

2019

ANNUAL REPORT

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FOREWORD

Aruba Bank looks back on a strong performance in 2019. A continued leadership position, a brand with remarkable market presence, an innovative spirit and engaged employees dedicated to delivering a superior experience to our clients, set the tune for another record year for Aruba Bank.

A year marked by further investment and innovation, with increased focus on the customer and the strengthening of their experience along their journey with Aruba Bank.

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, the market leader of today in Aruba.

MESSAGE FROM OUR CHAIRMAN OF THE SUPERVISORY BOARD



During 2019, the Supervisory Board's attention was particularly focused on ensuring the bank kept its leadership position and that sufficient effort was invested in the following areas Risk, Portfolio management, Financial affairs including solid ratio adherence, IT developments, Supervision, Marketing, Governance, Integrity and Compliance.

Bastiaan Guis
Chairman of the
Supervisory Board

The Supervisory Board is charged with the supervision and advising of the Management Board. 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 several committees in place, being 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 Supervisory Board as a whole remains responsible for the various tasks and responsibilities of the committees.

CHANGE IN COMPOSITION OF THE SUPERVISORY BOARD

After serving on the Supervisory Board for 20 years, Mr. Robert “Chobby” Croes has stepped down to pursue other endeavors. We would like to thank Mr. Croes for his continued support and engagement with the bank for all those years.

IN CLOSING

The Supervisory Board would like to express its 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



MESSAGE FROM OUR MANAGEMENT BOARD

INTRODUCTION

Aruba Bank has further strengthened its position in the Aruban market in 2019. 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.

C.M.C. Helfrich - Managing Director and Chairman of the Management Board
S.M.S. Fränkel - de Cuba - Managing Director

In 2019, 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 goal 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 2019.

We have also continued to invest substantially in the field of integrity, compliance and corporate governance, thru a mix of training, international knowledge sharing, increase in staff members and system enhancements.

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 2019.

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, 2019 increased with 7,7% to 1,535,687.

The retail and corporate loan portfolio showed above market growth. Our overall market share increased significantly and reached 44,4%.

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, 2019 of 23,3% (2018: 22.7%), well above the minimum regulatory ratio of 18%. The minimum regulatory prudential liquidity ratio will increase to 20% as per January 1, 2021.

The capital ratio at year-end 2019 stood at 22,3% (2018: 24,0%), which is also well above the minimum regulatory requirement (16%). The loan-to-deposit ratio is 70,4% at year-end 2019 (2018: 71.1%), below the regulatory maximum of 80%.

FINANCIAL RESULTS

A good overall performance in all markets was observed in 2019. All markets in which the Bank operates made a positive contribution to the Bank's 2019 performance. The profit before tax for the year 2019 amounts to 59,351 (2018: 51,417).

ORGANIZATION

Network

Aruba Bank offers commercial and retail banking services to a wide variety of private, commercial and institutional clients. In 2019, 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 2020. 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 and 2019, 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, 2019, our full-time staff numbered 266 (December 31, 2018: 265). Our yearly employee engagement survey showed again another increase in employee engagement in 2019.

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

The Management Board 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, 2019:

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: Mrs. 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 assists 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 2020, 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. Above all, 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, which comprise the summary of consolidated statement of financial position as at 31 December 2019 and a summary of the consolidated statement of income 2019 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 2019.

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 2019 of the Bank in our auditor's report dated 31 January 2020.

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, 31 January 2020
for Ernst & Young Accountants
drs. R.J.W. van Nimwegen RA

ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended December 31, 2019.

Assets	2019	2018
Cash resources	536.972	519.242
Investment securities	313.532	227.982
Loans and advances to customers	1.535.687	1.426.396
Premises and equipment	61.409	58.435
Other assets	29.888	34.676
Total Assets	2.477.488	2.266.731

Shareholder's equity and liabilities	2019	2018
Shareholder's equity	327.249	320.976
Due to other banks	26.027	5.549
Deposits from customers	2.081.335	1.895.304
Other liabilities	42.877	44.902
Total shareholder's equity and liabilities	2.477.488	2.266.731

SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2019.

	2019	2018
Interest Income	120.715	111.121
Interest expenses	(27.692)	(23.963)
Net interest income	93.023	87.158
Operating income	34.446	34.293
Total income	127.469	121.451
Operating expenses	(68.161)	(66.838)
Credit loss expenses on financial assets	43	(3.196)
Total expenses	(68.118)	(70.034)
Income before tax	59.351	51.417
Tax expense	(11.128)	(9.882)
Net income for the year	48.223	41.535

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2019 which have been prepared in thousands of Aruban Florins (Afl.) and in accordance with International Financial Reporting Standards.

FAST AND EASY BANKING

Throughout the year we continued to focus 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.

Aruba Bank also introduced after-hour-assistance for all customers needing assistance after business hours and during the weekends.

Aruba Bank is the first bank and only bank in Aruba to introduce a Self-Service area at its branches where unassisted transactions at Smart Deposit Machines and Financial Kiosk are available until 8:00 pm and on weekends. Customers making use of the services are now also able to make payments and request Interest letters 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

The bank continued to focus on customer satisfaction throughout 2019. We introduced facilities at the main branches enabling customers to transact in seamless ways.

Our Digital lounges and self-service kiosks features were expanded and in branch awareness and education for customers is provided by Digital Ambassadors that assist customers in opening an online account, downloading the Aruba Bank App, conducting online transactions from the online account or App (bill payment, money transfers to other accounts, credit card payment), opening a new account or applying for a loan online.

Additionally, they also assist customers with: Activation of the Securelock App Enrollment to the Credit Card environment (Credit Card transactions and payments portal).

As such our Contact Center has also been enabled with a team of agents equipped to lend assistance and support to customers via telephone, WhatsApp, and Facebook Messenger.

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 (Net Promoter Score) scoring. The bank has been able to continuously achieve high scores in this area and more importantly gain customer feedback to enhance their experience.

BUILDING COMMUNITY

In 2019 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, sponsoring Aruba's largest cultural event Aruba su Carnaval in line with the 65th celebration.

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

We also continued fostering of community-based activities such as the largest Walk & Run activity on the island the 15th Walk & Run 2019, and our Good for the Neighborhood (G4N 2019) 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.

