

ANNUAL REPORT



A Superior Experience

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Congratulations
GRADUATES

Foreword

Aruba Bank started out on a good path in 2018! A continued leadership position, a brand with remarkable market presence, an innovative spirit, engaged employees dedicated to delivering a superior experience, set the tune for another record year for Aruba Bank.

A year marked by an increased focus on the customer and the strengthening of their experience along their journey with Aruba Bank to ensure a continued Superior Experience!

We hereby express our sincere gratitude for the unwavering support and trust from all our stakeholders who have made us the pioneer bank on the island, with a total market share of 44%.

Message from our Chairman of the Supervisory Board



Bastiaan Guis
Chairman of the Supervisory Board

During 2018, the Supervisory Board focused on the strategy of the Bank and all pertaining relevant matters including but not limited to Risk, Portfolio developments, Financial affairs, IT developments, Supervision, Marketing, Governance, and Compliance.

The Supervisory Board is charged with the supervision of the Management Board and the functioning of the Bank as a whole in all relevant aspects. The corporate strategy, risk and the internal control framework, amongst many other subjects, are discussed and assessed by the Supervisory Board in their meetings, which take place at least five times a year.

The Supervisory Board has established an Audit and Compliance Committee, a Nomination and Remuneration Committee, a Related Party Transactions Committee, a Board Credit Committee, and a Board Asset and Liability Management Committee. Nevertheless, the entire Supervisory Board remains responsible as a whole for the various tasks and responsibilities of the committees.

In closing

The Supervisory Board would like to express their appreciation and gratitude towards the Management Board and staff of Aruba Bank for their continuous commitment and effort.

On behalf of the Supervisory Board,

Mr. B.W. H. Guis
Chairman of the Supervisory Board

A man with blonde hair and glasses, wearing a grey pinstripe suit, white shirt, and patterned tie, stands next to a woman with short blonde hair wearing a blue dress. They are in a modern office hallway with glass walls and doors. A red banner is at the top right.

Message from our Management Board

Introduction

Aruba Bank has further strengthened its position in the Aruban market in 2018. As the largest commercial bank in Aruba, we remain firmly committed to ensuring a high level of client-service, reliability, innovation, and a solid financial and operational performance, supported by a robust governance, risk and compliance framework.

In 2018, **Aruba Bank** has continued its ambitious investment and innovation program, launching new services for our customers, online and mobile functionalities, new branch- and self-service concepts and new tools for our staff to better service our clients. Our ambition is to continue making banking easier, faster and better for our clients, optimally combining the latest developments in technology and financial services with our in-depth understanding of our client's needs in the Aruban market. To that end, **Aruba Bank** also actively approaches possible partners for cooperation in the market to work together at improving client services in Aruba. Our ambition to offer our clients a superior experience has been our leading theme in 2018.

We have also continued to invest substantially in the field of integrity, compliance and corporate governance.

Our portfolios of client business showed further growth, client-satisfaction as well as employee engagement increased, and **Aruba Bank** recorded an increased market share and a strong financial performance in 2018.

Our Mission, Strategy, and Values

As a leading commercial bank in Aruba, our business is building great long-term relationships with our clients, thus benefiting all our stakeholders.

Our strategy is based on the following three pillars:

We Deliver The best in banking and transactional services.

We Care For our clients and for the society that we serve, with integrity.

We Build An organization with a culture of continuous improvement.

Financial position



The net loan portfolio (gross loan portfolio minus allocated loan loss provision) as at December 31, 2018 increased with 9.1% to 1,426,396. The retail and corporate loan portfolio showed above market growth. Our overall market share increased significantly and reached almost 44%.

Our financial position shows an increase in liquid assets (cash and cash equivalents and amounts due from banks), thus leading to a prudential liquidity ratio as at December 31, 2018 of 22.7% (2017: 21.2%), well above the minimum regulatory ratio of 16%. The minimum regulatory prudential liquidity ratio will gradually increase to 20% as per January 1, 2020.

The capital ratio at year-end 2018 stood at 24.0% (2017: 23.3%), which is also well above the minimum regulatory requirement (16%). The loan-to-deposit ratio is 71.1% at year-end 2018 (2017: 71.3%), below the regulatory maximum of 80%.

Financial results



A good overall performance in all markets was observed in 2018.

All markets in which the Bank operates made a positive contribution to the Bank's 2018 performance. The profit before tax for the year 2018 amounts to 51,417 (2017: 55,354).

Organization



Network

Aruba Bank offers commercial and retail banking services to a wide variety of private, commercial and institutional clients. In 2018, the Bank added a string of new client services, combining new self-service options with face-to-face personal service. We invested in both digital as well as personalized services, and will continue to do so in 2019. New client applications were introduced to our kiosks and smart deposit machines, and our online and mobile banking platforms. The Bank also introduced innovations in payments in the market, in partnership with large payment parties in Aruba, to simplify payments for retail and corporate customers and to help achieve faster and more efficient digital payment streams. We shall continue to innovate in this field, and fully support initiatives by the Central Bank of Aruba to modernize Aruba's payment systems. As active member of Aruba's Bankers' Association, we have phased out the use of checks in 2018, successfully introducing alternative payment means.

Staff

As a service providing institution the Bank strongly believes in the ongoing training and development of management and staff. As at December 31, 2018, our full-time staff numbered 265 (December 31, 2017: 264).

Corporate governance



Aruba Bank is a company established under the laws of Aruba. The Articles of Association form the foundation from which the Corporate Governance Structure is derived. It is based on a two-tier governance structure consisting of a Management Board and a Supervisory Board.

Bank policy and objectives



Is responsible for the setting and achieving of the Bank's strategy, objectives and policies, and to ensure that the Bank is compliant with all relevant laws and regulations.

The Management Board is accountable for the performance of its duties to the Supervisory Board and the General Meeting of Shareholders.

The Management Team of **Aruba Bank** performs the execution of the strategy and policies, in consultation with the Management Board. It operates as a team with the Management Board members to ensure alignment in achieving effective execution as a team, as well as overseeing individual areas of responsibility, which are as follows per December 31, 2018:

Retail: Mrs. R.M.T. (Rocila) Tromp - Acosta

Corporate: Mrs. G.N. (Gina) Habibe - Arendsz

Risk and Compliance: Mrs. N.M. (Nataly) Simmons - Thompson

Finance and Operations: Ms. M.C.C. (Marleen) van der Borgt

Human Resources: Ms. B.I. (Barbara) Bronswinkel.

Corporate responsibility



Aruba Bank has a major role to play in the society it serves. We do this, not only by taking our responsibility as a sound financial institution, but also by supporting numerous projects and initiatives through charity, donations, sponsorships and other initiatives. Yearly events that positively impact our community such as our “Good 4 the Neighborhood” that helps youth build self-esteem and new mindsets that propel them to success, the largest “Walk and Run” activity in Aruba, and our Charity Foundation encourages volunteerism and helps children and families in need. Our most recent ‘Green Initiatives’, also contribute to a sustainable Aruba through our employees and customers alike.

Outlook



Available indicators of the economy in Aruba show a mixed outlook for 2019, some optimism, but no clear upturn in the general pace of economic activities.

The Bank will continue to focus on maintaining its strong market share and will continue substantial investments in technological innovation as well as in people and organization, partnering with our clients, service providers, correspondent banking partners and regulators to create sustainable value.

Above all, we aim to continuously improve the quality of our services to our customers. This is the cornerstone of our continued long-term strong performance. We realize that the accomplishment of our objectives is only possible with the continued support of all stakeholders, for which we are truly grateful. We would like to thank our dedicated staff for their hard work, client focus and great commitment.

Independent auditor's report on the audit of the abbreviated consolidated financial statements

Opinion

The abbreviated consolidated financial statements comprise the summary of consolidated statement of financial position as at 31 December 2018 and a summary of the consolidated statement of income 2018 for the year then ended and related notes, are derived from the audited consolidated financial statements of Aruba Bank N.V. ("the Bank") for the year ended 31 December 2018. In our opinion, the accompanying abbreviated consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of the Bank, on the basis described in the summary of significant accounting policies.

Abbreviated consolidated financial statements

The abbreviated consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the abbreviated consolidated financial statements and our report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of the Bank and our auditor's report thereon.

The audited consolidated financial statements and our auditor's report thereon

We expressed an unmodified audit opinion on the consolidated financial statements 2018 of the Bank in our auditor's report dated 12 February 2019.

Responsibilities of management for the abbreviated consolidated financial statements

Management is responsible for the preparation of the abbreviated consolidated financial statements on the basis as described in the summary of significant accounting policies.

Auditor's responsibilities

Our responsibility is to express an opinion on whether the abbreviated consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of the Company based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Aruba, 12 February 2019
for Ernst & Young Accountants
Drs. R.J.W. van Nimwegen RA

Abbreviated Consolidated Financial Statements

Independent auditor's report on the audit of the abbreviated consolidated financial statements.

Summary of consolidated statement of financial position as at December 31, 2018

(Amounts are expressed in thousands of Aruban Florins)

Assets	2018	2017
Cash resources	519.242	440.081
Investment securities	227.982	221.821
Loans and advances to customers	1.426.396	1.307.050
Premises and equipment	58.435	62.110
Other assets	34.676	32.052
Total Assets	2.266.731	2.063.114

Shareholder's equity and liabilities	2018	2017
Shareholder's equity	320.976	281.527
Due to other banks	5.549	8.322
Deposits from customers	1.895.304	1.732.942
Other liabilities	44.902	40.323
Total shareholder's equity and liabilities	2.266.731	2.063.114

Summary of consolidated statement of income 2018
(amounts expressed in thousands of Aruba Florins)

	2018	2017
Result from banking activities	118.037	113.693
Other operating income	3.414	2.847
Operating income	121.451	116.540
Personnel, general and administrative expenses	(57.678)	(53.990)
Depreciation	(9.160)	(9.136)
Operating expenses	(66.838)	(63.126)
Credit loss expense on financial assets	(3.196)	1.940
Net operating income	51.417	55.354
Profit tax	(9.882)	(12.518)
Net income	41.535	42.836

Note

These financial statements are prepared in accordance with criteria developed by management. Under these criteria, management discloses extracts from the consolidated statement of financial position and consolidated statement of income. These financial statements are derived from the audited consolidated financial statements of **Aruba Bank** N.V. and its subsidiaries for the year ended December 31, 2018 which have been prepared in thousands of Aruban Florins (Afl.) and in accordance with International Financial Reporting Standards.

SELF SERVICE



Fast and easy banking

Throughout the year we focused on moving clients from assisted to self-service. This effort, which promotes process and organizational efficiencies, allowed for customers to experience and understand the ease, rapidness, and safety of conducting transactions using various self-service options.

Our E-Appointment System was introduced to facilitate making appointments online, E-Commerce efforts were also launched for Corporate customers through the Payment Gateway (CX Pay). Business customers were also introduced to new Push Transaction Services.

Aruba Bank is the first bank in Aruba to introduce a Self-Service area at its branches where unassisted transactions at Smart Deposit Machines, Coin Deposit Machines, and Financial Kiosk are available. Customers making use of the services were able to make Credit Card Payments at the Smart Deposit machine, and request Overdraft Facilities at the Customer Service Kiosk.

All efforts were designed with the needs of the customer in mind, providing self-service experiences and encourage usage.



A Superior Experience

In February 2018 Aruba Bank launched its 'Superior Experience' campaign that is tied to the bank's new strategic communication platform.

The results of the effort were revealed after extensive market research which began in 2017, allowing the organization to truly understand what is important to the Aruban community.

Customer centricity remains a top priority at Aruba Bank and is strengthened every day. We need to make sure our employees' innate friendliness and cordiality contribute to the Superior Experience we offer at every touch point.

After numerous training sessions in 2017, employees were able to re-capture some of the content of those trainings in short sessions during the launch. After completing each session, employees received a certificate and pin that marked the start of the Superior Experience journey.

The effort goes hand in hand with the measurement and promotion of Customer Success. This has enabled the bank to achieve a giant leap in NPS scoring. The current score is good and up to par with international financial institution ratings.



Building community

In 2018 Aruba Bank continued to foster its support of sports, culture, education, and a healthy lifestyle that will benefit the entire Aruban community.

Major efforts of the bank during the year include, but are not limited to, entering a partnership with Stichting Maneho di Aruba su Carnaval (SMAC) in support of the festivities surrounding our islands 65th celebration of the largest yearly cultural event.

The bank continued its support of sports clubs and baseball and soccer teams such as Pony League, RCA, Aruba Juniors.

They also continued fostering of community-based activities such as the largest Walk & Run activity on the island, Walk & Run 2018, that was sold out within one (1) hour, and our Good for the Neighborhood (G4N2018) Building Entrepreneurs program in the summer.

Our involvement in these areas allow us to continue to strengthen the community where our people live and work.