



CENTRALE BANK VAN ARUBA

Statistical News Release

Date: May 31, 2018

Financial soundness Indicators of the commercial banks: The core capital of the commercial banks grew during the first quarter of 2018

Aggregated Capital Adequacy Ratio

The aggregated regulatory Tier I capital to risk-weighted assets' ratio climbed by 3.0 percentage points to 25.4 percent at end-March 2018, compared to end-December 2017, largely attributed to an Afl. 96.1 million or 14.5 percent upsurge in the core capital (Tier I)¹. The latter was mainly related to additions of profits recorded during 2017 to retained earnings. The aggregated regulatory capital (Tier I + II) to risk-weighted assets' ratio increased by 0.4 percentage point to 31.1 percent. The profits recorded during the first quarter of 2018 were mostly responsible for the aforementioned increase. The commercial banks' buffer to absorb unexpected losses remained adequate as the commercial banks continued to comply with the required minimum capital adequacy ratio of 16.0 percent.

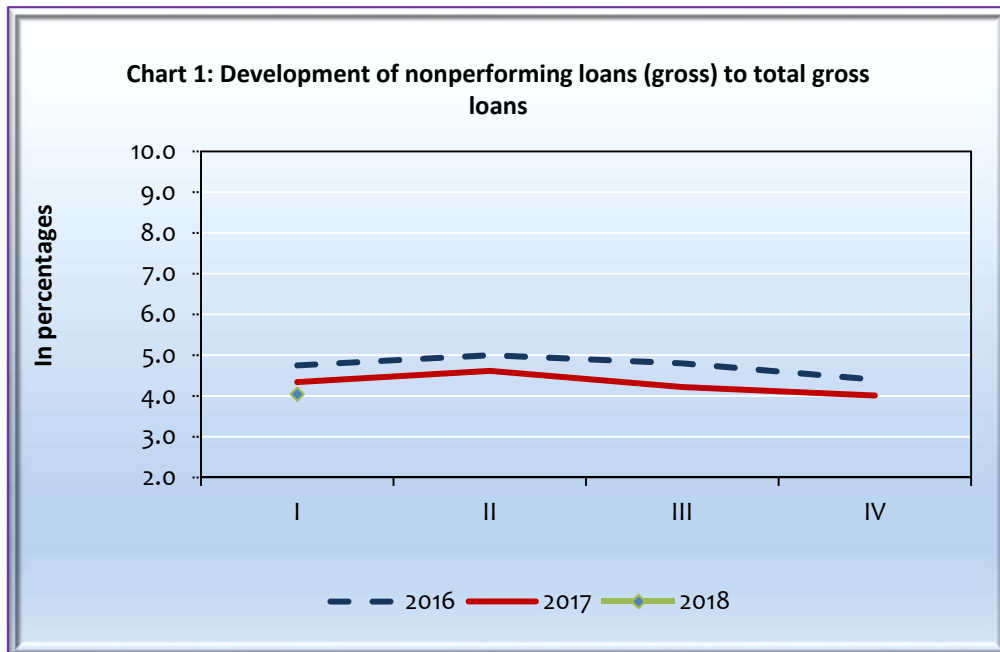
Table 1: Summary Financial Soundness Indicators- Commercial Banks

	Q4 2017	Q1 2018
Capital adequacy		
Regulatory capital (Tier I + II) to risk-weighted assets (minimum 16%) ¹⁾	30.7	31.1
Regulatory Tier I capital to risk-weighted assets	22.4	25.4
Asset quality		
Nonperforming loans to gross loans	4.0	4.0
Nonperforming loans (net of allocated loan loss provisions) to gross loans	1.5	1.5
Earnings and profitability		
Return on assets (before taxes)	0.6	0.6
Interest margin to gross income	55.2	55.7
Noninterest expenses to gross income	73.0	75.2
Liquidity		
Loans to deposits ratio (maximum 80%)	68.2	66.4
Liquid assets to total assets (minimum 16%) ²⁾	28.6	30.5
Source: Centrale Bank van Aruba		
1) As per January 1, 2017, the CBA increased the minimum risk-weighted capital ratio from 14 percent to 16 percent		
2) This is the Prudential Liquidity Ratio (PLR). As of January 1, 2018, the CBA increased the minimum PLR from 15 percent to 16 percent		

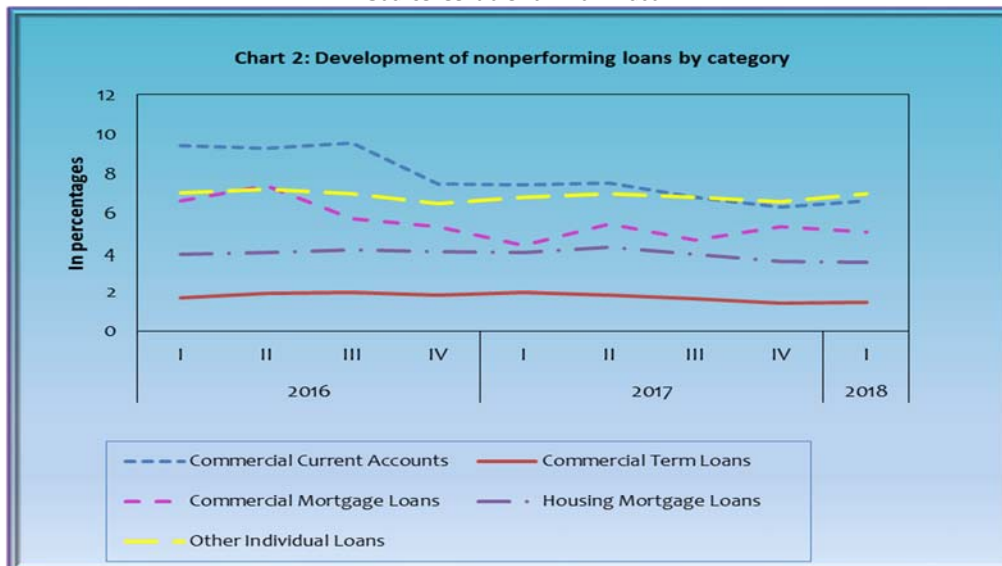
¹ Core capital (Tier I) components: paid in capital (excl. cumulative preferred share capital), statutory and general reserves, and retained earnings. Goodwill and other intangible assets, and equity investments in subsidiaries are deducted from Tier I capital. Supplementary Capital (Tier II) components: 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.

Asset Quality

The nonperforming loans (NPLs) to gross loans ratio remained unchanged at 4.0 percent at end-March 2018, compared to end 2017 (Chart 1). This is because movements in both total NPLs and total gross loans were subdued during the first quarter of 2018. Nevertheless, the overall NPLs portfolio increased by Afl. 0.6 million or 0.5 percent, mainly due to the nonperforming consumer credit loans (other individual loans) and commercial current accounts. Conversely, the nonperforming commercial mortgage loans showed a decline during the quarter under review (chart 2). The commercial banks' level of provisions formed against NPLs seemed sufficient as evidenced by the relatively low NPLs (net of allocated loan loss provisions) to gross loans ratio, which stood at 1.5 percent at the end of March 2018.



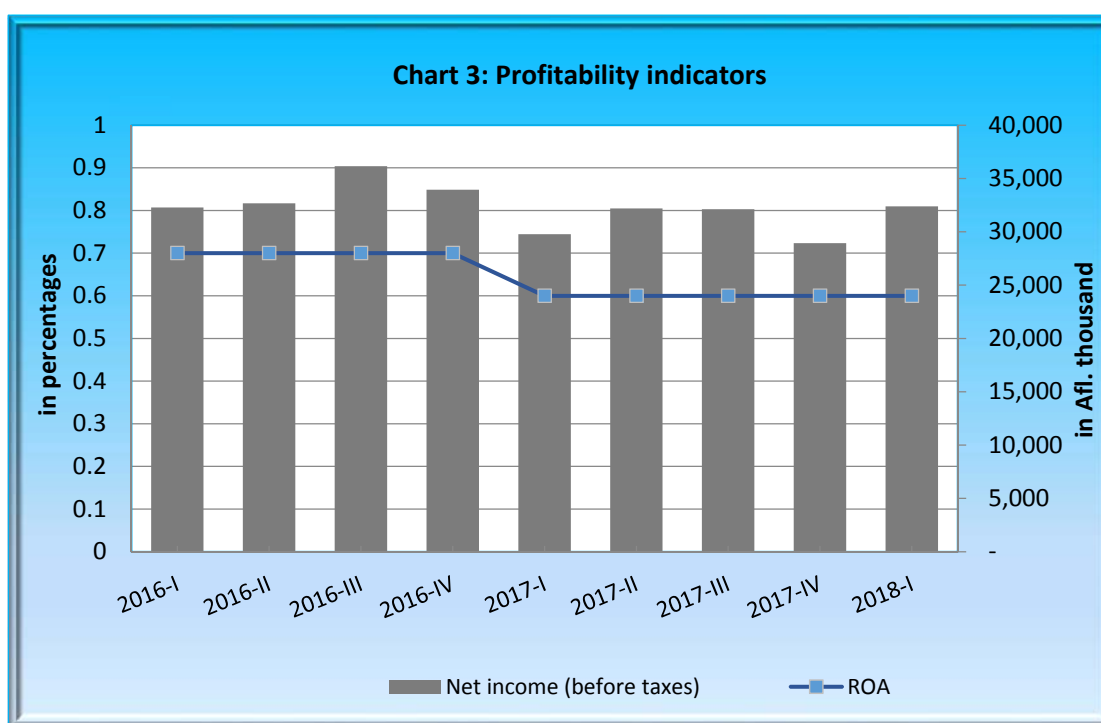
Source: Centrale Bank van Aruba



Source: Centrale Bank van Aruba

Profitability

Net income (before taxes) grew by Afl. 3.5 million (12.0 percent) during the first quarter of 2018, compared to the fourth quarter of 2017, largely because the contraction in operating expenses (Afl. 5.3 million) outweighed the decline in total operating income of Afl. 1.9 million. The return on assets (before taxes) remained unchanged at 0.6 percent at the end of March 2018 (chart 3). Net interest income to gross income rose by 0.5 percentage point to 55.7 percent, resulting from a stronger decline in gross income compared to the decrease in interest income. The decline in gross income stemmed mostly from decreases in net revenue from foreign exchange transactions (Afl. 0.7 million) and fees & commissions (Afl. 0.4 million). Non-interest expenses to gross income ratio expanded by 2.2 percentage points to 75.2 percent, following an increase in non-interest expenses of Afl. 0.8 million and an Afl. 1.9 million decline in gross income. The former was mainly related to higher profit taxes and provision for loan losses, which were largely offset by lower general expenses.



Source: Centrale Bank van Aruba

Liquidity

The commercial banks' aggregated prudential liquidity ratio rose by 1.9 percentage points to 30.5 percent at the end of March 2018, compared to end-December 2017 (Chart 4). This expansion was mostly attributed to an Afl. 141.7 million upsurge in total liquid assets, mainly reflected in the deposits of the commercial banks held at the CBA and their investment portfolio, which were partially offset by declines in the time deposits held at other commercial banks and cash. The aforementioned ratio remained far above the minimum prudential liquidity requirement of 16.0 percent, which as of January 1, 2018 has been raised to 16.0 percent. The loan-to-deposit ratio shrank by 1.8 percentage points to 66.4 percent and remained well below the 80.0 percent maximum (Chart 4). This contraction was caused by a growth in total deposits (liabilities) of Afl. 108.3 million or 2.5 percent and an Afl. 7.9 million

or 0.3 percent decrease in total loans (net of provisions). The expansion in total deposits (liabilities) was mostly due to increases in demand deposits of the private sector and savings deposits held at the commercial banks, which were largely offset by declines in government deposits and time deposits of other commercial banks.



Source: Centrale Bank van Aruba