



CENTRALE BANK VAN ARUBA

Statistical News Release

Date: May 20, 2016

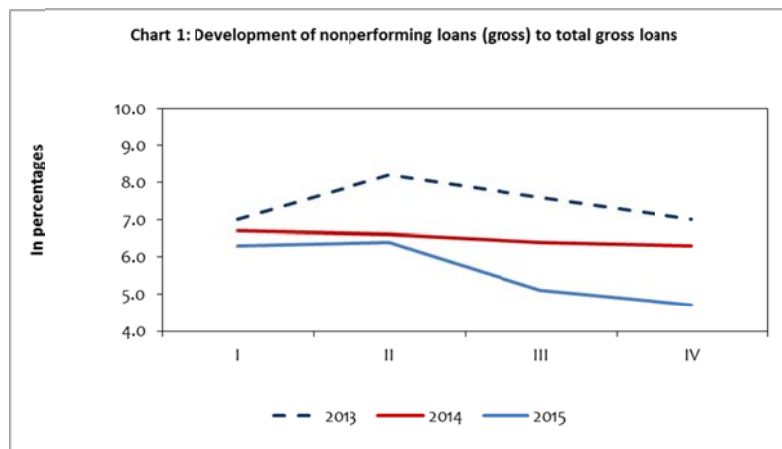
Financial soundness Indicators of the commercial banks: Capital adequacy of the commercial banks declined during the fourth quarter of 2015

Capital Adequacy

The regulatory Tier I capital to risk-weighted assets declined by 1.4 percentage point to 17.6 percent at end-December 2015 compared to end-September 2015. This decline was largely due to an Afl. 41.2 million decrease in the regulatory Tier I capital mainly associated with dividend payments during the fourth quarter of 2015. The regulatory capital (Tier I + II)¹ to risk-weighted assets declined by 0.4 percentage point to 25.8 percent, as the decrease in Tier I capital was partially mitigated by the profits recorded during the fourth quarter of 2015. The commercial banks' buffer to absorb unexpected losses remained adequate, considering that the capital adequacy ratio (25.8 percent) was far above the 14 percent minimum requirement.

Asset Quality

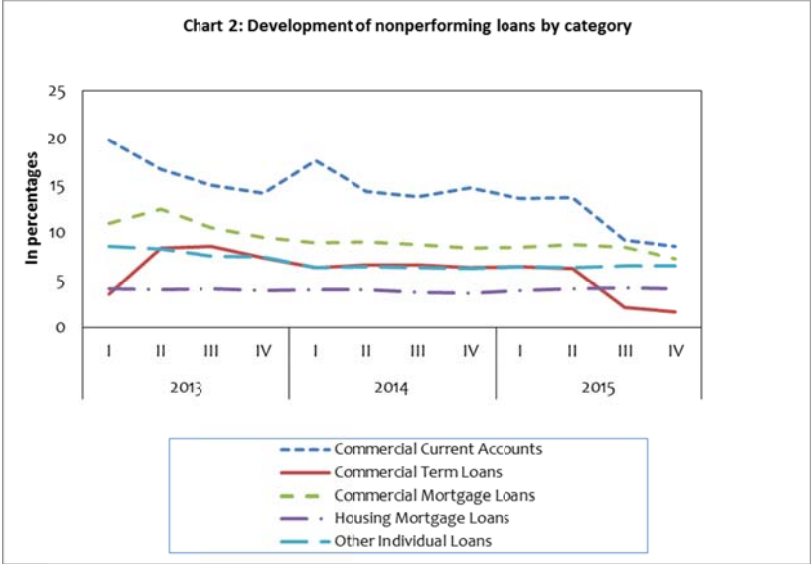
The non-performing loans (NPLs) to gross loans ratio contracted by 0.4 percentage point to 4.7 percent at end-December 2015, compared to end-September 2015 (Chart 1).



Source: Centrale Bank van Aruba

¹ Core capital (Tier I) components: paid in capital (excl. cumulative preferred share capital), statutory and general reserves, and retained earnings. Goodwill and other intangible assets, and equity investments in subsidiaries are deducted from Tier I capital. Supplementary Capital (Tier II) components: cumulative preferred share capital, asset revaluation reserves, balance of income and expenditure, unallocated loan loss provisions and subordinated debt. Certain limitations and deductions apply for subordinated debt and investment in debt capital of subsidiaries.

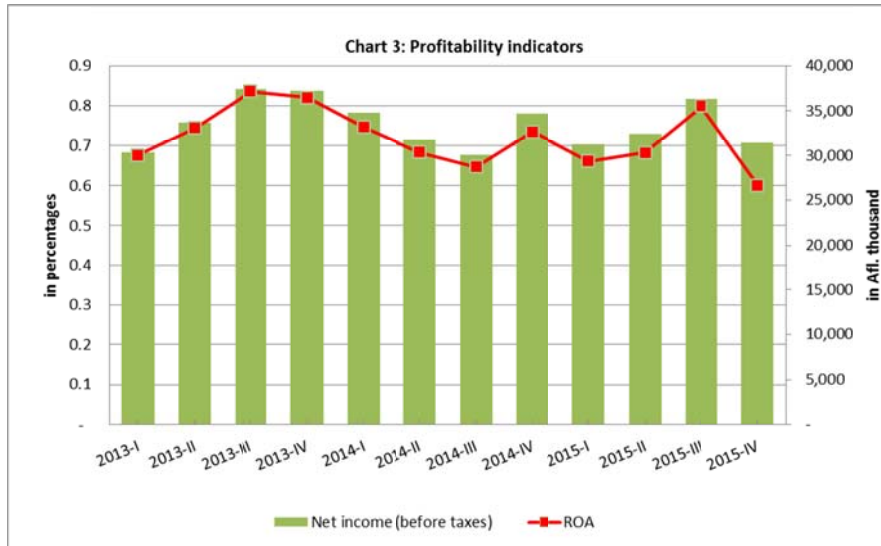
During the fourth quarter of 2015, several non-performing commercial loans were either paid off or became performing again. This led to the further improvement in the overall NPL portfolio and was mainly reflected in the commercial NPL categories (Chart 2). On aggregate, the commercial banks' level of provisions formed against the NPLs was sufficient as evidenced by the relatively low NPLs (net of allocated loan loss provisions) to gross loans ratio, which stood at 1.6 percent at the end of December 2015.



Source: Centrale Bank van Aruba

Profitability

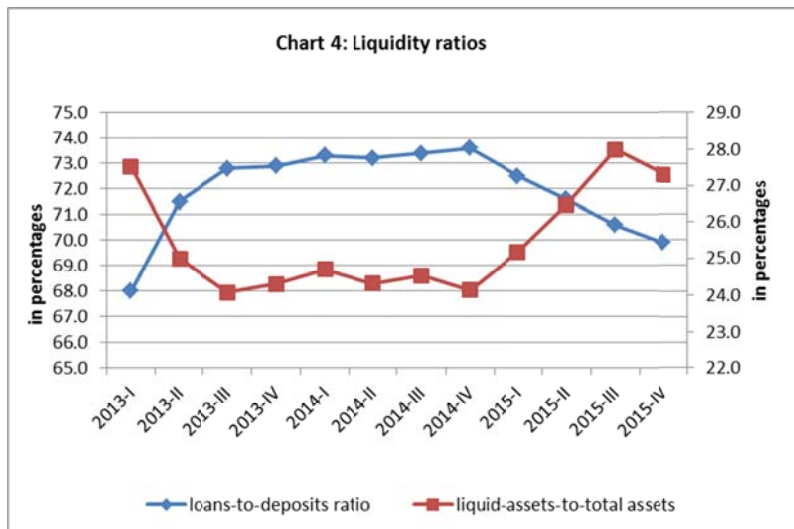
The commercial banking sector's profitability declined during the quarter under review (Chart 3). Net income (before taxes) recorded during the fourth quarter of 2015 was Afl. 5.0 million lower compared to the third quarter of 2015, as illustrated by the banking sector's 0.2 percentage point decrease in return on assets (before taxes). Non-interest expenses grew by Afl. 1.6 million during the fourth quarter of 2015 compared to the previous quarter. This was mainly related to higher general expenses and salaries and employees benefits, partly offset by a decrease in profit tax expenses and the provision for loan losses. Gross income expanded slightly by Afl. 0.7 million, due to increases in fees and commissions, while net revenue from foreign exchange and results from subsidiaries declined. Consequently, non-interest expenses to gross income ratio rose by 1.2 percentage points to 73.0 percent at end-December 2015 compared to end-September 2015. The interest margin to gross income ratio decreased by 0.4 percentage point to 54.7 percent, as gross income rose by Afl. 0.7 million, while net interest income remained practically unchanged.



Source: Centrale Bank van Aruba

Liquidity

The commercial banks' aggregated prudential liquidity ratio contracted by 0.7 percentage point to 27.3 percent, compared to the third quarter of 2015 and remained far above the required minimum of 15 percent (Chart 4). This decrease resulted from declines in deposits of the commercial banks held at the CBA, which was partially offset by increases in cash and investments. The loan-to-deposit ratio also declined by 0.7 percentage point to 69.9 percent and remained well below the 80 percent maximum (Chart 4). The decline was mainly caused by an expansion of Afl. 42.1 million or 1.0 percent of the commercial banks' total deposits (denominator).



Source: Centrale Bank van Aruba

| Table 1: Summary Financial Soundness Indicators- Commercial Banks | | |
|--|--------|--------|
| | 2015Q3 | 2015Q4 |
| Capital adequacy | | |
| Regulatory capital (Tier I + II) to risk-weighted assets (minimum 14%) | 26.2 | 25.8 |
| Regulatory Tier I capital to risk-weighted assets | 19.0 | 17.6 |
| Asset quality | | |
| Nonperforming loans to gross loans | 5.1 | 4.7 |
| Nonperforming loans (net of allocated loan loss provisions) to gross loans | 2.1 | 1.6 |
| Earnings and profitability | | |
| Return on assets (before taxes) | 0.8 | 0.6 |
| Interest margin to gross income | 55.1 | 54.7 |
| Noninterest expenses to gross income | 71.8 | 73.0 |
| Liquidity | | |
| Loans to deposits ratio (maximum 80%) | 70.6 | 69.9 |
| Liquid assets to total assets ¹⁾ (minimum 15%) | 28.0 | 27.3 |
| Source: Centrale Bank van Aruba | | |
| 1) This is the Prudential Liquidity Ratio (PLR) | | |