

**CONDENSED FINANCIAL STATEMENTS**  
**2017**



June 8, 2018

**CENTRALE BANK VAN ARUBA**

Initialed on behalf of  
PricewaterhouseCoopers Aruba  
For identification purposes only  
Oranjestad

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**CENTRALE BANK VAN ARUBA****CONDENSED BALANCE SHEET**  
**(before allocation of net result)**  
**(Afl.)***As of*  
December 31, 2017*As of*  
December 31, 2016*Assets*

<b>1. Gold</b>	<b>258,284,264</b>	<b>230,911,909</b>
<b>2. Foreign currency assets</b>		
2.1 Due from banks and other financial institutions	130,918,592	107,589,017
2.2 Government and other papers	1,256,589,678	1,334,532,021
2.3 Other	4,147,121	4,129,028
	<u><b>1,391,655,391</b></u>	<u><b>1,446,250,066</b></u>
<b>3. Other assets</b>		
3.1 Receivables	9,635,404	6,067,459
3.2 Stock of coins and printing cost bank notes	733,424	934,945
3.3 Fixed assets	11,091,649	11,212,937
3.4 Projects in progress	2,311,357	887,784
	<u><b>23,771,834</b></u>	<u><b>19,103,125</b></u>
	<u><b>1,673,711,489</b></u>	<u><b>1,696,265,100</b></u>

**CENTRALE BANK VAN ARUBA****CONDENSED BALANCE SHEET**  
**(before allocation of net result)**  
**(Afl.)***As of*  
December 31, 2017*As of*  
December 31, 2016*Liabilities and equity*

<b>1. Bank notes in circulation</b>	<b>296,268,300</b>	<b>270,420,150</b>
<b>2. Deposits of residents</b>		
2.1 Government	46,939,053	36,072,118
2.2 Commercial banks	1,073,767,167	1,115,853,165
2.3 Other	12,045,412	51,879,747
	<u><b>1,132,751,632</b></u>	<u><b>1,203,805,030</b></u>
<b>3. Deposits of nonresidents</b>	<b>741,829</b>	<b>3,921,202</b>
<b>4. Money in custody</b>	<b>1,812,900</b>	<b>1,812,355</b>
<b>5. Payables and accrued expenses</b>	<b>2,334,611</b>	<b>4,454,183</b>
<b>6. Revaluation account</b>	<b>139,365,720</b>	<b>114,945,382</b>
<b>7. Capital and reserves</b>		
7.1 Capital	10,000,000	10,000,000
7.2 General reserve	81,609,840	76,312,882
	<u><b>91,609,840</b></u>	<u><b>86,312,882</b></u>
<b>Net result for the year</b>	<b>8,826,657</b>	<b>10,593,916</b>
	<u><b>1,673,711,489</b></u>	<u><b>1,696,265,100</b></u>

Condensed Financial Statements 2017

CENTRALE BANK VAN ARUBA	CONDENSED PROFIT AND LOSS ACCOUNT (Afl.)	
	<u>2017</u>	<u>2016</u>
1. Net interest revenues	21,309,250	16,639,993
2. Other revenues	10,663,999	14,629,406
<b>Total income</b>	<u>31,973,249</u>	<u>31,269,399</u>
3. Amortization of stock of bank notes	313,332	310,644
4. Personnel expenses	15,826,063	14,245,108
5. Operating expenses	5,765,087	4,954,684
6. Depreciation expenses	1,242,110	1,165,047
<b>Total expenses</b>	<u>23,146,592</u>	<u>20,675,483</u>
<b>Net result</b>	<u>8,826,657</u>	<u>10,593,916</u>

## CENTRALE BANK VAN ARUBA

CONDENSED CASH FLOW STATEMENT  
(Afl.)

	<u>2017</u>	<u>2016</u>
<b>Operating activities</b>		
Net result	8,826,657	10,593,916
<u>Adjustments for:</u>		
- Depreciation expenses	1,242,110	1,165,047
- Amortization expenses	313,332	310,644
- Adjustment beginning balance other fixed assets	(6,000)	-
	<u>1,549,442</u>	<u>1,475,691</u>
<u>Changes in working capital</u>		
(Increase)/Decrease in receivables	(3,567,945)	2,542,095
Decrease in stock of coins	5,494	14,447
(Increase) in printing cost bank notes	(117,305)	-
Increase/(Decrease) in bank notes in circulation	25,848,150	(858,645)
Net (decrease)/increase in deposits of residents and nonresidents	(74,232,771)	165,775,539
Increase in money in custody	545	545
(Decrease)/Increase in payables and accrued expenses	(2,119,572)	101,608
	<u>(54,183,404)</u>	<u>167,575,589</u>
<b>Total cash flow (used in)/from operating activities</b>	<b>(43,807,305)</b>	<b>179,645,196</b>
<b>Investment activities</b>		
Net investments in fixed assets and projects in progress	(2,538,395)	(940,282)
Net cash investments in government and other papers	74,943,298	(339,506,250)
Change in interest receivables from foreign currency assets	110,770	(1,378,484)
<b>Total cash flow from/(used in) investment activities</b>	<b>72,515,673</b>	<b>(341,825,016)</b>
<b>Financing activities</b>		
Paid dividends	(5,296,958)	(3,310,226)
<b>Total cash flow (used in) financing activities</b>	<b>(5,296,958)</b>	<b>(3,310,226)</b>



**CENTRALE BANK VAN ARUBA****CONDENSED CASH FLOW STATEMENT**  
**(Cont'd)**  
**(Afl.)**

	<u>2017</u>	<u>2016</u>
<b>Total net increase/(decrease) in cash and cash equivalents</b>	<b>23,411,410</b>	<b>(165,490,046)</b>
<b>Cash and cash equivalents as of January 1,</b>	<b>107,786,700</b>	<b>273,305,997</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies	47,028	(29,251)
<b>Cash and cash equivalents as of December 31,</b>	<b>131,245,138</b>	<b>107,786,700</b>
<b>Cash and cash equivalents comprises:</b>		
Due from banks and other financial institutions as of December 31,	130,918,592	107,589,017
Bank notes as of December 31,	<u>326,546</u>	<u>197,683</u>
	<b>131,245,138</b>	<b>107,786,700</b>

**NOTES TO THE CONDENSED BALANCE SHEET AS OF DECEMBER 31, 2017 AND  
THE CONDENSED PROFIT AND LOSS ACCOUNT FOR THE YEAR 2017**

**1. GENERAL**

For publication purposes, the Centrale Bank van Aruba (CBA) prepared the condensed financial statements derived from the CBA's audited financial statements 2017, which have been drawn up pursuant to article 31, paragraphs 1 and 3 of the Central Bank Ordinance (CBO) (AB 1991 no. GT 32).

The external auditor expressed an unmodified opinion on the CBA's financial statements for the year 2017 in its report dated March 5, 2018.

**2. ACCOUNTING POLICIES**

**Form and presentation of the financial statements**

The financial information used to produce the condensed financial statements 2017 was derived from the CBA's audited financial statements 2017, and do not include all the detailed information and disclosures contained in the audited financial statements 2017. The latter was prepared in accordance with the accounting policies as stated in the CBO. For the accounting policies not defined in this ordinance, the CBA applies those of the European Central Bank (ECB) and the European System of Central Banks (ESCB).

**Accounting principles**

The following accounting principles have been applied: transparency, prudence, recognition and disclosure of post-balance-sheet events, materiality, going concern, the accruals principle, consistency and comparability.

**Recognition of assets and liabilities**

An asset or liability is only recognized in the balance sheet when it is probable that any associated future economic benefit will flow to or from the CBA, substantially all of the associated risks and rewards have been transferred to the CBA, and the cost or value of the asset or the amount of the obligation can be measured reliably.

**Basis of accounting**

The financial statements have been prepared on a historical cost basis, modified to include the market valuation of gold, marketable securities and on-balance sheet claims and liabilities denominated in foreign currencies. Transactions in financial assets and liabilities are reflected in the accounts on the basis of the date on which they are settled.

### **Conversion of foreign currency**

Assets and liabilities denominated in foreign currencies are converted into Aruban florin (Afl.) at the rate of exchange (middle rate) prevailing at the balance sheet date. Transactions in foreign currencies during the reporting period are incorporated in the financial statements at the rate of settlement. The exchange rate for one U.S. dollar (USD) is fixed at Afl. 1.79, in accordance with the State Decree Value of the Aruban florin (AB 1992 No. GT 6). The exchange rate for one Netherlands Antillean guilder (ANG) is also fixed at Afl. 1.00.

### **Comparison with previous year/Changes in accounting policies**

The principles of valuation and determination of results remained unchanged in the year 2017.

### **Gold, marketable securities, on-balance sheet claims and liabilities denominated in foreign currency**

Gold, marketable securities, and on-balance sheet claims and liabilities denominated in foreign currencies are valued at market prices prevailing at the last working day of the financial year.

Changes in the market value of gold, marketable securities, on-balance-sheet claims and liabilities denominated in foreign currency are recognized in the revaluation account, included on the liabilities side of the balance sheet.

The accounting policies of the ECB and ESCB prescribe that unrealized losses shall be recorded in the profit and loss account, when exceeding previous revaluation gains registered in the corresponding revaluation account. This accounting treatment is not in conformity with article 31, paragraph 2, of the CBO, which requires that changes in the valuation of the gold and foreign exchange reserves and business assets of the CBA occurring during the financial year should be reported on the liabilities side of the balance sheet. Therefore, in the condensed financial statements, unrealized losses are charged to the revaluation account.

### **Receivables**

Receivables are recognized at their nominal value, less provision for impairment if considered necessary.

### **Stock of coins**

The stock of coins comprises commemorative coins available for sale. The stock of coins is valued at selling price.

### **Printing cost bank notes**

Printing cost bank notes consists of the printing costs involved to cover the supply of bank notes for a period of several years. These printing costs are amortized over a period of 5 years, starting from the date the bank notes are brought into circulation by the CBA.



### Other fixed assets, premises

Premises and other fixed assets are valued at historical cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the expected useful life of the assets, beginning from the moment of use. The useful lives applied for the main asset classes are as follows:

- Premises, comprising of the CBA's building, terrain, renovations, parking lot and landscaping: 40 years, with a residual value of 30%
- Other fixed assets:
  - computer hardware and software 3 to 5 years
  - office equipment and inventory 5 years
  - motor vehicles 3 to 5 years
  - security equipment 3 to 10 years

### Projects in progress

The projects in progress include several projects still in process of being executed as per financial year end. When completed, the acquired assets are transferred to their respective capital asset accounts. Subsequently, the depreciation of these assets starts.

### Bank notes in circulation

The CBA issues Aruban florin bank notes. Bank notes in circulation are recognized at their nominal value.

### Other liabilities (deposits of residents and non-residents, money in custody and payables and accrued expenses)

Other liabilities are recognized at their nominal value.

### Post-balance-sheet events

The values of assets and liabilities are adjusted for events that occur between the annual balance sheet date and the date on which the Executive Committee authorizes the submission of the CBA's financial statements to the Board of Supervisory Directors for approval, if such events materially affect the condition of assets and liabilities at the balance sheet date. Important post-balance-sheet events that do not materially affect the condition of assets and liabilities at the balance sheet date are disclosed in the notes, if considered necessary.

## Revenue recognition

Revenue consists of the following categories:

- Revenue, consisting mostly of interest income and realized gains and losses from the investment portfolios. These revenues are recognized in the period in which they are earned.
- Other revenues – foreign exchange, being the net transaction profits resulting from the margin between the buying and selling rates of foreign exchange applied by the CBA. These revenues are recognized in the period in which they are earned.
- Other revenues – coins, being the difference between the face value and the cost of minting of the coins ('seignorage'). Pursuant to article 12, paragraph 1 of the State Ordinance Governing the Monetary System (AB 1991 no. GT 34), coins are minted exclusively for the account of the government of Aruba, whereas, in conformity with article 7 of the CBO, the CBA is entrusted with the issuing of these coins. These revenues are recognized in the period in which they are earned.
- Other revenues – exchange rate margin compensation, being the amounts obtained by the CBA following the introduction of the State Ordinance Exchange Rate Margin Compensation Centrale Bank van Aruba (AB 2014 no. 57) (SOERMC) as of April 1, 2015. The foreign exchange banks owe the CBA a (net) exchange rate margin compensation comprising 3/8 percent of the counter value in Aruban florin of all foreign exchange sale transactions to the public, minus 1/8 percent of the counter value in Aruban florin of all foreign exchange purchase transactions from the public. These revenues are recognized based on an estimate by the CBA, which is subsequently compared to the actual payment received, taking into account any subsequent amendments and/or adjustments by the foreign exchange banks or the CBA. Pursuant to article 4 paragraphs 1, 3, 4 and 5, of the aforementioned SOERMC, in the event a foreign exchange bank does not, or not timely, comply with its reporting obligation and if the CBA detects inaccuracies in the monthly declarations relating to the exchange rate margin compensation submitted by the foreign exchange bank, then the CBA may recalculate the exchange rate margin compensation due at its own initiative and subsequently charge this recalculated exchange rate margin compensation by means of an assessment.
- Other revenues – various, including a number of smaller revenue items, recognized in the period in which they are earned. This category includes revenues related to the passing of (part of) the supervision costs to the sectors supervised and some fees that are charged to the banking sector. It also contains administrative fines that are recognized as revenue after these have become irrevocable. This stage in the legal process is reached when all the rights of appeal of all the parties involved have been exhausted. Until this stage in the legal process is reached, all payments collected by the CBA from administrative fines imposed on supervised financial institutions will be recorded as an 'advance payment' on the liabilities side of the CBA's balance sheet.



## Expenses

Expenses are recognized in the period in which they are incurred by the CBA.

## Cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement are comprised of due from banks and bank notes. Exchange differences affecting cash items are shown separately in the cash flow statement. Transactions not resulting in inflow or outflow of cash are not recognized in the cash flow statement.

## 3. NOTES TO THE CONDENSED BALANCE SHEET AS OF DECEMBER 31, 2017

### Assets

The figures in parentheses following the descriptions refer to the corresponding items in the condensed balance sheet.

### Gold (1)

Effective December 31, 2001, the gold holdings of the CBA are valued on a quarterly basis at the prevailing market price for gold. As of December 31, 2017, the market price for gold was USD 1,296.50 or Afl. 2,320.74 (December 31, 2016: USD 1,159.10 or Afl. 2,074.78) per fine troy ounce.

The following table provides information on the movement of the gold holdings of the CBA as of December 31, 2017.

	<u>Fine troy ounces</u>		<u>Value (Afl.)</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Gold holdings	111,294.165	111,294.165	258,284,264	230,911,909
			<b>December 31, 2017</b>	<b>December 31, 2016</b>
			<b>Afl.</b>	<b>Afl.</b>
Gold holdings as of beginning balance			230,911,909	211,617,786
Net change in the value of gold holdings			27,372,355	19,294,123
Gold holdings as of ending balance			<b>258,284,264</b>	<b>230,911,909</b>

Foreign currency assets (2)

Foreign currency assets are mostly held in U.S. dollars, while relatively small amounts are held in Netherlands Antillean guilders (ANG), euros, and British pounds.

- *Due from banks and other financial institutions (2.1)*

Comprises current accounts held at financial institutions in the Netherlands, the United Kingdom, the U.S.A., and at the Centrale Bank van Curaçao en St. Maarten (CBCS) and time deposits held at a financial institution in Colombia. In order to minimize foreign exchange risks, total non-U.S. dollar holdings (excluding ANG) are limited to a maximum amount equivalent to Afl. 0.9 million, while in some exceptional cases a larger amount can be held. Furthermore, the ANG holding is limited to ANG 3 million, while in some exceptional cases a larger amount can be held.

As mentioned above, during the year 2017 the CBA also held time deposits at a well established financial institution in Colombia, which has a dual role as a reserve fund and as an asset manager.

- *Government and other papers (2.2)*

Consist of investments through the CBA's internal and external asset managers, based on investment guidelines, in:

1. Government and U.S. agency securities;
2. Securities issued by qualifying supranational financial institutions;
3. Money market instruments, comprising mostly certificates of deposit, time deposits, and treasury bills; and
4. Corporate bonds issued by the financial services industry, specifically banks and other financial institutions, and industrial companies.

The investment guidelines of the asset managers, based on conservative parameters, stipulate amongst other, the investment objectives, benchmarks, average duration, and eligible investment instruments, which must be denominated in U.S. dollar, per investment portfolio. For investments in government and U.S. agency securities, a minimum investment grade of Moody's Aaa or S&P or Fitch AAA is required, while for money market instruments (excluding treasury bills) the minimum investment grade is S&P A-1, Moody's P-1 or Fitch F-1.

In 2012, corporate bonds, issued only by banks and other financial institutions with a minimum rating of single A have been included in the investment guidelines as an eligible instrument. In 2014, the eligible corporate bonds were expanded with industrial companies with a minimum rating of single A, but up to a maximum asset allocation of 10 percent. In 2015, in order to reduce the exposure to premium risk in the investment portfolio, while at the same time maintaining an adequate level of interest income, the CBA lowered the maximum purchase price for new investments in US Treasuries from USD 102 to USD 100, and increased the maximum asset allocation in the category of industrials within the corporate bonds category with a minimum rating of single A, from 10 to 15 percent. In 2016, the CBA decided to amend the investment guidelines of the investment portfolio by lowering the maximum purchase price of any eligible instrument from USD 102 to USD 101, excluding US Treasuries which should be bought at USD 100 or below, in order to further reduce the exposure to premium risk in the portfolio. For securities with split ratings, the highest rating is applied. These guidelines also maximize the share of eligible investment instruments within each investment portfolio, as well as their minimum credit quality.



As of December 31, 2017, the investments of the CBA consisted entirely of U.S. dollar denominated fixed income securities.

During the year 2017, the government and other papers held by the CBA decreased by Afl. 77,942,343 (- 5.8 percent) to Afl. 1,256,589,678 as of December 31, 2017 (December 31, 2016: Afl. 1,334,532,021). This decrease was mainly attributed to net cash transfers in the amount of Afl. 96,660,000 to the CBA's current account held at a financial institution abroad in order to meet the CBA's liquidity needs in foreign currency to execute payments on behalf of the government and to meet foreign exchange demand by the commercial banks during the year 2017. The aforementioned negative impact on the CBA's government and other papers was partly offset by the interest income received (+ Afl. 21,826,879) during the year 2017.

Other assets (3)

- *Receivables (3.1)*

Receivables include mainly mortgage and personal loans granted to the CBA's personnel, prepaid expenses, receivables for passed on supervision costs, receivables relating to the exchange rate margin compensation, and other receivables.

The following table provides a specification of the CBA's receivables as of December 31, 2017.

	December 31, 2017 Afl.	December 31, 2016 Afl.
Loans and advances to personnel	6,513,452	6,647,611
Local checks not processed	3,653,892	-
Prepaid expenses	1,328,432	310,618
Receivable passed on supervision costs	197,414	438,183
Amounts (payable) (net) relating to the exchange rate margin compensation	(2,122,385)	(1,524,959)
Various	64,599	196,006
<b>Total</b>	<b>9,635,404</b>	<b>6,067,459</b>

During the year 2017, the receivables increased by Afl. 3,567,945 (+ 58.8 percent) to Afl. 9,635,404 as of December 31, 2017 (December 31, 2016: Afl. 6,067,459). This net increase was mainly attributed to the items 'local checks not processed' (+ Afl. 3,653,892), and 'prepaid expenses' (+ Afl. 1,017,814). The aforementioned rise in the item 'local checks not processed' compared to December 31, 2016, was caused by the local checks written out to the government of Aruba which were received from the Tax Collection Department but not yet processed by the CBA. The increase in the item 'prepaid expenses' compared to December 31, 2016, was mainly attributed to the prepaid amounts for the license fees relating to an ongoing project, which started in January 2017. The amounts payable (net) related to the exchange rate margin compensation in the amount of Afl. 2,122,385 as of December 31, 2017, comprise a receivable of Afl. 1,341,234 pending to be collected by the CBA as of December 31, 2017, and a payable of Afl. 3,463,619 pending to be reimbursed by the CBA as of December 31, 2017.

The amount payable of Afl. 3,463,619, covering the period of April 2015 up to and including December 2016, represents the amount that was previously disclosed as a 'contingent liability' in the CBA's audited financial statements as per December 31, 2016.

- *Fixed assets (3.3)*

Fixed assets include the CBA's building at J.E Irausquin Boulevard 8, terrain, renovations, parking space, landscaping, computer hardware & software, office equipment, security equipment and vehicles.

In Afl. thousands	Building, renovations, parking space and landscaping	Computer hardware & software	Other assets	Total
	Afl.	Afl.	Afl.	Afl.
<b><u>As of January 1, 2017</u></b>				
Cost	14,975	9,293	10,486	34,754
Accumulated depreciation	(7,339)	(8,209)	(7,993)	(23,541)
<b>Book value as of January 1, 2017</b>	<b>7,636</b>	<b>1,084</b>	<b>2,493</b>	<b>11,213</b>
<b><u>Changes during the year:</u></b>				
Additions	32	745	338	1,115
Disposals	-	(1)	-	(1)
Depreciation expenses	(151)	(572)	(519)	(1,242)
Depreciation on disposals	-	1	-	1
Adjustment beginning balance - Cost	-	-	(8)	(8)
Adjustment beginning balance - Accum. Depr	-	8	6	14
<b>Net changes during the year</b>	<b>(119)</b>	<b>181</b>	<b>(183)</b>	<b>(121)</b>
<b><u>As of December 31, 2017</u></b>				
Cost	15,007	10,037	10,816	35,860
Accumulated depreciation	(7,490)	(8,772)	(8,506)	(24,768)
<b>Book value as of December 31, 2017</b>	<b>7,517</b>	<b>1,265</b>	<b>2,310</b>	<b>11,092</b>

- *Projects in progress (3.4)*

The following table provides the movement of the ongoing projects on the balance sheet of the CBA as of December 31, 2017.

	<u>Project in progress</u>
<b>In Afl. thousands</b>	<u><b>Afl.</b></u>
<b><u>As of January 1, 2017</u></b>	
Beginning balance	<u><b>888</b></u>
<b><u>Changes during the year:</u></b>	
Additions	2,600
Write offs	(160)
Reclassification to capital asset accounts	<u>(1,017)</u>
<b>Net changes during the year</b>	<u><b>1,423</b></u>
<b><u>As of December 31, 2017</u></b>	
Ending balance	<u><b>2,311</b></u>

The projects in progress amounted to Afl. 2,311,357 as of December 31, 2017 (December 31, 2016: Afl. 887,784).



## Liabilities

### Bank notes in circulation (1)

Bank notes are issued pursuant to article 7, paragraph 1, of the CBO.

Afl. Denomination	Value Afl.	
	December 31, 2017 Afl.	December 31, 2016 Afl.
5.00	879,930	880,285
10.00	9,404,870	9,080,540
25.00	21,092,500	21,535,375
50.00	17,611,400	12,221,450
100.00	243,534,100	222,817,000
500.00	3,745,500	3,885,500
	<b>296,268,300</b>	<b>270,420,150</b>

### Deposits of residents (2)

#### - *Government (2.1)*

This item consists of deposits of the government of Aruba held at the CBA.

#### - *Commercial banks (2.2)*

This item comprises:

	December 31, 2017 Afl.	December 31, 2016 Afl.
Current accounts	420,424,167	332,855,165
Reserve requirement	412,343,000	395,498,000
Time deposits	241,000,000	387,500,000
	<b>1,073,767,167</b>	<b>1,115,853,165</b>

Current accounts of the commercial banks are primarily held for transaction purposes. The reserve requirement comprises mandatory deposits held by the commercial banks in accordance with the monetary policy requirements of the CBA. The CBA amended its Time Deposit Facility on July 4, 2016, whereas the maturity of time deposits now ranges from 7 days to 1 month.



- *Other (2.3)*

This item consists of deposits of public nonfinancial corporations and other institutions held at the CBA, and the deposits of funds made available by the Aruban and Dutch governments in the framework of the joint development program agreed upon.

Deposits of nonresidents (3)

This item consists of Aruban florin deposits of nonresident banks held at the CBA.

Money in custody (4)

This item comprises funds received in custody from third parties in conformity with the State Ordinance on Consignment of Money (AB 1991 GT 66).

Payables and accrued expenses (5)

The following table provides a specification of the 'Payables and accrued expenses' of the CBA as of December 31, 2017.

	December 31, 2017	December 31, 2016
	Afl.	Afl.
Checks outstanding	6,585	3,495
Unclaimed principal/ coupons of Aruban government securities	199,039	1,032,232
Foreign exchange commission collected and due to the government of Aruba	92,351	489,093
Wage tax, social premiums, and pension contributions withheld	42,635	726,861
Accrual for several professional services	293,013	269,250
Transfer in transit	150	718,588
Accrual vacation allowance	391,998	324,000
Advance payments related to administrative fines imposed on supervised financial institutions	928,582	340,750
Other payables	380,258	549,914
<b>Total</b>	<b>2,334,611</b>	<b>4,454,183</b>

The payables and accrued expenses amounted to Afl. 2,334,611 as of December 31, 2017 (December 31, 2016: Afl. 4,454,183). The net decrease of Afl. 2,119,572 (- 47.6 percent) was mainly attributed to drops in the item 'unclaimed principal/coupons of Aruban government securities' (- Afl. 833,193), the item 'transfer in transit' (- Afl. 718,438), and the item 'foreign exchange commission collected and due to the Government of Aruba' (- Afl. 396,742) as of end-December 2017, when compared to December 31, 2016. The decrease in the item 'unclaimed principal/coupons of Aruban government securities' was related to principal and interest payments made to several financial institutions holding government securities during the year 2017.

The decrease in the item 'transfer in transit' related to various ACH payments that were settled in the first week of January 2017. Furthermore, the foreign exchange commission collected and due to the government of Aruba, which stood at Afl. 92,351 as of December 31, 2017, was subsequently transferred to the account of the government of Aruba at the CBA in the month of January 2018. The aforementioned drops were partially offset by a surge in the item 'advance payments related to administrative fines imposed on supervised financial institutions' (+ Afl. 587,832) as of end-December 2017, when compared to December 31, 2016. During the year 2017 the CBA collected more payments from administrative fines imposed on supervised financial institutions which have not become irrevocable yet at the end of that year.

#### Revaluation account (6)

Pursuant to article 31, paragraph 2 of the CBO, revaluation changes in gold, securities, and foreign exchange holdings are included in the revaluation account.

The following table provides a specification of the 'Revaluation account' of the CBA as of December 31, 2017.

	December 31, 2017 Afl.	December 31, 2016 Afl.
<b>Revaluation account as of beginning balance</b>	<b>114,945,382</b>	<b>95,338,921</b>
Net changes in the market value of gold	27,372,355	19,294,123
Net changes in the market value of foreign exchange	47,028	(29,251)
Net changes in the market value of securities	(2,999,045)	341,589
<b>Revaluation account as of ending balance</b>	<b>139,365,720</b>	<b>114,945,382</b>

At end-2017, the market price of gold increased by USD 137.40 (Afl. 245.95) per fine troy ounce or 11.9 percent compared to end-2016, thereby positively impacting the value of the CBA's revaluation account (see note on Gold). In contrast, during the year 2017 the yield on the 3-year US Treasury Notes increased by 51 basis points to 1.98 percent as of December 31, 2017 (December 31, 2016: 1.47 percent), and the yield on the 2-year US Treasury Notes also rose by 69 basis points to 1.89 percent as of December 31, 2017 (December 31, 2016: 1.20 percent). The aforementioned developments resulted in higher unrealized net capital losses, thereby negatively impacting the value of the CBA's revaluation account as of December 31, 2017. Overall, the aforementioned developments resulted in an increase in the revaluation account amounting to Afl. 24,420,338 (+ 21.2 percent) during the year 2017.

#### Capital and reserves (7)

##### *- Capital (7.1)*

Pursuant to article 3, paragraph 1 of the CBO, the capital amounted to Afl. 10,000,000 as of December 31, 2017.

- *General reserve (7.2)*

This item comprises:

	December 31, 2017 Afl.	December 31, 2016 Afl.
<b>Beginning balance</b>	76,312,882	76,312,882
Retained earnings	5,296,958	-
<b>Balance at the end of the year</b>	<b>81,609,840</b>	<b>76,312,882</b>

In the month of November 2017, 50 percent of the undistributed net result of the year 2016 amounting to Afl. 5,296,958 was paid out to the government of Aruba as dividend, while the remaining amount (Afl. 5,296,958) was transferred to the general reserve to strengthen the CBA's financial buffer.



#### 4. NOTES TO THE CONDENSED PROFIT AND LOSS ACCOUNT FOR THE YEAR 2017

The figures in parentheses following the description refer to the corresponding items in the condensed profit and loss account.

##### Net interest revenues (1)

The net interest revenues consist mostly of interest income, revaluation gains and losses on investment portfolios, as well as management fees and charges for custodian services.

The following table provides a specification of the net interest revenues realized by the CBA during the year 2017.

	2017	2016
	Afl.	Afl.
Interest revenues (net of expenses)	21,469,272	16,915,544
Interest expenses	(160,022)	(275,551)
<b>Net interest revenues</b>	<b>21,309,250</b>	<b>16,639,993</b>

When compared to the previous year, in 2017, the net interest revenues increased by Afl. 4,669,257 (+ 28.1 percent) to Afl. 21,309,250 (2016: Afl. 16,639,993). This increase in the net interest revenues is mainly attributed to a rise in the interest income realized by the CBA's investment portfolios (+ Afl. 3,850,012) during the year 2017, when compared to the previous year. In March 2016, the CBA signed a contract with a new asset manager to manage a new medium-term investment portfolio. This new portfolio started earning revenues in June 2016, when the funding phase of this portfolio was completed. The interest income realized by the CBA's investment portfolios during the year 2016 reflected only seven months of revenue realized by the new medium-term investment portfolio, while the interest income realized during the year 2017 related to the realized revenues of both investment portfolios for the entire year. In addition, the decrease in the realized losses on the CBA's investment portfolios (- Afl. 992,255) during the year 2017, when compared to the previous year, also contributed to the aforementioned increase in the net interest revenues.

Interest rates on current accounts, if applicable, and on time deposits held with the CBA are weekly determined using the U.S. money market rates as reference rate. During the year 2017, an average interest rate of 0.049 percent was paid on a 7-day time deposit held by the commercial banks at the CBA. This average was based on the amended Time Deposit Facility of the CBA, which came into effect on July 4, 2016, and is applicable to time deposits with maturities ranging from 7 days to 1 month.



Other revenues (2)

The other revenues consist of foreign exchange revenues, coins revenues, exchange rate margin compensation, and other various revenues.

The following table provides a specification of the other revenues realized by the CBA during the year 2017.

	2017	2016
	Afl.	Afl.
Foreign exchange revenues	1,801,785	2,423,064
Coins revenues	1,166,681	1,103,794
Exchange rate margin compensation	5,530,485	8,831,816
Various revenues	2,165,048	2,270,732
<b>Other revenues</b>	<b>10,663,999</b>	<b>14,629,406</b>

For the year 2017, total exchange rate margin compensation revenues decreased by Afl. 3,301,331 (-37.4 percent) to Afl. 5,530,485 (2016: Afl. 8,831,816). This decrease was mainly attributed to an adjustment in the amount of Afl. 3,468,557, which was related to a dispute on the exchange rate margin compensation that was collected by the CBA over the period of April 2015 up to and including December 2016.

- *Various revenues*

	2017	2016
	Afl.	Afl.
Passed on supervision costs	1,535,000	1,534,980
Administrative fines	400,950	500,000
Other income	229,098	235,752
<b>Total</b>	<b>2,165,048</b>	<b>2,270,732</b>

For the year 2017, the other revenues category 'various' decreased slightly by Afl. 105,684 (- 4.7 percent) to Afl. 2,165,048 (2016: Afl. 2,270,732). This decrease was mainly attributed to lower amounts received as incidental revenues stemming from administrative fines imposed by the CBA on supervised financial institutions (- Afl. 99,050), when compared to the year 2016. In 2016, the CBA took the decision to change its accounting policy and to recognize administrative fines as revenue only after these have become irrevocable. This stage in the legal process is reached when all the rights of appeal of all the parties involved have been exhausted. Until this stage in the legal process is reached, all payments collected by the CBA from administrative fines imposed on supervised financial institutions will be recorded as an 'advance payment' on the liability side of the CBA's balance sheet. This accounting policy was applied retrospectively, starting from January 1, 2016.

Personnel expenses (4)

The following table provides a specification of the personnel expenses incurred by the CBA during the year 2017.

	2017	2016
	Afl.	Afl.
Salaries and social security expenses	15,326,033	13,683,983
Other personnel expenses	500,030	561,125
<b>Total</b>	<b>15,826,063</b>	<b>14,245,108</b>

As of December 31, 2017, the CBA employed 95 persons full-time (December 31, 2016: 91 persons). Since 2012, the CBA is administering a supplementary medical insurance plan for its personnel and their families on its own risk and account. These are included in the item 'other personnel expenses'.

Operating expenses (5)

The following table provides a specification of the operating expenses incurred by the CBA during the year 2017.

	2017	2016
	Afl.	Afl.
Utilities	464,404	492,498
Cleaning and maintenance	408,466	355,197
License and maintenance computers	1,148,364	850,758
Fire insurance and property tax	191,612	191,614
Telephone	181,876	182,337
Office supplies	158,647	135,600
Courses, education and meetings	843,301	710,378
Donations	131,547	149,409
Legal fees	289,641	399,170
Other consultancy services	1,087,062	641,227
Literature, subscription, and membership contributions	130,296	112,339
Other expenses	729,871	734,157
<b>Total</b>	<b>5,765,087</b>	<b>4,954,684</b>

For the year 2017, the total operating expenses increased by Afl. 810,403 (+ 16.4 percent) to Afl. 5,765,087 (2016: Afl. 4,954,684). This (net) increase was mainly caused by a rise of Afl. 366,994 in the item 'consultancy expenses', a surge of Afl. 297,606 in the item 'license and maintenance computers', as well as an increase of Afl. 87,611 in the item 'courses, seminars and meetings'. The rise in the item 'consultancy expenses' was mainly related to higher expenses paid for consultancy services provided to the CBA in the year 2017, when compared to the previous year. The surge in the item 'license and maintenance computers' was mainly attributed to higher expenses paid for license fees in the year 2017, when compared to 2016. The increase in the item 'courses, seminars and meetings' was mainly attributed to more seminars and trainings that were attended by the CBA employees during the year 2017, when compared to the previous year.

The aforementioned rises were partly offset by drops in the items 'legal expenses' (- Afl. 109,529), which related to less legal assistance provided to the CBA in the year 2017, when compared to 2016, as well as in the item 'CBA 30 year anniversary celebration' (- Afl. 88,561), which related to the expenses paid for the activities in connection with the 30 year anniversary celebration which was held in 2016.

Depreciation expenses (6)

	2017	2016
	Afl.	Afl.
Depreciation other fixed assets	1,091,207	1,017,060
Depreciation CBA premises	150,903	147,987
<b>Total</b>	<b>1,242,110</b>	<b>1,165,047</b>





## ***Independent auditor's report on the Condensed Financial Statements***

To the President and the Executive Directors and the Board of Supervisory Directors of the Centrale Bank van Aruba  
Aruba

*Reference: 133179 / A-30636*

### ***Our opinion***

In our opinion, the accompanying Condensed Financial Statements of Centrale Bank van Aruba (the Bank) for the year ended December 31, 2017 are consistent, in all material respects, with the audited financial statements, on the basis described in Note 2 'Notes to the Condensed Financial Statements – Accounting policies'.

### ***The Condensed Financial Statements***

The Bank's Condensed Financial Statements derived from the audited financial statements for the year ended December 31, 2017 comprise:

- the condensed balance sheet (before allocation of net result) as of December 31, 2017;
- the condensed profit and loss account for the year then ended;
- the condensed cash flow statement for the year then ended; and
- the notes to the condensed balance sheet as of December 31, 2017 and the condensed profit and loss account for the year 2017, which include a summary of significant accounting policies.

The Condensed Financial Statements do not contain all the disclosures required by the Central Bank Ordinance and the accounting policies of the European Central Bank (ECB) and the European System of Central Banks (ESCB) as described in Note 2 to the audited financial statements. Reading the Condensed Financial Statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The audited financial statements, and the Condensed 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 financial statements and our report thereon***

We expressed an unmodified audit opinion on the audited financial statements in our report dated March 5, 2018.

## ***Responsibilities of the President, Executive Directors and Board of Supervisory Directors for the Condensed Financial Statements***

The President and the Executive Directors are responsible for the preparation of the Condensed Financial Statements on the basis described in Note 2 'Notes to the Condensed Financial Statements – Accounting policies'.

The Board of Supervisory Directors is responsible for overseeing the Bank's financial reporting process.





### ***Auditor's Responsibility***

Our responsibility is to express an opinion on whether the Condensed Financial Statements are consistent in all material respects, with the audited financial statements 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, June 13, 2018  
PricewaterhouseCoopers Aruba

Original has been signed by Edsel N. Lopez