CENTRALE BANK VAN ARUBA

Statistical News Release
Date: November 1, 2016

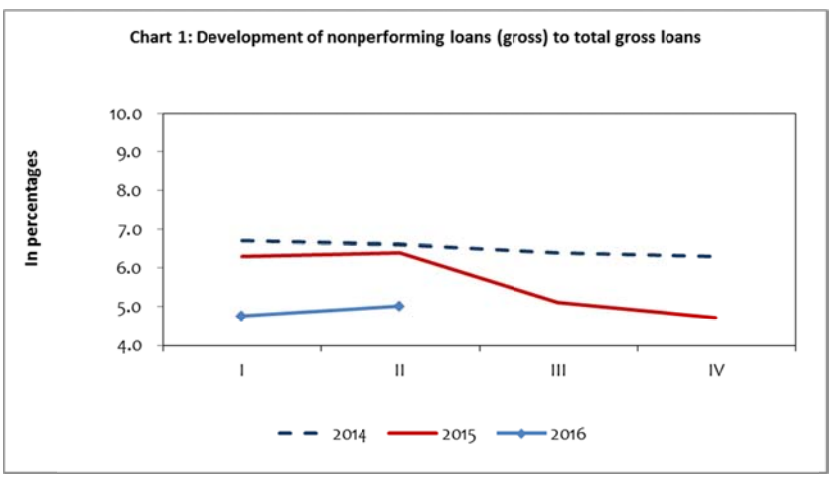
Financial soundness Indicators of the commercial banks: The banking sector remained sound and profitable during the second quarter of 2016

Capital Adequacy

The regulatory capital (Tier I + II)[1] to risk-weighted assets grew by 0.9 percentage point to 27.6 percent, principally attributed to the profits recorded during the second quarter of 2016. The regulatory Tier I capital to risk-weighted assets remained unchanged compared to the previous quarter at 20.8 percent. The aforementioned is due to an increase in Tier 1 capital by 0.1 percent, offset by a 0.1 percent increase in risk-weighted assets. The commercial banks' buffer to absorb unexpected losses remained adequate, considering that the capital adequacy ratio was far above the 14 percent minimum requirement.

Asset Quality

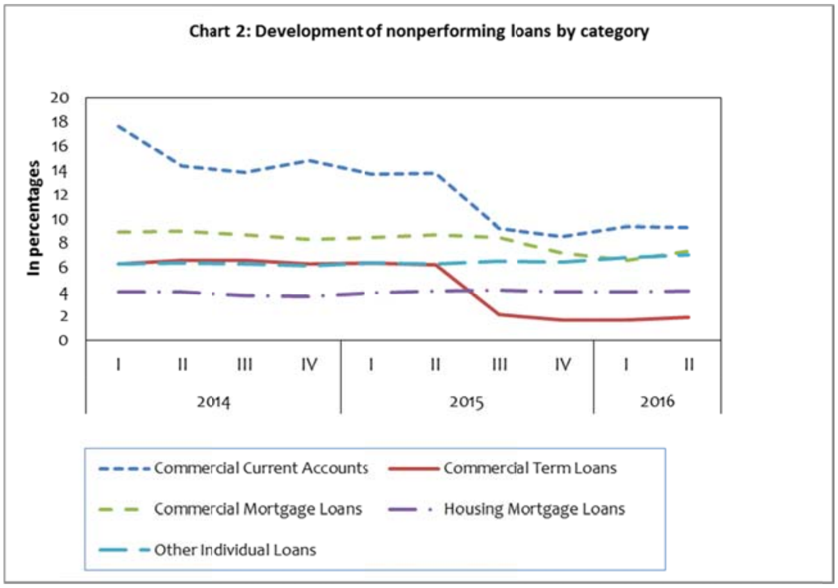
The non-performing loans (NPLs) to gross loans ratio increased by 0.2 percentage points to 5.0 percent at end-June 2016, compared to end-March 2016, due to an Afl. 6.4 million (4.3 percent) rise in NPLs and a growth of Afl. 4.1 million (0.1 percent) in gross loans (Chart 1).



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.

With the exception of the non-performing commercial current account, all NPL categories reported increases during the quarter under review (Chart 3). This was because new NPLs surpassed those that were updated or written off. On aggregate, the commercial banks' level of provisions formed against the NPLs was sufficient as evidenced by the relatively low NPLs[2] to-gross-loans ratio, which equaled 1.7 percent at the end of June 2016.

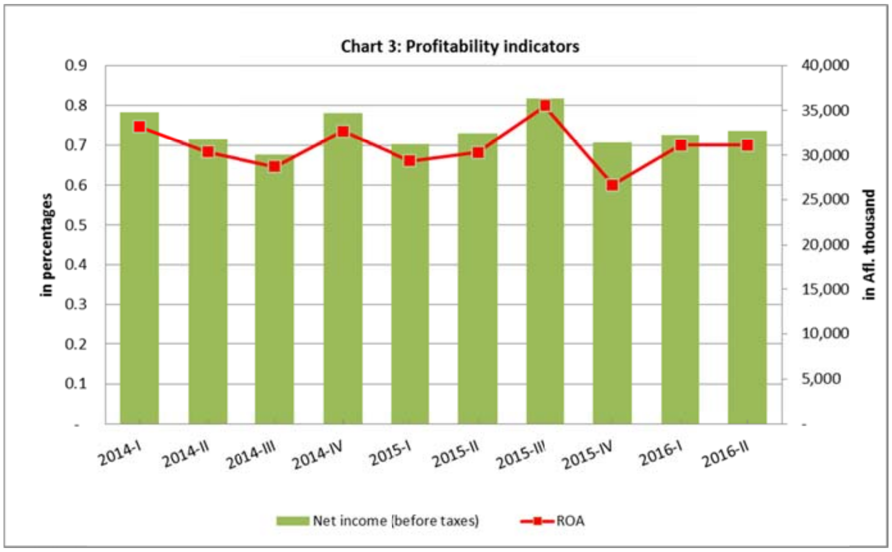


Source: Centrale Bank van Aruba

Profitability

The commercial banking sector's profitability grew slightly during the quarter under review (Chart 3). Net income (before taxes) recorded during the second quarter of 2016 was Afl. 0.4 million higher compared to the first quarter of 2016. The return on assets (before taxes) remained practically unchanged at 0.7 percent at the end of June 2016. The interest margin to gross income ratio rose by 0.7 percentage point to 58.4 percent. A larger decline in gross income of Afl. 2.1 million and a decrease in net interest income of Afl. 0.7 million contributed to this growth. The contraction in fees and commissions was mainly responsible for the overall decline in gross income. Non-interest expenses declined by Afl. 4.5 million (7.0 percent) during the second quarter of 2016, compared to the previous quarter. This drop was mostly associated with lower general expenses and profit tax expenses. Consequently, non-interest expenses to gross income ratio decreased by 3.4 percentage points to 69.3 percent at end-June 2016 compared to end-March 2016.

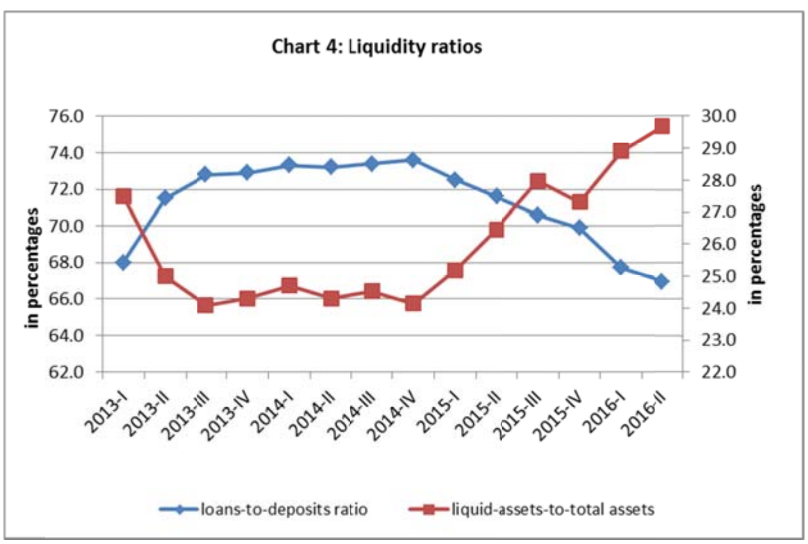
[2] Net of allocated loan loss provisions



Source: Centrale Bank van Aruba

Liquidity

The commercial banks' aggregated prudential liquidity ratio climbed by 0.8 percentage point to 29.7 percent, compared to the first quarter of 2016 and remained far above the minimum requirement of 15 percent (Chart 4). This increase was mainly reflected in higher deposits of the commercial banks held at the CBA. Conversely, the loan-to-deposit ratio declined by 0.7 percentage point to 67.0 percent and remained well below the 80 percent maximum (Chart 4). This decline was mostly caused by an expansion of Afl. 57.9 million or 1.4 percent of the commercial banks' total deposits (denominator).



Source: Centrale Bank van Aruba

Table 1: Summary Financial Soundess Indicators- Commercial Banks		
	2016Q1	2016Q2
Capital adequacy		
Regulatory capital (Tier I + II) to risk-weighted assets (minimum 14%)	26.7	27.6
Regulatory Tier I capital to risk-weighted assets	20.8	20.8
Asset quality		
Nonperforming loans to gross loans	4.8	5.0
Nonperforming loans (net of allocated loan loss provisions) to gross loans	1.6	1.7
Earnings and profitability		
Return on assets (before taxes)	0.7	0.7
Interest margin to gross income	57.7	58.4
Noninterest expenses to gross income	72.7	69.3
Liquidity		
Loans to deposits ratio (maximum 80%)	67.7	67.0
Liquid assets to total assets [1)] (minimum 15%)	28.9	29.7
Source: Centrale Bank van Aruba		
1) This is the Prudential Liquidity Ratio (PLR)		