

2020

ANNUAL REPORT



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The background of the page is a photograph of the exterior of an Aruba Bank branch. A large, three-dimensional 'SELF SERVICE' sign is mounted on the light-colored stucco wall. To the left, a blue and red 'ATM' sign is visible. A security camera is mounted on the wall between the signs. The sky is bright and clear.

FOREWORD

Like everywhere else in the world, this year was marked by the Covid-19 pandemic. Aruba Bank looks back on an unprecedented year where the Covid-19 pandemic significantly impacted our bank, our clients, both private as well as commercial, our employees, and our society.

We continued Aruba Bank's initiatives, primarily directed at enhancing customer experience through innovation, undeniably the year 2020 was all about adapting as swiftly as possible. The bank was able to continue to maintain its leadership position, however priorities were adjusted to help keep the local economy afloat without taking unnecessary risks.

Several projects had to be put on hold to channel the bank's efforts and manpower to where it was needed most. We implemented the necessary Covid-19 protocols, which included social distancing practices, changing opening hours, and "working from home", when needed. Our clients were assisted with relief packages while ensuring a superior experience.

Considering the challenges of these unprecedented times, we feel comfortable with the end-result of 2020. We are grateful for the unwavering support and trust from all our stakeholders and look forward to continuing to count on their support for at least another 95 years.

Message from our CHAIRMAN OF THE SUPERVISORY BOARD



During 2020, the Supervisory Board closely monitored the developments surrounding Covid-19 and how it affected the bank. Attention was particularly focused on ensuring the bank kept its leadership position and that sufficient effort was invested in the areas of Risk, Portfolio management, Financial affairs including solid ratio adherence, IT developments, Supervision, Marketing, Governance, Integrity and Compliance.

Bastiaan Guis

Chairman of the Supervisory Board

SUPERVISORY BOARD

During 2020, the Supervisory Board closely monitored the developments surrounding COVID-19 and how it affected the bank. The Supervisory Board is charged with the supervision and advising of the Management Board. The corporate strategy, risk and the internal control framework, amongst others, 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, such as the Audit and Compliance Committee, the Nomination and Remuneration Committee, the Related Party Transactions Committee, the Board Credit Committee, and the Board Asset and Liability Management Committee which was particularly active in 2020. The Supervisory Board as a whole remains responsible for the various tasks and responsibilities of each committee.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

Considering this particularly intricate year, the Supervisory Board would like to express its heartfelt appreciation and gratitude towards the Management Board, and staff of Aruba Bank for their unceasing commitment and effort.

Oranjestad, Aruba, January 29, 2021

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

Message from our MANAGEMENT BOARD



INTRODUCTION

Aruba Bank planned for a big celebration in 2020 in order to commemorate its 95 years of existence and to thank all those who have helped us realize this milestone. Not only is Aruba Bank the oldest bank on the island, it is also the only true local bank. COVID-19 has affected households, private individuals, businesses, employees and the Aruban society as a whole. Also, Aruba Bank has witnessed a year it had not foreseen. **Adapting to circumstances and needs of clients and staff alike was the theme for 2020, whilst at the same time trying to not lose sight of our objectives.**

P. H. M. Staal - Managing Director and Chairman of the Management Board
S.M.S. Fränkel - de Cuba - Managing Director

Our ambition to offer our clients a superior experience has remained our leading theme in 2020. However, the worldwide pandemic has forced us to redirect our main efforts towards relief for businesses and private clients alike and at the same time ensuring that we remain compliant with requirements both from a regulatory perspective as well as from a health perspective. The latter has led to making our offices and premises COVID proof, but it also required new ways of working. More online features, and video banking were introduced and many of our staff were set up to deliver services from home.

Several projects were postponed, however, large ongoing initiatives were executed as much as possible, as we still firmly believe in making banking easier, faster and better for all our clients, especially under these extraordinary circumstances. We have also continued to invest substantially in the field of integrity, compliance, and corporate governance.

Despite COVID-19, our portfolios of client business saw a small decrease, and Aruba Bank's market share remained stable. Ongoing customer satisfaction surveys continue to show high scores, as well as our employee engagement results.

The full impact of this global crisis is difficult to determine, specifically affecting Aruba due to restricted travel, but we are confident that we shall overcome the challenges ahead if we stay committed to our core values.

OUR MISSION AND STRATEGY

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 four 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 trust and continuous improvement;

We Collaborate: to achieve our ambition and grow together.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The net loan portfolio (gross loan portfolio minus allocated loan loss provision) as at December 31, 2020 decreased with 2.7% to 1,494,229. The retail and corporate loan portfolio showed below market growth. Our overall market share decreased marginally and reached 43.7%.

As a result of repayments of investments in government bonds of Aruba, the investment securities decreased with 18.2% to 256,538 as per year end 2020.

Our financial position shows an increasing development in liquid assets (cash and cash equivalents and amounts due from banks), thus leading to a prudential liquidity ratio as at December 31, 2020 of 31.0% (2019: 23.3%), well above the minimum regulatory ratio of 15%. The minimum regulatory prudential liquidity ratio decreased from 18% to 15% in March 2020 to provide a temporarily relaxation of the capital and liquidity requirements. In addition, the reserve requirement was lowered from 12 percent to 7 percent.

The capital ratio at year-end 2020 stood at 25.0% (2019: 22.3%), which is also well above the minimum regulatory requirement (14%). The minimum required capital ratio was temporarily lowered from 16 percent to 14 percent in March 2020. The loan-to-deposit ratio is 65.2% at year-end 2020 (2019: 70.4%), below the regulatory maximum of 85%. The maximum of the loan-to-deposit ratio was temporarily increased from 80 percent to 85 percent in March 2020.

ORGANIZATION AND MARKET

Network

Aruba Bank offers commercial and retail banking services to a wide variety of private, commercial and institutional clients. Despite the global pandemic, the Bank continued to add new services for our clients. We continued to invest in both digital as well as personalized services. The Bank further enhanced 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.

Staff

As a service providing institution the Bank strongly believes in the ongoing training and development of management and staff. As at December 31, 2020, our full time staff numbered 275 (December 31, 2019: 266).

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 **Supervisory Board** is charged with the supervision of the Management Board and the functioning of the Bank 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 for the various tasks and responsibilities of the committees.

The **Management Board** is responsible for setting and achieving 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, 2020:

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

Corporate and Cards: 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.

Our regular yearly events have continued where possible, but mostly we adapted our approach to continue to support our community in a way that best suits the community's needs in these unpredictable times. Examples include our "Good 4 the Neighborhood" event that this year was centered around a clean-up activity in the most needed areas carried out by the organization's employees and our Charity Foundation activities that encourage volunteerism and helps children and families in need. Our 'Green Initiatives', that are continuous, also contribute to a sustainable Aruba through our employees and customers alike, in areas of the use of less paper and promotion of our green loans.

OUTLOOK

Indicators of the economy in Aruba show a cautious outlook for 2021. While there is optimism that Tourism will gradually pick up again, there are still too many uncertainties in the short term which can affect the long term. During these uncertain and unprecedented times it is difficult to quantify the impact on the global economy and even more difficult to predict the impact on the local economy and our clients. This might result in future shocks in our loan loss provisions and net result in the next few years.

The current conditions however will not defer the Bank from efforts to continue to invest in technological innovation as well as in its people, the bank as a whole and our island. It is in times like these that our dedication can really make a difference and fits seamlessly with our goal to continuously improve.

Especially during these moments we value the continued support of all our stakeholders who have gone through challenging times themselves. Bundling our strengths and keeping the focus on what is important has helped us all to continue to serve our clients, big and small. The endless dedication, hard work and commitment of our staff has proven incomparable in 2020, therefore we want to extend our sincere gratitude to each and every one of them.



REPORT OF THE INDEPENDENT AUDITOR ON 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 2020 and a summary of the consolidated statement of income 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 2020.

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 abbreviated financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR AUDITOR’S REPORT THEREON

We expressed an unmodified audit opinion on the consolidated financial statements 2020 of the Bank in our auditor’s report dated 29 January 2021.

MANAGEMENT’S RESPONSIBILITIES 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 Bank 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, 16 February 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, 2020.

ASSETS	2020	2019
Cash resources	719.248	536.972
Investment securities	256.538	313.532
Loans and advances to customers	1.494.229	1.535.687
Premises and equipment	61.204	61.409
Other assets	34.316	29.888
Total Assets	2.565.535	2.477.488

SHAREHOLDER'S EQUITY AND LIABILITIES	2020	2019
Shareholder's equity	349.201	327.249
Due to other banks	10.061	26.027
Deposits from customers	2.170.557	2.081.335
Other liabilities	35.716	42.877
Total shareholder's equity and liabilities	2.565.535	2.477.488

SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2020.

	2020	2019
Interest Income	120.341	120.715
Interest expenses	(30.244)	(27.692)
Net interest income	90.097	93.023
Operating income	27.983	34.446
Total income	118.080	127.469
Operating expenses	(65.429)	(68.161)
Credit loss expenses on financial assets	(28.587)	43
Total expenses	(94.016)	(68.118)
Income before tax	24.064	59.351
Tax expense	(1.518)	(11.128)
Net income for the year	22.546	48.223

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, 2020 which have been prepared in thousands of Aruban Florins (Afl.) and in accordance with International Financial Reporting Standards.

WEATHERING THE STORM

As we encountered challenging and unprecedented times due to the COVID-19 pandemic, we had to continue to run our business as best as possible, serving our customers by providing guidance and practical solutions to enable them to continue their activities.

At the commencement of the COVID-19 period, the government advised citizens to stay home and not visit public places unless necessary due to the pandemic.

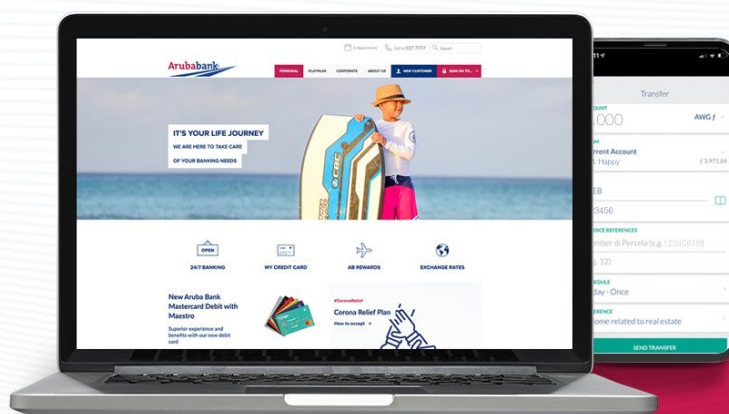
In response, Aruba Bank launched an educational campaign to educate customers about the use of self-services, in particular, its Online Banking and Mobile App services. The goal of the effort was to get more customers to sign up for the Aruba Bank Online Banking or Mobile application services in order to do their banking from the safety of their home. This effort was designed to allow customers to experience and understand the ease, rapidness, and safety of conducting transactions using various self-service options.

As a result of many businesses closing their operations (temporarily or permanently), and leaving individuals without income or with reduced income, we also launched our Bank Responsibly campaign to guide and inform the customers about budgeting, managing their finances through the months ahead, and helping them make responsible decisions about their financing.

Bank safely



Stay home with Aruba Bank Online and Aruba Bank App.



SAFETY FIRST

Aruba Bank managed to quickly allocate resources to ensure the personal safety of its customers while maintaining the services customers needed during the course of the year. The bank continued to encourage customers to use online and self-service banking options and limit their visits to the branches. Customers who needed personal assistance were able to receive one-on-one help at our Digital Lounges at Camacuri, San Nicolas, and Hato branches, by appointment.

Assistance for Account Opening, applying for/activating/using Aruba Bank Online, applying for/downloading/using the Aruba Bank App, and making utility bill payments, among others, were extended to those who needed additional support, maintaining a range of social distancing measures.

Two (2) new services were introduced by Aruba Bank during this time to help adhere to safety protocols, which include, Banking by appointment for Corporate, Personal, Money Center, and Safe locker services, and the Deposit-on-the-Go services. The latter, available for business and personal banking customers. 24 -hour monitoring services were enabled for additional security.

Our hours were extended, and we were equipped with additional agents prepared to lend assistance and support to customers who wished to apply for the Relief benefits or needed information on the Relief efforts that Aruba Bank was offering. In Q2 Aruba Bank also launched its Self-Service area in San Nicolas to better serve this community and keep them safe.

**Pa bienestar di nos clientenan
y nos empleadonan, por favor**

tene cuenta cu lo siguiente

ora di bishita nos sucursalan:



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BUILDING COMMUNITY

Helping our community is at the heart of what we do. We have always supported community organizations.

With the rising insecurity that comes with these uncertain times, we knew we had to do more. We focused to support to the most vulnerable members of our community after the outbreak of the COVID-19 pandemic.

Major efforts of the bank during the year included, but were not limited to, making donations to the Red Cross and the Meals-on-Wheels program. Aruba Bank helped deliver 500 warm lunches to help fight increasing food insecurity because of the COVID-19 pandemic.

We made financial contributions to Mary Joan Foundation's Wall of Hope 2020 to help promote breast Cancer awareness and raise funds for the foundation to continue to help the men and women in the community that are affected.

The bank delivered boxes of grocery items to the "Mi Voz ta Bo Voz" Food Drive to help families who are socially disadvantaged in Aruba and have been presented with difficult life circumstances during the Coronavirus pandemic.

The bank also helped support the digitalization of education since the Corona outbreak. The bank donated computers to Filomena College to support teachers and students.

Aruba Bank and Mastercard introduced a campaign at the end of 2020 to donate 1 cent for each transaction made with the Aruba Bank Mastercard Debit or Credit Card to the Aruban Red Cross. The goal was to donate fifty thousand dollars to the Red Cross in February 2021 to enable the continued support to the over ten thousand families in need on the island.

Our involvement in these areas allow us to continue to strengthen the community where our people live and work for the months and years ahead of the current challenges faced.

