



**ANNUAL
REPORT
2023**



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REPORT TO THE SHAREHOLDERS

Dear Shareholders,

The Board of Supervisory Directors of the AIB BANK N.V. ('the Group' or 'AIB') hereby submits for the consideration of the General Meeting of Shareholders, the consolidated and corporate Annual Accounts for the year 2023, as prepared by the Management Board and audited by Ernst & Young (the Auditor). The 2023 consolidated and corporate Annual Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS).

We examined the consolidated and corporate financial statements of AIB BANK N.V. and the management report of the Group. We concur with the consolidated and corporate financial statements of AIB BANK N.V. as prepared by the Management Board. The consolidated and corporate financial statements of AIB BANK N.V. and management report of the Group were thus approved by our Board on April 1, 2024, as presented by the Management Board.

The auditor issued the auditor's report with an unqualified opinion on the 2023 consolidated and corporate financial statements of AIB BANK N.V. on April 1, 2024.

The Group consists of the banking activities (the Bank) and the non-banking activities/ divisions:

Banking: Corporate Finance

- Corporate Banking
- Agency Management (administrative and security agent)
- Arranging and syndication

Non-banking: Program and Project Management

- Project Management
- Property Management (Real Estate)
- Assets Management

Subsidiaries: Investment Division

- Import, wholesale and distribution of Liquefied Petroleum Gas (LPG)
- Real Estate
- Leasing business
- Equity investments

Total Net Operating Income before Credit Impairment and Operating Expenses (defined as Net Interest Income, Net Lease Income, Net Fee and Commission Income, Net Revenue from Sale of Goods) have shown an increase of 12.8% when compared to 2022. This increase is mainly due to higher Net Fee and Commission Income and higher revenues from sales of gas. The Operating Result before Profit Tax in 2023 amounted to Afl. 9.7 million (2022: Afl. 7.2 million), whereby the higher net operating income before Credit Impairment and Operating Expenses is in part offset by the higher Staff Cost and higher Depreciation and Amortization Expenses. The higher Staff Cost are mainly due to recruitment of new staff specifically related to a strategic project to ensure future sustainability of the banking activities.

Total assets decreased by slight 1% from Afl. 350.8 million at year-end 2022 to Afl. 347 million as of December 31, 2023. Total equity of Afl. 131.4 million reflects an increase of Afl. 4.8 million, caused by net profit less the payment in 2023 of the dividends declared over the years 2022 of approximately Afl. 3 million. A dividend in respect of the year 2023 of 10% of the paid capital representing 19.2% (2022: 45.8%) of the Net Result will be proposed to be declared at the Annual General Meeting of Shareholders of April 19, 2024. The Bank's prudential Capital Adequacy Ratio remained strong at 29.2% on December 31, 2023, as compared to the 16% minimum ratio required by the

Central Bank of Aruba (CBA). The Net Loans and Investment increased by 18% from Afl 156.4 million in 2022 to Afl. 183.9 million in 2023, mainly as a consequence of new loan disbursements and acquisition of Bonds issued by Government of Aruba. The cash and cash equivalents on the other hand decreased from Afl 133.5 million in 2022 to Afl 99.1 million in 2023. The Group continues to have a strong liquidity position. The Loan portfolio grew by 12% at year-end from Afl 142.6 million to Afl. 159.7 million.

The Bank has been working on the development of a new digital banking platform, which is scheduled to be completed in 2024. With the establishment a new banking entity, either through the strategic acquisition or the establishment of a new digital bank, the Group will accomplish the planned restructuring of the Group's business activities, into a redefined banking division with all banking activities consolidated in one banking entity and a non-banking division with wholesale and retail of household gas, real estate, investments and advisory services.

Board of Supervisory Directors

During 2023 the Board of Supervisory Directors of the Bank performed its supervision function and received detailed written and verbal reports from the Management Board. In this way the Board of Supervisory Directors was kept continuously informed about the Group's intended business strategy, credit issues, corporate planning (including financial, investment and human resources planning), capital adequacy, quarterly financial reports, risk- and control-related topics, compliance with legislation and regulations, and corporate governance matters, the state of the business, strategic matters such as the target acquisition and the situation in the Bank and the Group as a whole.

The documents relating to Management Board decisions or actions that – by law, regulations or under the Articles of Association – required the approval of the Board of Supervisory Directors were made available in advance and inspected by the Board of Supervisory Directors at its meetings. In certain cases where it was impractical to schedule a meeting, the Board of Supervisory Directors gave its approval on the basis of documents provided in circulation to its members. The Board of Supervisory Directors was involved in supervising decisions of material importance to the Bank. We discussed at length the business trends described in the reports from the Management Board and the prospects for the development of AIB BANK N.V. Thirteen meetings of the Board of Supervisory Directors were held during 2023 (2022: 19). All members of the Management Board attended the meetings of the Board of Supervisory Directors.

The Board of Supervisory Directors proposes that the Shareholders adopt the 2023 consolidated and corporate Financial Statements as presented, accompanied by reports drawn up by the Management Board and the Auditor's report, in compliance with article 18.4 of the Bank's Articles of Association. The approval of the 2023 consolidated and corporate Financial Statements and Profit Appropriation by the shareholders encompasses dividend payment for 2023 based on the Group's return on equity of 6.1% or Afl. 520 per share (2022: Afl. 437). The Board of Supervisory Directors proposes to pay a dividend of 10% of the paid-up share capital, equal to Afl. 100 per share of Afl. 1,000 nominal. This dividend payment represents a total amount of Afl. 1,492,000 for 2023 which will be made available after the General Meeting of Shareholders and payable as of June 1, 2024.

The composition of the board of Supervisory Directors is as follows:

Name	Committee Membership
Mr. Rudolfo M. Croes*	Audit, Compliance and Risk Committee, Remuneration and Appointment Committee
Mr. Edwin L. Tromp#	Audit, Compliance and Risk Committee
Mr. Fons A. Essed#	Remuneration and Appointment Committee, Audit, Compliance and Risk Committee
Mr. Fredis J. Refunjol	Remuneration and Appointment Committee, Audit, Compliance and Risk Committee
Ms. Nerissa V. Lacle	Remuneration and Appointment Committee

* Chairman of the Board

Chairman of the Board Committee

With regard to the extensive scope of subjects to be covered and supervised by the Board of Supervisory Directors, continued courses are followed in the area of banking which are amongst others, Corporate Governance, Credit Analysis, Risk Management and Compliance in order to maintain permanent high level of supervision and to remain abreast on the developments in these fields. Further, with the planned expansion of the Bank, Information, Communication and Technology will occupy a forefront role going forward as such the focus will be on this field as well.

Board Committees

Audit Compliance Risk Committee

The Audit Compliance Risk Committee consists of the Board members Mr. E.L. Tromp (chairperson), Mr. R.M.G. Croes, Mr. F.A. Essed and Mr. F.J. Refunjol. All members participated in the meetings since they were appointed and in cases of impediment, they had consultation amongst them.

The Audit Compliance Risk Committee assists the Board of Supervisory Directors in fulfilling its oversight responsibilities and its primary role is to monitor the integrity of the financial statements and other information to shareholders; to review the systems of internal control, compliance and risk management; to maintain an appropriate relationship with the Bank's internal auditor, risk manager, compliance officer, and external auditor; and to review the effectiveness and objectivity of the audit, compliance and risk process.

Remuneration and Appointment Committee

The Remuneration and Appointment Committee consists of the Board members Mr. F.A. Essed (chairperson), Mr. R.M.G. Croes, Mr. F.J. Refunjol and Mrs. N.V. Lacle as members of this committee.

The committee's primary role is to recommend to the Board of Supervisory Directors the remuneration strategy and framework, giving due regard to the financial and commercial well-being of the Bank and to ensure that the members of the Management Board are fairly rewarded for their individual contribution to the Bank's overall performance. This includes, amongst others, to prepare proposals on behalf of the Board of Supervisory Directors regarding remuneration in the form of fixed and variable salaries, pensions and any other types of remuneration for the Bank's Management Board. The members of the committee are appointed by the Board of Supervisory Directors.

No member participates in issues related to his or her own remuneration.

Conclusion

In conclusion, I would like to express my gratitude to my colleagues on the Board of Supervisory Directors for their support, constructive contribution and guidance during the year. On behalf of the Board, I would like to thank the



Management Board, the management team and the entire staff of the Bank as well as the Board and Management of all the subsidiaries for their dedication to the goals and objectives of our organization during 2023 and for contributing to the economic development of Aruba.

The Board of Supervisory Directors recommends that the General Meeting of Shareholders discharge the Management Board and Board of Supervisory Directors for their respective management and supervision during the financial year 2023.

Oranjestad, Aruba, April 2, 2024

On behalf of the Board of Supervisory Directors of AIB BANK N.V.

R.M.G. Croes, Chairman



2023 MANAGEMENT BOARD REPORT

Overview

As we look back on 2023, it is quite clear that the financial services sector is going through a vast amount of change and at times disruption as a consequence of innovative solutions driven by AI and fintech offerings in the digital field. Consumers' own behavior is also changing, with a much higher importance being placed today on financial products that satisfy a growing desire for efficiency and easily accessible banking services.

It all makes this a very exciting time to be in this sector and while change on this scale brings its own challenges, there are many more opportunities in our view, especially for institutions able to respond with the kind of speed and agility that today's environment demands.

Looking back on 2023, we are proud of how AIB performed and what we achieved despite the persistent challenges concerning the realization of new projects planned for some time now in pipeline in Aruba that would have some impact on economic diversification, not to mention factors such as the Public Sector budget uncertainty due to ongoing discussions with the Kingdom Council of Ministers.

Our strategy

AIB has always, since its inception in 1987, had a fundamental social economic purpose. We were established to promote the execution of projects which, in the opinion of the Bank, are important to the economic development of Aruba. Looking back, we can be proud to say, yes, we have been fulfilling this purpose.

To this day, our client focus, and social commitment are the center of our corporate responsibility. Putting clients first was then, is now and will always be our guiding principle. We do all we can to help our clients reach their goals.

Our mission

As a bank, we recognize our responsibility to all our stakeholders, including clients, employees, shareholders and the community. Corporate responsibility is increasingly woven into the fabric of everything we do. It matters most in our core business, where we focus on serving our clients while consistently applying regulatory, ethical, environmental, and social standards to clients and transactions.

As well as financial health, committed employees are vital to satisfy our client's needs. Our employees demonstrated very high engagement to achieve the goals set in 2023.

Review of 2023

**FINANCIAL HIGHLIGHTS
CONSOLIDATED**

Income Statement (in Afl. million)

	2023	2022
Interest Income	14.5	14.1
Interest Expenses	(8.1)	-6.7
Net interest	6.4	7.4
Net Lease Income	3.5	3.5
Fees	8.3	6.6
Revenue from Sales of Goods	14.2	11.3
Total Net Operating Income	32.4	28.8
Allowances for LLP	(1.5)	(1.4)
Personel expenses	12.4	10.3
Operating Expenses	6.1	7.3
Depreciation and Amortization	2.7	2.6
Total operating Expenses	21.2	20.2
Profit before tax	9.7	7.2
Profit Tax	(2.0)	(1.3)
Net Result	7.8	5.9

Financial Position (in Afl.million)

	2023	2022
Total Assets	347.0	350.8
Loans	159.7	142.6
Investments	24.2	13.8
Other Receivables	10.3	7.0
Shareholders equity	131.4	126.6

We are pleased to submit our 2023 financial statement. The year 2023 stands out for the growth of 25.5% of the banking fees over the previous year. Our syndication unit in the Corporate Finance department continued to successfully close sound syndicated transactions with one of the largest with a value of Afl 305 million (USD 169 million) closed recently.

The year 2023 will also stand out for the major advances booked in our strategic move towards diversification of the existing banking activities into a new digital commercial bank. This move will result in the restructuring process of the Group and contribute to further growth of the Banking division. This had an effect of 12.9% increase on the banking staff cost and operating expenses.

For 2023 the Group continued to deliver a strong performance. The Group Net Operating Income grew by 13% to a total amount of Afl. 32.4 million (2022: Afl. 28.8 million). The Operating Result before Profit Tax in 2023 grew by 36% to Afl. 9.7 million (2022: Afl 7.2 million) while the Group reported a Net Result before Comprehensive Income (Net Profit after Tax) for the year ended December 31, 2023, of Afl. 7.8 million, showing an increase of 31.3% compared to the Afl. 5.9 million recorded in 2022.

The Net Interest Income decreased by 12.8% when compared to 2022, mainly due higher actual interest expenses. The higher interest expenses are in line with the higher average borrowings in 2023. The net Lease Income has remained in line with the prior year.

Overall, the Group has seen an increase of 26.1% in the Net Revenues from Sales of Goods when compared to 2022. This increase is mainly due to the lower cost of goods as a consequence of the substantial decrease of the LPG price on the international market following the stabilization of the energy market.

On the expenses side, the Group's Operating expenses increased by 5.1% when compared to 2022 mainly due to the increased personnel cost in the banking division associated with the special project and which in part is offset by lower actual administrative expenses when compared to 2022.

Statement of Financial Position

The Group's total assets decreased by a slight 1% at year-end 2023 to Afl. 347.2 million when compared to Afl. 350.8 million per year-end 2022.

Cash and Cash Equivalents have decreased to Afl. 99.1 million from Afl 133.5 million in 2022 and includes funds earmarked for the planned strategic investment and funding for the loan disbursement commitments in Q1-2024. The net loan portfolio has increased by 12% as a result of total loans disbursed of Afl. 49.8 million and repayment of Afl. 32.4 million and addition of the ECL allowance of Afl. 0.3 million. The movement in the gross loan portfolio can be specified as follows:

	2023	2022
<hr/>		
(In million Afl.)		
Balance at beginning of the year	142.9	157.9
Loan disbursements	49.8	17.1
Loan repayments	(32.4)	(32.1)
	<hr/>	
Balance at end of the period	160.3	142.9

The high repayment amount includes proceeds from successful resolution of the only non-performing loan. Investment securities increased by 75% to Afl. 24.2 million in 2023 due to the purchase of new bonds issued by the Government of Aruba. Trade and Other receivables increased by 46.4% from Afl. 7.0 million in 2022 to Afl. 10.3 million in 2023. The Property, Plant and Equipment has remained in line with 2022.

Shareholders' Equity

The shareholders' equity at year-end 2023 on a group level amounts to Afl. 131.4 million, an increase of 3.8% compared to year-end 2022. Net earnings per share are Afl. 519.20 for the year 2023 (2022: Afl. 436.70). The Group's capital to assets (equity/total assets) ratio equals 38% at year-end 2023 (2022: 36%). As per the same date, the Bank's prudential Capital Adequacy Ratio equals 29.2% (2022: 29.4%), comfortably in excess of the minimum threshold of 16% stipulated by the Central Bank of Aruba.

Evolving Role of the Bank

One of the Bank's original mandates is to promote the execution of projects which, in the opinion of the Bank, are important to the economic development of Aruba. The Bank is to encourage economic development by supporting and financing projects that ultimately have a positive multiplier effect on the economy. The purpose of an institution like the Bank is to fill gaps in the functioning of the market and to finance activities which add to the economic development of the island, but for one reason or another fall outside the remit of the commercial banks.

Originally the Bank was not established to primarily generate a maximum rate of return on capital, but in order to be able to execute its Social Economic Mission on a sustainable basis the Bank must remain financially robust. Additionally, the Bank strives to provide a reasonable dividend yield to its shareholders.

The Bank through its subsidiaries has also identified as an objective to provide equity and acquire shares in profitable local companies for which the Bank would prefer for the shares to stay in local hands due to their strategic importance in the economy of Aruba and for the dividends to be reinvested in Aruba instead of flowing out abroad.

With the expansion of services and the acquisition of new companies and real estate the Bank over time evolved to a diversified financial holding. The diversification of activities increased the benefit of a legal restructuring of the Group to segregate the different business divisions of the group and allow for sustainable growth for the Group for the future. Furthermore, market developments in both the banking and the non-banking activities have required Management to revisit the current business model. On the path of adapting to changing market conditions in the banking division, Management with the assistance of external advisory firms has researched the feasibility of launching new banking products through the implementation of advanced technological solutions aimed at creating efficient service and innovative customer experience for our clients. The implementation of this strategic project is ongoing and is targeted to be concluded by the fourth quarter 2024. In the non-banking division Management has initiated the process of a strategic repositioning of the wholesale and distribution of LPG business. Management is confident that these strategic changes will better position the Group to seize the many opportunities before us.

Business Activities

Like comparable institutions in the banking industry, the Bank will remain susceptible to the economic effects caused by events such as the changing competitive landscape as well as introduction of new regulatory requirements. We will continue to participate constructively in the discussions with stakeholders to assess the role the Bank will continue to play including pursuing our mandate in promotion of economic development of Aruba and serving all stakeholders. In 2023 the Group will resume and focus to complete the necessary strategic adjustment to the business models in the respective divisions.

Overall, the Bank will continue to position itself in the market as an innovative, knowledgeable, and independent service provider with the aim to provide new products and excellent service to our current and prospective clients, gain additional market share. We will concentrate on increasing our revenues through the diversification of our banking products and maintain a high-quality loan portfolio, participations in syndicated loans, and from our fee generating activities, while at the same time maintaining cost discipline. The subsidiary of the Group, i.e. the Arugas group of companies, was able to achieve improved financial and operational results, despite the competition in the market. AIB Vastgoed N.V. and the recently established AIB lease N.V. provide diversified revenues for the Group through Alicante Properties N.V. It remains the intention once the ongoing strategic assessments are concluded to activate Capital Providers Group (CPG) where the Group will stimulate investors to participate in CPG with the objective to acquire local companies in different sectors that will create value and provide adequate returns to the

shareholders. AIB will have an opportunity to provide financing to these companies in addition to other services such as interim management and advisory.

Corporate Finance Department

The Corporate Finance Department's (CFD) objectives are to originate transactions, distribute these amongst a wide range of financial institutions, manage the agency portfolio, and prudently acquire new loans and manage the Bank's Loan Portfolio. These objectives are pursued by providing, developing, and marketing tailor-made solutions by way of syndication, agency, and lending products of the Bank, with the aim to generate fee- and interest income in order to achieve the Bank's overall goals. CFD is also responsible for business development, gathering market intelligence and managing and enhancing of AIB's network of relationships. CFD consists of a Syndication (Origination and Distribution) Unit, Agency (Administrative and Security Management Services) Unit and a Corporate Lending Unit.

Program and Project Management

The main activities of our Program and Project Management ("PPM") business unit in 2023 consisted of.

- management of the day-to-day activities of Stichting Onroerend Goed Aruba (SOGA) as delegated by the Board of SOGA, including the ongoing project of expansion and renovation of the Dr. Horacio Oduber Hospital
- management of the day-to-day activities AIB Vastgoed N.V. including the maintenance management of the properties in this portfolio.

The PPM business unit is entrusted on an ongoing basis with managing the day-to-day activities of the foundation Stichting Onroerend Goed Aruba ("SOGA") as delegated by the Management Board of SOGA, which owns several buildings specified as follows;

- Three buildings, specifically built to house Government Departments of Tax / Finance ("the Belfin building"), Infrastructure ("the INFRA building") and the Tourism Authority ("the ADRS/ ATA building);
- The Dr. Horacio Oduber Hospital (HOH) and several other buildings on the property;
- The buildings of Multifunctional Accommodation Center of Noord, Paradera, Savaneta, St. Cruz and San Nicolaas.

In the year 2023, the PPM Department focused on supporting the Management Board of SOGA with the negotiations to resume the construction of the last phase of the HOH project, being completion of the renovation of the east wing of the existing bed tower including execution of several additional scopes of work such as the new Operating Suites. The PPM department also dedicated time in the supervision of the execution of the maintenance of several new or renovated SOGA HOH buildings delivered and placed in use. Time was also dedicated to supervising and monitoring the execution of the maintenance activities of the Multifunctional Accommodation Centers (MFA) and of the three buildings Belfin, Infra and ADRS/ATA building. Additionally, the PPM department supervised the maintenance of the AIB Vastgoed John F. Kennedy School Building (JFK Building).

Further, the PPM department assists in managing activities in some projects in the pipeline which are important for the economic development of Aruba.

Economic and Financial Services (EFS)

EFS provides economic and financial services to the private and the public sector. The activities of EFS complement the activities of AIB by providing a broad spectrum of services. To this end, the EFS department of AIB is able to provide a complete package of economic and financial services to its clients which are, amongst others, macro-economic advisory to the government, semi-government and the private sector as well. This unit will focus in 2024 on assisting CFD in acquiring and executing the numerous fees generating capital raising projects (Syndication) and herewith also increase our recurring fees generating agency portfolio.

Risk Management

The risk management department is responsible for the ongoing monitoring, assessment and management of the risk environment and effectiveness of the risk management framework. Day-to-day risk management responsibility is delegated to the management board and senior management. The last non-performing loan was resolved in 2023. For 2024 the NPL ratio, if any, is expected to remain at an acceptable level.

Conclusion/ Outlook

In 2023 Aruba experiences significant economic growth fueled by the recovery of the tourism industry. Businesses are showing strong financial performance, and we need to focus on how we can best assist and service our clients. In 2024 we will concentrate on making new innovative banking services available to our clients. During this period of transition, we need to continue to be alert to economic developments and opportunities and carefully manage liquidity, credit portfolios and project costs.

Large ongoing and new investments include among others the renovation/expansion and construction of (new) hotels, the expansion of the airport and the development of Port City and industrial areas.

In the non-banking division, the LPG prices decreased in 2023 following the stabilization of the energy market and the Group produced a financial result over double the amount compared to 2022. The effect of the increased gas prices experienced in early 2022 due to the embargoes imposed on Russia has been mitigated internationally by Western Europe through new pipeline projects and recommissioning of dormant gas fields. For 2024 the Arugas Group will continue to assure a sustainable import so that Aruba will always have an adequate supply of LPG regardless of possible fluctuating circumstances and conditions of the LPG market worldwide and will actively similar to the year before engage with its customers and assess all processes to ensure further efficiencies and improvement of customer service in order to stay ahead of its competition and assure a strong position in the local market. The subsidiaries AIB Vastgoed and AIB Lease are expected to grow their portfolio and together with the re-activation of Capital Providers Group continue to contribute to the Group's bottom line.

We would like to thank the Board of Supervisory Directors for their guidance, constructive contribution to the discussions, support and invaluable counsel; the shareholders and clients for their trust and confidence in the Group; and last, but certainly not least, our exceptional team of employees who share the Group's vision and continue to work tirelessly to make it a reality. Thank you!

Oranjestad, April 1, 2024**Management Board**

Frendsels W. Giel, Managing Director

Jasmine V. Simon, Assistant Managing Director

Economic Outlook 2024

Economy

Before the onset of the COVID-19 pandemic, Aruba's economy experienced a period of general growth. After Aruba's real GDP contracted by an estimated 24.0% in 2020 due to the pandemic, the economy has recovered in 2021 with an estimated real GDP growth of 27.6% driven by a rebound in the tourism sector. Like 2021, the tourism sector drove real economic growth in 2022 with an estimated growth of 8.0%. Even though the tourism sector is continuing to show robust performance, inflation rates partially eroded the nominal gains, resulting in lower real growth figure for 2023, where the Central Bank of Aruba (CBA) projects a real GDP growth of 5.1%. For 2024, a contraction of 0.1% is foreseen due to a lack of new investments to replenish the stock of relatively large construction projects being finalized. The 12-month average inflation for 2023 is 3.4% mostly due to tax increases, and the CBA forecasts a rate of 0.1% for 2024.

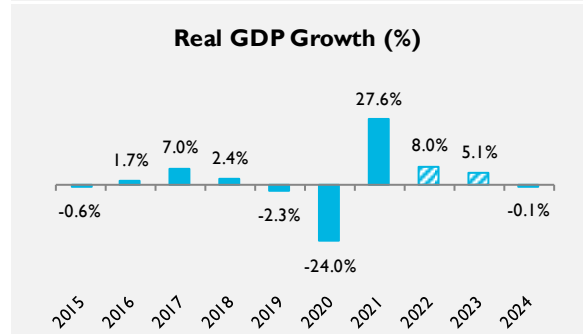
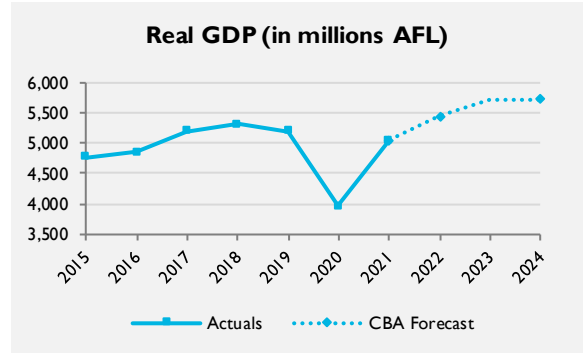
A significant concern is growing in terms of availability of labor in several sectors, including hospitality and construction, which may drive up inflation. The further growth of tourism will only add further strain. Ongoing hotel projects include the construction of the St. Regis Aruba and the Iberostar Grand Aruba, all scheduled to be completed in 2024. Other ongoing hotel projects expected to be completed in the coming years are the renovation and expansion of the Hilton Aruba and construction of the Secrets Aruba Baby Beach. Aruba has been working on several large projects including the redevelopment of the airport (Gateway 2030), Port City and the industrial area at Barcadera, and has been tackling big challenges such as diversifying the economy to reduce reliance on hospitality, transitioning to greener fuel such as LNG and hydrogen, and improving waste management. All challenging projects require time to materialize.

Tourism

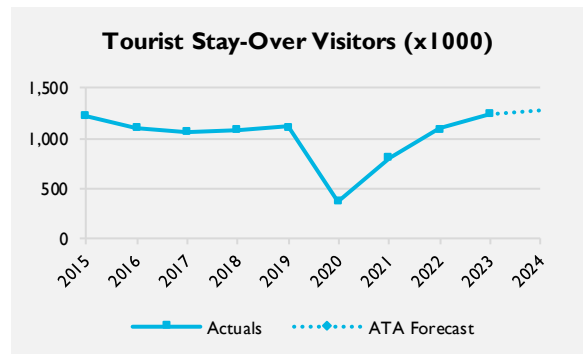
Aruba's economy is heavily reliant on tourism. The COVID-19 pandemic has severely impacted the tourism sector, with tourist arrivals in Aruba plummeting by 67.1% in 2020. However, as global travel restrictions ease and vaccination rates increase, Aruba's tourist arrivals recovered in 2022 (98% of 2019-level) and has surpassed the 2019-level in 2023 (111% of 2019). The first month of 2024 shows continued growth, where stay-over visitors grew by 18.4% compared to January 2023.

In the first three quarters of 2023, tourism credits (i.e. Tourism Receipts plus timeshare maintenance fees and other tourism-related income) grew by 15% compared to 2022. This increase is thanks to the continued recovery in tourism activity.

With the aim to manage tourist numbers, the objective of the Aruba Tourism Authority (ATA) is to maintain stability in 2024 anticipating a modest rise of 3% compared to 2023, while foreseeing a significant growth of 6% in Tourism



CBA, Annual Statistical Digest 2022 & Economic Outlook March 2024



ATA Monthly Reports till Dec 2023 & news publication ATA Budget

Receipts. IATA’s strategy for 2024 involves market diversification, focusing on a stabilized North American market and a growing Latin American market, among others. Additionally, ATA aims to prioritize increasing “value” over “volume.” There is significant attention given to Aruba’s product, following the “High Value – Low Impact” tourism development model, which emphasizes (a) economic contribution, (b) providing visitors with a high-quality experience, (c) considering the importance of our residents’ quality of life, and (d) protecting our natural environment.

There are major tourism developments expected in Aruba for the year 2024. From major hotel openings (St. Regis Aruba, Iberostar Grand Aruba, partially Secrets Aruba Baby Beach), expansions (Hilton Aruba Resort and Divi Aruba Phoenix Resort) and renovations (Hyatt Regency Aruba and RIU Palace Aruba) to airport enhancements (Gateway 2030 project). Aruba is also working on the Aruba Happy One Pass, which will allow travelers to optimize the airport check-in process and health requirements as part of their arrival on island. The app will connect directly to the traveler’s Embarkation Disembarkation card to streamline travel to and from Aruba.

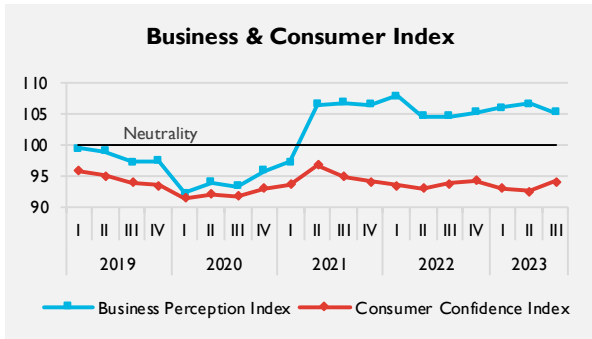
The cruise sector had a gradual recovery, restarting operations a year later post-pandemic in June 2021. In 2022, the cruise industry saw a recovery of 73.4% (610,474 passengers) compared to 2019 (832,001 passengers). After concluding the year 2023 with 98.3% recovery (817,670 passengers) compared to 2019, APA is very pleased with the beginning of 2024, anticipating a favorable year for Aruba’s cruise industry.

	2019	2020	2021	2022	2023	2024
Dec YTD						
Occupancy	84.4%	27.1%	56.5%	75.0%	78.0%	
ADR	\$275.44	\$328.71	\$260.01	\$309.04	\$341.12	
RevPAR	\$232.53	\$89.24	\$147.03	\$231.89	\$266.08	
%Yoy change		-61.6%	64.8%	57.7%	14.7%	
% of 2019		38.4%	63.2%	99.7%	114.4%	
Jan YTD						
Occupancy	89.5%	83.4%	25.1%	48.2%	83.0%	86.0%
ADR	\$351.98	\$366.84	\$297.45	\$356.84	\$420.67	\$425.46
RevPAR	\$314.85	\$306.01	\$74.70	\$172.12	\$349.26	\$365.92
%Yoy change		-2.8%	-75.6%	130.4%	102.9%	4.8%
% of 2019		97.2%	23.7%	54.7%	110.9%	116.2%

The hotels performed very well in 2023. Even though occupancy was 6.4 percentage points lower compared to 2019, ADR was 23.8% higher, leading to a substantial increase in RevPAR of 14.4%. An overall increase is seen in all indicators for January 2024. AHATA forecasts that the overall occupancy rate will be 79.3% in 2024. If the hotels continue attracting guests with such high ADRs, then the hotels will experience unprecedented levels of profitability and sustained growth in revenue.

AHATA, Monthly Reports till January 2024

¹ Tourism receipts include receipts from stay-over and cruise tourism, as well as from other tourism-related income as registered by the Central Bank of Aruba.



CBA, Business Perception & Consumer Confidence Reports

Business Perception & Consumer Confidence

The CBA reports that the Business Perception Index in Q3 of 2023 remained optimistic, continuing a period of positive sentiment that initiated during the first half of 2021. In contrast, the Consumer Confidence Index remains pessimistic mainly resulting from consumers being concerned about (1) weakening business and economic conditions, (2) difficulty in finding a new job, and (3) deteriorating financial position of the government.

The Government

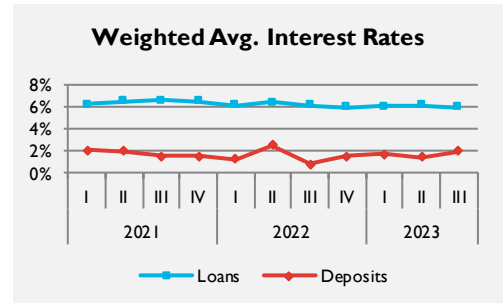
The Government recorded a surplus of Afl. 200.9 million in Q1-Q3 2023 compared to a deficit of Afl. 55.5 million

during the same period of 2022 (preliminary figures and estimates on a cash basis). This was due to a significant rise in tax revenue, coupled with stable expenses. According to the 'Uitvoeringsrapportage' from the Government of Aruba, the government's budget for 2023 projects a revenue of Afl. 1,659 million and expenses of Afl. 1,522 million. This will lead to a surplus of Afl. 137 million and a financing need for Afl. 1,322 million.

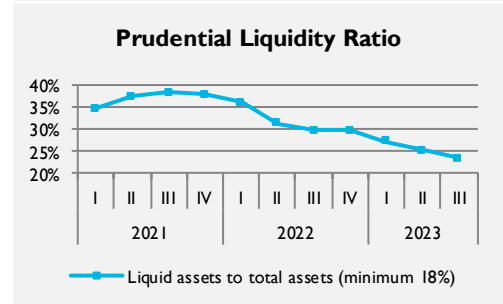
At the end of Q3 2023, the total outstanding government debt amounted to Afl. 5,619 million (82% of GDP). Because of the substantial government debt, exacerbated by the pandemic atop pre-existing debt, Aruba's government has been engaged in continuous discussions with the Dutch government to negotiate the restructuring of its debt.

Financial Sector

The weighted average rate of interest on loans from the commercial banks has remained stable during recent years, fluctuating only slightly around 6.3%. The weighted average rate of interest on deposits fluctuates around 1.7% in recent years, with a notable uptick during the second quarter of 2022 to 2.6%, then a sudden drop to 0.9% in the third quarter of 2022 and increasing back to the same level as the average rate.



The Prudential Liquidity Ratio (PLR) registered a continual decrease over the past years, ending at 23.4% in the third quarter of 2023. The excess liquidity in the commercial banking sector declined primarily because of increased lending activity. Several new credits were extended, including multiple floating government bond loans offering relatively high yields in 2023, draining liquidity. Nonetheless, the PLR remained above the regulatory minimum of 18%.



As part of CBA's monetary policy strategy, the reserve requirement rate is reduced by 0.5 percentage points to 22.0% as of December 1, 2023, meaning that commercial banks must hold at least 22.0% of their clients' liquid deposits at the CBA. The decision to reduce the reserve requirement rate was based primarily on the official and international reserves remaining at an adequate level. The CBA informed that they continuously monitor the reserves and the excess liquidity developments, and stands ready to adjust the reserve requirement rate, if deemed necessary.

Following the pandemic, interest rates in international markets were on the rise. High inflation due to supply chain disruptions, rising energy prices, and loose monetary policy have led central banks to increase interest rates to stem off inflation. The Fed Funds Interest Rate is set at 5.25-5.5%. As inflation in the US has eased substantially in the past year, the Federal Reserve Chair is considering cutting the Fed rate, but recently informed that they will wait until it has gained greater confidence that inflation is moving sustainably toward its 2% goal. Similarly in Europe, inflation is

expected to fall further but the European Central Bank (ECB) informed that it needs more data before starting to cut interest rates. The ECB has kept rates steady at a record high (4.0%).

Higher rates in the US and Europe resulted in making local credit more attractive for investors. Rate cuts in the international market could lead to an increase in foreign credit to Aruba and at the same time making local credit less attractive for investors if Aruba's loan rate remains stable in line with recent years.

Balance of Payments (BOP)

In 2023, the CBA estimates a BOP deficit of Afl. 156.8 million, mainly due to financial account outflows driven by the purchase of shares by local institutional investors from nonresidents and domestic financing of maturing foreign debt, both in the hotel sector. No new foreign borrowing for fiscal deficits was anticipated due to improved government finances. For 2024, a BOP surplus of Afl. 620.1 million is forecasted, with a current account surplus, supported by tourism, outweighing the financial account deficit. In 2024, the government plans to borrow externally to repay maturing debt, while private sector outflows are expected to rise, leading to a net financial account outflow.

Projected international reserves are expected to remain adequate, with the current account coverage ratio above the minimum threshold and official reserves staying within the optimal range as per the IMF ARA metric (the ratio between the level of official reserves and the minimum adequate level) for both 2023 and 2024. Maintaining reserve adequacy is critical to keeping the fixed exchange rate between the Aruban florin and the US dollar.

Conclusion

Aruba's economy has recovered completely in 2023 and outperformed 2019, driven largely by a rebound and further growth in the tourism sector. Stay-over tourism has surpassed pre-pandemic levels and cruise tourism is expected to surpass 2019-levels in 2024. Additionally, some large ongoing construction projects are being completed in 2024, however, not many large new projects are being developed. The country's continued efforts to diversify the economy and investment in renewable energy and technology present opportunities for long-term growth, however, these come with great technological and financial challenges. Even though finances of the government of Aruba have improved, spending has not declined, and the government's debt is still being restructured which may cause longer term budgetary restraints. With limited space and resources and increased price for tourism, attracting high-value tourism holds significant importance for Aruba's future.

Oranjestad, April 1, 2024

The Management Board

Frendsels W. Giel, Managing Director

Jasmine V. Simon, Assistant Managing Director



CONSOLIDATED FINANCIAL STATEMENTS 2023

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
DECEMBER 31, 2023**

	Notes	December 31, 2023	December 31, 2022
(In Afl.)			
Assets			
Cash and Cash Equivalents	(5)	99,092,745	133,543,696
Time Deposit	(6)	-	430,000
Loans - Amortized Cost	(7)	159,699,812	142,605,212
Investment Securities	(8)	24,227,817	13,841,722
Trade and Other Receivables	(9)	10,272,939	7,017,908
Inventories	(10)	2,678,924	2,481,550
Property, Plant and Equipment	(11)	23,268,864	23,189,533
Investment Property	(12)	26,769,636	26,743,731
Intangible Assets	(13)	965,743	965,743
Total Assets		346,976,480	350,819,095
Liabilities			
Trade and Other Liabilities	(14)	11,437,699	9,038,013
Current Tax Liability		1,934,479	1,430,161
Cylinder and Security Deposits	(15)	9,474,925	9,531,982
Borrowings	(16)	186,392,906	197,668,810
Lease Liabilities	(17)	2,842,185	2,854,907
Provisions	(18)	1,011,179	1,100,969
Deferred Tax Liability	(19)	2,512,362	2,590,454
		215,605,735	224,215,296
Equity			
Ordinary Shares	(20)	14,920,000	14,920,000
Share Premium	(20)	1,690,810	1,690,810
Regulatory Loan Loss Reserve	(20)	5,386,894	4,765,499
Revaluation Reserve	(20)	620,000	620,000
Retained Earnings	(20)	108,753,041	104,607,490
Shareholders' Equity		131,370,745	126,603,799
Total Liabilities and Equity		346,976,480	350,819,095

The accompanying notes form an integral part of the consolidated financial statements.

Oranjestad, April 1, 2024

Management Board

F.W. Giel
J.V. Simon

Board of Supervisory Directors

R.M.G. Croes
E.L. Tromp
F. A. Essed

F. J. Refunjol
N.V. Lacle

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR 2023

	Notes	2023	2022
(In Afl.)			
Interest Income	(21)	14,496,596	14,091,379
Interest Expense	(21)	<u>(8,085,390)</u>	<u>(6,737,561)</u>
Net Interest Income		6,411,206	7,353,818
Interest Expense Lease Liabilities		(178,432)	(179,180)
Lease income	(22)	4,141,470	4,120,928
Cost of sales lease income	(22)	<u>(445,724)</u>	<u>(405,906)</u>
		3,695,746	3,715,022
Fee and Commission Income	(23)	8,923,582	7,039,263
Fee and Commission Expense		<u>(655,864)</u>	<u>(451,855)</u>
Net Fee and Commission Income		8,267,718	6,587,408
Revenue from Sales of Goods	(24)	23,274,399	25,356,532
Cost of Goods Sold	(24)	<u>(9,035,512)</u>	<u>(14,066,887)</u>
		14,238,887	11,289,645
Total Net Operating Income before Credit Impairment Losses and Operating Expenses		32,435,125	28,766,713
(Addition) to Allowance for Credit Impairment Losses	(7/9)	<u>(1,512,012)</u>	<u>(1,446,865)</u>
		(1,512,012)	(1,446,865)
Staff Costs	(25)	(12,374,427)	(10,294,425)
Administrative Expenses	(256)	(6,074,168)	(7,253,483)
Depreciation and Amortization	(11)	<u>(2,726,822)</u>	<u>(2,606,086)</u>
Total Operating Expenses		<u>(21,175,417)</u>	<u>(20,153,994)</u>
Operating Result before Profit Tax		9,747,696	7,165,854
Profit Tax	(27)	<u>(1,996,750)</u>	<u>(1,270,261)</u>
Net Result		7,750,946	5,895,593
Other comprehensive income: fair value adjustment investments		-	620,000
Total comprehensive income for the year		7,750,946	6,515,593

Net earnings per share are Afl. 519.50 for the year 2023 (2022: Afl. 436.70). The diluted earnings per share equal net earnings per share. The accompanying notes form an integral part of the consolidated financial statements.

Oranjestad, April 1, 2024
Management Board

F.W. Giel
J.V. Simon

Board of Supervisory Directors

R.M.G. Croes
E.L. Tromp
F.A. Essed
F. J. Refunjol
N.V. Lacle



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR 2023

	Share Capital	Share Premium Reserve	Regulatory Loan Loss Reserve	Retained Earnings	Revaluation Reserve	Total Shareholders' Equity
(In Afl.)						
Balance per December 31, 2021	14,920,000	1,690,810	5,219,952	101,241,444	-	123,072,206
Net result for the year 2022	-	-	-	5,895,593	-	5,895,593
Other Comprehensive Income	-	-	-	-	620,000	620,000
Dividend 2020 and 2021 paid	-	-	-	(2,984,000)	-	(2,984,000)
Transfer to Regulatory Loan Loss Reserve	-	-	(454,453)	454,453	-	-
Balance per December 31, 2022	14,920,000	1,690,810	4,765,499	104,607,490	620,000	126,603,799
Net result for the year 2023	-	-	-	7,750,946	-	7,750,946
Dividend 2022 paid	-	-	-	(2,984,000)	-	(2,984,000)
Transfer to Regulatory Loan Loss Reserve	-	-	624,833	(624,833)	-	-
Balance per December 31, 2023	14,920,000	1,690,810	5,390,332	108,749,603	620,000	131,370,745

The accompanying notes form an integral part of the consolidated financial statements.



CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR 2023

	Note	2023	2022
(In Afl.)			
Cash Flow from Operating Activities:			
Revenues from Sales of Goods		22,218,035	28,930,410
Interest, Commissions and Fees Received		24,517,808	19,342,235
Cash Paid to Suppliers and Employees		(26,139,424)	(32,255,721)
Income Taxes Paid		(1,570,525)	(1,575,077)
Loans Granted		(49,772,393)	(17,093,656)
Loan Repayments		<u>32,381,330</u>	<u>32,149,484</u>
Net Cash Provided by Operating Activities		1,634,831	29,497,675
Cash Flow from Investing Activities:			
Purchase of Investments	8	(10,386,095)	-
Capital Expenditure	10	(2,984,342)	(2,103,289)
Proceeds from disposals	10	178,189	251,697
Investments in Investment Property	11	(25,905)	(5,319)
Investments in Time Deposits		<u>430,000</u>	<u>(430,000)</u>
Net Cash (used in) by Investing Activities		(12,788,153)	(2,286,911)
Cash Flow from Financing Activities:			
Proceeds from Borrowings	15	18,300,000	75,734,135
Repayment of Borrowings	15	(29,575,904)	(21,968,732)
Net Increase/ (Decrease) Cylinder and Security Deposits	14	(57,057)	44,892
Interest Paid		(8,980,668)	(6,415,839)
Dividend Paid		<u>(2,984,000)</u>	<u>(2,984,000)</u>
Net Cash (used in)/ provided by Financing Activities		<u>(23,297,629)</u>	<u>44,410,456</u>
Net change in Cash and Cash Equivalents		(34,450,951)	71,621,220
Cash and Cash Equivalents at the Beginning of the Year		133,543,696	61,922,476
Cash and Cash Equivalents at the End of the Year		<u>99,092,745</u>	<u>133,543,696</u>

The accompanying notes form an integral part of the consolidated financial statements. Cash and Cash Equivalents have been disclosed in Note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2023

I. General Information

The Group's parent company is AIB BANK N.V. (the Bank), which is a limited liability company and is incorporated in 1987, and domiciled in Aruba. The address of its registered office is as follows: Wilhelminastraat 36, Oranjestad, Aruba. The consolidated financial statements of the Bank for the year ended December 31, 2023, comprise the Bank and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The objectives of the Group are:

- to promote the execution of projects which are important to the economic development of Aruba;
- to provide medium- or long-term capital and other means of financing to individuals who are conducting a business and to corporations among others in the form of granting credits, providing loans, issue of guarantees and other forms of security, participation in equity and serving as intermediary in these matters;
- to manage funds on behalf of others for specific development purposes;
- to administer and manage financial or other institutions and assist in establishing such institutions;
- to render technical, administrative and financial assistance and to provide advice in banking activities including formation of bank syndicates and serving as intermediary in mergers and acquisitions of companies;
- to perform all acts and services which may be important or necessary for the realization of the Bank's objectives including rendering advice on management, banking transactions, receiving money in deposit, collections, payments and transactions in foreign currency; all this as it relates to the projects of the Bank;
- to act as holding company;
- to import, store, sell and distribute gas and other petroleum related products for commercial and household use, as well as the sale of appliances and installation of gas related installations;
- to acquire, possess, alienate, lease (out), sublease, and manage of rights and interests related to movable and immovable property;
- to buy and sell, rent, rent out, and lease of vehicles and (motorized) equipment.

The shares of the Group are held by a variety of shareholders. None of the shareholders has power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The 2023 consolidated and corporate Annual Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS). These consolidated financial statements have been approved for issue by the Board of Directors on April 1, 2024. The shareholders have the power to amend the consolidated financial statements after issue.

2. Material Accounting Policy Information

2.1. New or Revised Standards and Interpretations

2.1.1. New or revised Standards or Interpretations

Standards and amendments that are effective for the first time in 2023 (for an entity with a 31 December 2023 year-end) and could be applicable to the Group are:

- IFRS 17 'Insurance Contracts'
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)

These amendments do not have a significant impact on this Financial Statements and therefore the disclosures have not been made.

2.1.2. New Standards and Interpretations not yet adopted

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

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Lack of Exchangeability (Amendments to IAS 21)

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, Amendments and Interpretations neither adopted nor listed above have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

2.2. Summary of Material Accounting Policies

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

- Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention except for the following:

- Financial Instruments at Fair Value through Profit or Loss (FVTPL) are measured at fair value; and
- Financial Assets at fair value through other comprehensive income (FVOCI) are measured at fair value through other comprehensive income.

Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are categorized in level 3 of fair value hierarchy: unobservable inputs for the asset or liability.

The following unobservable inputs are used for Level 3 instruments valuation:

- Investment securities – expected discounted cashflows;
- Trade and other receivables – last recorded transaction;
- Trade and other payables – last recorded transaction.

- Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases. The Group's financial statements consolidate those of the parent company and its subsidiaries as of 31 December 2023. All subsidiaries have a reporting date of 31 December. All transactions and balances between Group entities are eliminated on consolidation, including unrealized gains and losses on transactions between Group entities.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Intercompany transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Group entities

The following are significant subsidiaries:

	Country of incorporation	Ownership Interest 2023	Ownership Interest 2022
(In Afl.)			
Capital Provider Group N.V.	Aruba	100%	100%
Alicante Properties N.V.	Aruba	100%	100%
-Alicante Management Company N.V.	Aruba	100%	100%
-Casanare Properties N.V.	Aruba	100%	100%
-AIB Vastgoed N.V.	Aruba	100%	100%
-AIB Lease N.V.	Aruba	100%	100%
-Arugas Holding Company N.V.	Aruba	100%	100%
- Aruba Gas Voorzieningsmaatschappij N.V.	Aruba	100%	100%
- Bonick Oil & Gas Terminal N.V.	Aruba	100%	100%
- Evert van Woudenberg N.V.	Aruba	100%	100%

- Presentation

The assets and liabilities in the consolidated statement of financial position are presented based on liquidity. Management has determined a presentation which is typical for banks is suitable for application to the Group consolidated financial statements based on the following consideration that the Parent company of the Group is a bank under the supervision of the Central Bank of Aruba (CBA).

- Foreign Currency Transactions

Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Aruban Florins (Afl.), which is the Group's functional and presentation currency.

Transaction and Balances

Transactions occurring in United States dollars (USD) are converted at the rate of US\$ 1 to Afl. 1.79. Other foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions, or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes are recognized in other comprehensive income.

Translation differences on non-monetary items, such as equities held at fair value through profit and loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as Financial Assets at FVOCI, are included in the fair value reserve in other comprehensive income.

- Financial Assets

Classification

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

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

Business Model Assessment

The business model reflects how the Group manages its financial assets in order to generate cash flows, that is, whether the objective is to collect contractual cash flows, selling financial assets or both. The Group assesses its business model at a portfolio level reflective of how groups of assets are managed together to achieve a particular business objective. Factors considered by the Group in determining the business model for a group of assets include:

- How performance is evaluated and reported to key management personnel;
- The risks that affect performance and how they are managed;
- How managers are compensated; and
- The frequency and volume of sales in prior periods and expectations about future sales activity.

Contractual Cash Flow Characteristics Assessment

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

If the Group identifies any contractual cash flows, such that cash flows are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL. In making this assessment, the Group considers:

- Contingent events;
- Leverage features;
- Prepayment and term extensions; and
- Terms that limit the Group's recourse to specific financial assets and features that modify consideration of the time value of money.

Recognition and Measurement

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

Debt Instruments Measured at Amortized Cost

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

Purchases and sales of debt instruments at amortized cost are recognized at trade date – the date on which the Group commits to purchase or sell the asset – and are measured at amortized cost when cash is advanced to the borrowers.

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

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

Debt Instruments Measured at FVOCI

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

When the asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Net Investment Income'. Foreign exchange gains and losses that relate to the amortized cost of the debt instrument are recognized through profit or loss.

Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss approach. The expected credit loss on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the Consolidated Statement of Financial Position, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the financial assets were measured at amortized cost is recognized in OCI with a corresponding amount taken to release/(addition) to allowance for Credit Impairment Losses in the Consolidated Statement of Comprehensive Income. The accumulated amount recognized in OCI is recycled through profit or loss upon de-recognition of the debt instrument.

Debt Instruments Measured at FVPL

Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss.

Financial Assets Mandatorily Measured at FVPL

Financial assets meeting either of the conditions below are mandatorily measured at fair value through profit or loss (other than in respect of an equity investment designated as at fair value through other comprehensive income)

- Financial assets with contractual terms that do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- Financial assets held within a business model whose objective is achieved neither by collecting contractual cash flows nor by both collecting contractual cash flows and selling financial assets. This includes financial assets held within a portfolio that is managed and whose performance is evaluated on a fair value basis. It further includes portfolios of financial assets that are 'held for trading'.

Financial Assets Designated as Measured at FVPL

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

Equity Instruments

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

Reclassification

The Group reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification is applied prospectively from the reclassification date, which is the first day of the first reporting period following the change in business model that results in the reclassification. Any previously recognized gains, losses or interest are not restated.

De-recognition

Financial assets are derecognized when the contractual rights to receive the cash flows from the financial assets have expired, or when they have been transferred and either:

- The Group transfers substantially all the risks and rewards of ownership; or

- The Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

- Financial Liabilities

Classification, Recognition and Subsequent Measurement

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

A financial liability may be designated as at fair value through profit or loss only when:

- It eliminates or significantly reduces a measurement or recognition inconsistency (an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis; or
- A group of financial assets, financial liabilities or both is managed, and its performance is evaluated on a fair value basis in accordance with documented risk management or investment strategy; or
- A contract contains one or more embedded derivatives that significantly change the cash flows of the contract and the separation of the embedded derivative(s) is not prohibited.

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

De-recognition

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

- Impairment of Financial Assets

Scope

The Group recognizes impairment loss allowances for expected credit losses (ECL) for the following categories of financial instruments, unless measured at fair value through profit or loss:

- Financial assets that are debt instruments;
- Loan commitments;
- Financial guarantee contracts issued and not accounted for under IFRS 4 *Insurance Contracts*; and
- Receivables and contract assets recognized under IFRS 15 *Revenue from Contracts with Customers*.

Expected Credit Loss (ECL) Model

The impairment losses and allowance are determined in accordance with an expected credit loss model under IFRS 9, where credit losses are taken upon initial recognition of the financial asset, based on expectations of potential credit losses at the time of initial recognition. Under IFRS 9, the Group first evaluates individually whether objective impairment exists for financial assets that are individually significant. It then collectively assesses financial assets that are not individually significant and loans which are significant but for which there is no objective evidence of impairment.

The Group uses an ECL model developed to meet the requirements of IFRS 9. The allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. This model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination. Please refer to Note 3 for further explanation on the three-stage approach.

The Group assesses on a forward-looking basis, the expected credit losses (ECL) associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Presentation of Allowance for Credit Losses in the Consolidated Statement of Financial Position

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

Write-offs

When a Financial asset is uncollectible, it is written off against the related provision for credit loss impairment and reduces the gross carrying amount of the financial asset. Such Financial assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the Consolidated Statement of Comprehensive Income through profit or loss.

Modified Loans

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

Modified Loans that are not Credit-Impaired

Loan modifications that are not identified as renegotiated are restructured. Where a restructuring results in a modification such that the Group's rights to the cash flows under the original contract have expired, the old loan is derecognized, and the new loan is recognized at fair value. The rights to cash flows are generally considered to have expired if the restructure is at market rates and no payment-related concession has been provided.

Non-Performing Loans

The Bank's approach to classifying performing versus non-performing loans is through utilization of the internal credit risk grading process. Under IFRS 9, all loans graded doubtful and loss are considered credit-impaired and require individual provisions or 'Stage 3' ECL.

- **Intangible Assets**

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

- **Investment Property**

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable.

Investment property under construction for which the fair value of the property cannot be determined reliably, but for which the Group expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until fair value becomes reliably determinable or construction is completed, whichever is earlier.

- **Property, Plant and Equipment**

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the Consolidated Statement of Comprehensive Income through profit or loss during the financial period in which they are incurred. Land is not depreciated.

Depreciation on all other assets is calculated using the straight-line method to allocate their cost over the estimated useful lives as follows:

- Buildings 15-30 years;

- Automobiles 3-5 years;
- Office Furniture 4-5 years;
- Premises Improvements 2-10 years;
- Machines & equipment 3-60 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in administrative expenses in the Consolidated Statement of Comprehensive Income.

- **Leases (IFRS 16)**

The Group as a lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the Consolidated Statement of Financial Position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group amortizes the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, except for the right-of-use of long lease land which is not amortized. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group elected to apply the practical expedients in IFRS 16 for short-term leases and leases for which the underlying asset is of low value. Short-term leases with a term not exceeding 12 months (and no purchase option) as well as leases where the underlying asset is of low value are not recognized using the option under IFRS 16.5. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and investment property, and lease liabilities have been included as a separate line item under liabilities.

The Group as a lessor

As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

A lessor recognizes lease payments from operating leases as income on straight-line basis, unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

- Impairment of Non-financial Assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

- Inventories

Inventories are measured at the lower cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other cost incurred in bringing them to their existing location and condition.

- Trade and Other Receivables

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

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

- **Cash and Cash Equivalents**

In the Consolidated Statement of Cash Flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the Consolidated Statement of Financial Position, bank overdrafts, if any, are shown within borrowings.

- **Share Capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to the company's equity holders.

- **Regulatory Loan Loss Reserve**

Regulatory Loan loss Reserve is based on the applicable State Ordinance on the Supervision of the Credit System (AB 1998 no.16). The Regulatory Loan Loss Reserve is calculated in accordance with the Supervisory Directives as issued by the Central Bank of Aruba.

- **Trade and Other Liabilities**

Trade and other liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

- **Cylinder and Security deposits**

A Group company receives security deposits from customers on cylinders related to the sale of household and commercial gas. Deposits for cylinders are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. The fair value is not less than the amount payable on demand, discounted from the first date that the amount could be required to be repaid.

- **Borrowing Costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in the Consolidated Statement of Comprehensive Income profit or loss in the period in which they are incurred.

- **Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

- **Current and Deferred Income Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the Consolidated Statement of Comprehensive Income through profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country where the Bank and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

- - **Revenue Recognition**

The Effective Interest Rate (EIR) Method

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortized cost. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortized cost.

The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset. The EIR is calculated by taking into account transaction costs and any discount or premium on acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses.

For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired at initial recognition – the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of the gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the Consolidated Statement of Financial Position with a corresponding increase or decrease in interest income/ expense calculated using the effective interest rate method.

Interest Income

Interest income and expense are recognized in the Consolidated Statement of Comprehensive Income through profit or loss using the effective interest rate method and disclosed separately to provide symmetrical and comparable information.

Interest income and expense include:

- Interest on financial assets and financial liabilities measured at amortized cost calculated using the effective interest rate method; and
- Interest on debt instruments measured at FVOCI calculated using the effective interest rate method.

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

Fee and Commission Income

Fee and Commission Income arises mainly from loan commitments and administration, other financial service-related products (syndication) and fund management.

To determine whether to recognize revenue, the Group follows a 5-step process:

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

The Group often enters into customer contracts to supply a bundle of products and services, for example financial advisory and fund management services. The contract is then assessed to determine whether it contains a single combined performance obligation or multiple performance obligations. If applicable the total transaction price is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognized at a point in time when (or as) the Group satisfies performance obligations by transferring the promised services to its customers.

The Bank recognizes contract liabilities for consideration received in respect of unfulfilled performance obligations and reports these amounts as other liabilities in the Consolidated Statement of Financial Position. Similarly, if the

Group satisfies a performance obligation before it receives the consideration, the Group recognizes either a contract asset or a receivable in its Consolidated Statement of Financial Position, depending on whether something other than the passage of time is required before the consideration is due.

The Group provides corporate finance, syndication and fund management services. Revenue from these services is recognized on a time basis as the services are provided or when performance obligations are satisfied. Customers are invoiced as work progresses and/or when performance obligations are satisfied. Any amounts remaining unbilled at the end of a reporting period are presented in the Consolidated Statement of Financial Position as trade receivables as only the passage of time is required before payment of these amounts will be due. The Group has adopted a practical expedient in IFRS 15 which allows entities not to recognize a significant financing component at contract inception if the period between when the entity transfers the good or service and when the customer makes the payment is 12 months or less.

Revenue from Sales of Goods

Revenue from Sales of Goods arises mainly from selling and distribution of gas and other petroleum related products for commercial and household use, as well as the sale of appliances and installation of gas related installations.

To determine whether to recognize revenue, the Group follows a 5-step process (refer to the 5-step process under the policy for Fee and Commission Income).

Revenue is recognized at a point in time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the Consolidated Statement of Financial Position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognizes either a contract asset or a receivable in its Consolidated Statement of Financial Position, depending on whether something other than the passage of time is required before the consideration is due.

Revenue from the sale of goods for a fixed fee is recognized when or as the Group transfers control of the assets to the customer. Invoices for goods or services transferred are due upon receipt by the customer.

For stand-alone sales of goods, control transfers at the point in time the customer takes undisputed delivery of the goods.

- Employee Benefits

The Group has a Jubilee plan, a Defined benefit plan and a Defined contribution plan.

Defined contribution plan

The Group operates a defined contribution plan. The Group pays contributions to a separately administered pension insurance fund. The Group has no further payment obligations once the contributions have been paid. The contributions are charged to the Consolidated Statement of Comprehensive Income in the year to which they relate and disclosed as pension costs in Note 25.

Defined benefit plan

The Defined benefit plan is related to the legal and constructive obligation of the Group to make payments at retirement date. All full-time staff, excluding directors, are covered by these programs. The Group does not fund these obligations in advance.

The payment is based on the calculations set in article 3 of the State Ordinance Cessantia. The Group's cost and obligation to make long-service payments to employees are recognized during the employees' periods of service.

The cost and obligation are measured using the projected unit credit method, discounted using the current market yield for Aruba government bonds. Refer to note 14.

The obligations are recognized as a provision in the statement of financial position.

- **Dividend Distribution**

Dividends that are declared and paid during the period are accounted for as an appropriation of retained earnings in the statement of Consolidated Statement of Changes in Equity. Dividends that are proposed and declared after the reporting date are not shown as a liability on the Consolidated Statement of Financial Position but are disclosed as a note to the Consolidated Financial Statements.

3. **Financial Risk Management**

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to mainly the financial business of the Group, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies and guidelines are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out under policies approved by the Board of Supervisory Directors. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk and interest rate risk.

- **Credit Risk**

The Group takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is the most important risk for the Group's financial business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loan and investment activities that bring debt securities and other bills into the Group's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. Credit risk in relation to the Group's business of sale of gas is considered low, as the Group has established procedures for the delivery of household and commercial gas to its customers. Further, this business does not depend on one or more trade debtors for a significant amount of its receivables related to the sale of gas. The credit risk management is the responsibility of the Management Board.

- **Expected Credit Loss Measurement**

The Bank applies a 'three-stage' approach for impairment based on changes in credit quality since initial recognition, as summarized below:

Stage 1: 12-month ECL (Performing, not Credit-Impaired)

These are financial instruments where there has not been a Significant Increase in Credit Risk since initial recognition. An impairment loss allowance equal to 12-month ECL is recognized. This is the portion of lifetime ECL resulting from default events that are possible within the next 12 months. Credit risk is continuously monitored by the Group.

Stage 2: Lifetime ECL (Underperforming, not Credit-Impaired)

These are financial instruments where there has been a Significant Increase in Credit Risk since initial recognition but which are not credit-impaired. An impairment loss allowance equal to lifetime ECL is recognized. Lifetime ECLs are the ECL resulting from all possible default events over the expected life of the financial instrument. Refer to paragraph *Significant Increase in Credit Risk Since Initial Recognition* below for a description of how the Group determines when a Significant Increase in Credit Risk has occurred.

Stage 3: Lifetime ECL (Non-Performing, Credit-Impaired)

These are financial instruments that are credit-impaired at the reporting date but were not credit-impaired at initial recognition. An impairment loss allowance equal to lifetime ECL is recognized. Please refer to paragraph *Credit-Impaired Financial Assets at Stage 3* below for a description of how the Group defines credit-impaired and default.

Significant Increase in Credit Risk Since Initial Recognition

IFRS 9 requires the recognition of 12 month expected credit losses (the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition (stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit impaired (stage 3). The Group assesses when a Significant Increase in Credit Risk has occurred based on quantitative and qualitative assessments. Exposures are considered to result in a Significant Increase in Credit Risk and move to stage 2 when:

- Quantitative Test
 - The relative change in probability of default (PD) from origination to reporting date PD exceeds a relative movement of 10%.
- Qualitative Test
 - In short term forbearance
 - Extension to terms granted
 - Significant increase in credit spread
 - Actual or expected forbearance or restructuring
 - Early signs of cash flow/ liquidity problems such as delays in servicing of loan
- Backstop Criteria

A backstop has been applied and the financial instrument considered to have experienced a Significant Increase in Credit Risk if the borrower is more than 30 days due on its contractual payments.

The Group will continually monitor and assess the defined quantitative and qualitative criteria to reflect changes in markets, products and emerging best practice.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL, as these do not contain a significant financing component. The Group considers certain loans and investments measured at amortized cost to have low credit risk and the loss allowance recognized is based on the 12 months expected loss. Management consider 'low credit risk' to be those with high quality external credit ratings (investment grade) or that have reporting date PDs equivalent to the PD of high-quality external credit ratings (investment grade).

Credit-Impaired Financial Assets at Stage 3

The Group defines a credit-impaired financial asset as a financial asset that has defaulted or become non-performing for regulatory purposes. Credit-impaired is when the exposure has defaulted.

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

Purchased or Originated Credit Impaired Financial Assets in Stage 3

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis. All subsequent changes in lifetime expected credit losses, whether positive or negative, are recognized in the Consolidated Statement of Comprehensive Income through profit or loss as a component of the credit impairment losses.

The Group determines appropriate groups of assets when ECL is measured on a collective basis. Please refer to Notes 7, 8 and 9 for the grouping of assets.

Measuring ECL – Basis of Inputs, Assumptions and Estimation Techniques

The Group calculates expected credit losses for each financial asset individually. The Group uses three main components to measure ECL: Probability of default (PD), exposure at default (EAD), and loss given default (LGD).

Details of these statistical parameters/inputs are as follows:

- **PD** – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.
- **EAD** – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- **LGD** – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Forward Looking Macroeconomic Factors

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. The measurement of expected credit losses for each stage and the assessment of Significant Increase in Credit Risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement. Management have considered publicly available macro-economic data of Aruba sourced from the Central Bureau of Statistics, Central Bank of Aruba and Aruba Tourism Authority in their models. These include unemployment rate, GDP, inflation, stay-over visitors, average interest rates, Business Perception Index, and GDP of the US.

Segmentation

IFRS 9 requires that exposures be appropriately grouped into homogenous segments based on shared credit characteristics that are expected to react to the current environment. Forward-Looking Information (FLI) and macroeconomic factors in a similar way with respect to changes in the level of credit risk.

- Risk Limit Control and Mitigation Policies

The Group manages limits and controls concentrations of credit risk wherever they are identified in particular, to individual counterparties and groups, industries and countries. 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 to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

Exposure to credit risk is also 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. Some other specific control and mitigation measures are outlined below.

Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Bank has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no change in the overall quality of the collateral held by the Bank.

The Bank prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically.

The principal collateral types for loans are:

- Mortgages over properties
- Lien on business assets such as premises, inventory and accounts receivable; and
- Lien on financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured.

The Bank closely monitors collateral held for financial assets considered credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses.

- Impairment Provisioning Policies

The Group has established policies that describe its principles for the identification, assessment and recognition of impairment and for loss provisioning in respect of all financial assets except those measured at FVPL. The internal risk rating system assists management to determine whether objective evidence of impairment exists based on the criteria set out by the Group in Note 2.2, Summary of Significant Accounting Policies.

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed based on shared risk characteristics, such that risk exposures within a group are homogenous.

Individually Assessed Impairment

Under IFRS 9, the assessment is of expected rather than incurred loss. The expected loss calculation is a present value calculation of the credit losses expected from default events that may occur during a specified period. The required period being determined by risk at the reporting date relative to that at origination. Collateral valuation, timing, and costs of recovery will form a part of the assessment.

Collectively Assessed Impairment

ECL assessments under IFRS 9 are based upon forward looking modelled PD, EAD and LGD parameters which are run at account level (at minimum for material portfolios) and applied across all assets from the point of origination/booking. Where account level modelling is not feasible or justifiable, segment level models or pooled assessments are applied. In such cases, segments are defined on the basis of similar risk characteristics. Where segment/pooled assessments are not feasible, benchmark parameters from relevant peer portfolios are applied in the short term.

Maximum Exposure to Credit Risk

Credit risk exposures relating to on and off-balance sheet exposures are as follows:

	2023	Maximum Exposure 2023(%)	2022	2022 (%)
(In Afl. 1,000)				
Cash and Cash Equivalents (1)	99,093	31.2%	133,544	40.8%
Loans - Amortized Cost				
- Term Loans (1)	21,834	6.9%	46,202	14.1%
- Mortgages (1)	138,482	43.6%	96,723	29.5%
	160,316	50.5%	142,925	43.6%
Investment Securities				
- Investments - Amortized Cost (1)	19,373	6.0%	8,987	2.7%
- Investments – FVOCI (2)	4,870	1.5%	4,870	1.5%
	24,243	7.5%	13,857	4.2%
Receivables				
- Receivables (1)	9,397	3.0%	11,558	3.5%
	9,397	3.0%	11,558	3.5%
Credit Risk Exposures Relating to Off-balance Sheet Items are as Follows:				
Financial Guarantees	12,126	3.8%	12,298	3.7%
Loan Commitments and Other Credit Related Liabilities	12,785	4.0%	13,767	4.2%
On December 31	317,960	100.00%	327,949	100.0%

(1) Items measured at Amortized Cost.

(2) Items measured at FVOCI.

The above table represents a worse-case scenario of credit risk exposure to the Group on December 31, 2023, and 2022, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on carrying amounts as reported in the Consolidated Statement of Financial Position.

Loans - Amortized cost are collateralized assets held by the Bank. The total market value of the collateral held by the Bank is Afl. 380 million.



The table below summarizes the composition and risk profile of the Group's Financial Assets at Amortized Cost.

	Financial Assets - Amortized Cost					2022
	2023					
	Stage 1	ECL - Stages		Purchased	Total	
	Stage 2	Stage 3				
Credit grade						
Good	253,703,853	-	-	-	253,703,853	252,174,703
Acceptable	35,351,053	-	-	-	35,351,053	27,995,090
Special mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Loss	-	-	255,525	-	255,525	16,949,152
Gross Carrying Amount	289,054,906	-	255,525	-	289,310,431	297,118,945
Credit Loss Allowance	(631,593)		(255,525)		(887,118)	(4,980,407)
Net Carrying Amount	288,423,313				288,423,313	292,138,538

The table below summarizes the changes in the credit loss allowance.

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
Financial Assets - Amortized Cost					
Loss Allowance as of January 1, 2022	419,443	31,921	3,091,628	-	3,542,992
Movements with P&L Impact					
Transfers:					
Transfer from Stage 1 to Stage 2					
Transfer from Stage 1 to Stage 3					
Transfer from Stage 2 to Stage 1	31,921	(31,921)	-	-	-
New Financial Assets Originated or Purchased	-	-	-	-	-
Changes in PDs/LGDs/EADs	(309,373)	-	2,546,511	-	2,237,138
Changes to Model Assumptions and Methodologies	193,138	-	(9,450)	-	183,688
Modification of Contractual Cash Flows of Financial Assets	-	-	-	-	-
Unwind of Discount	-	-	-	-	-
Total net P&L Charge / (Release) during the period	(84,314)	(31,921)	2,537,061	-	2,420,826
Transfers:					
Transfer from Stage 2 to Stage 3					
Transfer from Stage 3 to Stage 2					
Financial Assets Derecognized during the period	-	-	(983,411)	-	(983,411)
Loss Allowance as of December 31, 2022	335,129	-	4,645,278	-	4,980,407
Movements with P&L Impact					
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
New Financial Assets Originated or Purchased	-	-	-	-	-
Changes in PDs/LGDs/EADs	296,464	-	1,415,548	-	1,694,889
Changes to Model Assumptions and Methodologies	-	-	(200,000)	-	(200,000)
Modification of Contractual Cash Flows of Financial Assets	-	-	-	-	-
Unwind of Discount	-	-	-	-	-
Total net P&L Charge / (Release) during the Period	296,464	-	1,215,548	-	1,494,889
Transfers:					
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Financial Assets Derecognized during the Period	-	-	(5,605,301)	-	(5,605,301)
Loss Allowance as of December 31, 2023	631,593	-	255,525	-	869,995

- Cash and Cash Equivalents

Balances on demand are held at local commercial banks which are under the supervision of the Central Bank of Aruba, and two non-resident commercial banks under supervision of the Central Bank of Curacao and St. Martin. These banks have no external credit rating.

- **Loans - Amortized Cost**

The table below summarizes the composition and risk profile of the Bank's Loans - Amortized Cost. All the loans provided by the Bank are collateralized. The types of collateral held by the Bank are:

- First credit mortgage
- First ranking pledge of receivables
- First ranking pledge of movable properties
- Assignment of insurances
- Corporate and Personal guarantees

	Loans - Amortized Cost					2022
	2023					
	Stage 1	ECL - Stages			Total	
Stage 2		Stage 3	Purchased			
Credit grade						
Good	124,965,074	-	-	-	124,965,074	98,959,091
Acceptable	35,351,053	-	-	-	35,351,053	27,995,090
Special mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	15,970,882
Gross Carrying Amount	160,316,127	-	-	-	160,316,127	142,925,063
Credit Loss Allowance	(616,315)	-	-	-	(616,315)	(319,851)
Net Carrying Amount	159,699,812	-	-	-	159,699,812	142,605,212

- Credit Loss Allowance

The table below summarizes the changes in the credit loss allowance.

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
Loans - Amortized Cost					
Loss Allowance as of January 1, 2022	404,165	31,921	983,411	-	1,419,497
Movements with P&L Impact					
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	31,921	(31,921)	-	-	-
New Financial Assets Originated or Purchased	-	-	-	-	-
Changes in PDs/LGDs/EADs	(309,373)	-	-	-	(309,373)
Changes to Model Assumptions and Methodologies	193,138	-	-	-	193,138
Modification of Contractual Cash Flows of Financial Assets	-	-	-	-	-
Unwind of Discount	-	-	-	-	-
Total net P&L Charge / (Release) during the period	(84,314)	(31,921)	-	-	(116,235)
Transfers:					
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Financial Assets Derecognized during the period	-	-	(983,411)	-	(983,411)
Loss Allowance as of December 31, 2022	319,851	-	-	-	319,851
Movements with P&L Impact					
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
New Financial Assets Originated or Purchased	-	-	-	-	-
Changes in PDs/LGDs/EADs	296,464	-	-	-	296,464
Changes to Model Assumptions and Methodologies	-	-	-	-	-
Modification of Contractual Cash Flows of Financial Assets	-	-	-	-	-
Unwind of Discount	-	-	-	-	-
Total net P&L Charge / (Release) during the Period	296,464	-	-	-	296,464
Transfers:					
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Financial Assets Derecognized during the Period	-	-	-	-	-
Loss Allowance as of December 31, 2023	616,315	-	-	-	616,315

- Debt Securities Measured at Amortized Cost

The Investments – Amortized Cost comprise of sovereign bonds with remaining duration of three to thirteen years at an interest rate of 4% and 6.50%. The sovereign bonds have a most recent country rating of BB+ (outlook stable), based on Fitch rating scale. Management therefore treats the related credit risk in the same manner as loans.



- Trade and Other Receivables

If collection is expected in one year or less trade and other receivables are classified as current assets. If not, they are presented as non-current assets. The Group makes use of a simplified approach in accounting for Trade and Other Receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators, and forward-looking information to calculate the expected credit losses using a provision matrix. Impairment on receivables is disclosed in Note 9.

As per December 31, 2023 <i>(In Afl.)</i>	Good	Past due 1-3 months	Past due over 3 months	Impaired	Total
Accrued Interest	2,000,913	-	-	-	2,000,913
Trade Receivables	1,924,904	497,770	483,860	255,525	3,162,059
Prepayments	1,131,360				1,131,360
Other Receivables	4,186,096	229	47,807	-	4,234,132
Allowances for expected credit losses	-	-	-	(255,525)	(255,525)
	9,243,273	497,999	531,667	-	10,272,939

As per December 31, 2022 <i>(In Afl.)</i>	Good	Past due 1-3 months	Past due over 3 months	Impaired	Total
Accrued Interest	930,675	-	237,902	3,667,008	4,835,585
Trade Receivables	1,971,093	523,219	274,508	238,402	3,007,222
Prepayments	105,524	-	-	-	105,524
Other Receivables	2,950,471	10,264	14,252	739,868	3,714,855
Allowances for expected credit losses	-	-	-	(4,645,278)	(4,645,278)
	5,957,763	533,483	526,662	-	7,017,908

- **Concentration of Risks of Financial Assets with Risk Exposure**

(a) Geographical Sectors

The Group's exposure in 2023 and 2022 is concentrated in Aruba, Curaçao, St. Martin, and Turks & Caicos.

(b) Industry Sectors

	December 31, 2023		December 31, 2022	
	Loans	Loans (%)	Loans	Loans (%)
(In Afl.)				
Hotels	69,891,196	44.2%	47,676,496	33.8%
Real Estate, Renting and Business	52,568,134	33.3%	41,823,799	29.7%
Construction	15,447,762	9.8%	16,467,495	11.7%
Transport, Storage and Communication	8,316,415	5.3%	6,137,605	4.3%
Tour Operation	5,816,350	3.7%	6,481,035	4.6%
Public Administration	2,668,219	1.7%	2,668,219	1.9%
Manufacturing	1,788,235	1.1%	2,635,516	1.9%
Education	513,046	0.3%	655,025	0.5%
Legal Services	433,204	0.3%	396,598	0.3%
Wholesale and Retail Trade	400,000	0.3%	15,970,882	11.3%
Total Direct Lending	157,842,561	100%	140,912,670	100%

- **Market Risk**

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency, and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

- **Foreign Exchange Risk**

The financial assets of the Group are denominated in Aruban Florins and in US dollars. The Aruban Florin is pegged to the United States Dollar according to a fixed rate (see Note 2.2). Due to the absence of material exposure in other foreign currencies, Management considers the foreign exchange risks as minor.

- **Interest Rate Risk**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.

Interest margins may fluctuate as a result of changes in the event that unexpected movements arise. The Group operates its business predominantly in Aruba and provides mainly fixed rate financing. It is normal practice for the interest rates of both interest-bearing assets and liabilities to move in the same direction. Consequently, the Group's exposure to interest rate risk is not significant. The Group is proactive in managing its exposure to interest rates. The level of mismatch of interest rate repricing that may be undertaken is monitored monthly by an Assets and Liabilities Committee (ALCO).

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market rates on its financial position and cash flow. The table below summarizes the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorized by maturity date.



As per December 31, 2023 (In Afl.)	0-3 Months	4-12 Months	From 1 Year to 5 Years	Over 5 Years	Non- Interest Bearing	Total
Financial Assets						
Cash and Balances with Banks	87,843,186	-	-	-	11,249,559	99,092,745
Loans	1,753,800	7,152,036	27,642,773	123,767,518	-	160,316,127
Investments	-	-	8,495,000	10,878,095	4,870,000	24,243,095
Loans & investment allowance	-	-	-	-	-	-
Other Financial Assets	-	-	-	-	10,272,939	10,272,939
Total Financial Assets	89,596,986	7,152,036	36,137,773	134,645,613	26,392,498	293,924,906
Financial Liabilities						
Borrowings	30,144,606	47,064,016	91,716,279	17,468,005	-	186,392,906
Other Financial Liabilities	-	-	-	-	20,000,156	20,000,156
Total Financial Liabilities	30,144,606	47,064,016	91,716,279	17,468,005	20,000,156	206,393,062
Interest Sensitivity Gap	59,452,380	(39,911,980)	(55,578,506)	117,177,608	6,392,342	87,531,844

The lease liabilities for Afl. 2,842,186 are not included in the Financial Liabilities.

As per December 31, 2022 (In Afl.)	0-3 Months	4-12 Months	From 1 Year to 5 Years	Over 5 Years	Non- Interest Bearing	Total
Financial Assets						
Cash and Balances with Banks	83,571,143	-	-	-	49,972,553	133,543,696
Loans	1,418,128	6,370,746	25,007,892	92,506,661	17,621,636	142,925,063
Investments	-	-	8,495,000	492,000	4,870,000	13,857,000
Loans & Investment allowance	-	-	-	-	(335,129)	(335,129)
Other Financial Assets	-	-	-	-	7,017,908	7,017,908
Total Financial Assets	84,989,271	6,370,746	33,502,892	92,998,661	79,146,968	297,008,538
Financial Liabilities						
Borrowings	13,311,019	31,264,885	130,368,254	22,724,652	-	197,668,810
Other Financial Liabilities	-	-	-	-	20,000,156	20,000,156
Total Financial Liabilities	13,311,019	31,264,885	130,368,254	22,724,652	20,000,156	217,668,966
Interest Sensitivity Gap	71,678,252	(24,894,139)	(96,865,362)	70,274,009	59,146,812	79,339,572

The lease liabilities of Afl. 2,854,907 are not included in the Financial Liabilities.

The interest sensitivity gaps are related to loans and investments, which are stated by maturity date and not by interest revision date. New borrowings are agreed upon for tenors to match as much as possible the interest revision period of the loans granted.

As of December 31, 2023, if interest rates had been 100 basis points higher with all other variables held constant, pre-tax profit for the year would have been Afl. 1.3 million higher (2022: Afl. 0.6 million higher). If interest rates had

been 100 basis points lower with all other variables held constant, pre-tax profit for the year would have been Afl. 1.3 million lower (2022: Afl. 0.6 million lower).

- Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they mature. The consequence may be failure to meet its obligations to repay fund providers and fulfill commitments to lend.

The Group's liquidity management process, as carried out within the Group and monitored by ALCO, includes.

- o Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers.
- o Maintaining highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- o Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and
- o Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities. The contractual maturity approximates the expected maturity of the financial liabilities. ALCO also monitors the level and type of un-drawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as performance bonds and guarantees. The amounts in following table refer to undiscounted values.

As per December 31, 2023	0-3 Months	4-12 Months	From 1 Year to 5 Years	Over 5 Years	Total
<i>(In Afl.)</i>					
Liabilities					
Borrowings	31,257,993	49,380,613	98,306,293	22,888,612	201,833,511
Other Liabilities	18,644,446	-	-	-	18,644,446
	49,902,439	49,380,613	98,306,293	22,888,612	220,477,957
As per December 31, 2022	0-3 Months	4-12 Months	From 1 Year to 5 Years	Over 5 Years	Total
<i>(In Afl.)</i>					
Liabilities					
Borrowings	14,118,256	32,951,355	164,074,676	29,191,836	240,336,123
Other Liabilities	15,584,971	-	-	-	15,584,971
Total Liabilities	29,703,227	32,951,355	164,074,676	29,191,836	255,921,094

- Capital Management

The Group manages its capital considering both regulatory and economic capital. There have been no changes from the previous period in the Group's objective, policies and processes for managing capital.

Regulatory Capital

The Central Bank of Aruba (CBA) as regulator sets and monitors capital requirements for the Bank. The Bank is required to comply with provisions of the CBA supervisory directives in respect of regulatory capital.

The Bank's regulatory capital is analyzed into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings less deductions for goodwill and intangible assets, and equity investments in subsidiaries: and
- Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealized gains/losses on equity instruments measured at fair value through other comprehensive income.

Risk weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and exposures not recognized in the statement of financial position.

The Bank's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Bank has complied with all externally imposed capital requirements throughout the period.

The Bank's regulatory capital position under the CBA Supervisory Directives on December 31 is as follows:

	2023	2022
(In Afl. 1,000)		
Tier 1 Capital		
Paid Share Capital	14,920	14,920
Share Premium	1,441	1,441
Retained Earnings	101,030	98,365
Less: Equity Investment in Subsidiaries	<u>(54,667)</u>	<u>(53,524)</u>
	62,724	61,202
Tier 2 capital		
Balance of Income and Expenditure	7,972	6,269
Regulatory Loan Loss Reserve	5,390	4,765
Subordinated Debt	-	-
Less: Investment in Debt Capital of Subsidiaries	<u>-</u>	<u>-</u>
	13,362	11,034
Total Regulatory Capital	<u>76,087</u>	<u>72,236</u>

4. Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires the use of accounting estimates that, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies, IAS 1 *Presentation of Financial Statements* paragraph 122.

Impairment of Financial Instruments at Amortized Cost and FVOCI:

Note 3 - In determining ECL, management is required to exercise judgement in defining what is considered a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions.

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is presented in Note 3.

Valuation of Equity Instruments at FVOCI:

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- They are held under a business model whose objective is “hold to collect” the associated cash flows and sell, and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognized on OCI will be recycled upon derecognition of the asset.

The best evidence of fair value is quoted prices in an active market. The absence of quoted prices increases reliance on valuation techniques and requires the use of judgement in the estimation of fair value. This judgement includes evaluating available market data, determining the expected cash flows for the instruments, as well as identifying and applying an appropriate discount rate and credit spread.

Valuation techniques that rely on non-observable data require a higher level of management judgement in estimating the fair value compared to those based on observable data.

The quality of market data, valuation techniques and other inputs into the valuation models used are subject to internal review and approval.

The Group carries certain equity instruments at fair value. Where quoted market prices are not available, the Group uses internally developed valuation models. Inputs to these models are taken from observable market data where possible (level 2) but where this is not possible, a degree of judgement is used (level 3).

The fair value of equity instruments at FVOCI as per December 31, 2023, has been adjusted based on performed assessment. The carrying amount of these instruments is disclosed in Note 8.

Impairment of Goodwill

The Group tests annually whether Goodwill paid for the subsidiaries has suffered any impairment. In determining whether an impairment loss should be recorded in the profit and loss statement, the Group calculates the discounted cash flow of future normalized profits from this acquired subsidiary over a period of 5 years at a discount rate, consisting of a base (risk free) rate plus a premium for risks and illiquidity. For the future normalized profits Management has taken into consideration market developments. For 2023 Management has assumed the discount rate at 14% (2022: 13.5%). Based on this assumption no impairment charge was required for 2023.

Fair value Investment Property

In determining the fair value of investment property, the Group uses an appraisal report prepared by a qualified appraiser. The appraisal report dated March 2020 includes two different valuation methodologies to determine the market value of the property: income capitalization approach (Afl. 26.2 million) and comparable sales approach (Afl. 22.3 million). The income capitalization approach is based on the present lump sum value income streams and value of property resale. The income stream and value of property resale is determined by extensive market research. The capitalization rate is assumed to be 8%. The comparable sales approach is based on research into sales and listings of commercial buildings, resulting in a current market value of Afl. 420.00 per square feet. Out of prudence, management has applied the average amount of these two methodologies as the best estimate of the fair value.

5. Cash and Cash Equivalents

The Cash and Cash Equivalents comprise of:

	December 31, 2023	December 31, 2022
(In Afl.)		
Cash on Hand	31,179	38,372
Balances with Banks	26,161,566	88,505,324
Time Deposit (maturity within 3 months)	72,900,000	45,000,000
	99,092,745	133,543,696

Cash on Hand and Balances with Banks as per December 31, 2023, are not restricted and due on demand. Some balances on demand with banks are subject to fixed interest.

6. Time Deposit

Time deposit regarded a deposit for an amount of Afl. 430,000 placed at a local bank with the original term to maturity of one year and annual interest rate of 1.9%. This deposit matured in 2023.

7. Loans - Amortized Cost

Loans can be specified as follows:

	December 31, 2023	December 31, 2022
(In Afl.)		
Direct Lending	158,458,876	141,232,521
Loans to Staff & Management	1,857,251	1,692,542
	160,316,127	142,925,063
Allowance for Expected Credit Losses	(616,315)	(319,851)
	159,699,812	142,605,212

Loans, sub-classified in remaining repayment periods, can be specified as follows:

	December 31, 2023	December 31, 2022
(In Afl.)		
0-3 Months	1,753,800	19,039,764
4-12 Months	7,152,036	6,370,746
13 Months – 5 Years	27,642,773	25,007,892
Over 5 Years	123,767,518	92,506,661
	<u>160,316,127</u>	<u>142,925,063</u>

Allowance for Expected Credit Losses /Allocated Losses

Movements in the allowances for possible loan losses only related to direct lending is summarized as follows:

	2023	2022
(In Afl.)		
Balance at Beginning of the Year	319,851	1,419,497
Allowance charged to the Consolidated Statement of Comprehensive Income	296,464	-
Allowance released to the Consolidated Statement of Comprehensive Income	-	(1,099,646)
Balance at End of the Year	<u>616,315</u>	<u>319,851</u>

The allowance for expected credit losses relate to Direct Lending

8. Investment Securities

The investment securities can be specified as follows:

	December 31, 2023	December 31, 2022
(In Afl.)		
Debt Investment Securities Measured at Amortised Cost	19,373,095	8,987,000
Equity Investment Securities Measured at FVOCI:	4,870,000	4,870,000
Allowances for Expected Credit Losses	(15,278)	(15,278)
	<u>24,227,817</u>	<u>13,841,722</u>

The Investment Securities Measured at Amortized Cost comprises of sovereign bonds, with remaining duration of three to thirteen years at an interest rate between 4.0% and 6.50%. In 2023 the Bank has purchased Aruban government bonds at premium for a total amount of Afl. 10.4 million.



Equity Investments Securities Measured at FVOCI comprise of an investment in non-quoted equity shares for the amount of Afl. 4,870,000. The fair value of the equity investment securities is considered a critical accounting estimate, refer to Note 4. The fair value of the shares was determined using an income approach, based on expected future cashflows the investment will generate. The profit is recognized in other comprehensive income for the year ended December 31, 2022.

9. Trade and Other Receivables

The trade and other receivables comprise of:

	December 31, 2023	December 31, 2022
(In Afl.)		
Accrued Interest	2,000,913	4,835,585
Trade Receivables	3,162,059	3,007,222
Prepayments	1,131,360	584,045
Other Receivables	4,234,132	3,236,334
Allowances for Expected Credit Losses/ doubtful receivables	(255,525)	(4,645,278)
	10,272,939	7,017,908

The decrease in Accrued Interest mainly relates to interest and late fee receivable of one client with non-performing loans as of December 31, 2022, which was resolved in 2023. This is also the reason for the decrease in the allowance for credit losses.

The Trade Receivables relate to Sales of Goods and Lease income and the Other Receivables relate to Fee and Commission Income. Trade receivables balances related to Lease income and the Other Receivables regard balances arising from contracts with customers. The estimated fair values of Trade and Other Receivables are the discounted amounts of the estimated future cash flows expected to be received and approximate their carrying amounts. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs. The average credit term for trade receivables is one month. Payments are received after the performance is fulfilled. Interest is accrued monthly based on the contractually agreed interest rate.



Allowances for Credit Losses for Receivables/ Doubtful Receivables

Movements in the Allowances for Expected Credit Losses for Receivables are summarized as follows:

	Accrued Interest	Trade Receivables	Other Receivables	Total
(In Afl.)				
Balance at January 1, 2022	1,150,993	217,356	739,868	2,108,217
Allowance charged to the Consolidated Statement of Comprehensive Income	3,872,888	21,399	289,435	4,183,722
Receivables Written-off	-	-	(9,450)	(9,450)
Allowance released to the Consolidated Statement of Comprehensive Income	(1,356,873)	(353)	(279,985)	(1,637,211)
Balance per December 31, 2022	3,667,008	238,402	739,868	4,645,278
Allowance charged to the Consolidated Statement of Comprehensive Income	1,398,021	17,123	404	1,415,548
Receivables Written-off	(5,065,029)		(540,272)	(5,605,301)
Allowance released to the Consolidated Statement of Comprehensive Income	-		(200,000)	(200,000)
Balance at December 31, 2023	-	255,525	-	255,525

10. Inventories

This item comprises of:

	December 31, 2023	December 31, 2022
(In Afl.)		
Gas	1,103,847	998,461
Installation Materials	860,555	816,575
Appliances	657,495	659,271
Bulk Tanks and Parts	268,165	266,670
Allowance for Obsolete Inventory	(211,138)	(259,427)
	2,678,924	2,481,550



Allowance for Obsolete Inventory

Movements in the allowances for obsolete inventory are summarized as follows:

	2023	2022
(In Afl.)		
Balance at Beginning of the Year	259,427	244,696
Allowance (released) / charged to the Consolidated Statement of Comprehensive Income	(48,289)	14,731
Balance at End of the Year	<u>211,138</u>	<u>259,427</u>



II. Property, Plant and Equipment

Property, plant and equipment can be specified as follows:

	Machines & Equipment	Software & Licenses	Digital Platform (work in progress)	Office Furniture	Premises Improvement	Automobiles	Land & Buildings	Total
<i>(In Afl.)</i>								
<i>Book Value December 31, 2020:</i>								
Purchase Value	26,992,806	-	-	1,018,535	645,933	5,332,511	13,020,724	47,010,509
Accumulated Depreciation	(13,335,349)	-	-	(856,841)	(463,908)	(2,410,260)	(6,000,124)	(23,066,482)
	<u>13,657,457</u>	<u>-</u>	<u>-</u>	<u>161,694</u>	<u>182,025</u>	<u>2,922,251</u>	<u>7,020,600</u>	<u>23,944,027</u>
<i>Movements 2022:</i>								
Additions	753,325	-	-	129,714	6,586	1,018,458	195,206	2,103,289
Disposals	(84,872)	-	-	(64,644)	-	(1,152,074)	-	(1,301,590)
Accumulated Depreciation Disposals	84,393	-	-	54,201	-	911,299	-	1,049,893
Depreciation	(1,233,359)	-	-	(67,407)	(48,521)	(828,780)	(428,019)	(2,606,086)
	<u>(480,513)</u>	<u>-</u>	<u>-</u>	<u>51,864</u>	<u>(41,935)</u>	<u>(51,097)</u>	<u>(232,813)</u>	<u>(754,494)</u>
<i>Book Value December 31, 2022:</i>								
Purchase Value	27,661,259	-	-	1,083,605	652,519	5,198,895	13,215,930	47,812,208
Accumulated Depreciation	(14,484,315)	-	-	(870,047)	(512,429)	(2,327,741)	(6,428,143)	(24,622,675)
	<u>13,176,944</u>	<u>-</u>	<u>-</u>	<u>213,558</u>	<u>140,090</u>	<u>2,871,154</u>	<u>6,787,787</u>	<u>23,189,533</u>
<i>Movements 2023:</i>								
Additions	1,235,965	91,884	561,343	166,580	-	862,805	65,765	2,984,342
Reclassification Purchase Value	(845,352)	845,352	-	-	-	-	-	-
Reclassification Accumulated Depreciation	660,218	(660,218)	-	-	-	-	-	-
Disposals	(201,833)	-	-	(42,022)	-	(587,066)	-	(830,921)
Accumulated Depreciation Disposals	169,208	-	-	40,826	-	442,698	-	652,732
Depreciation and amortization	(1,058,104)	(138,285)	-	(81,241)	(48,521)	(951,905)	(448,766)	(2,726,822)
	<u>(39,898)</u>	<u>138,733</u>	<u>561,343</u>	<u>84,143</u>	<u>(48,521)</u>	<u>(233,468)</u>	<u>(383,001)</u>	<u>79,331</u>
<i>Book Value December 31, 2023:</i>								
Purchase Value	27,850,039	937,236	561,343	1,208,163	652,519	5,474,634	13,281,695	49,965,629
Accumulated Depreciation and amortization	(14,712,993)	(798,503)	-	(910,462)	(560,950)	(2,836,948)	(6,876,909)	(26,696,765)
	<u>13,137,046</u>	<u>138,733</u>	<u>561,343</u>	<u>297,701</u>	<u>91,569</u>	<u>2,637,686</u>	<u>6,404,786</u>	<u>23,268,864</u>

Property, plant and equipment includes right-of-use assets of Afl. 735,571 (2021: Afl. 735,571) related to two parcels of long lease land at Barcadera. See Note 17.

12. Investment Property

Investment Property can be specified as follows:

	December 31, 2023	December 31, 2022
(In Afl.)		
Carrying value at beginning of period	26,743,731	26,738,412
Additions	<u>25,905</u>	<u>5,319</u>
	25,905	5,319
Carrying value at end of period	<u>26,769,636</u>	<u>26,743,731</u>

The Investment property relates to the office building of John F. Kennedy Education Center.

On September 7, 2017, AIB Vastgoed N.V. entered into a 5-year lease agreement with Land Aruba for the lease of the building formerly known as the John F. Kennedy Building located at Camacuri Aruba. The monthly rent is a fixed amount based on a 6,335 m2 rentable space. The lease is entered into for the duration of five years effective February 28, 2020. The term of this lease agreement has an option for extension for a period of ten to fifteen years should Land Aruba receive the required approvals from the Parliament of Aruba in accordance with the National Accountability Ordinance.

The Stichting Algemeen Pensioenfonds Aruba Term Loan disclosed in Note 16 has been obtained for the purpose of the renovation and expansion of the JFK Building. The borrowing costs of the loan are recorded in the Consolidated Statement of Comprehensive Income.

The Group has provided Stichting Algemeen Pensioenfonds Aruba with the following collaterals for the loan:

- First credit mortgage on all long lease land, buildings of AIB Vastgoed N.V. located at Camacuri;
- Assignment of all current and future accounts receivable of AIB Vastgoed N.V.;
- Assignment of all current and future movable properties of AIB Vastgoed N.V.;
- Assignment of all applicable insurances of AIB Vastgoed N.V. naming Facility Agent as first beneficiary.

Investment property includes right-of-use asset of Afl. 2,163,169 (2022: Afl. 2,163,169) related to a parcel of long lease land at Camacuri. See Note 17.

Investment property is measured at cost and when in use measured at fair value if the fair value is considered to be reliably determinable.

On March 23, 2020, a valuation was performed by an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property. Based on this valuation, the income capitalization approach (Afl. 26.2 million) and comparable sales approach (Afl. 22.3 million) were determined. Out of prudence, management has applied the average amount of these two methodologies as the best estimate of the fair value.

The following assumption were applied in both methods:

Income Capitalization Approach:

Application of this method involves the use of discounted cash flow projections, including various unobservable inputs. The following table describes the main unobservable inputs used, their range and relationship to fair value.

Unobservable inputs	Range	Relationship to fair value
Annual Lease Income	Lease agreement for 5 years (plus 10 years)	The higher the annual lease income, the higher the fair value.
Assumed ground lease charge	AWG 139,338 per annum in accordance with the terms and conditions of the 60 years lease	The higher the ground lease the lower the fair value.
Assumed allowance for Maintenance, Management, Insurance and taxes.	30% of Gross annual lease income.	The higher these maintenance, management, insurance costs and taxes, the lower the fair value.
Assumed capitalization rate	8.0%	The higher the capitalization rate, the lower the fair value

Comparable Sales Approach:

The application of this approach produces a value indication for the property through comparison with similar properties, called comparable sales. The valuer estimated the degrees of similarity and difference between the subject property and comparable sales on the basis of six elements of comparison (being the conditions of sale, financing terms, market conditions, location, physical characteristics, and income characteristics) resulting in a current market value of Afl. 39.02 per square meter.

As per December 31, 2023, management re-assessed the assumptions and noted no changes. There was no fair value change or impairment in this period.

13. Intangible Assets

Intangible assets comprise goodwill. The goodwill relates to:

- (i) the shares of Arugas Group Companies held by Arugas Holding N.V. and has a net carrying amount of Afl. 860,928 and
- (ii) the goodwill paid by Alicante Properties N.V. of Afl. 104,815 on the purchase of shares of AIB Lease N.V.

Goodwill is tested for impairment by calculating the discounted cash flow of future expected profits at a growth rate of -1% before tax over a period of 5 years at a discount rate of 14% (2022: 13.5%). The recoverable amount is determined to be Afl. 14.8 million. For 2023, no impairment is applicable (2022: no impairment was applicable). Both considerations regarding the existing competitor and current global developments have been included in the assumptions for the calculation of discounted cashflows. The results have been normalized for calculation purposes.



14. Trade and Other Liabilities

This item comprises of:

	December 31, 2023	December 31, 2022
(In Afl.)		
Trade Payables	5,108,545	2,597,417
Payroll Related Payables	2,022,247	1,605,143
Interest Payable	1,787,958	1,978,646
Interest Payable Related Parties	480,220	1,006,378
Other Payables	2,038,729	1,850,429
	11,437,699	9,038,013

The estimated fair values of Trade and Other Liabilities are the discounted amount of the estimated future cash flows expected to be paid and approximate their carrying amounts. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs. Other liabilities balance relates to contract liabilities.

15. Cylinder and Security Deposits

The cylinder and security deposits consist of customer deposits on cylinders related to the sale of household and commercial gas. The estimated fair values of Cylinder and Security Deposits are the discounted amount of the estimated future cash flows expected to be paid and approximate their carrying amounts. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs.

16. Borrowings

Borrowings consist of bonds of the Debt Issuance Program of the Bank (DIP) and a term loan.

	December 31, 2023	December 31, 2022
(In Afl.)		
Debt Issuance Program	170,071,845	180,794,135
Term loan	16,321,061	16,874,675
	186,392,906	197,668,810

The original maturity of DIP bonds is between one to twelve years and the lowest bond amount currently issued is at Afl. 200,000. DIP bonds and term loan are subject to fixed interest rates (1.875% - 5.2%).

DIP bonds sub-classified in remaining repayment periods can be specified as follows:

	December 31, 2023	December 31, 2022
(In Afl.)		
0-3 Months	30,000,000	13,172,290
4-12 Months	46,621,845	30,850,000
13 Months – 5 Years	88,950,000	127,771,845
Over 5 Years	4,500,000	9,000,000
	<u>170,071,845</u>	<u>180,794,135</u>

The fair value of Borrowings approximates their carrying amount, as the impact of discounting is not significant. The fair values are based on the discounted future cash flows using the borrowings contractual rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs such as prevailing interest rates on Time Deposits.

Stichting Algemeen Pensioenfonds Aruba Term Loan

The Group has a long term loan agreement with Stichting Algemeen Pensioenfonds Aruba (APFA) as Lender and AIB BANK N.V. as Facility Agent. The purpose of the facility was the financing of the development, renovation and expansion of the former John F. Kennedy Building located at Camacuri Aruba for long term rental. The duration of the facility including grace period is 22 years, and to be repaid in 240 monthly annuity payments. The Group has provided Stichting Algemeen Pensioenfonds Aruba with the following collaterals for the loan:

- First credit mortgage on all long lease land, buildings located at Camacuri;
- Assignment of all current and future account receivable of AIB Vastgoed N.V.;
- Assignment of all current and future movable properties of AIB Vastgoed N.V.;
- Assignment of all applicable insurances of AIB Vastgoed N.V.

The term loan can be specified as follows:

	December 31, 2023	December 31, 2022
(In Afl.)		
Opening balance	16,874,675	17,394,382
Repayment on loan	<u>(553,614)</u>	<u>(519,707)</u>
End balance	<u>16,321,061</u>	<u>16,874,675</u>
Short-term liabilities	586,777	553,614
Long-term liabilities	<u>15,734,284</u>	<u>16,321,061</u>

17. Lease Liabilities

Lease liabilities can be specified as follows:

	December 31, 2023	December 31, 2022
(In Afl.)		
Current	13,517	12,722
Non-current	<u>2,828,668</u>	<u>2,842,185</u>
	<u>2,842,185</u>	<u>2,854,907</u>

The Group has leases for the following long lease land:

- The Group has long-lease agreements with Land Aruba granting it two parcels of land located at Barcadera z/n for the construction of its buildings and installations. The period of the long lease is 60 years and the annual ground rent amounts to Afl. 51,816.
- The Group has a long-lease agreement with Land Aruba granting it two parcels of land located at Camacuri with thereon a building locally known as the former John F. Kennedy School Building (JFK Building) for the renovation and expansion of that building. The period of the long lease is 60 years and the annual ground rent amounts to Afl. 139,338.

Each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment and investment property (see Notes 11/12).

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized on balance sheet:

Right-of- use asset	Remaining term	Lease with extension options	Lease with option to purchase	Lease with variable payments linked to an index	Lease with termination option
Land at Barcadera	31	No	No	No	No
Land at Camacuri	53	No	No	No	No

Future minimum lease payments are as follows:

As per December 31, 2023 (In Afl.)	Minimum lease payments due						Total
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	
Lease payments	191,154	191,154	191,154	191,154	191,154	8,035,440	8,991,210
Finance charges	177,637	176,792	175,894	174,940	173,927	5,269,835	6,149,025
Net present values	13,517	14,362	15,260	16,214	17,227	2,765,605	2,842,185

Additional information on the right-of-use assets by class of assets as follows:

	Gross Carrying amount (Note 11/12)	Impairment
Land at Barcadera (Note 11)	735,571	-
Land at Camacuri (Note 12)	2,163,169	-
Total Right-of-use assets	2,898,740	-

The net carrying amount of the right-of-use asset equals gross carrying amount.



18. Provisions

Movements in the Provisions are as follows:

	Defined benefit plan	Jubilee Plan	Total
(In Afl.)			
Balance per January 1, 2022	671,146	438,790	1,109,936
Provision charged to the Operating Expenses	513	72,165	72,678
Benefits paid out	-	(81,645)	(81,645)
Balance per December 31, 2022	671,659	429,310	1,100,969
Provision charged to the Operating Expenses	(10,304)	90,986	80,682
Benefits paid out	(79,057)	(91,415)	(170,472)
Balance per December 31, 2023	582,298	428,881	1,011,179



19. Deferred Tax Liability

The deferred tax liability is calculated as follows:

(In Afl.)	Property, Plant and Equipment/Investment Property	Allowance for Expected Credit Losses	Total
Balance per January 1, 2022	2,998,859	(112,841)	2,886,018
(Addition)/Release Allowance for Expected Credit Losses	-	29,059	29,059
Lower Fiscal Depreciation	19,326	-	19,326
Difference on Sale of Assets	9,294	-	9,294
Addition/(Release) Regulatory Loan Loss Reserve	(363,297)	10,054	(353,243)
Charged/(Credited) to the Statement of Comprehensive Income – through profit or loss	(334,677)	39,113	(295,564)
Balance per December 31, 2022	2,664,182	(73,728)	2,590,454
(Addition)/Release Allowance for Expected Credit Losses	-	(65,222)	(65,222)
Higher Fiscal Depreciation	(20,352)	-	(20,352)
Difference on Sale of Assets	7,482	-	7,482
Addition/(Release) Regulatory Loan Loss Reserve	-	-	-
Charged/(Credited) to the Statement of Comprehensive Income – through profit or loss	(12,870)	(65,222)	(78,092)
Balance per December 31, 2023	2,651,312	(138,950)	2,512,362

Deferred profit tax is calculated on temporary differences under the liability method using the domestic tax rate of 22% (2022: 22%).



20. Shareholders' Equity

Ordinary Shares

The authorized capital of the Parent consists of 25,000 shares with a face value of Afl. 1,000 each. The authorized capital is divided in:

- 10,714 class "A" shares, of which 5,953 have been issued and fully paid.
- 7,143 class "B" shares, of which 4,000 have been issued and fully paid.
- 7,143 class "C" shares, of which 4,967 have been issued and fully paid.

	Issued	In Afl.
December 31, 2022	14,920	14,920,000
December 31, 2023	14,920	14,920,000

Class "A" shareholders: 79 in total, are non-bank financial institutions, corporations doing business in Aruba and individuals residing in Aruba.

Class "B" shareholders: 5 in total, are banks operating in Aruba.

Class "C" shareholders: 8 in total, are non-resident banks, non-bank financial institutions, corporations doing business in Aruba and individuals residing in Aruba.

Each Class of shares has the right to nominate a Supervisory Director. Furthermore, each share has one voting right and equal right on dividend.

Regulatory Loan Loss Reserve

This reserve represents transfers from retained earnings to meet qualifying capital requirements under relevant banking legislation. This reserve is not distributable.

Proposed Dividend

A dividend in respect of 2023 of Afl. 100 per share for each fiscal year, amounting to a total dividend of Afl. 1,492,000 is to be proposed at the Annual General Meeting on April 19, 2024. These financial statements do not reflect this dividend payable.



21. Net Interest Income

Interest Income

This item comprises of:

	2023	2022
(In Afl.)		
Cash and Cash Equivalents	1,865,314	307,625
Investment Securities	1,143,480	871,610
Loans – Amortized Cost	11,487,802	12,912,144
	14,496,596	14,091,379

Interest Expense

This item comprises of:

	2023	2022
(In Afl.)		
Interest Expense DIP Bonds	7,014,190	5,636,019
Interest Expense Term Loan	1,071,200	1,101,542
	8,085,390	6,737,561

22. Lease Income

Lease Income relates to the lease of the vehicles to third parties under an operating lease and the lease income from Investment properties. The lease income and cost of sales of lease income can be specified as follows:

	2023	2022
(In Afl.)		
Lease income investment property	3,227,172	3,192,840
Lease income vehicles	914,298	928,088
	4,141,470	4,120,928
Cost of sales lease income investment property	225,902	191,570
Cost of sales lease income vehicles	219,822	214,336
	445,724	405,906
Net lease income	3,695,746	3,715,022

23. Net Fee and Commission Income

This item comprises of loan related and management fees, fees obtained for activities carried out on behalf of third parties (i.e., capital raising fees, investment banking advice to public management and funds management) amounting to Afl. 8,267,718 (2022: Afl. 6,587,408). Revenue is recognized at a point in time, when (or as) the Bank satisfies performance obligations by transferring the promised services to its customers. The uncertainty level for the revenue is low because the fees are generated based on the agreements in place.

24. Sales of Goods

The sales can be specified as follows:

	2023	2022
(In Afl.)		
Sales LPG	21,650,314	23,845,919
Sales Appliances and installation work	<u>1,624,085</u>	<u>1,510,613</u>
	<u>23,274,399</u>	<u>25,356,532</u>

The cost of sales can be specified as follows:

	2023	2022
(In Afl.)		
Cost of sales LPG	8,232,121	13,303,671
Cost of sales Appliances and installation work	803,391	763,216
	<u>9,035,512</u>	<u>14,066,887</u>

25. Staff Costs

This item which relates to the Group comprises of:

	2023	2022
(In Afl.)		
Wages and Salaries	10,479,580	8,710,006
Social Security Costs	1,259,144	1,074,683
Pension Costs Defined Contribution Plans	576,214	440,631
Addition to/ (Release from) Provisions	59,489	69,105
	<u>12,374,427</u>	<u>10,294,425</u>

**26. Administrative Expenses**

This item comprises of:

	2023	2022
(In Afl.)		
Maintenance and Utility Expenses	1,914,683	2,089,802
Professional Fee Expenses	1,565,265	3,289,832
General Expenses	771,522	529,150
Rent and Other Accommodation Expenses	671,767	546,492
Advertising Expenses	366,333	213,085
ICT Expenses	220,485	-
Other Expenses	564,113	585,122
	<u>6,074,168</u>	<u>7,253,483</u>

27. Profit Tax

Profit Tax for the year comprises current tax and the change in deferred tax. The Profit Tax is calculated in conformity with the rates in force, taking into account the applicable tax facilities.

	2023	2022
(In Afl.)		
Tax on Profits for Current Year	2,074,842	1,565,825
Deferred Tax (Note 19)	(78,092)	(295,564)
	<u>1,996,750</u>	<u>1,270,261</u>

The reconciliation of the effective profit tax rate can be specified as follows:

	2023		2022	
(In Afl.)				
Net Result for the Year		7,750,946		5,895,593
Total Profit Tax Expense		<u>1,996,750</u>		<u>1,270,261</u>
Profit excluding Profit Tax		9,747,696		7,165,854
Income tax using the company's domestic tax rate	22.00%	2,144,493	25.00%	1,791,464
Effect of tax incentive	(0.52%)	(50,202)	(1.33%)	(95,319)
Effect of income from participations not being taxed	(1.14%)	(111,043)	(1.15%)	(82,196)
Effect of difference on sale of assets	0.08%	7,482	0.13%	9,294
Effect of change in tax rate	0.00%	-	(4.93%)	(353,243)
Other effects	0.06%	<u>6,020</u>	0.00%	<u>261</u>
	20.48%	1,996,750	17.73%	1,270,261

27. Related Party Transactions

Stichting Algemeen Pensioenfonds Aruba (APFA), which owns 35% of the shares of the Group is considered a related party. Of the remaining 65% of the shares, 34% are now held by two shareholders and 31% are widely held.

Several transactions are entered into with related parties in the normal course of business. These include loans and borrowings. The volumes of related party transactions, outstanding balances at the year end, and relating expense and income for the year are as follows:

	Directors and Key Management Personnel		Shareholders	
	2023	2022	2023	2022
(In Afl.)				
Balances				
Loans	528,251	550,622	-	-
Borrowings	-	500,000	51,321,061	61,874,675
Transactions				
Interest Expense	12,007	17,500	3,023,163	2,442,665
Loan disbursements	157,242	152,353	-	-
Loan repayments	(179,613)	(220,758)	-	-
New Borrowings	-	-	20,000,000	20,000,000
Matured Borrowings	500,000	-	30,000,000	-

The figures above represent both the outstanding balances at the year end and transactions entered during the year.

Interest rates on the loans granted to and borrowings with related parties are in accordance with the prevailing market conditions. The loans granted to Directors and Key management personnel are in accordance with the personnel policies of the Groups and subsidiary entities.



	2023	2022
(In Afl.)		
Key Management Compensation		
Salaries and Other Short-Term Benefits	3,958,294	3,739,223
Post-Employment Benefits	263,234	215,137

Key management personnel include the Managing Directors and management team which comprises the Head of Departments.

As all members of the Board of Supervisory Directors are non-executive directors, fixed remuneration is applicable. The total fees paid during the 2023 amounted to Afl. 376,208 (2022: Afl. 398,765).

28. Contingent Liabilities and Commitments

Guarantees and Commitments

The loan commitments and guarantees issued by the Bank can be specified as follows:

	December 31, 2023	December 31, 2022
(In Afl.)		
Undisbursed Commitments	12,785,117	13,767,119
Guarantees	12,125,865	12,298,155

Undisbursed commitments are presented net of allowance for expected credit losses. The undisbursed commitments relate to the undrawn loan balances. The financial guarantees represent the amount in guarantees provided to a number of borrowers with a yearly guarantee fee.

29. Events after the reporting period

There are no events after December 31, 2023, that would have a significant effect on the financial statements 2023.



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Independent auditor's report

To the Management Board, the Board of Supervisory Directors and the Shareholders of AIB Bank N.V.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of AIB Bank N.V. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Other information included in the Group's 2023 Annual Report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group'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 Board of Supervisory Directors is responsible for overseeing the Group'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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 Group'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 Group'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 Group 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.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with the Board of Supervisory Directors 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.

Other matter

The consolidated financial statements of AIB Bank N.V. for the year ended December 31, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on March 30, 2023.

Aruba, April 2, 2024
12046497/gdc/055

for Ernst & Young

(Sgd) Garrick de Cuba, MSC, RA