



CENTRALE BANK VAN ARUBA

Statistical News Release

Date: January 8, 2016

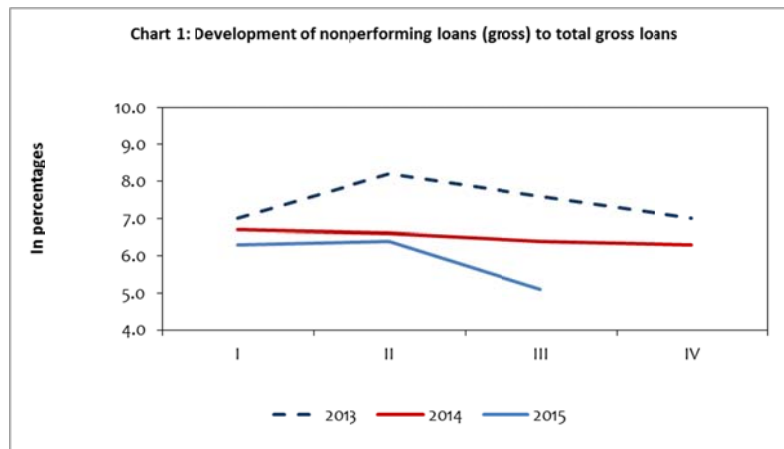
Financial soundness Indicators of the commercial banks: Asset quality of the commercial banks improved further during third quarter of 2015

Capital Adequacy

The regulatory capital (Tier I + II)¹ to risk-weighted assets ratio of the commercial banks rose by 0.7 percentage point to 26.2 percent in the third quarter of 2015. This increase was principally attributed to a growth in the supplementary capital (Tier II) due to profits earned during the third quarter of 2015. Conversely, the regulatory Tier I capital to risk-weighted assets declined by 0.2 percentage point as a result of a decrease in Tier I capital, while risk-weighted assets increased. The commercial banks' buffer to absorb unexpected losses remained adequate, considering that the capital adequacy ratio was far above the 14 percent minimum stipulated by the Central Bank of Aruba (CBA).

Asset Quality

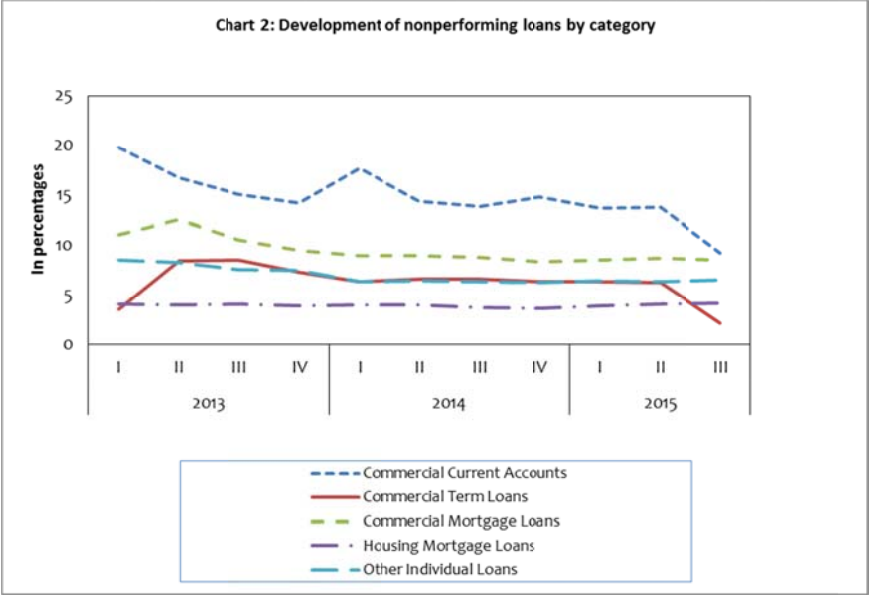
The nonperforming loans (NPLs) to gross loans ratio contracted by 1.3 percentage points to 5.1 percent at end-September 2015, compared to end-June 2015 (Chart 1).



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 provision and subordinated debt. Certain limitations and deductions apply for subordinated debt and investment in debt capital of subsidiaries.

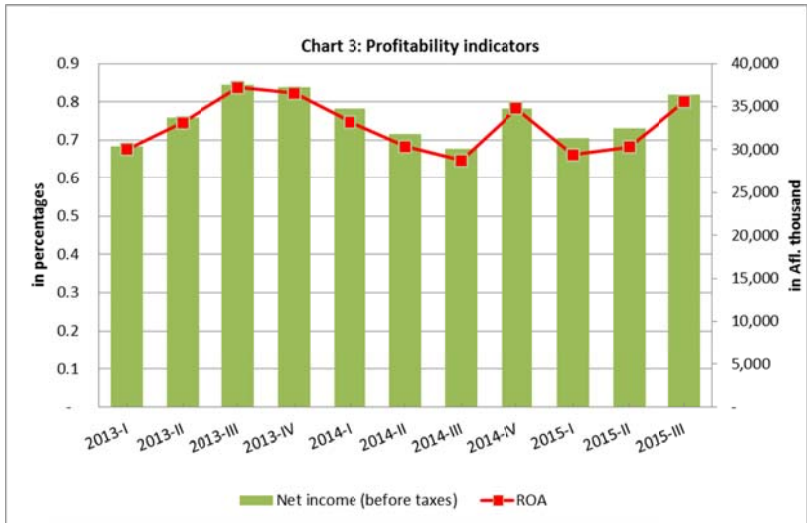
The improvement in the overall nonperforming loan portfolio was mainly because of decreases in the nonperforming commercial current accounts and term loans categories (Chart 2). This resulted chiefly from debt restructuring during the third quarter of 2015. On aggregate, the commercial banks' level of provisions against the nonperforming loans was sufficient as evidenced by the relatively low NPLs (net of allocated loan loss provisions) to gross loans ratio, which stood at 2.1 percent at the end of September 2015.



Source: Centrale Bank van Aruba

Profitability

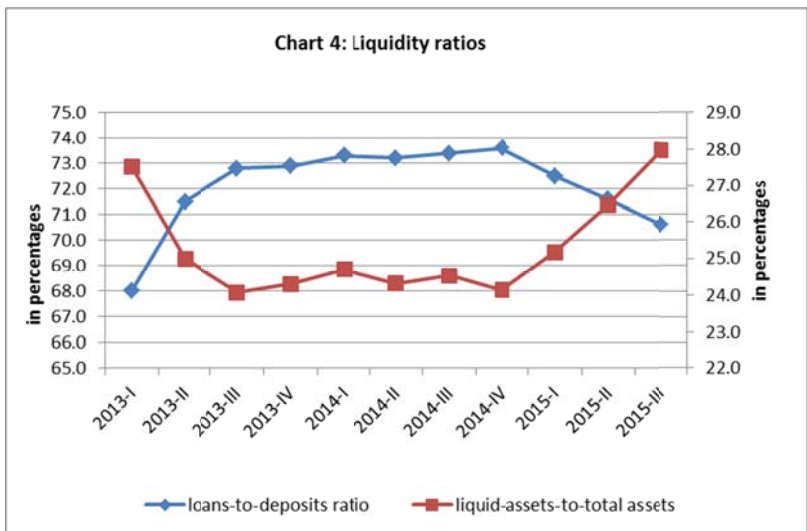
The commercial banking sector remained profitable during the quarter under review (Chart 3). Net income (before taxes) recorded during the third quarter of 2015 was higher compared to the second quarter of 2015, as illustrated by the banking sector's 0.1 percentage point rise in return on assets (before taxes). Gross income expanded by Afl. 8.2 million during the third quarter of 2015 compared to the previous quarter of 2015. This was largely due to increases in other operating income and extraordinary items. However, net interest income grew modestly by Afl. 1.2 million. Consequently, interest margin to gross income ratio dropped by 5.5 percentage points to 55.1 percent. Non-interest expenses to gross income ratio declined by 2.0 percentage points, due to an expansion in gross income (denominator), which was partially offset by increases in loan loss provisions and general expenses (numerator).



Source: Centrale Bank van Aruba

Liquidity

The commercial banks' aggregated prudential liquidity ratio grew by 1.5 percentage points to 28.0 percent, compared to the previous quarter of 2015, and remained far above the required minimum of 15 percent (Chart 4). This growth was largely associated with increases in deposits of the commercial banks held at the CBA. The loans-to-deposits ratio shrank by 1.0 percentage point to 70.6 percent and remained well below the 80 percent maximum (Chart 4). The decline was mainly caused by an expansion of Afl. 115.9 million or 2.9 percent of the commercial banks' total deposits (denominator).



Source: Centrale Bank van Aruba

Table 1: Summary Financial Soundness Indicators- Commercial Banks		
	2015Q2	2015Q3
Capital adequacy		
Regulatory capital (Tier I + II) to risk-weighted assets (minimum 14%)	25.5	26.2
Regulatory Tier I capital to risk-weighted assets	19.2	19.0
Asset quality		
Nonperforming loans to gross loans	6.4	5.1
Nonperforming loans (net of allocated loan loss provisions) to gross loans	3.3	2.1
Earnings and profitability		
Return on assets (before taxes)	0.7	0.8
Interest margin to gross income	60.6	55.1
Noninterest expenses to gross income	73.8	71.8
Liquidity		
Loans to deposits ratio (maximum 80%)	71.6	70.6
Liquid assets to total assets ¹⁾ (minimum 15%)	26.5	28.0
Source: Centrale Bank van Aruba		
1) This is the Prudential Liquidity Ratio (PLR)		