Abbreviated Statement of Financial Position as at December 31, 2021

(in Aruban florin)	Dec. 31, 2021	Dec. 31, 2020
Assets		
Cash and cash equivalents	19,746,790	22,027,239
Inventory	2,345,185	1,471,676
Trade and other receivables	7,244,998	3,937,212
Financial assets - loans	190,804,298	196,814,795
Investments measured at amortised cost	12,037,380	17,067,350
Investment properties	10,216,703	10,693,454
Tangible fixed assets	132,681,902	129,760,442
Total assets	**375,077,256**	**381,772,168**
Liabilities and Capital		
Liabilities		
Trade and other payables	13,941,698	13,776,507
Lease liabilities	6,070,889	6,075,872
Borrowings	88,194,284	96,265,103
Employee benefit obligations	909,335	939,418
	109,116,206	**117,056,900**
Capital		
Capital	100	100
Regulatory loan loss reserve	10,398,081	10,432,354
Retained earnings	255,562,869	254,282,814
	265,961,050	**264,715,268**
Total liabilities and capital	**375,077,256**	**381,772,168**

Abbreviated Statement of Profit or Loss and Other Comprehensive Income for the year 2021

(in Aruban florin)	2021	2020
Revenues		
Revenues from financial activities	16,641,756	18,754,438
Revenues from real estate activities	14,679,869	13,596,197
	31,321,625	**32,350,635**
Other income	3,892,751	2,053,004
Credit impairment (loss)/recovery	(1,725,472)	(2,675,912)
Expenses		
Personnel expenses	12,489,191	11,967,950
General expenses	5,119,363	4,908,568
Property expenses	4,526,890	4,455,464
Depreciation expenses	5,066,267	4,682,359
Finance costs	5,041,411	5,275,319
	32,243,122	**31,289,660**
Net result for the year	**1,245,782**	**438,067**

There are no items of other comprehensive income during 2021 and 2020.

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS FOR THE YEAR 2021

1. General information

Stichting Fundacion Cas pa Comunidad Arubano ('FCCA' or 'the Foundation') is a foundation that was founded and established in Aruba on February 13, 1979, in Sabana Blanco 66, Oranjestad, Aruba.

The primary purposes of the Foundation are related to the improvement of social housing and community facilities by: building and acquiring houses, acquiring or leasing lease land, improving and renovating houses, promoting the building of own properties, selling properties, providing construction credits and mortgages, managing and operating housing in general, in particular the division of housing, the rent, the collection of rental income and the provision of maintenance and renewal of houses, assisting in the provision of insurance contracts, the collection of insurance premiums, the settlement of damage claims and the provision of advice with insurance problems, managing and operating real estate, providing services to third parties in relation to housing, promoting and improving the living and housing environment by providing community facilities.

These abbreviated financial statements are derived from the audited financial statements of the Foundation which have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) applicable as at December 31, 2021. The abbreviated financial statements do not contain all the disclosures required by IFRS.

The financial statements from which these abbreviated financial statements were derived, have been prepared by the Board of Managing Directors and were authorized for issue by the Board of Supervisory Directors on June 29, 2022.

Going concern assumptions
The economic and financial impact of Covid-19 pandemic has its implications on the clients of FCCA resulting into:

- A decline of revenues of the Financing Activities of approximately 11.3%. The carrying amount as at December 31, 2021, is Afl.16.6 million, mainly caused by take over from other financial institutions.
- Increase of ECL of the loan portfolio with Afl. 1.7 million. The carrying amount as at December 31, 2021, is Afl.7.1 million.

Despite the global inflation challenges as result of the ongoing war, the tourism recovery in the last months exceeds the expectations and subsequently the economic recovery is expected to be fully recover in 2023, which will improve the disposable income of the clients of FCCA.

The Foundation made the first two principal payment of the Intercreditor Agreement dated August 28, 2017, according to the loan schedule as per March 1 and September 1, 2021. Due to the principal payments, the decrease in revenues from Financing Activities and increasing ECL provision, the foundation is in default with one of the covenants of the Intercreditor Agreement being the Debt Service Coverage Ratio (DSCR). Formal waiver was requested to the lenders which was obtained as per November 23, 2021, and April 22, 2022.

The liquidity forecast assessment does not include the new strategy implementations launched in June 2022, it reveals that the Foundation is able to generate a positive operational cash flow, while maintaining investments and complying with the debt obligations.

To cope with the financial impact as consequences of Covid-19 and current ongoing global crisis a revised strategy was drafted and approved by the Supervisory Board of Directors. Part of the revised strategy was a complete fresh loan product to compete with the other local financial institutions, was formally launch as per June 17, 2022. The strategy also comprises out of improving efficiencies and reduce expenses. Starting the second quarter the interest from the Intercreditor Agreement is up for negotiations. Any additional interest reduction will contribute to the improvement of the Foundation's result.

Conclusion
Based on the circumstances described above, the financial statements are prepared under the assumptions that the Foundation operates on a going concern basis.

2. Summary of significant accounting policies

2.1 Basis of preparation

(i) Compliance with IFRS
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to entities reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

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 Foundation's accounting policies.

(ii) Historical cost convention
The financial statements have been prepared under the historical cost convention.

(iii) Standards, amendments, improvements and interpretations effective first time in the current year and relevant for the Foundation's operations
New Standards adopted as at January 1, 2021:
Some accounting pronouncements which have become effective as at January 1, 2021, and have therefore been adopted do not have a Significant impact on the Foundation's financial results or position

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

- IFRS 17 Insurance Contracts;
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4);
- References to the Conceptual Framework;
- Proceeds before Intended Use (Amendments to IAS 16);
- Onerous Contracts – Cost of Fulfilling a contract (Amendments to IAS 37);
- Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16); and
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Deferred Tax related to Assets and Liabilities from a Single Transaction.

This standard and these amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore the disclosures have not been made.

2.2 Foreign currency translation

(i) 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 Aruban Florin (Afl.), which is FCCA's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities are denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.
Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within general expenses.

2.3 Cash and cash equivalents
For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities in the statement of financial position.

2.4 Inventory
Inventory consists of items used for repair/maintenance of the Foundation's tangible fixed assets and are not held for sale to third parties. Inventory is stated at the lower of cost and net realizable value.

2.5 Trade and other receivables
If collection is expected in one year or less trade and other receivables are classified as current assets. If not, they are presented as non-current assets. The Foundation makes use of a simplified approach in accounting for Trade and Other Receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Foundation uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Foundation assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

2.6 Financial assets

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

- The Foundation's assessment of the overall objective of the business model within which the asset is held; and
- The contractual cash flow characteristics of the assets

<u>Business model assessment</u>
The business model reflects how the Foundation manages its assets in order to generate cash flows, that is, whether the objective is to collect contractual cash flows, selling financial assets or both. The Foundation assesses its business model at a portfolio level reflective

of how group of assets are managed together to achieve a particular business objective. Factors considered by the Foundation in determining the business model for a group of assets include:
- How performance is evaluated and reported to key management personnel;
- The risks that affect performance and how they are managed;
- How managers are compensated;
- The frequency and volume of sales in prior period and expectations about future sales activity

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

If the Foundation identifies any contractual cash flows, such that cash flows are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL. In making this assessment, the Foundation considers:
- Contingent events;
- Leverage features
- Prepayment and term extensions
- Terms which limit the Foundation's recourse to specific assets and features that modify consideration of the time value of money.

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

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

Debt instruments of the Foundation comprise loans and investment securities that are sovereign bonds. After assessing its business model for loans and sovereign bonds, which are held to collect the contractual cash flows, and where the cash flows represent solely payments of principal and interest, these instruments were measured at amortized cost.

Purchases and sales of debt instruments at amortized cost are recognized at trade date – the date on which the Foundation commits to purchase or sell the asset – and are measured at amortized cost when cash is advanced to the borrowers. Mortgage loans are recognized on settlement date - the date on which the Foundation and the client sign the notary deed. There are cases of loans closed between the Foundation and its client for the purchase of FCCA or former Land Aruba houses and for which the mortgage rights have not been passed as per balance sheet date. These loans are recognized at trade date.

Interest income using the effective interest rate method is recognized in the Statement of Comprehensive Income through profit or loss. Impairment on debt instruments measured at amortized cost is calculated using the expected credit loss (ECL) approach. Loans and debt securities measured at amortized cost are presented net of allowance for credit losses in the Statement of Financial Position.

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

When the asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Net Investment Income'. Foreign exchange gains and losses that relate to the amortized cost of the debt instrument are recognized through profit or loss.
Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss approach. The expected credit loss on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the Statement of Financial Position, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the financial assets were measured at amortized cost is recognized in OCI with a corresponding amount taken to Credit Impairment Losses in the Statement of Comprehensive Income. The accumulated amount recognized in OCI is recycled through profit or loss upon derecognition of the debt instrument.

Debt Instruments Measured at FVPL
Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss.

Financial Assets Mandatorily Measured at FVPL
Financial assets meeting either of the conditions below are mandatorily measured at fair value through profit or loss (other than in respect of an equity investment designated as at fair value through other comprehensive income):
- Financial assets with contractual terms that do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- Financial assets held within a business model whose objective is achieved neither by collecting contractual cash flows nor by both collecting contractual cash flows and selling financial assets. This includes financial assets held within a portfolio that is managed and whose performance is evaluated on a fair value basis. It further includes portfolios of financial assets that are 'held for trading'.

Financial Assets Designated as Measured at FVPL
A financial asset may be designated at fair value through profit or loss only if doing so eliminates or significantly reduces measurement or recognition inconsistencies (an 'accounting mismatch') that would otherwise arise from measuring financial assets or liabilities or recognizing gains and losses on them on different basis. They are carried in the Statement of Financial Position at fair value, with all changes in fair value recorded in profit or loss in the Statement of Comprehensive Income.

Debt instruments of the Foundation comprise the following:
- Receivables, receivables Land Aruba and current account with Land Aruba are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest rate method, less provision for impairment.
- Personal loans and mortgage loans
- Investments in time deposits and government bonds

After assessing its business model for receivables, loans, and investments, which are mostly held to collect the contractual cash flows where the cash flows represent solely payments of principal and interest, these instruments are measured at amortized cost.

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

2.7 Impairment of financial assets
Scope:
The Foundation recognizes impairment loss allowances for expected credit losses (ECL) on the following categories of financial instruments unless measured at fair value through profit or loss:
- Financial assets that are debt instruments;
- Loan commitments;
- Financial guarantee contracts issued and not accounted for under IFRS 4 'Insurance contracts' (This contrasts to the IAS 39 impairment model which was not applicable to loan commitments and financial guarantee contracts, as these were covered by IAS 37, Provisions, Contingent Liabilities and Contingent Assets); and
- Receivables and contract assets recognized under IFRS 15 'Revenue from contracts with customers'

Expected credit loss model:
The determination of impairment losses and allowance moves from an incurred credit loss model whereby credit losses are recognized when a defined loss event occurs under IAS 39, to an expected credit loss model under IFRS 9, where provisions are taken upon initial recognition of the financial asset, based on expectations from potential credit losses at the time of initial recognition. Under IFRS 9, the Foundation first evaluates individually whether objective impairment exists for financial assets which are individually significant. It then collectively assesses financial assets that are not individually significant and loans which are significant but for which there is no objective evidence of impairment.

The Foundation uses an ECL model developed to meet the requirements of IFRS 9. The allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. This model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination.

The Foundation assesses on a forward-looking basis the expected credit loss ('ECL') associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Foundation recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:
- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

Presentation of allowance for credit losses in the Statement of Financial Position:

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the financial assets;
- Debt instruments measured at fair value through other comprehensive income: no allowance is recognized in the Balance Sheet because the carrying value of these assets is their fair value. However, the allowance determined is presented in the accumulated other comprehensive income;
- Off-balance sheet credit risks including undisbursed loan commitments and financial guarantees: as a provision.

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

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

2.8 Investment properties
Investment properties are properties which are held to earn rental income, which are not classified as 'tangible fixed assets in exploitation' or for capital appreciation, or for both. Investment properties are stated at cost less accumulated depreciation.
The fair value is disclosed in the disclosure note of investment property based on recent appraisal reports.

The estimated useful lives range between 15 to 50 years from the date of their purchase. Land is not depreciated. Useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

2.9 Tangible fixed assets
Tangible fixed assets in exploitation consist of community center facilities, rental property, property available for sale, projects in progress and land. Tangible fixed assets for own use consist of the office building, furniture and equipment, computer equipment and vehicles.

Tangible fixed assets are stated at historical cost less depreciation.
Projects in progress is stated at historical cost and are not depreciated during the period of construction. Land is stated at cost and is not depreciated. Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

• Community centers:	10 - 50
• Rental property in exploitation:	5 - 50 years
• Office building and improvements:	3 - 40 years
• Furniture equipment:	2 - 10 years
• Computer equipment:	3 years
• Vehicles:	5 years

Useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. 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.

2.10 Leases

FCCA as a lessee
For any new contracts entered into on or after January 1, 2019, FCCA considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition FCCA assesses whether the contract meets three key evaluations which are whether:
- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to FCCA
- FCCA has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- FCCA has the right to direct the use of the identified asset throughout the period of use. FCCA assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee
At lease commencement date, FCCA recognizes a right-of-use asset and a lease liability on the Statement of Financial Position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by FCCA, 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).

FCCA depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. FCCA also assesses the right-of-use asset for impairment when such indicators exist.
At the commencement date, FCCA measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or FCCA's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

FCCA has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

2.11 Financial Liabilities

(i) Classification, Recognition and Subsequent Measurement

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

A financial liability may be designated as at fair value through profit or loss only when:
It eliminates or significantly reduces a measurement or recognition inconsistency (an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different basis; or

A group of financial assets, financial liabilities or both is managed, and its performance is evaluated on a fair value basis in accordance with documented risk management or investment strategy; or

A contract contains one or more embedded derivatives that significantly change the cash flows of the contract and the separation of the embedded derivative(s) is not prohibited.

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

(ii) Derecognition

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

2.12 Trade and other payables

These amounts represent liabilities for goods and services provided to the Foundation prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest rate method.

2.13 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest rate method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawn down occurs. To the extent there is no evidence that this is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

2.14 Borrowing costs

General and specific borrowings costs are expensed in the period in which they are incurred.

2.15 Employee benefits

The provision for anniversary allowance is not expected to be settled wholly within 12 months after the end of the reporting year. This provision is therefore measured as the present value of expected future payments for anniversary allowance that is based on the number of years that the employees are in service at the Foundation. Consideration is given to expect future wage and salary levels, experience of employee departures, life expectancy and periods of service. Expected future payments are discounted using a rate of 4.5% per annum. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognized in profit or loss.

2.16 Capital

(i) Capital

FCCA is a foundation, thus there is no issuance of shares or payout of dividends involved. The result of the Foundation's products and services is to the benefit of its products and services to the inhabitants of Aruba. Its capital is effected by this result, included in retained earnings.

(ii) Retained earnings and regulatory loan loss reserve

Other reserves consist of the Foundation's retained earnings and a regulatory loan loss reserve. As a financial institution under prudential supervision of the Centrale Bank van Aruba, the Foundation is, based on the applicable State Ordinance on the Supervision of the Credit System (AB 1998 no.16) and related Supervisory Directives, required to recognize a reserve of at least 3% of the net loan portfolio (gross loans minus allocated provisions) plus other risk items on the asset side of the statement of financial position. This reserve is formed from the retained earnings.

2.17 Revenue recognition

<u>Interest income</u>
The Foundation calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset. When a financial asset becomes credit impaired as set out in Note 2.1 and is therefore regarded as 'Stage 3', the Foundation calculates interest income by applying EIR to the net amortized cost of the financial asset. If the financial assets cure as outlined in Note 2.1 and is no longer credit-impaired, the Foundation reverts to calculating interest income on a gross basis.

<u>Interest expense</u>
Interest expense is recognized in the Statement of Profit or Loss and Other Comprehensive Income for all instruments measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense over the relevant period.

<u>Real estate income</u>
Fee and Commission Income (not in scope of IFRS 9) arises mainly from loan commitments and administration, other financial service-related products (syndication) and fund management.
To determine whether to recognize revenue, the Foundation follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

<u>Other income</u>
Fee and Commission Income (not in scope of IFRS 9) arises mainly from loan commitments and administration, other financial service-related products (syndication) and fund management.
To determine whether to recognize revenue, the Foundation follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue is recognized either at a point in time or over time, when (or as) the Foundation satisfies performance obligations by transferring the promised services to its customers.
The Foundation recognizes contract liabilities for consideration received in respect of unfulfilled performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Foundation satisfies a performance obligation before it receives the consideration, the Foundation recognizes either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Revenue is measured at the fair value of the consideration received or receivable. The Foundation recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Foundation's activities as described below.

(i) Revenues from financing activities
Revenues from financing activities consist of interest income and fees and commission income. Interest income arising from loans is recognized as it accrues, taking into effect the effective interest rates on the loans. Interest income arising from investments is recognized as it accrues, taking into effect the effective yield on the investment. Fees and commission income, including transaction fees and closing fees are recognized as the related services are performed.

(ii) Revenues from real estate activities
Revenues from real estate activities consist of the fee for managing Land Aruba rental property and rental revenues. The fee for managing Land Aruba is based on the actual expenses related to the management and maintenance of the Land Aruba social rental houses and is recognized as the related services are performed. As per the end of December 2016, these rental houses became the property of the Foundation and consequently this revenue-source has come to an end. Rental revenue is arising from the FCCA houses and rental buildings, including the rent subsidy paid by the Government of Aruba for the social tenants. This revenue is recognized on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

2.18 Impairment of financial instruments:

In determining ECL, management is required to exercise judgment in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecast of economic condition.

Expected credit loss (ECL) measurement

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

<u>Significant risk in credit risk at initial recognition</u>
IFRS 9 requires the recognition of 12 month expected credit losses (the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition (stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit impaired (stage 3). The Foundation assesses when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. Exposures are considered to have resulted in a significant increase in credit risk and are moved to stage 2 when:

- Quantitative Test
- Qualitative Test
- Backstop Criteria
- A backstop has been applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days due on its contractual payments

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL as these do not contain a significant financing component. The Foundation considers to have low credit risk for the current asset trade and other receivables. The Foundation has not used the low credit risk exemption for other financial instruments in the year ended December 31, 2021.

<u>Credit Impaired Financial Assets at Stage 3</u>
The Foundation has aligned its definition of credit impaired under IFRS 9 to when a financial asset has defaulted for regulatory purposes according to the Capital Requirements Regulation (CRR). Credit impaired is when the exposure has defaulted which is also anticipated to align to when an exposure is identified as individually impaired under the incurred loss model under IAS 39.

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

<u>Purchased or Originated Credit Impaired Financial Assets in Stage 3</u>
Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis. All subsequent changes in lifetime expected credit losses, whether positive or negative, are recognized in the income statement as a component of the provision for credit losses. (Stage 3).

The Foundation determines appropriate groups of assets when ECL is measured on a collective basis.

<u>Measuring ECL – Basis of Inputs, Assumptions and Estimation Techniques</u>
IFRS 9 does not distinguish between individually significant or not individually significant financial assets. As such, the Foundation calculates expected credit losses for each financial asset individually.

2.19 Expenses

Expenses are recognized in the period in which they are incurred.

2.20 Settlement of receivables and liabilities

Receivables and liabilities are settled and are presented net in the financial statements if a legally enforceable right for settlement exists and if the intention between both parties is to settle receivables and liabilities simultaneously on a net basis.

2.21 Taxes

Due to FCCA's activities it is not subject to profit tax. However as from 2007, FCCA is subject to taxes for certain revenue items due to the introduction of laws on turnover tax (BBO) and, later, health care levy (BAZV) in Aruba. Turnover tax (BBO and BAVP) and health care levy (BAZV) are presented together in the statement of profit or loss, within general expenses.

2.22 Personnel Expenses

Personnel expenses made on behalf of construction projects (assets) or maintenance work carried out at the expense of the tenant are capitalized. Compensation of key management is included in the personnel expenses.

The pension plan between the employees and the insurance company is a defined contribution plan. The accumulated capital at pensionable age is paid out to purchase a pension for the accumulated pension capital.

2.23 General Expenses

These consist of:

- Operating expenses
- Audit, legal and consulting expenses
- Communication expenses
- Transportation expenses
- Collection expenses
- Representation and promotion expenses
- Turnover taxes
- Expenses related to granting of mortgage loans
- Expenses related to real estate activities
- Other general expenses

Compensation of supervisory board members is included in other general expenses.

2.24 Property Expenses

These expenses relate to:

- Expenses for rental property owned by the Foundation
- Expenses for construction projects in progress
- Expenses for investment properties

3. Events after the reporting period

There are no events after December 31, 2021, that would have a significant effect on the financial statements of 2021.

Independent auditor's report

To the Board of Managing Directors
and the Board of Supervisory Directors of
Stichting Fundacion Cas pa Comunidad Arubano
Aruba

Our reference: 130040/A-32672

Our Opinion

The abbreviated financial statements, which comprise the abbreviated statement of financial position as at December 31, 2021, the abbreviated statement of profit or loss and other comprehensive income for the year 2021 and notes to the abbreviated financial statements, are derived from the audited financial statements of Stichting Fundacion Cas pa Comunidad Arubano ('the Foundation') for the year ended December 31, 2021.

In our opinion, the accompanying abbreviated financial statements are consistent, in all material respects, with the audited financial statements of the Foundation, as described in Note 1. "General information".

The Abbreviated Financial Statements

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

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated June 29, 2022. That report also includes:

- An emphasis of matter paragraph that draws attention to note 1.2 of the audited financial statements. Note 1.2 of the audited financial statements includes the Board of Managing Directors' assessment of the impact of the Covid-19 pandemic in 2021 as well of its impact on the future results, cash flows and financial position of the Foundation. As stated in Note 1.2 of the audited financial statements, based on its assessment of the impact of the Coronavirus for the year 2021 and beyond, and taking into account the uncertainties that exist as per the date of issuance of the audited financial statements, the Board of Managing Directors concludes that it does not consider the impact to cast significant doubt upon the Foundation's ability to continue as a going concern.

The Board of Managing Directors' Responsibility for the Abbreviated Financial Statements

The Board of Managing Directors is responsible for the preparation of the abbreviated financial statements in accordance with the basis as described in Note 2 "Summary of significant accounting policies".

Auditor's Responsibility

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

Aruba, June 29, 2022

Grant Thornton Aruba

Original signed by Edsel N. Lopez