	–	(6,439)
Balance at 31 December 2021	8,835	(14,978)	4,714	(1,429)

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of debt securities at FVOCI until the assets are derecognised or reclassified. This amount is reduced by the loss allowance. The movement for the year is as follows:

	Fair value movements AFL'000	Expected credit loss allowance AFL'000	Total AFL'000
Balance at 1 January 2022	8,673	162	8,835
Movements for the year	(18,512)	11	(18,501)
Balance at 31 December 2022	(9,839)	173	(9,666)
Balance at 1 January 2021	12,427	201	12,628
Movements for the year	(3,754)	(39)	(3,793)
At 31 December 2021	8,673	162	8,835

Foreign Currency reserve

The foreign currency reserve is used to record exchange differences arising from associated companies whose functional currency is different from the functional currency used in the financial statements. Differences in retranslating opening net assets for investment in associated companies using the exchange rate at year end compared to the exchange rate at the beginning of the year are recognized in other comprehensive income and taken to the foreign currency reserve. The difference between a associated company's profit or loss for the year translated at the year end exchange rate and the profit or loss for the year converted at the average rate for the year is recognized in other comprehensive income and taken to the foreign currency reserve.

Statutory reserve

The statutory reserve is maintained in accordance with provisions of the by-laws of the Company where the Company is required to appropiate an amount equal to AFL 4,714 towards statutory reserve in accordance with requirements of the Central Bank.

17. Insurance contracts

	2022	2021
Long-term insurance contracts:	AFL'000	AFL'000
With fixed and guaranteed terms and without DPF (Note 16 (a))	875,424	760,193
Without fixed terms (Note 16 (b))	1,278	1,414
	876,702	761,607
Current	32,140	30,056
Non-current	844,562	731,551
	876,702	761,607

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

Expressed in thousands of Aruban Florins

17. Insurance contracts (continued)

	2022 AFL'000	2021 AFL'000
(a) Long-term insurance contracts with fixed and guaranteed terms and without DPF		
At beginning of year	760,193	708,764
Valuation premiums received	105,962	48,564
Liabilities released for payments on death, surrender and other terminations in the year	(25,259)	(23,677)
Accretion of interest	29,686	28,824
Other movements	4,752	(2,141)
Exchange rate adjustments	90	(141)
At end of year	875,424	760,193
(b) Long-term insurance contracts without fixed terms		
At beginning of year	1,414	1,556
Premiums received	–	–
Liabilities released for payments on death, surrender and other terminations in the year	–	(2)
Changes in unit prices	–	14
Other movements	(136)	(153)
Exchange rate adjustments	–	(1)
At end of year	1,278	1,414

The results of the liability adequacy tests shows that the carrying amount of the insurance liabilities is adequate.

18. Post retirement medical benefit obligations

Post retirement benefit obligation are fully recognized in the statement of financial position of Fatum Holding N.V., the parent company. The change for the year, however, is recognized in the statement of income of the Company and is made up as follows:

The amount in the statement of income is made up as follows:	2022 AFL'000	2021 AFL'000
Interest cost	109	104
Current service cost	90	68
Expense for the year (Note 31)	199	172

The principal actuarial assumptions used were as follows:		
Discount rate	5.13%	2.91%
Healthcare cost escalation	2.56%	2.00%
Pre-retirement mortality	NISTT2012	NISTT2012
Post retirement mortality	Ignored	Ignored

There is no standard mortality table available for Aruba. For this reason the standard NISTT2012 (2021: NISTT2012) has been used which is considered representative for the plan.

19. Due to affiliates

	2022 AFL'000	2021 AFL'000
Guardian Asset Management & Investment Services Ltd	–	3
Fatum Holding N.V.	13,592	53
	13,592	56

20. Profit tax payable

	2022 AFL'000	2021 AFL'000
Profit tax payable 2021	(50)	1,533
Profit tax payable 2022	3,234	-
Total profit tax payable	3,184	1,533

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

Expressed in thousands of Aruban Florins

21. Other liabilities

	2022 AFL'000	2021 AFL'000
Amount due to reinsurers	1,772	1,330
Deposits and premiums received in advance	282	470
Sundry payables	11,723	11,011
	13,776	12,811

Sundry payables

Benefits payable Life business	3,419	3,408
Commission payable	682	982
Suspense accounts	3,272	3,254
Other	4,350	3,367
Total sundry payables	11,723	11,011

22. Net premium income

	2022 AFL'000	2021 AFL'000
(a) Insurance premium income		
Long-term insurance contracts	129,358	63,302
	129,358	63,302
(b) Insurance premium ceded to reinsurers		
Long-term reinsurance contracts	(594)	(382)
	(594)	(382)

23. Policy acquisition expenses

	2022 AFL'000	2021 AFL'000
Commissions	1,978	1,370
Other expenses for the acquisition of insurance and investment contracts	53	45
	2,030	1,415

24. Net insurance benefits and claims

	2022 AFL'000	2021 AFL'000
Insurance benefits - gross	144,692	75,887
Insurance benefits - recovered from reinsurers	–	(375)
	144,692	75,512

		2022	
Insurance benefits	**Gross AFL'000**	**Reinsurance AFL'000**	**Net AFL'000**
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
- death, maturity and surrender benefits	26,919	–	26,919
- increase in liabilities	117,773	–	117,773
Long-term insurance contracts without fixed terms:			
- death, maturity and surrender benefits	–	–	–
- change in unit prices	–	–	–
Total cost of policyholder benefits	144,693	–	144,692

		2021	
Insurance benefits	**Gross AFL'000**	**Reinsurance AFL'000**	**Net AFL'000**
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
- death, maturity and surrender benefits	23,677	(375)	23,302
- increase in liabilities	51,794	–	51,794
Long-term insurance contracts without fixed terms:			
- death, maturity and surrender benefits	405	–	405
- change in unit prices	11	–	11
Total cost of policyholder benefits	75,887	(375)	75,512

Expressed in thousands of Aruban Florins

25. Investment income

	2022 AFL'000	2021 AFL'000
Interest income from:		
- Fair value through profit or loss investment securities	–	249
- Fair value through other comprehensive income investment securities	4,556	3,899
- Amortised cost investment securities	24,006	22,170
- Loans and receivables	6,616	6,211
- Cash and cash equivalents	41	64
Dividend income	343	1,333
Direct investment expenses	(811)	(887)
	34,751	33,039

26. Net gains/(losses) on derecognition of financial assets

	2022 AFL'000	2021 AFL'000
Investment securities measured mandatorily at fair value through profit or loss	(1,252)	368
Investment securities measured at fair value through other comprehensive income	196	313
	(1,057)	681

27. Net fair value gains/(losses)

	2022 AFL'000	2021 AFL'000
Investment securities measured mandatorily at fair value through profit or loss	(3,870)	6,001
Fair value adjustment on investment properties (Note 6)	53	(152)
	(3,817)	5,849

28. Fee income

	2022 AFL'000	2021 AFL'000
Policy administration and asset management services:		
- Insurance contracts	354	239
- Investment contracts without a discretionary participation feature	–	1
	354	240

29. Other income/(loss)

	2022 AFL'000	2021 AFL'000
Rental income	61	64
Foreign exchange gains/ (losses)	(1,015)	382
Other income	1,269	614
	315	1,060

30. Net impairment gains/(losses) on financial assets

	2022 AFL'000	2021 AFL'000
Investment securities measured at fair value through other comprehensive income	(11)	39
Investment securities measured at amortised cost	175	103
Loans and receivables	(1,698)	(420)
Cash and cash equivalents	(190)	(17)
	(1,724)	(295)

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

Expressed in thousands of Aruban Florins

31. Operating expenses

	2022 AFL'000	2021 AFL'000
Staff cost	8,904	7,761
Depreciation and amortization	122	63
Auditors' remuneration	201	151
Directors' fees	80	48
Other expenses	5,784	5,928
	15,091	13,951
Staff cost includes:		
Wages, salaries and bonuses	5,268	4,450
Health and medical	105	77
Staff training	90	26
National Insurance	826	944
Pension costs	964	670
Net result for the year on pension plan assets (Note 11)	(160)	(230)
Post retirement medical benefit obligations (Note 18)	199	172
Termination benefits	304	470
Other	1,307	1,182
	8,903	7,761
Average number of employees	34	29
Other expenses include:		
Office & building expenses	1,512	1,431
Marketing expenses	325	214
Information Technology Expenses	1,037	892
Projects	526	1,590
Professional fees	1,217	601
Other	1,168	1,200
	5,784	5,928

32. Finance charges

	2022 AFL'000	2021 AFL'000
Interest on borrowings	246	734
	246	734

33. Taxation

	2022 AFL'000	2021 AFL'000
Profit/(loss) before taxation	(739)	14,326
Corporate tax calculated at corporation tax rate of 25%	(185)	3,582
Effect of different tax rate due to special ruling	3,419	(2,048)
Tax charge for the period	3,234	1,534

The corporate tax rate is 25%. The effective tax rate differs from the corporate tax rate taking into account that for Aruba a special ruling is applicable, whereby Life Company is taxed based on 10% of the gross premium income.

The effective tax rate is 437.62% (2021: 10.71%).

Expressed in thousands of Aruban Florins

34. Dividends

Although there is no restriction on dividend payment based upon legal reserves, dividend payment requires previous approval of the regulators of the markets where the Company operates. No dividend were declared and paid in 2022 and 2021.

35. Adjustment for non-cash items in operating profit

	2022 AFL'000	2021 AFL'000
Share of (profit) / loss from associated companies (Note8)	(3,734)	(2,444)
Net fair value gains on financial and other assets	3,870	(6,001)
Net realized gains on financial and other assets	1,057	(681)
Impairment of financial assets	1,724	294
Net loss for the year on pension plan assets	39	(58)
Depreciation and amortization (Note 5)	46	63
Amortization of intangible assets	77	–
Change in fair value of other investment properties (Note 7)	(53)	152
	3,026	(8,675)

36. Fair values measurement

The following table provides the fair value measurement of the Company's assets and liabilities that are disclosed at fair value in the statement of financial position.

At 31 December 2022	Level 1 AFL'000	Level 2 AFL'000	Level 3 AFL'000	Total fair value AFL'000
Assets measured at fair value:				
Investment properties	–	–	2,061	2,061
Investment securities at fair value through profit or loss:				
Equity securities	17,385	10,669	19,205	47,259
Debentures & corporate bonds	–	–	–	–
Investment securities at fair value through other comprehensive income:				
Government securities	–	31,830	–	31,830
Debentures & corporate bonds	–	99,840	–	99,840
	17,385	142,339	21,265	180,990
At 31 December 2021				
Assets measured at fair value:				
Investment properties	–	–	1,998	1,998
Financial assets at fair value through profit or loss:				
Equity securities	18,093	11,876	20,284	50,253
Debentures & corporate bonds	–	–	–	–
Investment securities at fair value through other comprehensive income:				
Government securities	–	23,068	–	23,068
Debentures & corporate bonds	–	96,458	–	96,458
	18,093	131,402	22,282	171,777

There were no transfers between level 1 and level 2 during the period.

Reconciliation of movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing recorded amount of Level 3 assets and which are recorded at fair value.

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

Expressed in thousands of Aruban Florins

36. Fair values measurement (continued)

At 31 December 2022	Investment properties AFL'000	Equity securities AFL'000	Total AFL'000
Balance at beginning of year	1,998	20,284	22,282
Total gains or losses:			
in profit or loss	53	(1,100)	(1,047)
Purchases	10	61	71
Fx adjustment	–	(40)	(40)
Balance at end of year	2,061	19,205	21,266
At 31 December 2021			
Balance at beginning of year	2,150	18,547	20,697
Total gains or losses:			
in profit or loss	(152)	3,599	3,447
Purchases	–	1,152	1,152
Transfers out of level 3	–	(3,014)	(3,014)
Balance at end of year	1,998	20,284	22,282

The Company does not regard that any reasonable change in the valuation assumptions of Level 3 assets and liabilities will have any significant impact on the financial statements.

The following table provides the fair value measurement of the Company's assets and liabilities that are not measured at fair value in the statement of financial position but whose fair values are disclosed in the notes to the accounts.

At 31 December 2022	Level 1 AFL'000	Level 2 AFL'000	Level 3 AFL'000	Total fair value AFL'000
Assets for which fair values are disclosed:				
Investment securities measured at amortised cost:				
Government securities	–	343,092	–	343,092
Deposits	–	197,370	–	197,370
	–	540,463	–	540,462
At 31 December 2021				
Assets for which fair values are disclosed:				
Investment securities measured at amortised cost:				
Government securities	–	298,872	–	298,872
Deposits	–	189,568	–	189,568
	–	488,440	–	488,440

Valuation techniques and inputs used in Level 2 and Level 3 fair value measurements

The following table presents the valuation techniques and key inputs that were used to determine the fair value of assets and liabilities categorised under level 2 and level 3 of the fair value hierarchy:

	Valuation technique	Range	Siginificant unobservable input
Assets			
Investment properties	income approach	n/a	yes
Financial assets at fair value through P&L:			
Equity securities	fair value	n/a	no
Goverrment securities	discounted cash flow	n/a	no
Debentures & corporate bonds	discounted cash flow	n/a	no

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

Expressed in thousands of Aruban Florins

37. Contingent liabilities

Legal proceedings
The Company is defendant in various legal actions. In the opinion of the directors, after taking appropriate legal advice, the outcome of such actions will not give rise to any significant loss other than provided for.

Cut-off procedure / backlog
A back-log exists in the processing of transactions with regard to group life contracts. This back-log can be partially attributed to the fact that information required from the parties concerned has not been received as yet. This back-log regards changes in the situation of insured parties such as marital status, age, number of children, etc. for which availability of this information is beyond the control of the Company making it impossible for the Company to process such data within the respective reporting period that these changes actually occurred. The impact is not material.

Taxation
The accrued profit tax charge is based on an estimate of the corporation rate applicable for Aruba. For Aruba a special ruling is applicable whereby Life Company is taxed based on 10% of the gross premium income. The tax rate in Aruba is 25%.

38. Commitments

Contingent assets	**2022**	**2021**
	AFL'000	**AFL'000**
Loan commitments	42,440	13,231

As at the year end, the Company has not entered into any commitments not provided for in these financial statements.

39. Related party disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The intermediate parent of the Company is Fatum Life N.V., the parent is Fatum Holding N.V. and the ultimate parent of the Group is Guardian Holdings Limited.

A number of transactions are entered into with related parties in the normal course of business.

The following transactions were carried out with related parties:	**2022**	**2021**
	AFL'000	**AFL'000**
(a) Transactions with subsidiaries and associates		
- Shares issued by associates included in the Investment securities:		
ACF Holdings Insureco Limited	14,267	15,618
ITM AG Investment LP	409	385
Portland Private Income Fund	10,669	11,876
	25,345	27,879
- Balances included in the Loans and receivables:		
Boogaard Group	317	259
	317	259
- Commissions included in the policy acquisition expenses:		
Boogaard Group	97	188
	97	188

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

Expressed in thousands of Aruban Florins

39. Related party disclosures (continued)

- Allocated staff cost and other operating expenses in the statement of income:

Staff cost		
Fatum Holding N.V.	6,528	5,415
Other operating expenses		
Fatum Holding N.V.	4,237	4,114
Fatum Life N.V.	330	373
	11,095	9,902

- Investment services from Guardian Asset Management

Some of the Company's asset management and investment services are provided by its associate Guardian Asset Management. The total charges for services provided during the year was ANG 223 (2021: ANG 184).

- Finance charges included in the statement of income:	2022 AFL'000	2021 AFL'000
Fatum Holding N.V.	246	734
	246	734

Taxation

Transactions with respect to profit tax are included in the intercompany balances.

(b) Transactions with key management personnel:

Sales of insurance contracts and other services to key management	5	8
Key management personnel compensation:		
- Salaries and other short-term employee benefits	796	677

Key management personnel compensation is included in the staff costs of Fatum Life Aruba N.V. and Fatum General Insurance Aruba N.V.

(c) Transactions with the pension fund:

Stichting Pensioenfonds Fatum (the pension fund) is a related party. The pension fund does not hold shares in Fatum Holding N.V. or any associates. The Company's transactions with the pension fund relate to contributions paid to the pension plans for the Fatum Holding Group. The total pension premium paid to the pension fund, by Fatum Holding, for the year was ANG 4,566 (2021: ANG 3,180). The pension contract is between Fatum Holding N.V. and the pension fund. Fatum Holding N.V. bears all the risk and rewards related to this contract. Pension expenses are allocated to the subsidiaries which participate in the plan.

40. Investment in Associate

Associated Company	Country of Incorporation	Effective Percentage of interest held
Guardian Resorts International Inc.	St. Lucia	23.1%

41. Subsequent events

There have been no other material post balance sheet events that could require disclosure or adjustment to the 31 December 2022 financial statements.

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

42. Authorisation of Financial Statements

The financial statements for the year ended 31 December 2022 (including comparatives) were approved by the Board of Directors of Fatum Life Aruba N.V. on 27 June 2023.

Managing Director:

Jacques P. van der Scheer

Managing Director:

Barbara Pochettino

Supervisory Director:

Monica Kock

Supervisory Director:

DocuSigned by:

64C53AE0B03D402...

Omar van der Dijs

Supervisory Director:

DocuSigned by:

Ravi Tewari

8FF34C214E16440...

Supervisory Director:

DocuSigned by:

Jacobus Veel

2869DF94B3A5421

NL