GUIDELINES FOR THE PREPARATION OF THE MONTHLY STATEMENT AND APPENDICES

I.1 GENERAL GUIDELINES

1. Sending and addressing of the monthly statement

The monthly statement with its appendices ("statements") should be sent by each credit institution to the CBA without delay at the latest on the 15th of the month following the reporting month. The monthly reports should also be submitted on diskette or by e-mail. The statements should be addressed to:

Centrale Bank van Aruba
Economic Policy Department
J.E. Irausquin Boulevard 8
Oranjestad

in an envelope marked "confidential".

2. Reporting date

Unless specifically requested otherwise, all figures reported must show the position under each heading as at the close of business on the last working day of the month.

3. Treatment of branches, subsidiaries and other investments

a) Branches:
if the reporting credit institution has any branch office, cash office or agency in Aruba, it is required that the assets and liabilities of any such branch, each office or agency be included in the statement. If the reporting credit institution has any foreign branch, it is required to submit both a consolidated statement including that branch's position and a separate statement of the local operations.

b) Subsidiaries:
a credit institution is considered to have a subsidiary if it owns more than 50% of another company's equity capital, directly or indirectly. If such subsidiary is engaged in banklike activities, the reporting credit institution is required to consolidate the assets and liabilities in the statement. In the case of any foreign subsidiary, engaged in banklike activities, the reporting credit institution is required to submit both consolidated figures **and** a separate statement of the local operations. Subsidiaries engaged in non banklike activities should not be consolidated but should be shown under item 8c "other companies".

c) Other investments:
investments in a company's equity of less than 10% should be reported under item 4c or

4d. Those between 10% and 50% should be reported under item 8.

4. Adding of new headings

Adding of new headings to the statement is not allowed. If it is difficult to classify a particular item under a given heading, such item should be included under the heading that is most applicable to it with a brief explanatory note at the bottom of the statement or appendix.

5. No offsetting allowed

No offsetting of debit and credit balances of a similar nature or in the name of one and the same customer is allowed. Debit and credit balances should be reported as they are (i.e., gross). Only, in case the accrued interest on non-performing loans is treated as a balance sheet item, it should be compensated for by the corresponding provision.

6. Explanation in case of important changes

Whenever there has been a significant correction of a figure reported in a previous statement, a (written) explanation should be provided to the Supervision Department. If there has been a large and/or significant change in any item of the monthly statement a written qualitative analysis of these changes should be submitted to the Bank together with the statements.

7. Classification into resident and non-resident

To determine resident/non-resident status of the debtor or creditor, reference should be made to the State Ordinance on Foreign Exchange Transactions. With regard to the classification of claims such as bonds, equity participation, bills of exchange, loans etc, classification should be decided according to the status of the ultimate debtor who is liable to pay or the ultimate source of funds in the case of a company being wound up.

Residents are:
a) natural persons who have their domicile in Aruba and are recorded in its population register, or who actually remain for more than one year from the date of their arrival in Aruba, as soon as that year has elapsed;
b) legal persons, including open and limited partnerships, established in Aruba;
c) branches, sub offices, representative offices and agencies established in Aruba, not covered under b.;
d) government administrative agencies, services and businesses;
e) natural and legal persons designated by the Centrale Bank van Aruba, not covered under a, b, c or d.

Non-residents are:
a) natural and legal persons not falling under the definition of residents;
b) Aruban companies or economic units licensed under Article 19 of the State Ordinance on Foreign Exchange Transactions as non-residents for foreign exchange control purposes;
c) diplomatic and consular offices of foreign powers and international organizations represented physically in Aruba;
d) diplomatic, professional, consular and administrative personnel of foreign nationality attached to the offices referred to under c., their spouses and children residing with them.

As a rule a credit institution has to register its customers as residents if their non-resident status is not proven by legal documents. Copies of any legal documents showing non-resident status should be held by the bank concerned.

8. Valuation of assets and liabilities

Assets and liabilities should normally be stated at book value, in this case to be defined as the cost value, net of accumulated depreciation and amortization. Reserves or other provisions should not be deducted from the asset to which they relate, but be shown under item 14c, unless they are provisions against loans, in which case they should be shown under item 5e.

9. Separate accounting of specific departments

Even if the reporting institution keeps one or more separate accounts for a specific department or departments, any such account should be consolidated in the statement with the accounts of the rest of the institution.

10. Conversion of currencies

All amounts must be reported in Aruban florins. Amounts denominated in currencies other than the Aruban florin should be converted into Aruban florin at the Central Bank's buying rate for that currency on the last working day of the month concerned. If the currency is not among those quoted, the latest available market rate for the currency should be used.

11. Rounding of figures

For the purpose of completing the statement, amounts should be rounded to the nearest thousand florin. The rounding should be effected in such a way that the total assets and liabilities show equal amounts. If there is an amount under AFL 500, it should be rounded to zero; the relevant item should show "0" (zero).

12. Completion of the form

No figure should be entered against any heading where no dotted line appears.

13. Certified monthly statement and appendices

According to section 30 sub. 2 of the SOSCS the monthly statement and appendixes of December should be accompanied by an auditors report and should be submitted to the Bank within 6 months after the end of the fiscal year. For reporting purposes the financial year is the same as the calendar year. The unaudited report of December should be filed within 15 working days.

14. Distinction between deposits money banks (or banks) and other credit institutions

For reporting purposes the following definitions will be used:
Deposit money banks: All credit institutions that accept funds repayable on demand, grant credit and perform other banking services to the public.
Other credit institutions: All other credit institutions.

Other credit institutions are allowed to report on a quarterly instead of a monthly basis and have to fill-out all appendices with the exception of appendices 5, 11, 14, 15 and 16.

I.2 GUIDELINES FOR INDIVIDUAL ITEMS OF THE MS

ASSETS

1. Cash

All local and foreign currency in the form of banknotes and coins physically held by the reporting credit institution. Aruban banknotes and coins should be reported in the resident column. Foreign banknotes and coins held by the deposit money bank, including cash in transit in foreign currency should be reported in the non-resident column.

2. Centrale Bank van Aruba

Balances held with the Central Bank on current account and as time deposits. Interbank lending through intermediation of the Centrale Bank van Aruba should not be included under this item. The Central Bank acts only as an intermediary for interbank lending.

3. Due from deposit money banks

All current accounts, demand balances and time deposits with deposit money banks. Purchased travelers checks and other comparable instruments should be included under 3a. Local deposit money banks are those named in Annex 1 to these Guidelines. This item should also include Interbank loans granted. Balances with deposit money banks abroad should include those with head offices and/or parent banks.

4. Investments

a) Treasury bills
The balance should reflect the nominal or face value of any treasury bills held. Locally issued treasury bills have by definition a maturity not exceeding one year. If any foreign treasury bills is held with a maturity exceeding one year, it should be shown under 4c (“Other marketable securities”). The interest or discount accrued but not yet paid should be included under item 14a ("Accounts payable") until the income is realized (upon the maturity of the treasury bills concerned), when it should be reported under item 15e ("Balance of income and expenditure").

b) Government bonds
The nominal value of the government bonds should be shown, distributed according to their respective time to maturity at the reporting date.

c) Marketable securities
Marketable securities are securities which are traded regularly on an official stock exchange, whether bonds and other fixed interest securities or equities. In the latter case, the holding should be shown under this heading (or under 4d “Non-marketable securities”) only if it does not exceed 10% of the equity of the company concerned. Monetary instruments (including money market accounts) forming part of the investment portfolio should also be classified under this item.

d) Non-marketable securities
Any securities not included under item 4b (“Government bonds”) and 4c. (“Other marketable securities”).

e) Bills of exchange, acceptances and promissory notes
Claims represented by documents of title which have been purchased from customers or others, and which are in principle negotiable. These assets should normally be included at their nominal or face value; the difference vis-a-vis the value as at maturity, i.e. the discount that has not yet been received, should be shown under item 14a ("Accounts payable"). If the claims are not negotiable they should be shown under item 5 ("Loans outstanding").

5. Loans Outstanding

Loans outstanding are advances (except those to subsidiaries, which are reported under 8d “Advances to subsidiaries”), overdrafts and other extensions of credit resulting either from direct negotiations between the reporting credit institution and any customer, or from the purchase of a loan originally made by another lender. Loans should be reported gross. Provisions against potential losses on particular loans should be reported under 5e1 (“Allocated”); general provisions against potential losses should be reported under 5e2 (“Unallocated”).

Loans made in association with other financial institutions, such as syndicated or consortium loans, should be reported on the same basis as other loans initiated by the reporting credit institution. The bank, however, should report only the amount of its own share of the consortium even if it is the "lead bank" in the arrangement. Undisbursed loan funds (unused parts of credit lines) should not be reported under this item; they should appear under item B1 ("Commitments: Undisbursed loan funds").

a) Commercial Loans
These are overdrafts and loans granted for business and commercial purposes (other than to the government), including loans that are secured by real estate. Under 5a4 (“Mortgages”) should be reported loans made for the purchase of buildings or other real estate and/or for the construction of buildings, and secured by the same real estate and/or buildings. Loans to non-residents for such purposes in Aruba are considered to be loans to

non-residents.

b) To individuals

These are loans granted to individuals (natural persons, including societies and foundations). Under 5b1 ("Mortgages") should be reported loans for the purchase of buildings or other real estate for residential use and/or for the construction, repair or modernization of buildings thereon, which are secured wholly or partly by the same real estate. Company and personal credit cards should, in principle, be reported separately. However, if this is not possible, the credit cards outstanding balance should be classified as personal loans and reported under item 5b2 ("Other") as resident currency.

c) To government

These are loans granted on current account or otherwise to the government. This item does not include government securities issued to the public and held by the reporting institution, which should be reported under item 4b ("Government bonds").

d) Unearned income

This represents the interest accrued on loans but not received and applies only to those types of loan where the interest is added in advance to the principal.

e) Provision for loan losses

The amount of income set aside from income from time to time and available for deduction against possible falls in the value of any loan. This balance is decreased by the amount of relative loan recoveries in any period. The allocated and unallocated provisions should be shown separately under item 5e1 and 5e2 respectively.

6. Premises and equipment

The book value of the reporting institution's premises, machinery and equipment (including furniture and fixtures) actually owned by the credit institution and occupied (or to be occupied) by it or its branches. Includes leasehold improvements, the cost of remodeling existing premises, parking lots owned, and real estate acquired for future expansion.

7. Other real estate owned

The book value of any real estate which has been acquired as collateral for any loan and which has subsequently become the institution's property as a result of foreclosure on such loan. Any real estate held by the reporting institution for other purposes then for its own operations should also be reported under this item.

8. Other investments

The bank's investments in subsidiaries which are not banks or banklike institutions should be shown under 8c (“Other companies”); and its holdings of 10% to 50% in other companies should be shown under 8a (“Banks”), 8b (“Banklike institutions”), or 8c (“other companies”) as appropriate. Advances to subsidiaries are shown under 8d.

9. Accounts receivable and prepayments

Under this heading should be reported the amount of commissions, dividends, rent and other interest or income earned or accrued, but not yet received (other than income accrued in respect of items 4a (“Treasury bills”), 4e (“Bills of exchange, acceptances and promissory notes”) and 5d (“Unearned income”). Also to be included are other amounts receivable from the sale of assets, amounts due from shareholders on subscription of shares to be issued in the reporting bank, and cash outlays for goods and services which will be reimbursed, or the benefits of which will be realized, in the future.

LIABILITIES

10. Demand deposits

Deposits which are withdrawable on demand by the respective customers. These may be in the form of checking accounts, certified checks, letters of credit issued for cash, and similar accounts or instruments. Time deposits which have matured and have not been renewed should also be included. Demand deposits of nonfinancial public enterprises (see annex 2 of these Guidelines) should be reported under the private sector, item 10a.

11. Time deposits

Time deposits should be allocated according to their original maturity. These deposits may take the form of accounts in respect of which there is in force a written contract with the depositor that (possibly except under penalty) neither the whole nor any part of such deposit may be withdrawn before the date of maturity. Time deposits of non financial public enterprises (see annex 2 of these guidelines) should be reported under the private sector, item 11a.
Time deposits may take the form of certificates of deposit, whether negotiable or non-negotiable.

12. Savings deposits

These are deposits without specific maturity and meeting the following requirements:

(1) they may only be placed in the name and for the account of natural persons (not partnerships), societies and foundations;

(2) only limited withdrawals from savings account may be made through the use of checks (otherwise withdrawals must be made in cash or by transfer to the holder's current account).

Savings deposits may be evidenced by a passbook, written agreement, or receipt which may take the form of a savings certificate. Withdrawals in excess of a specified amount may be subject to a period of notice. Savings accounts should not be used for direct payments. In the case that these accounts are used for payments, they should be reported as current (demand) deposits in the monthly statement and not as savings accounts.

Other deposits should be classified under items 10 or 11.

13. Borrowings

These are amounts borrowed by the credit institution in its own name whether secured or unsecured or represented by its own debt instruments.

b) Due from deposit money banks
Overdrawn "due from" bank accounts should be included. The borrowing bank should report the interbank lending under this item.

c) Bonds, etc.
Liabilities in respect of the bank's own promissory notes or bonds, but excluding its own certificates of deposit.

14. Other liabilities

a) Accounts payable
Obligations due and payable which have originated in the usual course of business, such as interest on own bonds, unpaid cheques, foreign exchange tax charged to customers.

b) Taxes payable
Amount accrued and set aside to meet taxes payable to the government.

c) Other
Includes provisions other than those against loan losses.

15. Shareholders' equity:

All items pertaining to this item should be reported under the resident column.

a) Paid-in capital
The amounts paid in by shareholders to acquire shares and represented by preferred stock, with cumulative or non-cumulative dividends, or by common stock.

b) Statutory and general reserves
Statutory reserves are created either in accordance with the bank's statutes or by shareholders' decision. Both reserves are created out of net profits after tax.

c) Retained earnings
The total amount of accumulated undistributed net profits from prior periods.

The amounts reported under item 15a, b and c are considered Tier 1 Capital elements.

d) Revaluation reserves
Any difference between book value and the amount resulting from revaluation must be reflected in this item. Adjustments to the carrying value of the assets should, therefore, result in an increase or decrease of this reserve.

e) Balance of income and expenditure
The balance of net income/expenditure in respect of the current financial year as at the reporting date.

The amounts reported under item 15d) and 15e) are considered as Tier 2 Capital elements.

16. Subordinated debt

Liabilities subordinated to the claims of other creditors on the assets of the bank. Since such liabilities mature at a stipulated future date and are issued for a fixed amount, they are regarded as providing virtually as much protection to depositors as does the bank's capital. However, it is important to note that they do not constitute owners' equity. Any subordinated debt agreement should be co-signed by the Central Bank of Aruba. Subordinated debt is a Tier 2 element.

OFF-BALANCE SHEET ITEMS

These consist of a bank's commitments, contingent liabilities and other items that, because the asset or liability in question is not certain, are not treated as a part of its balance sheet. For supervisory purposes a framework which distinguishes four different categories of off-balance sheet activity is given:

A. Guarantees and similar contingent liabilities

1. Letters of credit
The amount outstanding and unused of issued or confirmed commercial letters of credit. If such a letter is sold for cash, the bank has already received funds from its customer. In this case the letter of credit is not to be reported as an outstanding letter of credit but as a demand deposit.

2. Guarantees issued
The amount of outstanding and unused commitments in respect of which the reporting bank has undertaken to fulfill the obligations of a third party should the latter fail to do so.

3. Other
Although they may not be applicable in Aruba at present, some other off balance-sheet items of this category could be reported here, such as transactions with recourse, asset sale and repurchase agreements, warranties, indemnities and performance bonds.

B. Commitments

1. Undisbursed loan funds
The unused portions of credit lines that obligate the reporting bank to extend credit in the form of a loan or overdraft up to a certain amount ('limit'), or of participations in loans for which the bank has charged a commitment fee or otherwise has a legally binding commitment. In the case of commitments for syndicated loans or participated loans, only the bank's proportionate share of the commitment should be reported.

2. Other
Possible other exposures such as standby facilities, and partly paid shares and securities, etc.

C. Uncalled capital

Any part of the reporting bank's capital that has been authorized but has not yet been paid in.

D. Other

Any other possible exposure of the reporting bank that is not included in the balance sheet. This item may include:
- foreign exchange, interest rate and stock related transactions (swaps, forward transactions, futures, options)
- advisory, management and underwriting functions (agency functions, securities underwriting, barter trade, safe keeping of securities).

I.3 GUIDELINES FOR THE PREPARATION OF THE APPENDICES ATTACHED TO THE MONTHLY STATEMENT

APPENDIX 1

Claims and Liabilities with Other Banks and Financial Institutions

All claims and liabilities of the reporting credit institution with other banks and financial institutions are shown on a gross basis, in reference to items 3, 10c, 11c and 13 of the Monthly Statement.

The first schedule is designed for the reporting of claims and liabilities with other Aruban banks (item 3, 10c and 11c).
On the second schedule, the names and the outstanding claims of and liabilities to non-resident banks and financial institutions should be reported (item 3, 10c and 11c).
On the third schedule, the names and balances of resident banks and financial institutions should be reported if there is a borrowing by your bank in its own name (item 13).
On the fourth schedule, the names and balances of non-residents banks and financial institutions should be reported if there is a borrowing by your institution in its own name (item 13).

APPENDIX 2

Breakdown of Loans Granted by Collateral Type

Any loan granted should be reported on a gross basis. The first 4 columns are reserved for loans which are secured by a written guarantee of the government (1), a loan guaranteed by others (2), marketable securities (3), and mortgages (4). Under column (4) also mortgage-backed loans should be reported. Loans that are secured by **pledged** cash collateral, such as time deposits, should be reported under marketable securities.

Loans that are partly secured by cash collateral or mortgages should be reported under their respective columns up to the value of the security. Any remaining amount should be reported under column (5).
In column (5) only unsecured loans should be reported. Column (6) shows the total of the columns (1) through (5).

The totals of the rows 1, the sum of 2a + 2b + 2c and 3 should tie in with the respective items 5a, 5b and 5c of the Monthly Statement, as far as the resident sector is concerned. The totals of the rows 5, the sum of 6a + 6b and 7 should tie in with the respective items 5a, 5b and 5c of the Monthly Statement non-resident sector.

Row 9 column (6) should tie in with item "Total loans (gross)" of the Monthly Statement.

APPENDIX 3

Large Loans

Any loan or combination of loans or lines of credit granted to one single customer or group of connected clients in excess of 15% of the credit institution's test capital (see Appendix 7) is considered a large loan and should be reported. All individual facilities pertaining to the group of the related customer should be disclosed on this appendix.

It is required that the client's name be stated (column 1), the amount(s) of the credit limit(s) (column 2), the outstanding balance(s) (column 3), and the credit balance(s) (column 4) of the same client if appropriate, and the net balance(s) (column 5).

Guarantees and all other bank commitments to a client are considered as an enhancement of the client's credit exposure and should be reported as an element of the total credit limit (column 2) and of the outstanding balance (column 3).

The total outstanding amount of the client's credit exposure may be netted off with the credit balances of the same client, provided that these are reported individually in column (4) and should be reported in column (5).

In column 6, the total credit exposure of one single customer or related group should be reported. The total credit exposure is calculated by adding up the largest of the amounts (per facility) reported under column (2) and (3). If the total credit exposure is 25% or more of the test capital, a letter code "A" should be assigned to this exposure.

APPENDIX 4

Interest Rates Loans and Deposits

Appendix 4A

Interest Rates Report: Loans

This report is intended to collect information on the interest rate charged on all resident loans (including staff loans) negotiated during the month under review only. Banks are asked to insert the total amount/number of **new** resident loans booked within the annual percentage rate (APR) ranges shown. The highest and lowest rate offered are to be reported for each loan category in the spaces provided. Loan values are to be reported to the nearest AFL 1,000.

Appendix 4B

Interest Rates Report: Deposits

This report is intended to collect information on the interest rate paid on all resident deposits during the month under review only. Banks are asked to insert the total amount/number of **new** deposits booked within the nominal rate ranges shown. The highest and lowest rate granted are to be reported for each deposit category in the spaces provided. Deposit values are to be reported to the nearest AFL 1,000. Be advised that all rollovers for the month should be reported as new deposits.

APPENDIX 5

Savings of Residents and Non-residents

This appendix is used for monetary purposes and illustrates the cycle of the savings deposits, whether or not evidenced by a passbook, written agreement or certificate.

APPENDIX 6

Maturity Spread

The maturity spread of due from and due to accounts serves as a tool to monitor the reporting bank's liquid position in a time horizon perspective. The amounts reported are a reflection of the accounts receivable (part I) and payable (II), based on their remaining maturity.

The totals of part I and II are subtracted, which should result in a surplus or deficit position for any specific time period as well as in a cumulative position.

This appendix should be submitted on a quarterly basis together with the statements of March, June, September and December.

APPENDIX 7

Risk Weighted Solvency Test

Introduction
This appendix is used as a measure to assess the credit institution's capital adequacy against its weighted risk value and should be filled in on a consolidated basis. The risk value of a specific Monthly Statement item is determined by multiplying this item by a certain risk weight. These weights are designed to address the credit risks embodied in the various types of assets. The range of the risk weights used in this solvency test are: 0% - 20% - 50% - 100%.

Subtotal Risk Value Balance Sheet Items
The more a type of asset is perceived to have a higher credit risk element, the higher the assigned risk weight and, consequently, the higher the required capital amount must be to cover this credit risk. A risk weight of 0% means that no credit risk is considered in this type of asset, and which, consequently, is not represented in the bank's risk value. On the other hand, a 100% risk weight means that the entire amount of this balance sheet item is represented in the bank's risk value. By adding the risk values of the individual balance sheet items after their multiplication with the risk weight, the subtotal risk value for the bank's balance sheet items will result. This calculation is done on page 1 under the heading "Subtotal Risk Value Balance Sheet Items".

Total Risk Value Off-balance Sheet Items
The risk value of the off-balance sheet activities on page 2 of the solvency test is determined in two steps. First, these activities are being converted into balance sheet equivalents by multiplication with the conversion factor. Subsequently, they are subject to the risk weight factors in a similar way as described above for the balance sheet items. The total risk value of the off-balance sheet items is reported on page 2 of the solvency test.

Test Capital
Page 3 shows the calculation of the "Test Capital" which is divided into two components: Tier 1 or Core Capital and Tier 2 or Supplementary Capital.
Tier 1 Capital (page 3) is derived from the summation of the monthly statement items 15.a. (other than cumulative preferent share capital), 15.b. and 15.c. From this total, two items must be subtracted: Goodwill and Other Intangible Assets, and Equity Investments in Subsidiaries. The result is the "Total Tier 1 Capital".
Tier 2 Capital (page 3) is derived from the summation of the monthly statement items 15.a. (insofar if concerns cumulative preferent share capital), 15.d., 15.e., 5.e.2. and 16. However, there are limitations and restrictions for the items:

a. "Subordinated Debt" (item 16.) in Tier 2 Capital;
b. "Tier 2 Capital" as a constituent in the Test Capital.

a. Subordinated Debt

The Subordinated Debt to be included in the Tier 2 Capital is subject to three restrictions. First, the Subordinated Debt has to be translated in the maturity table in the second chart on page 3: the time to maturity of the subordinated debt determines what part of it can be allowed for inclusion into Tier 2 Capital. This is done in the table by multiplying the several layers of the debt, in accordance with their maturity, by the corresponding percentage to arrive at the Total Amount Eligible as Capital. The "Total Amount Eligible as Capital" goes under the heading "Subordinated Debt".
The second restriction imposed for the inclusion of the Subordinated Debt Tier 2 Capital is: that the "Total Amount Eligible as Capital" cannot exceed 50% of Total Tier 1 capital. The amount over 50% will be subtracted from Tier 2 Capital.
The third restriction for the inclusion of the Subordinated Debt into Tier 2 Capital is derived from that part of the debt which is financed by borrowings of the same bank.

Furthermore, subordinated debt has to meet the following requirements[1]:

1) The subordinated debt is concluded by an agreement between the credit institution, the creditor in respect of the subordinated claim (the creditor) and the Centrale Bank van Aruba (CBA), which agreement is signed by these three parties.

2) In the agreement at least the following passages are included:

a) The agreement has been concluded in the context of the supervision exercised by CBA in the interests of the solvency and liquidity of the institution concerned within the meaning of the State Ordinance on the Supervision of Credit Institutions.
b) The agreement relates to a claim with an original term of at least five years.
If the term of the claim is indefinite, a period of notice of five years must be agreed.
c) The creditor subordinates the claim on the institution concerned, i.e., the repayment of the principal of [...amount...] and the accrued interest, to all other current and future claims on the institution concerned, with the proviso that in the event of bankruptcy, moratorium, liquidation of the institution concerned or in other statutory events of concurrence of creditors, the creditor's claim is not eligible for setting-off and that it is only due and eligible for setting-off after the then existing preferential and ordinary creditors of the institution have been paid in full or after an arrangement or composition has been arrived at with them under which they have given full discharge against receipt of (part of) their claims.
d) The institution concerned undertakes not to pay or settle the subordinated claim and the creditor, undertakes not to accept any such payment or settlement, until CBA has approved the termination of the subordination in writing.
e) CBA is not obliged to give its approval as mentioned under d), unless capital to replace the subordinated claim is contributed to the institution concerned or unless the solvency of the institution concerned, calculated in accordance with the directives of CBA, is still adequate after termination of the subordination.

[1] In case of a public issue of subordinated bonds with a clear prospectus it is permitted, subject to prior consent of CBA, to depart from these conditions.

f) The creditor authorizes CBA irrevocably to make the agreement public in the event of bankruptcy, moratorium, liquidation of the institution concerned or in other statutory events of concurrence of creditors.

b. Tier 2 Capital

The next subtraction from the Tier 2 Capital component is derived from the Investments in Debt Capital of Subsidiaries.

The total of the Tier 2 Capital items minus the subtractions result in the "Subtotal Tier 2 Capital". Since Tier 2 Capital cannot exceed Tier 1 Capital, an eventual excess must be subtracted to derive at the "Tier 2 Capital".

Deductions from the Subtotal Risk Value Balance Sheet Items

The total of the deductions from the Subtotal Risk Value balance Sheet Items result in Total Risk Value Balance Sheet Items (I).

Capital Ratio

The Allowed Capital is the sum of the Tier 1 Capital and the Tier 2 Capital, which is the numerator. The Total Risk Value is formed by adding up Total Risk Value Balance Sheet Items (I) and Total Risk Value Off-Balance Sheet Items (II), which is the denominator. The Allowed Ratio is the quotient of the Allowed Capital and the Total Risk Value, times one hundred percent. This ratio will continue to be used as the main indicator of the bank's capital adequacy.

Formula:

$$\frac{\text{Tier I Capital + Tier II Capital}}{\text{Total Risk Value I + Total Risk Value II}} \times 100\%$$

$$= \frac{\text{Test Capital}}{\text{Total Risk Value I+II}} \times 100\%$$

$$= \text{Capital Ratio}$$

APPENDIX 8

Liquidity Testing Sheet

The liquidity testing sheet is designed to assess the liquidity in the resident and non-resident sector separately. A specific liquidity charge is attached to the eligible balance sheet and off-balance sheet items. Multiplication of the amounts subject to requirements with the liquidity charge results in the required amount of liquidity. The required liquidity amount for saving deposits is derived by multiplying the 12 month moving average of the credit institution's withdrawals by the factor 1.5.

An extra liquidity requirement for large individual items will be calculated additionally on the last page. This extra requirement is exclusively attached to items 6, 7, 10, 11 and 12 of the liquidity testing sheet. One or more individual accounts are subject to this extra liquidity requirement if it is (they are) larger than 1% of the bank's total liabilities (calculated as item 10-14 on the monthly statement).
The number of accounts should be stated and the total amount of the credit(s) in the respective column. The total of each column should be multiplied with the required percent-age to find the required amount. Aggregation of the column's totals will result in the overall amount of the extra liquidity requirement, which goes in line 13 of the liquidity testing sheet, to derive the total amount of required liquidity (line 14).

Total available amount of liquidity will be derived by aggregating the amounts of the respective items of the monthly statement, listed on the testing sheet. A specific liquidity charge is attached to bonds and other marketable securities for the calculation of the available liquidity. Bonds with a remaining maturity of one year or less will be considered for 100% as liquid funds and bonds with a remaining maturity more than one year will be included for 70% in the calculation of total of liquid funds (refer to appendix 6 for the remaining maturity spread). Other marketable securities will be included for 50%.
Total required amount minus actual total amount of liquidity will result in a surplus or deficit position.

Judgement of the Bank's Liquidity Position.
When assessing the credit institution's liquidity position, the surplus or deficit both in the resident and non-resident sector come into play.

The possibilities to transfer liquid assets from one sector to the other will also be taken into account. To what amount this compensation is possible depends on the following items:

- net foreign assets: total foreign assets (florin + currency) minus total foreign liabilities (florin + currency).
- foreign working balance: total foreign assets in currency minus total foreign liabilities in currency.
- the maximum of permitted foreign working balance (maximum B-9 position).

Resulting from the liquidity testing sheet with the resident and non-resident sectors, 4 combinations are possible.

	RESIDENT	**NON-RESIDENT**
situation 1	surplus	surplus
situation 2	deficit	deficit
situation 3	surplus	deficit
situation 4	deficit	surplus

Situation 1.
Represents the desirable position of the bank from a liquidity point of view.

Situation 2.
Represents an absolute liquidity deficit of the bank. This situation should be addressed immediately.

Situation 3.
The institution is faced with a non-resident deficit liquidity position. Compensation through a fictitious transfer from the resident liquidity surplus is possible provided the foreign working balance has not yet reached its maximum. The amount that could be compensated depends on:
- the extent of the domestic surplus, and
- the difference between the actual and the maximum foreign working balance.

Situation 4.
The institution faces a resident deficit liquidity position. Compensation through a fictitious transfer from the non-resident surplus is possible provided the net foreign assets are positive. The amount that could be compensated is limited by:
- the extent of the non-resident liquidity surplus, and
- the extent of the net foreign assets.

However, an institution's deficit in the resident sector, even if this could be compensated by a non-resident surplus, may not exceed 50% of its total amount of required liquidity, (line 14 on the liquidity testing sheet).

APPENDIX 9

Breakdown Into Sectors of Items 5a, 10a, 11a, 13c-d

This appendix is used for monetary reasons and is limited to the resident sector only. This sheet gives a breakdown of loans, deposits and borrowings into the holders of these financial instruments. The column 'unknown' should be used in cases where originally issued paper could be traded on the secondary markets. The ultimate holder is not necessarily known to the reporting bank (CD's and bonds).

For a listing of the (non financial) public enterprises and the banklike and nonbank financial institutions, please refer to Annex 2, 3 and 4.

APPENDIX 10

Income and Expenditure Statement

The credit institution should report its income and expenditures for the corresponding quarters of the calendar year. This appendix should be reported together with the statements of March, June, September and December.

APPENDIX 11

Loans distributed by Economic Sector

This appendix, which is intended to collect information on a credit institution's concentration of credit risk exposure to certain resident economic sectors, should be submitted on a quarterly basis together with the statements of March, June, September and December.

The commercial loans in the resident sector are divided in three categories: current accounts, term loans and mortgages. The totals of each category should tie in with the respective items 5a1, 5a2, 5a3, and 5a4 of the Monthly Statement.

Loans to government and to individuals should also be broken down into the above-mentioned three categories, if applicable. Totals should tie in with the respective amounts as reported on the Monthly Statement (gross).

APPENDIX 12

Non-performing loans

This appendix is used for asset quality review and should be submitted on a quarterly basis together with the statements of March, June, September and December.

In general, loans with a past due status > 90 days on the payment of interest or principal are considered to be non-performing. In this appendix the non-performing loans are divided into the following categories:

1. loans with a past due status between 91-180 days
2. loans with a past due status between 181 days and one year
3. loans with a past due status of more than one year

APPENDIX 13

Allocated Loan Loss Provision

This report is intended to collect information on borrowers for whom specific provisions have been made. This appendix should be submitted on a quarterly basis together with the statements of March, June, September and December.

The loans should be categorized into the following 3 classes:

Substandard (SS)
Full repayment is in doubt due to inadequate protection (e.g. obligor net worth or collateral), and/or interest or principal or both are more than 90 days over due. These loans show underlying, well-defined weaknesses that could lead to probable loss if not corrected and, thus, may become impaired assets.

Doubtful (D)
Assets for which collection/ liquidation in full is determined by bank management to be improbable due to current conditions, and/ or interest or principal or both are overdue more than 180 days. Assets in this category are considered impaired, but are not yet considered total losses, because some pending factors may improve the asset's quality (via new financing or capital injection).

Loss (L)
An asset is downgraded to loss when management considers the facility to be virtually uncollectible, and/ or when interest or principal or both are overdue more than one year.

APPENDIX 14

Country Risk Exposure

This report is intended to collect information on the credit institution's country risk exposure. It should be submitted once a year together with the statement of December.

Any loan, investment and/or off-balance sheet item to a foreign country is considered a country risk exposure and should be disclosed in this appendix. The net country risk exposure (column 5) is calculated by deducting/excluding the following items (column 4):

- provisions for loan losses;
- net positions covered by guarantees and other securities, if both political and transfer risk are adequately covered;
- assets covered by credit insurance;
- back to back positions;
- trade financing exposures with a maturity:
  a. ≤ 1 year, if payment history of the debtor-country is normal;
  b. ≤ 3 years, provided that stable conditions existed in the debtor-country for the past ten years.

APPENDIX 15

Interest Rate Risk Exposure

This report is intended to collect information on the credit institution's interest rate risk exposure, ensuing from repricing risk, which constitutes the primary source of interest rate risk in Aruba. It should be submitted once a year together with the statement of December.

Repricing risk is the risk that arises from timing differences in the maturity (for fixed rate) and repricing (for floating rate) of assets, liabilities and off-balance sheet items (OBS) of the credit institutions. In this report the gap analysis is used to measure the exposure that stems from repricing risks.

In the report all assets, liabilities and off-balance sheet items are classified according to their remaining interest rate term, i.e., the period until the time when the interest paid or received can be adjusted, or the contract expires.

The interest sensitivity gap is calculated by subtracting the liabilities (including the OBS items) from the assets (including the OBS-items) in the different time intervals.

Refer also to the Bank's policy paper on Interest Rate Risk Management (IV.5).

APPENDIX 16

Foreign Exchange Risk Exposure

This report is intended to collect information on the credit institution's foreign exchange risk exposure. It should be submitted once a year together with the statement of December.

Foreign exchange risk is the risk that a credit institution may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position, either spot or forward, or a combination of the two, in a certain foreign currency.

In this report all assets, liabilities and off-balance sheet items should be classified into the following currency categories:

- Aruban florins;
- US dollars;
- Euro;
- All other foreign currencies.

The net balance sheet position is calculated by subtracting the liabilities (including the off-balance sheet (OBS) items) from the assets (including the OBS-items) in the various currency classifications.

ANNEX 1

Domestic sectors distinguished in the reporting forms

Centrale Bank van Aruba

Commercial banks
- Aruba Bank N.V.
- Banco di Caribe N.V., Aruba Branch
- Caribbean Mercantile Bank N.V.
- Interbank Aruba N.V.
- RBTT Bank Aruba N.V.

Government (only government accounts at the banking system)

Private sector
- Private enterprises (businesses)
- Nonfinancial public enterprises (annex 2)
- Banklike financial institutions (annex 3)
- Nonbank financial institutions (annex 4)
- Individuals

ANNEX 2

List of nonfinancial public enterprises[2]

Algemene Ziektekostenverzekering (AZV)
Aruba Airport Authorities N.V.
Aruba Freezone N.V.
Aruba Ports Authorities N.V.
Arubus N.V.
Aruminco N.V.
Aruven N.V.
Directie der Posterijen Aruba
Elmar Aruba N.V.
Fondo Desaroyo Aruba
Fundashon Lotto pa Deporte
Kamer van Koophandel en Nijverheid
Ports of Aruba Holding N.V.
Servicio di Telecomunicacion Aruba (SETAR)
Sociaal Economische Raad (SER)
Tele Aruba N.V.
Universiteit van Aruba
Utilities Aruba N.V.
Water- en Energiebedrijf Aruba (WEB) N.V.

[2] Nonfinancial public enterprises are separated from the general government sector because they are engaged in activities different in nature from government and encounter production, cost, and financing problems involving nongovernmental considerations. …. The criteria distinguishing nonfinancial public enterprises from departmental enterprises inside government, therefore, are corporate character or sale to the public on a large scale. The question of whether prices or charges are set profitably or below the full costs of production are not taken into consideration. Public enterprises are assumed to maintain their own working balances and business credit and to finance their capital formation out of retained profits, depreciation reserves, or borrowings, with some independence from the parent public authorities.
(A Manual on Government Finance Statistics, International Monetary Fund, 1986)

ANNEX 3

List of other banklike financial institutions

Aruban Investment Bank N.V.
Banco Nacional de Hipotecas N.V.
Caribbean Mercantile Credit Corporation N.V.
Coöperatieve Spaar- en Kredietvereniging Douane Aruba
Cooperativa di Ahorro y Prestamo Aruba
Fundashon Cas pa Comunidad Aruba (FCCA)
H.J. Ruiz N.V.
Island Finance Aruba N.V.
OHRA Hypotheekbank N.V.
Volkskredietbank van Aruba

ANNEX 4

List of nonbank financial institutions

Life insurance companies

American Bankers Life Assurance Company of Florida Limited, Agency
American Life Insurance Company, Aruba Branch
British-American Insurance Company Ltd., Aruba Branch
Capital Life Insurance Company Ltd., Aruba Branch
Ennia Caribe Leven N.V., Aruba Branch
First Aruban Life Insurance Company N.V., Aruba Branch
Guardian Life of the Caribbean Ltd., Aruba Branch
Fatum Life N.V., Aruba Branch
The National Life Assurance Company of Canada, Agency

Captive life insurance Companies

Bancarib Real Insurance Aruba N.V.
MCB Risk Insurance Aruba N.V.

Non-life (general) insurance companies

Amedex Worldwide Insurance Services, Agency
American Home Assurance Company Ltd., Agency
Elvia Reisverzekeringen Maatschappij, Agency
ENNIA Caribe Schade N.V., Aruba Branch
Hannover International Insurance (nederland) N.V., Agency
Fatum General Insurance N.V., Aruba Branch
International Health Insurance Denmark, Agency
Island Heritage Insurance Co. N.V., Agency
Netherlands Antilles & Aruba Assurance Co. N.V., Agency
Royal & Sun Alliance (Antilles) N.V., Aruba Branch
The New India Assurance Co. Ltd., Agency
United Insurance Company Ltd., Agency

Pension Funds

Algemeen Pensioenfonds van Aruba (APFA)
Lago Annuity Foundation
Stichting Bedrijfspensioenfonds Aruba
Stichting Fondo di Penshun pa Trahadornan di Empresanan y Fundacionnan Publico
Stichting Pensioenfonds Caribbean Mercantile Bank
Stichting Pensioenfonds Havenwerkers Aruba
Stichting Pensioenfonds Martijn Trading Company N.V.
Stichting Pensioenfonds META Bedrijven Aruba
Stichting Pensioenfonds N.V. Aruba Bank
Stichting Pensioenfonds RBTT Bank Aruba I
Stichting Pensioenfonds RBTT Bank Aruba II
Stichting Pensioenfonds Tourist Sector Aruba

Other nonbank financial institutions

Sociale Verzekeringsbank (SVB)