Caribbean Mercantile Bank N.V. and its subsidiaries

Aruba

Consolidated financial statements 2024

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1. Independent Auditor’s Report

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INDEPENDENT AUDITOR'S REPORT

To the Management Board and the Supervisory Board of Caribbean Mercantile Bank N.V.

Report on the audit of the consolidated financial statements

Opinion

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

- Consolidated statement of financial position as at 31 December 2024
- Consolidated statement of comprehensive income for the year ended 31 December 2024
- Consolidated statement of changes in equity for the year ended 31 December 2024
- Consolidated statement of cash flows for the year ended 31 December 2024
- Notes to the consolidated financial statements, including material accounting policy information

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and the Audit Committee for the consolidated financial statements

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

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

The Audit Committee is responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

Oranjestad, 24 March 2025
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for Ernst & Young Accountants

(Sgd.) drs. R.J.W. van Nimwegen RA

2. Consolidated Financial Statements

2.1 Consolidated statement of financial position as at December 31, 2024

(All amounts are expressed in thousands of Aruban Florins)

	Notes	2024	2023
		Afl	Afl
Assets			
Cash and due from banks	2.5.5	1,056,996	989,790
Due from subsidiaries and affiliates	2.5.6	44,062	40,667
Investment securities	2.5.7	2,921	29,793
Loans and advances to customers	2.5.8	1,411,664	1,237,837
Other assets	2.5.9	3,260	3,175
Bank premises, equipment and right-of-use-assets	2.5.10	32,232	31,695
Deferred tax assets	2.5.11	5,424	5,072
Total assets		2,556,559	2,338,029
Liabilities			
Customers' deposits	2.5.12	1,960,333	1,765,281
Due to parent and affiliates	2.5.6	41,103	64,767
Current tax liabilities		8,604	8,051
Lease liabilities	2.5.13	3,377	2,850
Other liabilities	2.5.14	19,681	18,257
Provision post-retirement medical benefits	2.5.15	1,320	1,378
Provision anniversary bonus	2.5.16	1,895	1,748
Provision expected credit loss contingent liabilities	2.5.27	91	66
Deferred tax liabilities	2.5.17	61	77
Total liabilities		2,036,465	1,862,475
Equity			
Share capital	2.5.18	4,000	4,000
Retained earnings	2.3	448,585	407,299
Other reserves	2.5.19	67,509	64,255
Total equity		520,094	475,554
Total liabilities and equity		2,556,559	2,338,029

2.2 Consolidated statement of comprehensive income for the year ended December 31, 2024

(All amounts are expressed in thousands of Aruban Florins)

	Notes	2024	2023
		Afl	Afl
Interest income	2.5.20	98,591	88,367
Interest expense	2.5.21	7,787	3,309
Net interest income		90,804	85,058
Fee and commission income	2.5.22	91,631	79,503
Fee and commission expenses	2.5.23	60,930	50,643
Net fee and commission income		30,701	28,860
Net income from foreign exchange transactions		19,096	17,181
Total operating income		140,601	131,099
Salaries and employee benefits		40,231	38,045
Other operating expenses	2.5.24	43,299	36,693
Operating expenses		83,530	74,738
Credit income on financial assets and contingent liabilities expenses / (income)	2.5.25	95	1,120
Profit before tax		56,976	55,241
Tax expense	2.5.26	12,420	12,087
Profit for the year		44,556	43,154
Other comprehensive income, net of tax			
Actuarial result Post-Retirement Medical Benefits	2.5.15	(16)	127
Total comprehensive income, net of tax		44,540	43,281

2.3 Consolidated statement of changes in equity for the year ended December 31, 2024

(All amounts are expressed in thousands of Aruban Florins)

	Share capital	Retained earnings	Other reserves	Total
	Afl	Afl	Afl	Afl
2024				
Balance as at January 1, 2024	4,000	407,299	64,255	475,554
Total comprehensive income for the year				
Profit for the year	-	44,556	-	44,556
Other comprehensive income, net of tax				
Actuarial result PRMB	-	(16)	-	(16)
Total comprehensive income	-	44,540	-	44,540
Transactions with owner, recognized directly in equity				
Dividends	-	-	-	-
Total transactions with owner	-	-	-	-
Other movements	-	(3,254)	3,254	-
Balance as at December 31, 2024	4,000	448,585	67,509	520,094

	Share capital	Retained earnings	Other reserves	Total equity
	Afl	Afl	Afl	Afl
2023				
Balance as at January 1, 2023	4,000	475,543	60,386	539,929
Total comprehensive income for the year				
Profit for the year	-	43,154	-	43,154
Other comprehensive income, net of tax				
Actuarial result PRMB	-	127	-	127
Total comprehensive income	-	43,281	-	43,281
Transactions with owner, recognized directly in equity				
Dividends	-	(107,656)	-	(107,656)
Total transactions with owner	-	(107,656)	-	(107,656)
Other movements	-	(3,869)	3,869	-
Balance as at December 31, 2023	4,000	407,299	64,255	475,554

2.4 Consolidated statement of cash flows for the year ended December 31, 2024

(All amounts are expressed in thousands of Aruban Florins)

	2024	2023
	Afl	Afl
Cash flows from operating activities		
Profit before tax	56,976	55,241
Adjustments for :		
Depreciation and amortization	4,890	5,677
Credit income on financial assets and contingent liabilities	95	1,120
Amortization investment securities	-	(211)
Change in provision PRMB	(74)	(92)
Change in provisions anniversary bonus (net)	147	134
Change in lease liabilities	527	(681)
Change in deferred tax assets	(352)	(162)
Change in deferred tax liabilities	(16)	(15)
Net interest income	(90,804)	(85,058)
Interest receipts	98,224	86,726
Interest payments	(7,372)	(3,513)
Increase in current tax liability	(11,867)	(11,182)
Operating cash flows before changes in operating assets and liabilities	50,374	47,984
Change in loans and advances to customers	(174,055)	(162,309)
Change in other assets	(85)	(209)
Change in customers' deposits	194,637	349
Change in other liabilities	1,424	(646)
	21,921	(162,815)
Net cash generated from operating activities	72,295	(114,831)
Cash flows from investing activities		
Purchase of investment securities	(312,114)	(215,289)
Sold or matured investment securities	338,596	266,631
Redistribution of capital of investments securities	218	111
Purchase of bank premises and equipment (net of disinvestment)	(5,427)	(2,925)
Net cash generated from investing activities	21,273	48,528
Cash flows from financing activities		
Change in due from banks	86,317	36,342
Change in due to parent and affiliates	(23,664)	5,976
Dividends paid to shareholders	-	(107,656)
Net cash used in financing activities	62,653	(65,338)
Net increase / (decrease) in cash and cash equivalents	156,221	(131,641)
Cash and cash equivalents at the beginning of the year	646,719	778,360
Cash and cash equivalents at the end of the year (note 2.5.5 and 2.5.6)	802,939	646,719

2.5 Notes to the consolidated financial statements for the year ended December 31, 2024

2.5.1 Adoption of the consolidated financial statements
These consolidated financial statements have been approved for issuance by the Board of Managing Directors on March 19, 2025, and have been approved by the Board of Supervisory Directors on same date, and are subject to final approval by the General Meeting of Shareholders.

2.5.2 General information
Caribbean Mercantile Bank N.V. (the "Bank") and its subsidiaries are wholly owned by Maduro & Curiel's Bank N.V., (the "Parent Bank" or "MCB" or "the Bank") and the principle activities consist of commercial banking, mortgage and consumer financing operations on the island of Aruba. The address of the Bank is Caya G.F. (Betico) Croes 53, Oranjestad, Aruba.

These consolidated financial statements cover the year ended December 31, 2024.

2.5.3. Basis of preparation
The Bank prepares these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board. An exception is made for the general provision for loan losses, a regulatory reserve required by the Centrale Bank van Aruba (hereafter "CBA"), which has been reported separately as part of 'Other reserves' (refer to note 2.5.19) and has been transferred from retained earnings.

The preparation of consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised or in the period of revisions and future periods if the revision impacts both the reporting period and future period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes: 2.5.3.4 Financial assets and liabilities, 2.5.3.6 Accounting judgement, estimates and assumptions impairment losses financial assets, 2.5.8 Loans and advances to customers and 2.5.19 Other reserves.

Information about assumptions and estimation uncertainties that have significant risk of resulting in a material adjustment in the year ended December 31, 2024 is included in the notes: 2.5.3.5 Impairment of financial assets, 2.5.15 Provision post-retirement medical benefits and 2.5.16 Provision anniversary bonus.

The Bank presents its statement of financial position in order of liquidity based on the Bank's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 2.5.29.

2.5.3.1 Change in accounting policies

New standards adopted in 2024

In the current year, the Bank has applied the new or revised IFRS issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2024. The following amendments became effective as at January 1, 2024:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1.
- Lease Liability in a Sale and Leaseback - Amendments to IFRS 16.
- Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7.

None of these amendments will have an impact on the Banks's consolidated financial statements at December 31, 2024.

New and revised IFRS in issue but not yet effective

There are a number of IFRS in issue but not yet effective. The most significant of these are:

- Amendments to IFRS 9 and IFRS 7 (effective January 1, 2026). The amendments include:
  - A clarification that a financial liability is derecognized on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognize financial liabilities settled using an electronic payment system before the settlement date.
  - Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed.
  - Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments.
  - The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI).
- IFRS 18 Presentation and Disclosure in Financial Statements (effective January 1, 2027). In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements*, which replaces IAS 1 *Presentation of Financial Statements*. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. IFRS 18 also requires disclosure of newly defined management-defined performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. Narrow-scope amendments have been made to IAS 7 *Statement of Cash Flows*, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around

classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

These standards (or amendments thereto) are currently not effective and the Bank is still in the process of making an assessment of the impact on these consolidated financial statements. The Bank has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective in these financial statements.

2.5.3.2 Reporting currency

The consolidated financial statements have been prepared in thousands of Aruban Florins ("Afl"), the functional currency, and rounded to the nearest thousand Afl. Upon initial recognition, transactions in foreign currencies are converted into Afl at the exchange rate at the transaction date. Monetary assets and liabilities items denominated in foreign currencies are translated into Afl at the exchange rate applicable on the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

2.5.3.3 Consolidation

The consolidated financial statements include the accounts of the Bank and its wholly owned subsidiary Progress CMB N.V., with the Bank's accounting principles being applied. Intra-group transactions and intra-group balances were eliminated in the preparation of the consolidated financial statements.

2.5.3.4 Financial assets and liabilities

Due from banks, loans and advances to customers and investment securities
The Bank only measures Due from banks, Loans and advances to customers and Investment securities at amortized cost if both of the following conditions are met:

- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding and
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

The details of these conditions are outline below.

The SPPI test
For the first step of its classification process, the Bank assesses the contractual terms of the financial assets to identify whether these meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g. if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than a minimum of risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL or FVOCI without recycling.

Business model assessment
The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly purchased financial assets going forward.

Financial assets at fair value through profit or loss
Financial assets in this category are those that are designated by management upon initial recognition or are mandatory required to be measured at fair value under IFRS 9.

Undrawn loan commitments
Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements.

2.5.3.5 Impairment of financial assets

Overview of the ECL principles
The Bank records the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts (in the remainder of this sub-paragraph: 'financial instruments'). Equity instruments are not subject to impairment under IFRS 9.

The Bank uses the probability of default approach when calculating ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

The 12mECL represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank considers a financial asset in default when:

- The financial asset is more than 90 days past due;
- Expired or cancelled financial asset amounts are unsettled for more than 90 days;
- Non-compliance with critical loan conditions.

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

Based on the above process, the Bank classifies its financial assets into stage 1, stage 2 and stage 3, as described below:

Stage 1 When financial assets are first recognized and continue to perform in accordance with the contractual terms and conditions after initial recognition, the Bank recognizes an allowance based on 12mECLs. Stage 1 financial assets also include facilities where the credit risk has improved and the financial asset has been reclassified from Stage 2.

Stage 2 When a financial asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 financial assets also include facilities where the credit risk has improved and the financial assets has been reclassified from Stage 3.

Stage 3 When financial assets are considered credit-impaired, the Bank records an allowance for the LTECLs.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial assets is reduced. This is considered a (partial) de-recognition of the financial asset.

The calculation of ECLs

The Bank calculates ECLs based on the historical measure of cash shortfalls, discounted at the instrument's coupon rate. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD The Probability of Default is an estimate of the likelihood of default of a given period of time.

EAD The Exposure at Default is an estimate of the exposure at a future default date , taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether schedules by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Bank considers, among other factors, the aging of the financial asset. Each of these is associated with different PDs, EADs and LGDs. When relevant, it also incorporates how defaulted financial assets are expected to be recovered, including the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards, overdrafts and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument.

Impairment losses and recoveries are accounted for and disclosed separately in the statement of comprehensive income.

The mechanics of the ECL method are summarized below:

Stage 1 The 12mECL is calculated as the portion of the LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD which are derived as explained under Stage 3.

Stage 2 When a financial assets has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs are estimated over the lifetime of the instrument. The LGDs are derived as explained under Stage 3.

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

LGD proxies are used in case insufficient collateral data is available to determine the LGD at account level.

Credit cards, overdrafts and other revolving loans
The Bank’s product offering includes a variety of corporate and retail overdraft and credit card facilities, in which the Bank has the right to cancel and/or reduce the facilities. The Bank limits its exposure on these revolving facilities to the outstanding balance for non-performing facilities. For Stage 1 and 2 facilities, the Bank calculates ECL on a percentage utilization of the credit cards and overdraft limit based on the Bank’s expectations of the customers on a portfolio level, its likelihood

of default and the Bank's future risk mitigation procedures which could include reducing or cancelling the facilities.

The interest rate used to discount the ECLs for credit cards is based on the interest rate that is expected to be charged over the expected period of exposure to the facilities.

Financial guarantees, letters of credit and undrawn loan commitments
The Bank issues financial guarantees, letters of credit and undrawn loan commitments for which PDs and LGDs have been applied.

Forward looking information
For determining the forward looking adjustments, economic inputs such as GDP growth, unemployment rates and food index prices provided by independent experts are being used. As far as possible, macro-economic expectations have been correlated to adjustments within the ECL models. The Bank however recognized that the inputs and models used for calculating ECLs may not always capture all characteristics and expectations of the market at the date of the financial statements. To reflect this, management adjustments or overlays are occasionally made based on professional judgements.

Collateral valuation
To mitigate its credit risks on financial assets, the Bank requires collateral coverage for financial instruments, as much as possible. The collateral comes in various forms, such as real estate, letters of credit/guarantees, securities, cash, receivables, inventories and other non-financial assets. Collateral is not recorded on the Bank's statement of financial position. However, the net realizable value of collateral affects the calculation of ECLs. It is generally assessed at inception and re-assessed on a periodic basis.

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

Write offs
Financial assets are written off either partially or entirely only when the Bank has stopped pursuing the recovery of the amount to be written off. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. All financial assets written off remain subject to enforcement activity. Any subsequent recoveries are credited to 'Other income'.

2.5.3.6 Accounting judgement, estimates and assumptions impairment losses financial assets

The measurement of impairment losses under IFRS9 across all categories of financial assets requires judgement. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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

- The estimation of the amount and timing of future cash flows and collateral values when determining impairment losses.
- The Bank's internal credit rating model assigns grades for corporate facilities and this was the basis for group PDs;
- The Bank's criteria for assessing if there has been a significant increase in credit risk and if so, allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of the existence of associations between macroeconomic scenarios and economic inputs such as unemployment levels and collateral values and the effect on PDs, EADs and LGDs; and
- The inclusion of overlay adjustments based on judgement and future expectations.

2.5.3.7 Cash and due from banks

For the purpose of presentation in the consolidated statement of cash flows, cash and due from banks comprise balances with less than 90 days maturity from the date of acquisition including cash on hand, demand accounts the CBA, and other short-term deposits with other banks. US Treasury bills with a maturity less than 90 days have not been classified under Cash and due from banks because these are designated by Management as investment securities to be held until maturity.

2.5.3.8 Loans and advances to customers

Loans and advances are initially recognized at fair value and subsequently carried at amortized cost, less an allowance for expected credit losses (ECL).

Changes in the allowance are charged to the consolidated statement of comprehensive income. Loans deemed uncollectible are written-off against the allowance. Subsequent recoveries are credited in the consolidated statement of comprehensive income.

The General Provision for Loan Losses, a regulatory reserve required by the CBA, has been accounted for as part of the Other reserves within Equity, net of a provision for deferred taxes as far as applicable.

2.5.3.9 Bank premises, equipment and right-of-use-assets

Bank premises and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation of bank premises and equipment is provided on a straight-line basis over the estimated useful life of the respective assets. Leasehold improvements are amortized on a straight-line basis over the terms of the respective leases, or over the estimated useful life if shorter.

The rates of depreciation used are based on the following estimated useful life:

- Buildings	40 to 50 years
- Building improvements	20 years
- Furniture, fixtures, equipment, vehicles	3 to 10 years
- Leasehold improvements	5 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted as appropriate. Land is not depreciated.

Expenditures for major renewals and improvements of bank premises and equipment are capitalized and those for maintenance and repairs are charged to income as incurred. Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Bank.

Leases
The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are presented within note 2.5.10 Bank premises and equipment and are subject to impairment in line with the Bank's policy. The contracts concern the lease of branch buildings, ATM locations and data lines and the terms are 5 years or less. The buildings have the option to extend by another 5 years.

Lease liabilities
At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The weighted average borrowing rate applied is 1.0%. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

2.5.3.10 Short term employee benefits

Short term employee benefits (such as salaries and social security contributions) are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the

Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.5.3.11 Pension plans

The Bank has a pension plan for all employees. The plan includes retirement pension, beneficiary pension (both widow and orphan) and disability pension.

The employer will contribute to the plan (percentage of salary, which varies by age). CMB employees contribute mandatorily to the pension plan based on a predetermined table depending on age. Total premium is translated to the accrual of pensions after contributing 10% to the general reserve of the pension fund. The rights and entitlements under the defined benefit scheme have been converted into entitlements in the defined contribution scheme.

The contributions to the plan were 5.3% (of the pensionable salary minus an AOV-offset) by the employee and 14.7% by the employer. Employees can, on a monthly basis, contribute extra premium as long as the extra premium does not lead to an excessive pension as defined by law. The Board of the pension funds can decide to use the pension fund reserves for indexation purposes or for other improvements of the plans, as long as the coverage rate is at least 115%.

2.5.3.12 Early retirement plan

The Bank has a voluntarily early retirement plan that provides employees who retired before January 1, 2024 the opportunity to retire earlier. The pensions paid in the years of early retirement are a percentage of the last earned salaries and are paid in the month that salaries would have been earned if the service would have been continued. In addition the full anniversary bonus is paid in the years of early retirement if the employee would have been entitled to this bonus if the persons would have continued the service. The Bank recognized an obligation for the early retirement payments in future years. The Bank discontinued the early retirement plan in fiscal year 2023.

2.5.3.13 Other post-retirement benefits

The Bank provides post-retirement benefits other than pensions, mainly medical benefits, to the majority of its retired employees and to active employees who retired at the age of 62 not later than in 2020. The entitlement to these benefits is conditional on the employee remaining in service up to the agreed retirement age.

The Bank's net obligation in respect of long-term employee benefit is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. All actuarial gains and losses arising from plan revisions are recognized in other comprehensive income.

2.5.3.14 Provision anniversary bonus

The Bank has a bonus plan for employees with a certain number of years of employment. The bonus is a percentage of the monthly salary and increases when the number of years of employment is higher. All actuarial gains and losses arising from plan revisions are recognized in the consolidated statement of comprehensive income.

2.5.3.15 Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognized for tax loss carry forwards and for temporary differences between the tax base of assets and liabilities and the book value. This is based on the tax rates applicable as at the balance sheet date and the tax rates that will apply in the period in which the deferred tax assets or tax liabilities are settled.

Deferred taxes are measured at nominal value. Deferred tax assets are only recognized if sufficient tax profits are expected to be realized in the near future to compensate these temporary differences. Deferred tax liabilities concern tax payable in the future periods in connection with taxable temporary differences.

2.5.3.16 Tax expense

Tax expense comprises of current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or Other Comprehensive Income and penalties related to income taxes, including uncertain tax treatment, are accounted for using IAS37 Provisions, Contingent Liabilities and Contingent Assets.

2.5.3.17 Current tax liability

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

2.5.3.18 De-recognition of financial assets and liabilities

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial asset that is created or retained by the Bank is recognized as a separate asset or liability. The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position if the Bank currently has a legally enforceable right to offset the amounts and intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

2.5.3.19 Revenue recognition

Interest income is recognized on a time proportion basis taking account of the principal outstanding and the effective interest rate. Fee and commission income and commission expenses are recognized in the reporting period in which the services are performed.

Premiums and discounts on government paper and other securities, if any, are amortized based on the effective yield method.

A loan is classified as non-accrual when, in the opinion of management, there is reasonable doubt as to the ultimate collectability. Thereafter interest income is recognized on a cash basis.

2.5.3.20 Expense recognition

Interest expenses are recognized on a time proportion basis taking account of the principal outstanding and the effective interest rate.

Expenses are recognized in the consolidated statement of comprehensive income on the basis of a direct relationship between the costs incurred and the corresponding income. If future economic benefits are expected to be derived across different reporting periods, expenses are recognized in the consolidated statement of comprehensive income using a systematic method of allocation. Expenses are directly included in the consolidated statement of comprehensive income if they are not expected to generate any future economic benefits.

2.5.3.21 Other financial instruments

The carrying value of other financial assets (than investments and loans and advances which have been disclosed in the respective notes) and liabilities approximates the fair value.

2.5.3.22 Cash flow statement

The cash flow statement is prepared according to the indirect method and distinguishes between cash flows from operating, investing and financing activities.

2.5.4. Financial risk management

2.5.4.1 Risk management framework

As provided for in the Bank's Supervisory Board Charter, due to specialized expertise or economies of scale, some functions that may normally be carried out under the responsibility of the Bank's Management Board, will in fact be carried out by the Parent Bank under the responsibility of the Management Board of MCB as agreed to from time to time by the Supervisory Board of the Bank.

The Board of Managing Directors of MCB has overall responsibility for the establishment of the Bank's risk management framework under the supervision and guidance of the Board of Supervisory Directors and its various committees. The Board of Supervisory Directors of the MCB has established Credit and Risk & Compliance committees, which are responsible for developing and monitoring Group risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the MCB Board of Supervisory Directors on their activities.

The Group's risk management policies are established to identify, analyze and mitigate the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and responsibilities.

The Audit, Risk & Compliance Committee of the Bank monitors compliance with the Bank's policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit, Risk & Compliance Committee is assisted in these functions by the Bank's Internal Audit Department en the Legal and Compliance departments. Internal Audit undertakes both regular and ad-hoc reviews of management controls and procedures, the results of which are reported to the Audit, Risk & Compliance Committee.

The Bank developed an Internal Capital Adequacy Assessment Process to ensure the Bank identifies and assesses all risks to which it may be exposed and maintains sufficient capital to face these risks and develops and makes a better use of risk management techniques in monitoring and managing these risks. Based on this process, it is concluded that the Bank is adequately capitalized and will remain so for at least the next 12 months without the need for further injection of capital.

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Currency risk
- Interest risk
- Operational risk
- Compliance risk

This note presents information about the Bank's exposure to each of above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

2.5.4.2 Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers and industry segments. Such risks are monitored on a revolving basis and are subject to periodic reviews.

When assessing the credit risk the Bank applied the following categories of credit risk and the corresponding stages:

Credit risk category	2024	2023
	Afl	Afl
Satisfactory	834,828	703,494
Special mention	575,728	507,110
Substandard and no impairment	10,713	29,694
Doubtful	3,432	7,225
Loss	8,798	12,556
	1,433,499	1,260,080
Interest receivable	6,091	5,901
Allowance for ECL	(27,926)	(28,144)
	1,411,664	1,237,837

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed by obtaining mortgage rights on real estate, and other collateral and corporate and personal guarantees. The net realizable value of collateral of impaired loans as per December 31, 2024 amounts to Afl 25,226 (2023: Afl. 28,269). A relatively small portion of the portfolio consists of certain loans that are made on an unsecured basis. Loans classified as substandard, doubtful, or loss are monitored very closely by a dedicated function in the Bank in close cooperation with Credit Risk Management. Credit risks of deposits with other banks are managed through a daily evaluation of the maximum exposure per bank based on an assessment of the financial position of these banks through various independent and proven reliable sources.

Except for fixed assets and prepaid expenses, credit risk concerns all assets as disclosed in the balance sheet (investment securities, refer to paragraph 2.5.7) and the credits related to contingent liabilities (refer to paragraph 2.5.27). The Bank's most significant credit risk concentration is in loans and advances to customers and can be specified as follows:

	2024	2023
	Afl	Afl
Private individuals	618,298	570,649
Other commercial sectors	495,664	424,221
Wholesale and retail sector	73,493	66,912
Hospitality sector	172,051	129,652
Bankcard advances	44,397	41,021
Manufacturing industry	29,596	27,625
	1,433,499	1,260,080
Interest receivable	6,091	5,901
Allowance for Expected credit loss	(27,926)	(28,144)
	1,411,664	1,237,837

Loans are granted by the Bank almost entirely to customers resident in Aruba and the former Netherlands Antilles. These loans may be guaranteed by parent companies of these customers in other countries. Deposits with banks are placed mainly with banks in Aruba, Curaçao, North America and The Netherlands.

The concentration risk of the loan and investment portfolio is monitored through the risk appetite metrics by Management and the Board of Supervisory directors. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers and industry segments. In investments in deposits with banks and investment securities the Board has set limits for individual investment categories.

The Bank considers the pre-payment risk as limited, based on actual behavior in the loan book.

2.5.4.3 Liquidity risk

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing time deposits, loan drawdowns and guarantees. Based on experience, the Bank maintains funds available to meet such calls, including unexpected levels of demand. As at December 31, 2024, liquid assets were Afl 1,101,058 (2023: Afl 1,030,457), equal to 55.0% of total Customers' deposits and Due to parent and affiliates (2023: 56.3%) These assets consist of cash and due from banks. In paragraph 2.5.29 the maturity of assets and liabilities is disclosed.

During the pandemic the Bank remained highly liquid due to increasing balances of demand and savings deposits. The Bank continued its liquidity policy by investing surplus in liquidity in a balanced composition of short term deposit with foreign banks and treasury bills as well as longer term government bonds and listed corporate bonds with a high S&P rating.

2.5.4.4 Market risk

The Bank is exposed to market risks. Market risks arise from open positions in fixed and variable interest rate products and equity products, all of which are exposed to general and specific market movements. The Bank's approved risk tolerance for fixed interest securities and equity products is very low. Nonetheless, the portfolio is monitored periodically and positions may change due to changes in market conditions. The majority of the Bank's exposure is in government paper (Treasury bills), issued by the governments of the United States with an S&P rating of at least 'BB' and with a remaining maturity less than 3 years.

The Board of Managing Directors of the Parent Bank sets limits for positions per category of investments (bonds, shares, miscellaneous security investments and deposits with banks) and per country, including both the investment portfolio of the Bank and the trading portfolio. The Board of Supervisory Directors of the Parent Bank approves all individual counterparty limits for all investments.

2.5.4.5 Currency risk

The Bank takes on exposure due to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The net exposure by currency is monitored on a daily basis. Virtually all of the foreign currency position is a long position in US Dollars ('US$') to which the Aruban Florin ('AFL') is pegged. The Bank maintains no material positions in any other currencies. The Bank agrees forward exchange contracts with customers. Accordingly, a sensitivity analysis is not presented. The Bank has the following currency positions:

	2024	2023
	Afl	Afl
US Dollars	35,079	101,485
Antilles Guilders	12,149	4,781
Euros	774	758
Other Currencies	2,006	1,931
	50,008	108,955

2.5.4.6 Interest risk

The Bank has exposure due to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may vary as a result of such changes. The level of mismatch of interest rate re-pricing is monitored on an ongoing basis. The risk is minimized as most of the loans and deposits are subject to repricing at the Bank's discretion.

The Bank continues to enhance its management information systems to provide a complete analysis of value at risk as per balance sheet date. While this risk does exist, this is largely mitigated by the significant degree to which interest rates on loan and deposit instruments are at variable rates. Periodic analysis is done to assess both the potential impact on interest income and to aid the management decision process which is supported by active Asset/Liability Committees (ALCO) at the Bank level and Group level which each meet on a regular basis.

The results of the sensitivity analysis conducted as at December 31, 2024 on the impact on net interest revenues as a consequence of a reasonable possible change in interest rates at that date is presented below.

	Effect on net interest revenue	
Change in interest rate	2024	2023
	Afl	Afl
Increase of 0.5%	4,140	3,755
Decrease of 0.5%	(4,140)	(3,755)

2.5.4.7 Operational risk

Operational risk is the risk of loss, whether direct or indirect, to which the Bank is exposed due to external events, human error, or the inadequacy or failure of processes, procedures, systems or controls. Operational risk, in some form, exists in each of the Bank's business and support activities, and can result in financial loss, regulatory sanctions and damage to the Bank's reputation.

The Group and therefore the Bank has developed policies, standards and assessment methodologies to ensure that operational risk is appropriately identified, managed and controlled. The governing principles and fundamental components of the Bank's operational risk management approach include:

- Accountability in the individual business lines for management and control of significant operational risks to which they are exposed.
- A robust internal control environment.
- An effective organization structure through which operational risk is managed, including:
  - The Board of Supervisory Directors and Management are responsible for sound corporate governance.
  - Senior management who have clearly defined areas of responsibility.
  - A risk management process to apply methods to identify, assess and monitor operational risks.
  - Separation of duties between key functions.
  - An independent Internal Audit Department responsible for verifying that significant risks are identified and assessed, and determining whether appropriate controls are in place to ensure that overall risk is at an acceptable level.

2.5.4.8 Compliance risk

The Bank needs to comply with regulations issued by the CBA, tax authorities and government agencies on Aruba and requirements of the correspondent banks in connection with anti-money laundering and exchange of customer information. In order to ensure compliance with all these guidelines the Compliance department with locations on all islands monitor developments in regulations, develops policies to translate these regulations into procedures, and educates employees to ensure that regulations are well understood and applied. On a regular basis the Internal Audit department and the Risk management department review whether these policies and procedures are indeed adhered to.

2.5.4.9 Fiduciary activities

The Bank provides investment management and advisory services to third parties that involve the Bank making allocation, purchase and sale decisions in relation to a range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements. These services give rise to the risk that the Bank may be held liable in case of poor or negligent administration or under-performance. The risk is managed by adherence to industry best practices, strong "know your customer" policies and procedures, comprehensive customer documentation and other management control procedures. From an investment management perspective very few accounts involve discretionary trading by the Bank and most trades are pre-approved by the customer before execution.

2.5.4.10 Management of capital

The Bank maintains a strong capital base to guard against the risks associated with its business. This strength contributes to safety for the Bank's customers and shareholders. In addition, the Bank's practice is to remain well capitalized in order to take advantage of growth opportunities as they arise. Strong capital also provides for the potential to enhance shareholder returns through increased dividends. The regulatory capital adequacy of the Banks is governed by the CBA.

The CBA applies the monthly statements including the Capital Adequacy Ratio (CAR) which is the published equity of the Bank and regulatory reserves adjusted for certain assets and liabilities as a percentage of risk weighted assets for credit risk, operational risk and market risk. The reported CAR must exceed 18%. As per December 31, 2024 the CAR of the Bank is 39% (2023: 39%).

2.5.4.11 Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

2.5.5 Cash and due from banks

A summary of cash and due from banks is as follows:

	2024	2023
	Afl	Afl
Cash and cash equivalents (original maturity below 90 days)	758,840	606,018
Due from banks (original maturity over 90 days)	296,621	382,938
	1,055,461	988,956

Interest receivable	1,653	1,299
Allowance for ECL	(118)	(465)
	1,056,996	989,790

Cash in hand amounts to Afl. 34,072 (2023: Afl. 30,132). Balances with the Centrale Bank of Aruba in the amount of Afl. 296,621 (2023: Afl. 382,938) are restricted as these represent the deposit reserve requirements.

2.5.6 Balances and transactions with subsidiaries and other related entities

Amounts due from subsidiaries and affiliates at December 31, 2024 and 2023 are as follows:

	2024	2023
	Afl	Afl
Non-Interest bearing deposits (original maturity below 90 days):		
Maduro & Curiel's Bank International N.V.	20,948	19,523
Maduro & Curiels' Bank (Bonaire) N.V.	2,539	4,639
	23,487	24,162
Interest bearing deposits (original maturity over 90 days):		
Maduro & Curiel's Bank International N.V.	20,612	16,539
	20,612	16,539
Interest receivable	-	-
Allowance for ECL	(37)	(34)
	44,062	40,667

The Bank has an amount due Afl. 1,984 from the Bank of Nova Scotia (2023: Afl. 1,662). The amount due from the Bank of Nova Scotia is presented in cash and due from banks on the balance sheet.

Amounts due to parent and affiliates at December 31, 2024 and 2023 are as follows:

	2024	2023
	Afl	Afl
MCB Risk Insurance N.V.	36,272	24,014
Maduro & Curiel's Bank International N.V.	4,284	39,863
Maduro & Curiel's Bank Holding International VBA	215	217
Maduro & Curiels' Bank (Bonaire) N.V.	332	491
	41,103	64,585
Interest payable	-	182
	41,103	64,767

Details of transactions with the Parent Bank included in the consolidated statement of comprehensive income are as follows:

	2024	2023
	Afl	Afl
Interest income	-	-
Interest expenses	-	342
Service charges *	10,194	8,576

*This amount is net of Afl. 3,418 (2023: Afl. 2,289) management fees charged by CMB to MCB.

The pension plan of employees of the Bank are being covered in Stichting Pensioenfonds Caribbean Mercantile Bank which is regulated by the CBA. Except for the chairman of the pension fund, all board members of the pension fund are directors or employees of the Bank or the Parent Bank. Employees of the Parent Bank manage the activities of the pension fund on a daily basis, for which the pension fund is being charged. Transactions with the pension fund are as follows:

	2024	2023
	Afl	Afl
Charges MCB Group for managing pension fund CMB	23	22
Investment fees charged by MCB Group to pension fund CMB	81	79
Pension premium paid by CMB	2,132	1,843
Interest expenses paid to pension fund CMB	20	115
Current account due to pension fund CMB	9,774	4,703
Term deposit due to pension fund CMB	3,000	3,000

The key management officers deemed to be in an executive or supervisory position to materially influence the performance and the future of the 13 companies within the Group are provided salary, benefits and incentives based on both Group and individual performance. Select senior officers also participate in a supplementary pension plan.

These key management officers do not receive other remuneration from the Group, other than normally applicable for other senior employees of the Group. The Group does not have a share-based compensation plan. Transactions with key management officers including salary and incentive payments were as follows:

	2024	2023
	Afl	Afl
Loans and advances	2,014	2,239
Customers' deposits	6,340	6,592
Short-term benefits	14,628	12,304
Post-employment benefits	3,990	3,099

Some key management officers are also shareholders of the Parent Bank or hold Nos Banko certificates. Transactions with these executive management officers have been agreed at conditions that are applicable for other employees as well. Transactions with supervisory directors are arranged at normal commercial terms.

The defined benefit obligation of key management with respect to the anniversary bonus amounts to Afl 68 (2023: Afl 99) whereas the service cost is Afl 5 (2023: Afl 6).

Professional fees earned by related parties from the Group amount to Afl 112 (2023: Afl 331). Fees have been applied at arm's length.

2.5.7 Investment securities

	2024	2023
	Afl	Afl
Debt Instruments at amortized cost		
Aruba government treasury bills	-	-
Treasury bills foreign	-	26,639
	-	26,639
Interest receivable	-	176
Allowance for ECL	-	(4)
	-	26,811
Financial assets at fair value through profit or loss		
Aruban private equity securities	2,921	2,982
	2,921	29,793

The movement in the investment securities portfolio is as follows:

	Debt instruments at amortized cost	Investment securities at FVTPL
	Afl	Afl
Book value January 1, 2023	77,770	3,093
Purchases	215,289	-
Matured	(266,631)	-
Redistribution of capital	-	(111)
Amortizations	211	-
Book value as at December 31, 2023	26,639	2,982
Purchases	311,957	157
Matured	(338,596)	-
Redistribution of capital	-	(218)
Amortizations	-	-
Book value as at December 31, 2024	-	2,921

The fair value of debt instruments at amortized cost amounts to nil as per December 31, 2024 (2023: Afl. 26,823).

For investment securities carried at fair value the different levels of fair value hierarchy are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (as prices) or indirectly (derived from prices);
- Level 3: inputs for the asset that are not based on observable market data.

The treasury bills foreign in the amount of Afl 26,639 as per December 31, 2023 have been classified as Level 1 and classified as debt instruments at amortized cost. The Financial assets at fair value through profit or loss have been classified as Level 3.

The securities classified as financial assets at fair value through profit or loss are unlisted securities for which there is no readily available market. These securities are carried at management's best estimate of fair value.

2.5.8 Loans and advances to customers

A summary of loans and advances to customers is as follows:

	2024	2023
	Afl	Afl
Loans and advances to customers	1,433,499	1,260,080
Interest receivable	6,091	5,901
Allowance for ECL/impairment on loans and advances	(27,926)	(28,144)
	1,411,664	1,237,837

The fair value of the loans and advances is Afl 1,417,588 as per December 31, 2024 (2023: Afl 1,263,573).

Movements in the allowance for expected credit loss on loans and advances are as follows:

	2024	2023
	Afl	Afl
Balance as at January 1,	28,144	28,406
Net addition/(release) for the year	705	1,176
Loans charged off (net)	(923)	(1,438)
Balance at December 31,	27,926	28,144

The allowance for expected credit loss of loans can be specified as follows:

	2024	2023
	Afl	Afl
Corporate loans	10,684	9,059
Mortgages loans	9,156	9,103
Personal loans	4,309	4,321
Current account overdrafts	1,795	3,727
Credit cards	1,982	1,934
	27,926	28,144

The movement in the allowance for expected credit loss and advances is as follows:

Corporate loans	Stage 1	Stage 2	Stage 3	Total ECL
	Afl	Afl	Afl	Afl
Balance December 31, 2023	5,058	1,607	2,394	9,059
New financial instruments	2,393	103	-	2,496
Write offs	-	-	(360)	(360)
Other movements	173	(264)	(420)	(511)
Balance December 31, 2024	7,624	1,446	1,614	10,684

Mortgage loans	Stage 1	Stage 2	Stage 3	Total ECL
	Afl	Afl	Afl	Afl
Balance December 31, 2023	7,455	106	1,542	9,103
New financial instruments	1,554	12	22	1,588
Write offs	-	-	(16)	(16)
Other movements	(407)	(62)	(1,050)	(1,519)
Balance December 31, 2024	8,602	56	498	9,156

Personal loans	Stage 1	Stage 2	Stage 3	Total ECL
	Afl	Afl	Afl	Afl
Balance December 31, 2023	2,648	76	1,597	4,321
New financial instruments	1,151	3	303	1,457
Write offs	-	-	(426)	(426)
Other movements	(1,100)	15	42	(1,043)
Balance December 31, 2024	2,699	94	1,516	4,309

Current account overdrafts	Stage 1	Stage 2	Stage 3	Total ECL
	Afl	Afl	Afl	Afl
Balance December 31, 2023	630	49	3,048	3,727
New financial instruments	186	151	2	339
Write offs	-	-	-	-

	Stage 1	Stage 2	Stage 3	Total ECL
Other movements	(316)	(16)	(1,939)	(2,271)
Balance December 31, 2024	500	184	1,111	1,795

Credit cards	Stage 1	Stage 2	Stage 3	Total ECL
	Afl	Afl	Afl	Afl
Balance December 31, 2023	1,311	27	596	1,934
New financial instruments	44	3	11	58
Write offs	-	-	(119)	(119)
Other movements	107	(7)	9	109
Balance December 31, 2024	1,462	23	497	1,982

The analysis of gross carrying amount and corresponding ECLs are as follows:

	2024	2023
Stage 1	89%	87%
Stage 2	9%	10%
Stage 3	2%	3%
	100%	100%

Stage 1	Corporate loans	Residential mortgages	Personal loans	C/A overdrafts	Credit cards	Total
	Afl	Afl	Afl	Afl	Afl	Afl
December 31, 2024						
Exposure	610,633	491,068	116,796	24,860	43,660	1,287,017
ECL	(7,624)	(8,602)	(2,699)	(501)	(1,464)	(20,890)
	603,009	482,466	114,097	24,359	42,196	1,266,127
ECL % of exposure	-1.2%	-1.8%	-2.3%	-2.0%	-3.4%	-1.6%
December 31, 2023						
Exposure	476,460	435,134	111,827	35,471	41,090	1,099,982
ECL	(5,058)	(7,455)	(2,649)	(631)	(1,311)	(17,104)
	471,402	427,679	109,178	34,840	39,779	1,082,878
ECL % of exposure	-1.1%	-1.7%	-2.4%	-1.8%	-3.2%	-1.6%
Stage 2						
December 31, 2024						
Exposure	111,897	1,419	1,711	10,223	206	125,456
ECL	(1,446)	(55)	(94)	(184)	(21)	(1,800)
	110,451	1,364	1,617	10,039	185	123,656
ECL % of exposure	-1.3%	-3.9%	-5.5%	-1.8%	-10.2%	-1.4%

December 31, 2023						
Exposure	116,379	2,440	2,163	2,303	350	123,635
ECL	(1,606)	(106)	(77)	(48)	(26)	(1,863)
	114,773	2,334	2,086	2,255	324	121,772
ECL % of exposure	-1.4%	-4.3%	-3.6%	-2.1%	-7.4%	-1.5%
Stage 3						
December 31, 2024						
Exposure	12,919	3,532	5,323	4,339	1,004	27,117
ECL	(1,614)	(499)	(1,516)	(1,110)	(497)	(5,236)
	11,305	3,033	3,807	3,229	507	21,881
ECL % of exposure	-12.5%	-14.1%	-28.5%	-25.6%	-49.5%	-19.3%
December 31, 2023						
Exposure	19,880	8,473	5,487	7,321	1,202	42,363
ECL	(2,395)	(1,542)	(1,595)	(3,048)	(597)	(9,177)
	17,485	6,931	3,892	4,273	605	33,186
ECL % of exposure	-12.0%	-18.2%	-29.1%	-41.6%	-49.7%	-21.7%

For credit facilities that include both a loan and an undrawn commitment, the ECL is calculated and presented together with the loan. The undrawn commitments amount to Afl 286,904 and Afl 280,670 at December 31, 2024, and 2023, respectively.

A reconciliation of changes in allowance for ECL by stage is, as follows:

	Stage 1	Stage 2	Stage 3	Total ECL
	Afl	Afl	Afl	Afl
Balance January 1, 2024	17,104	1,863	9,177	28,144
Transfer from new loan to stage 1	5,102	-	-	5,102
Transfer from new loan to stage 2	-	213	-	213
Transfer from new loan to stage 3	-	-	313	313
Transfer from stage 1 to Stage 2	-232	232	-	-
Transfer from stage 1 to Stage 3	-45	-	45	-
Transfer from stage 2 to Stage 1	227	-227	-	-
Transfer from stage 2 to Stage 3	-	-28	28	-
Transfer from stage 3 to Stage 1	1,327	-	-1,327	-
Transfer from stage 3 to Stage 2	-	18	-18	-
Write-offs	-	-	-	-
Other movements	-2,592	-272	-2,982	(5,846)
Balance December 31, 2024	20,891	1,799	5,236	27,926

2.5.9 Other assets

The balance of other assets as at December 31, 2024, and 2023, respectively, consists primarily of prepaid expenses, items in transit and other receivables not related to loans and advances.

2.5.10 Bank premises, equipment and right-of-use assets

Details of bank premises and equipment, including right-of use lease assets, are as follows:

	Land and buildings	Furniture, fixtures equipment and vehicles	Leasehold improvements	Right-of-use assets	Total
	Afl	Afl	Afl	Afl	Afl
Acquisition cost	30,653	66,596	3,482	8,803	109,534
Accumulated depreciation	(11,532)	(56,224)	(2,004)	(5,327)	(75,087)
Book value at Jan 1, 2023	19,121	10,372	1,478	3,476	34,447
Investments	553	2,171	12	697	3,433
Disinvestments-cost	-	(504)	(4)	-	(508)
Disinvestments-depreciation	-	458	4	-	462
Depreciation	(581)	(3,968)	(221)	(1,369)	(6,139)
Movements 2023	(28)	(1,843)	(209)	(672)	(2,752)
Acquisition cost	31,206	68,263	3,490	9,500	112,459
Accumulated depreciation	(12,113)	(59,734)	(2,221)	(6,696)	(80,764)
Book value at Dec 31, 2023	19,093	8,529	1,269	2,804	31,695
Investments	386	3,173	459	1,943	5,961
Disinvestments-cost	(5)	(455)	(74)	-	(534)
Disinvestments-depreciation	-	414	60	-	474
Depreciation	(611)	(3,089)	(230)	(1,434)	(5,364)
Movements 2024	(230)	43	215	509	537
Acquisition cost	31,587	70,981	3,875	11,443	117,886
Accumulated depreciation	(12,724)	(62,409)	(2,391)	(8,130)	(85,654)
Book value at Dec 31, 2024	18,863	8,572	1,484	3,313	32,232

The lease contracts will mature in the years 2024 until 2029.

2.5.11 Deferred tax assets

	2024	2023
	Afl	Afl
Balance as at January 1,	5,072	4,910
Change in deferred taxes	352	162
Balance as at December 31,	5,424	5,072

2.5.12 Customers' deposit

The customers' deposits can be detailed in category of deposits as follows:

	2024	2023
	Afl	Afl
Demand deposits	1,335,068	1,226,994
Saving deposits	508,205	466,530
Time deposits	115,736	70,848
	1,959,009	1,764,372
Accrued interest payable	1,324	909
	1,960,333	1,765,281

The customers' deposits can be detailed in category of customer as follows:

	2024	2023
	Afl	Afl
Retail customers	643,471	604,331
Corporate customers	1,315,538	1,160,041
	1,959,009	1,764,372
Accrued interest payable	1,324	909
	1,960,333	1,765,281

2.5.13 Lease liabilities

	2024	2023
	Afl	Afl
Balance as at January 1,	2,850	3,531
Additions	1,943	698
Interest expenses	33	28
Rent paid	(1,449)	(1,407)
	3,377	2,850

2.5.14 Other liabilities

The balance of other liabilities is specified as follows:

	2024	2023
	Afl	Afl
Personnel related accruals	3,904	4,074
License fees, tax and social securities payable	3,089	1,899
Items in transit and pending settlements	4,405	6,162
Agent premiums payable to insurance companies	2,274	1,722
Other liabilities	6,009	4,400
	19,681	18,257

2.5.15 Provision post-retirement medical benefits

The Bank has a post-retirement medical benefit scheme. The amounts recognized in the consolidated statement of comprehensive income are as follows:

	2024	2023
	Afl	Afl
Current service cost	-	-
Interest cost	63	65
	63	65

The movement of the obligation is as follows:

	2024	2023
	Afl	Afl
Obligation as at January 1	1,378	1,597
Current service cost	-	-
Interest cost	63	65
Past service cost	-	-
Medical premiums paid	(100)	(115)
Actuarial result demographic assumptions (gain)/loss	(48)	(108)
Actuarial result financial assumptions (gain)/loss	27	(61)
Obligation as at December 31	1,320	1,378

The reconciliation of the actuarial result with other comprehensive income is as follows:

	2024	2023
	Afl	Afl
Actuarial gain	21	(169)
Profit tax related to actuarial result	(5)	42
Net actuarial result in other comprehensive income	16	(127)

The principal actuarial assumptions used were as follows:

	2024	2023
Discount rate	4.50%	4.75%
Inflation rate medical expenses	0.0%	0.0%
Employee withdrawal rate	0.0%	0.0%
Mortality table	AG 2024	AG 2022

Assumed discount rate and inflation medical expenses have a significant impact on the amounts of the defined benefit obligation and the net income. A 1.0 percentage point change in both parameters would have the following effects:

Discount rate	Medical inflation	Effect on Obligation 2024	Effect on Expenses 2025
		Afl	Afl
+1.0%	-	(104)	(5)
-1.0%	-	119	6

2.5.16 Provision anniversary bonus

The amounts recognized in the consolidated statement of comprehensive income are as follows:

	2024	2023
	Afl	Afl
Current service cost	97	89
Past service cost	-	-
Interest cost	80	66
Actuarial result (gain)/loss	288	296
	465	451

The movement in the obligation is as follows:

	2024	2023
	Afl	Afl
Obligation as at January 1	1,748	1,614
Current service cost	97	89
Past service cost	-	-
Interest cost	80	66
Bonuses paid	(318)	(317)
Actuarial result demographic (gain)/loss	(1,309)	248
Actuarial result financial (gain)/loss	1,597	48

Obligation as at December 31	1,895	1,748

The principle actuarial assumptions used are as follows:

	2024	2023
Discount rate	4.50%	4.75%
Salary increase per annum	3.5%	3.5%
Employee withdrawal rate below 27 years	14.0%	24.0%
Employee withdrawal rate over 27 years	5.0%	5.0%
Mortality table	AG 2024	AG 2022

Assumed discount rate has an impact on the amounts on the provision for anniversary bonus obligation and expenses. A 1.0, 10.0 or 5.0 percentage point change in these parameters would have the following effects:

Discount rate	Withdrawal rate	Salary rate	Effect on Obligation Dec 31, 2024	Effect on Expenses 2025
			Afl	Afl
+1.0%	-	-	(119)	(8)
-1.0%	-	-	134	9
-	+10.0%	-	(803)	(51)
-	-5.0%	-	883	63
-	-	+1.0%	108	7

2.5.17 Deferred tax liabilities

	2024	2023
	Afl	Afl
Balance as beginning of year	77	92
Matured deferred taxes	(16)	(15)
	61	77

2.5.18 Share capital

Share capital of the Bank comprises of authorized capital of 500 common shares of Afl 10,000.00 (not rounded) each, of which 400 shares were issued and fully paid as of December 31, 2024.

Transfers to reserves and declaration of dividends are subject to ratification at the stockholders' annual general meeting, which takes place after the end of each financial year and in addition the declaration is subject to the Central Bank of Aruba's approval. The cash dividends declared during 2024 is nil (2023 also nil).

2.5.19 Other reserves

	2024	2023
	Afl	Afl
General reserves	1,700	1,700
General Provision for loan losses	65,809	62,555
	67,509	64,255

The General provision for loan losses includes the amount that is set aside for risks, including future losses and other unforeseeable risks or contingencies, in accordance with guidelines of the the CBA.

The movement of the General provision for loan losses is as follows:

	2024	2023
	Afl	Afl
Balance as at January 1	62,555	58,686
Addition/(Release) during the year	3,254	3,869
Balance as at December 31	65,809	62,555

2.5.20 Interest income

Interest income can be detailed as follows:

	2024	2023
	Afl	Afl
Loans and advances	89,053	77,808
Deposits with banks	8,149	6,971
Interest from investment securities	1,389	3,587
Other	-	1
	98,591	88,367

2.5.21 Interest expense

Interest expenses can be detailed as follows:	2024	2023
	Afl	Afl
Customer deposits	6,944	2,939
Related party deposits	810	342
Leases	33	28
	7,787	3,309

2.5.22 Fee and commission income

	2024	2023
	Afl	Afl
Card related commission income	62,507	51,946
Insurance commission income	2,472	2,383
Other commission and fee income	26,652	25,174
	91,631	79,503

2.5.23 Fee and commission expenses

	2024	2023
	Afl	Afl
Card related commission expenses	60,151	50,086
Other fees and commission expenses	779	557
	60,930	50,643

2.5.24 Other operating expenses

Other operating expenses are as follows:

	2024	2023
	Afl	Afl
Service charges Parent Bank	13,612	10,865
Premises	3,744	3,212
Furniture and equipment expenses	4,944	4,777
Depreciation expenses	5,364	6,139
Communication	2,000	1,863
Marketing and advertising	1,875	2,037
Transportation	784	1,098
Office and branch expenses	1,017	1,050
Professional fees	2,501	1,569
Miscellaneous expenses	7,458	4,083
	43,299	36,693

2.5.25 Credit loss (income)/expenses on financial assets and contingent liabilities

	2024	2023
	Afl	Afl
Credit loss expenses on loans and advances to customers	705	1,176
Credit loss (income) / expenses on due from banks	(347)	264
Credit loss income on investment securities	(4)	(24)
Credit loss expense / (income) on due from affiliates	3	(26)

Credit loss expenses on contingent liabilities (net)	25	-
Recovery on loans previously written off	(287)	(270)
	95	1,120

2.5.26 Tax expense

Operating income from domestic banking activities is subject to Aruban profit tax at the rate of 22%. Tax is payable at the applicable rate on net operating income from domestic banking activities.

The reconciliation of the profit tax rate in Aruba (22%) and the actual profit tax rate of 21.80% in 2024 (21.88% in 2023) is as follows.

	2024	2024	2023	2023
		Afl		Afl
Profit for the period		44,556		43,154
Profit tax		12,420		12,087
Profit excluding profit tax and dividend		56,976		55,241
Profit tax using domestic tax rate	22.00%	12,535	22.00%	12,153
Imputation Payment Company regime Progress CMB N.V.	-0.36%	(205)	0.00%	-
Other	0.16%	90	-0.12%	(66)
	21.80%	12,420	21.88%	12,087

The profit tax can be specified in current and deferred profit tax as follows:

	2024	2023
	Afl	Afl
Current profit tax	12,646	12,252
Deferred profit tax	(226)	(165)
	12,420	12,087

The deferred taxes have been remeasured as at 31 December 2024 using the profit tax rate of 22%, which will become applicable as per fiscal year 2024.

2.5.27 Other commitments and contingent liabilities

In the normal course of business, there are various commitments and contingent liabilities outstanding, such as financial guarantees, which are not reflected in the accompanying consolidated financial statements. Such commitments and contingent liabilities amount to Afl 17,588 and Afl 21,124 at December 31, 2024 and 2023, respectively.

The Bank's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit, letters of credit, delivery orders and financial guarantees is represented by the contractual notional amounts of those instruments.

On February 28, 2012, the Bank signed a participation agreement committing to participate with Afl 2,500 to the Aruba Growth Fund C.V. As per December 31, 2024, the total amount of actual investments in these participations is Afl 2,021 (in 2023: Afl 2,082) and is included in investment securities.

On June 17, 2016 the Bank signed the articles of incorporation, in which the Bank is committing to participate with Afl 750 to Renobacion Aruba N.V. As per December 31, 2024, the total amount of actual investments in this participation is Afl 300 (in 2023: Afl 300) and is included in investment securities.

2.5.28 Subsequent events

No subsequent events.

2.5.29 Maturities of assets and liabilities

The following is an analysis of assets and liabilities by approximate remaining contractual maturity or remaining life at December 31, 2024 and 2023. The approximate time periods are subject to uncertainty because of the fact that loans might be repaid and deposits withdrawn covering periods prior to their stated maturity:

December 31, 2024	On Demand	Up to 1 year	From 1 year to 2 years	More than 2 years	Total
	Afl	Afl	Afl	Afl	Afl
Financial assets					
Cash and due from banks	433,722	326,653	-	296,621	1,056,996
Due from subsidiaries and affiliates	23,487	20,575	-	-	44,062
Investment securities	-	-	-	2,921	2,921
Loans and advances to customers	14,623	152,802	143,408	1,100,831	1,411,664
Other assets	-	3,260	-	-	3,260
	471,832	503,290	143,408	1,400,373	2,518,903
Financial liabilities					
Customers' deposits	1,866,686	72,748	10,263	10,636	1,960,333
Due to parent and affiliates	41,103	-	-	-	41,103
Current tax liabilities	-	8,604	-	-	8,604
Lease liabilities	-	-	-	3,377	3,377
Other liabilities	-	19,681	-	-	19,681
Provision PRMB	-	-	-	1,320	1,320
Provision Anniversary bonus	-	-	-	1,895	1,895
Provision ECL contingent liabilities	-	91	-	-	91
	1,907,789	101,124	10,263	17,228	2,036,404
Net balance financial assets and liabilities	(1,435,957)	402,166	133,145	1,383,145	482,499

December 31, 2023	On Demand	Up to 1 year	From 1 year to 2 years	More than 2 years	Total
	Afl	Afl	Afl	Afl	Afl
Financial assets					
Cash and due from banks	605,553	1,299	-	382,938	989,790
Due from subsidiaries and affiliates	24,162	16,505	-	-	40,667
Investment securities	-	26,811	-	2,982	29,793
Loans and advances to customers	18,554	137,500	83,844	997,939	1,237,837
Other assets	-	3,175	-	-	3,175
	648,269	185,290	83,844	1,383,859	2,301,262
Financial liabilities					
Customers' deposits	1,659,522	81,784	8,933	15,042	1,765,281
Due to subsidiaries	64,767	-	-	-	64,767
Current tax liabilities	-	8,051	-	-	8,051
Lease obligation	-	-	-	2,850	2,850
Other liabilities	-	18,257	-	-	18,257
Provision PRMB	-	-	-	1,378	1,378
Provision Anniversary bonus	-	-	-	1,748	1,748
Provision ECL contingent liabilities	-	66	-	-	66
	1,724,289	108,158	8,933	21,018	1,862,398
Net balance financial assets and liabilities	(1,076,020)	77,132	74,911	1,362,841	438,864

Note:
The cash and due from banks with a maturity over 2 years concerns the required reserve with the Centrale Bank van Aruba.