CENTRALE BANK VAN ARUBA

Statistical News Release

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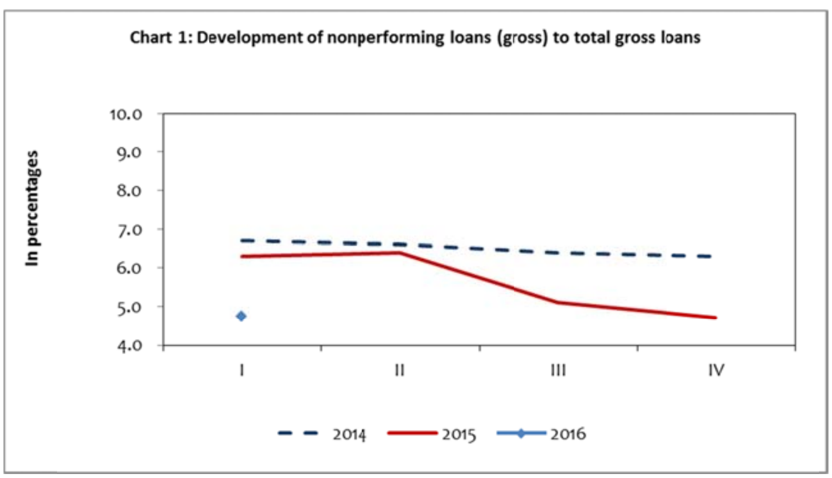
Financial soundness Indicators of the commercial banks: Capital adequacy of the commercial banks rose during the first quarter of 2016

Capital Adequacy

The regulatory Tier I capital to risk-weighted assets rose by 3.2 percentage points to 20.8 percent at end-March 2016, compared to end-December 2015. This was primarily associated with additions of profits earned during 2015. The regulatory capital (Tier I + II)[1] to risk-weighted assets recorded a growth of 0.9 percentage point to 26.7 percent, largely due to the profits recorded during the first quarter of 2016. The commercial banks' buffer to absorb unexpected losses remained adequate, considering that the capital adequacy ratio (26.7 percent) was far above the 14 percent minimum requirement.

Asset Quality

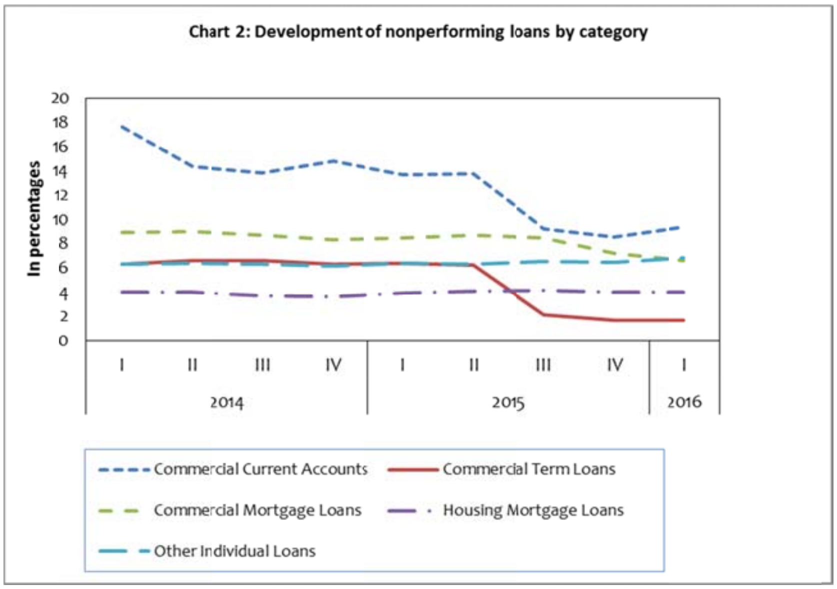
The non-performing loans (NPLs) to gross loans ratio increased by 0.1 percentage point to 4.8 percent at end-March 2016, compared to end-December 2015, due to an Afl. 20.2 million (0.6 percent) decrease in gross loans and a contraction of Afl. 0.2 million (0.2 percent) in NPLs (Chart 1).



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.

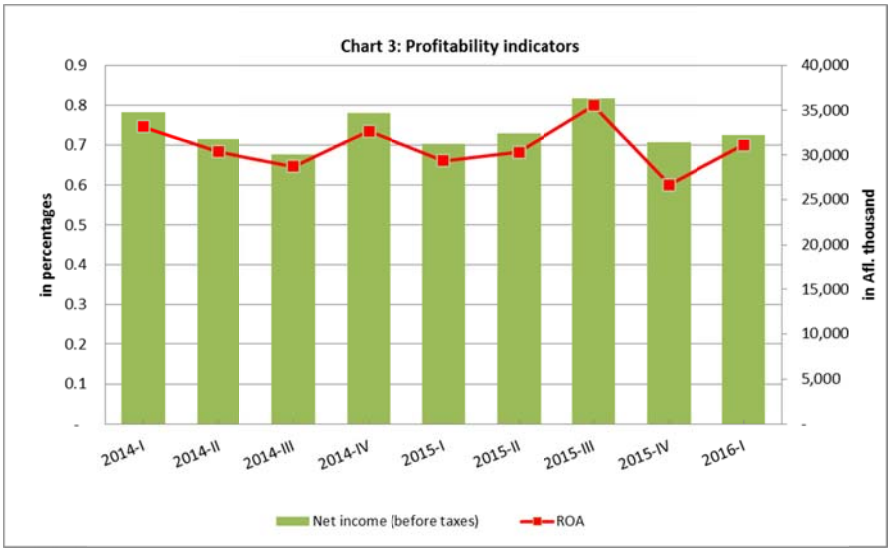
The slight contraction in the NPLs during the first quarter of 2016 was the result of repayments, which were partly offset by loans that became non-performing during the quarter under review. The improvement in the overall NPL portfolio was generally reflected in the commercial mortgage NPL category, while the commercial current account and other individual NPL categories deteriorated (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 remained at 1.6 percent at the end of March 2016.



Source: Centrale Bank van Aruba

Profitability

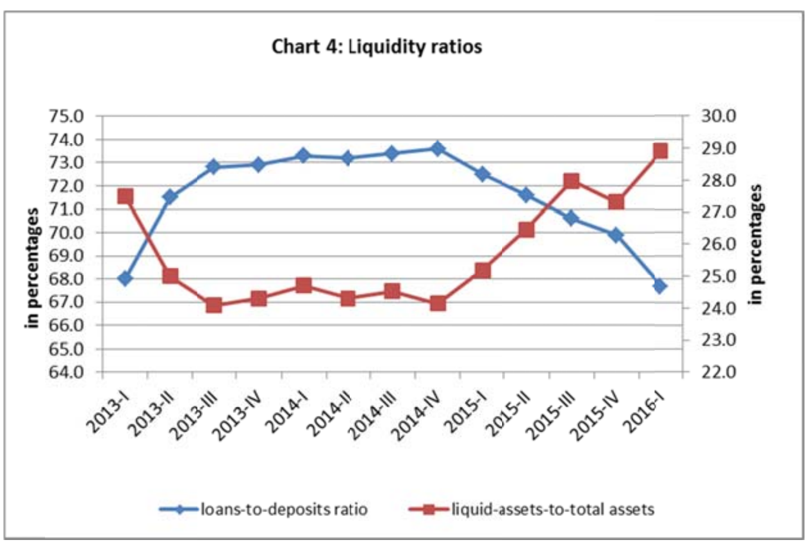
The commercial banking sector's profitability grew during the quarter under review (Chart 3). Net income (before taxes) recorded during the first quarter of 2016 was Afl. 0.9 million higher compared to the fourth quarter of 2015, which was reflected by the banking sector's 0.1 percentage point rise in return on assets (before taxes). The interest margin to gross income ratio rose by 3.0 percentage points to 57.7 percent, due to a larger decline in gross income of Afl. 7.4 million compared to the decrease in net interest income of Afl. 1.3 million. The contraction in fees and commissions, results from subsidiaries and net revenue from foreign exchange were mainly responsible for the overall decline in gross income. Non-interest expenses decreased by Afl. 5.7 million (8.0 percent) during the first quarter of 2016, compared to the previous quarter. This was largely related to lower general expenses, salaries and employees benefits, partly offset by a rise in profit tax expenses. Consequently, non-interest expenses to gross income ratio decreased by 0.3 percentage point to 72.7 percent at end-March 2016, compared to end-December 2015.



Source: Centrale Bank van Aruba

Liquidity

The commercial banks' aggregated prudential liquidity ratio climbed by 1.6 percentage points to 28.9 percent, compared to the fourth quarter of 2015 and remained far above the minimum requirement of 15 percent (Chart 4). This increase was mainly reflected in deposits of the commercial banks held at the CBA. On the other hand, the loan-to-deposit ratio declined by 2.2 percentage points to 67.7 percent and remained well below the 80 percent maximum (Chart 4). The decline was mostly caused by an expansion of Afl. 101.1 million or 2.5 percent of the commercial banks' total deposits (denominator).



Source: Centrale Bank van Aruba

Table 1: Summary Financial Soundness Indicators- Commercial Banks		
	2015Q4	2016Q1
Capital adequacy		
Regulatory capital (Tier I + II) to risk-weighted assets (minimum 14%)	25.8	26.7
Regulatory Tier I capital to risk-weighted assets	17.6	20.8
Asset quality		
Nonperforming loans to gross loans	4.7	4.8
Nonperforming loans (net of allocated loan loss provisions) to gross loans	1.6	1.6
Earnings and profitability		
Return on assets (before taxes)	0.6	0.7
Interest margin to gross income	54.7	57.7
Noninterest expenses to gross income	73.0	72.7
Liquidity		
Loans to deposits ratio (maximum 80%)	69.9	67.7
Liquid assets to total assets [1)] (minimum 15%)	27.3	28.9
Source: Centrale Bank van Aruba		
1) This is the Prudential Liquidity Ratio (PLR)		