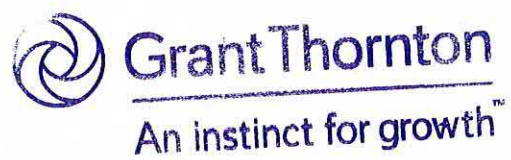


CONDENSED FINANCIAL STATEMENTS
2018



April 18, 2019

CENTRALE BANK VAN ARUBA



CENTRALE BANK VAN ARUBA**CONDENSED BALANCE SHEET**
(before allocation of net result)
(Afl.)*As of*
*December 31, 2018**As of*
*December 31, 2017**Assets*

1. Gold	255,325,898	258,284,264
2. Foreign currency assets		
2.1 Due from banks and other financial institutions	149,239,605	130,918,592
2.2 Government and other papers	1,369,551,885	1,256,589,678
2.3 Other	6,436,903	4,147,121
	<u>1,525,228,393</u>	<u>1,391,655,391</u>
3. Other assets		
3.1 Receivables	8,384,859	9,635,404
3.2 Stock of coins and printing cost bank notes	1,859,168	733,424
3.3 Fixed assets	13,436,898	11,091,649
3.4 Projects in progress	2,137,846	2,311,357
	<u>25,818,771</u>	<u>23,771,834</u>
	<u>1,806,373,062</u>	<u>1,673,711,489</u>



CENTRALE BANK VAN ARUBA**CONDENSED BALANCE SHEET**
(before allocation of net result)
(Afl.)

	<i>As of</i> <u>December 31, 2018</u>	<i>As of</i> <u>December 31, 2017</u>
<i>Liabilities and equity</i>		
1. Bank notes in circulation	297,914,470	296,268,300
2. Deposits of residents		
2.1 Government	49,199,982	46,939,053
2.2 Commercial banks	1,204,581,445	1,073,767,167
2.3 Other	1,113,602	12,045,412
	<u>1,254,895,029</u>	<u>1,132,751,632</u>
3. Deposits of nonresidents	2,559,834	741,829
4. Money in custody	1,812,815	1,812,900
5. Payables and accrued expenses	6,392,500	2,334,611
6. Revaluation account	141,694,882	139,365,720
7. Capital and reserves		
7.1 Capital	10,000,000	10,000,000
7.2 General reserve	81,609,840	81,609,840
	<u>91,609,840</u>	<u>91,609,840</u>
Net result for the year	9,493,692	8,826,657
	<u>1,806,373,062</u>	<u>1,673,711,489</u>

CENTRALE BANK VAN ARUBA**CONDENSED PROFIT AND LOSS
ACCOUNT
(Afl.)**

	<u>2018</u>	<u>2017</u>
1. Net interest revenues	21,589,601	21,309,250
2. Other revenues	15,143,720	10,663,999
Total net income	36,733,321	31,973,249
3. Amortization of stock of bank notes	208,107	313,332
4. Personnel expenses	18,585,962	16,481,166
5. Operating expenses	6,803,171	5,109,984
6. Depreciation expenses	1,642,389	1,242,110
Total expenses	27,239,629	23,146,592
Net result	9,493,692	8,826,657



CENTRALE BANK VAN ARUBA

CONDENSED CASH FLOW STATEMENT
(Afl.)

	<u>2018</u>	<u>2017</u>
Operating activities		
Net result	9,493,692	8,826,657
<u>Adjustments for:</u>		
- Depreciation expenses	1,642,389	1,242,110
- Amortization expenses	208,107	313,332
- Adjustment in beginning balance other fixed assets	-	(6,000)
- Adjustment in beginning balance/write off projects in progress	<u>96,000</u>	<u>-</u>
	1,946,496	1,549,442
<u>Changes in working capital</u>		
Decrease/(Increase) in receivables	1,250,545	(3,567,945)
(Increase) in stock of coins and printing cost bank notes	(1,333,851)	(111,811)
Increase in bank notes in circulation	1,646,170	25,848,150
Net increase/(decrease) in deposits of residents and nonresidents	123,961,402	(74,232,771)
(Decrease)/Increase in money in custody	(85)	545
Increase/(Decrease) in payables and accrued expenses	<u>4,057,889</u>	<u>(2,119,572)</u>
	129,582,070	(54,183,404)
Total cash flow from/(used in) operating activities	141,022,258	(43,807,305)
Investment activities		
Net investments in fixed assets and projects in progress	(3,910,127)	(2,538,395)
Net cash investments in government and other papers	(107,609,817)	74,943,298
Change in other receivables from foreign currency assets	<u>(1,957,883)</u>	<u>110,770</u>
Total cash flow (used in)/from investment activities	(113,477,827)	72,515,673
Financing activities		
Paid dividends	<u>(8,826,657)</u>	<u>(5,296,958)</u>
Total cash flow (used in) financing activities	(8,826,657)	(5,296,958)

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

	<u>2018</u>	<u>2017</u>
Total net increase in cash and cash equivalents	18,717,774	23,411,410
Cash and cash equivalents as of January 1,	131,245,138	107,786,700
Effects of exchange rate changes on the balance of cash held in foreign currencies	(64,862)	47,028
Cash and cash equivalents as of December 31,	149,898,050	131,245,138
Cash and cash equivalents comprises:		
Due from banks and other financial institutions as of December 31,	149,239,605	130,918,592
Other foreign currency assets as of December 31,	<u>658,445</u>	<u>326,546</u>
	149,898,050	131,245,138

**NOTES TO THE CONDENSED BALANCE SHEET AS OF DECEMBER 31, 2018 AND
THE CONDENSED PROFIT AND LOSS ACCOUNT FOR THE YEAR 2018**

1. GENERAL

For publication purposes, the Centrale Bank van Aruba (CBA) prepared the condensed financial statements derived from the CBA's audited financial statements 2018, 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 2018 in its report dated February 20, 2019.

2. ACCOUNTING POLICIES

Form and presentation of the financial statements

The financial information used to produce the condensed financial statements 2018 was derived from the CBA's audited financial statements 2018, and do not include all the detailed information and disclosures contained in the audited financial statements 2018. 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 currency. 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 currency 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 2018.

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 currency 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 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 life applied for the main asset classes is as follows:

- Premises, comprising of the CBA's building, terrain, renovations, parking space and landscaping: 5 to 40 years, with a residual value of 30 percent
- Other fixed assets:
 - computer hardware and software 3 to 5 years
 - office equipment and inventory 2 to 10 years
 - motor vehicles 4 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:

- Revenues, 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 on a monthly basis based on an estimate by the CBA, which is subsequently compared to the actual monthly 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, the CBA may recalculate the exchange rate margin compensation due at its own initiative and subsequently charge this recalculated exchange rate margin compensation to the foreign exchange bank by means of an assessment. These recalculated amounts are recognized in the period in which the assessment is charged to the foreign exchange bank.
- 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 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 are 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 other foreign currency assets. 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, 2018

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, 2018 the market price for gold was USD 1,281.65 or Afl. 2,294.15 (December 31, 2017: USD 1,296.50 or Afl. 2,320.74) per fine troy ounce.

The following tables provide the value and the movement of the gold holdings of the CBA as of December 31, 2018.

	<u>Fine troy ounces</u>		<u>Value (Afl.)</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Gold holdings	111,294.165	111,294.165	255,325,898	258,284,264

	December 31, 2018 Afl.	December 31, 2017 Afl.
Gold holdings as of beginning balance	258,284,264	230,911,909
Net change in the value of gold holdings	(2,958,366)	27,372,355
Gold holdings as of ending balance	<u>255,325,898</u>	<u>258,284,264</u>

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., at the Centrale Bank van Curaçao en St. Maarten (CBCS) and time deposits held at financial institutions in the U.S.A and 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. All the ratings of the banks and financial institutions mentioned above are in compliance with the CBA's investment guidelines as mentioned in note (2.2) below.

- Government and other papers (2.2)

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

1. Government and U.S. agencies 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 this 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, 2018, the investments of the CBA consisted entirely of U.S. dollar denominated fixed income securities.

During the year 2018, the government and other papers held by the CBA increased by Afl. 112,962,207 (+ 9.0 percent) to Afl. 1,369,551,885 as of December 31, 2018 (December 31, 2017: Afl. 1,256,589,678). This increase was mainly attributed to net cash transfers in the amount of Afl. 89,500,000 from the CBA's current account held at a financial institution in the U.S.A. In addition during the year 2018, the CBA's government and other papers were positively impacted by the interest income received (+ Afl. 22,319,060), as well as the change in the market value of the CBA's investment portfolio (revaluation account) (+ Afl. 5,352,390). The net change in the market value of the CBA's investment portfolio (revaluation account) was brought about by lower unrealized capital losses resulting from the restructuring of the CBA's investment portfolio effectuated during the year 2018 (see note on Revaluation account). The aforementioned positive impacts on the CBA's government and other papers were partly offset by the net capital losses (- Afl. 4,209,243) realized due to the restructuring of the CBA's investment portfolio during the year 2018.

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, 2018.

	December 31, 2018 Afl.	December 31, 2017 Afl.
Loans and advances to personnel	5,697,565	6,513,452
Local checks not processed	-	3,653,892
Prepaid expenses	1,096,004	1,328,432
Receivable passed on supervision costs	577,570	197,414
Amounts receivable/(payable) (net) relating to the exchange rate margin compensation	713,000	(2,122,385)
Various	300,720	64,599
Total	8,384,859	9,635,404

During the year 2018, the receivables decreased by Afl. 1,250,545 (-13.0 percent) to Afl. 8,384,859 as of December 31, 2018 (December 31, 2017: Afl. 9,635,404). This net decrease was mainly attributed to the items 'local checks not processed' (- Afl. 3,653,892), and 'loans and advances to personnel' (- Afl. 815,887).

The aforementioned drop in the item 'local checks not processed', when compared to December 31, 2017, was caused by a drop in local checks written out to the Government of Aruba following the discontinuation of check usage by the commercial banks as of the end of December 2018. Furthermore, the drop of Afl. 815,887 in the item 'loans and advances to personnel', when compared to December 31, 2017, was mainly attributed to the early mortgage loan repayments made by CBA employees during the year 2018. The aforementioned decreases were partly offset by increases in the items 'amounts receivable/(payable) (net) relating to the exchange rate margin compensation' (+ Afl. 2,835,385), receivable passed on supervision costs (+ Afl. 380,156), and various (+ Afl. 236,121), compared to December 31, 2017. The net amount payable relating to the exchange rate margin compensation of Afl. 2,122,385 as of December 31, 2017, comprised a receivable of Afl. 1,341,234 pending to be collected by the CBA, and a payable of Afl. 3,463,619 pending to be reimbursed by the CBA, and covering the period of April 2015 up to and including December 2016. After completing its review of the re-submitted information related to the exchange rate margin compensation for the mentioned period, the CBA fully reimbursed the latter amount in the month of October 2018, which caused the aforementioned rise in this item. The amount of Afl. 577,570 relates to supervision costs for the year 2018 pending to be collected by the CBA. Furthermore, the increase in the item 'various', when compared to December 31, 2017, was attributed mainly to an advance payment in the amount of Afl. 179,000 made by the CBA for the Government of Aruba related to a membership contribution to an international organization, which will be subsequently deducted from the next dividend payment to the Government of Aruba.

- *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 and inventory, security equipment and motor vehicles.

In Afl. thousands	Building, renovations, parking space and landscaping Afl.	Computer hardware & software Afl.	Other assets Afl.	Total Afl.
As of January 1, 2018				
Cost	15,007	10,037	10,815	35,859
Accumulated depreciation	(7,490)	(8,772)	(8,506)	(24,768)
Book value as of January 1, 2018	7,517	1,265	2,309	11,091
Changes during the year:				
Additions	81	3,146	761	3,988
Disposals	-	-	(237)	(237)
Depreciation expenses	(153)	(958)	(531)	(1,642)
Depreciation on disposals	-	-	237	237
Net changes during the year	(72)	2,188	230	2,346
As of December 31, 2018				
Cost	15,088	13,183	11,339	39,610
Accumulated depreciation	(7,643)	(9,730)	(8,800)	(26,173)
Book value as of December 31, 2018	7,445	3,453	2,539	13,437

- *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, 2018.

	<u>Projects in</u>
In Afl. thousands	<u>Afl.</u>
<u>As of January 1, 2018</u>	
Beginning balance	<u>2,311</u>
<u>Changes during the year:</u>	
Additions	3,581
Write offs	(92)
Reclassification to capital asset accounts	(3,658)
Adjustment beginning balance	(4)
Net changes during the year	<u>(173)</u>
<u>As of December 31, 2018</u>	
Ending balance	<u>2,138</u>

The projects in progress amounted to Afl. 2,137,846 as of December 31, 2018 (December 31, 2017: Afl. 2,311,357).

LiabilitiesBank notes in circulation (1)

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

Afl. Denomination	Value Afl.	
	December 31, 2018	December 31, 2017
	Afl.	Afl.
5.00	879,765	879,930
10.00	9,834,930	9,404,870
25.00	21,171,275	21,092,500
50.00	19,222,800	17,611,400
100.00	243,158,200	243,534,100
500.00	3,647,500	3,745,500
	297,914,470	296,268,300

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, 2018	December 31, 2017
	Afl.	Afl.
Current accounts	398,676,445	420,424,167
Reserve requirement	420,905,000	412,343,000
Time deposits	385,000,000	241,000,000
	1,204,581,445	1,073,767,167

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 deposit 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, 2018.

	December 31, 2018	December 31, 2017
	Afl.	Afl.
Checks outstanding	-	6,585
Unclaimed principal/ coupons of Aruban government securities	1,125,405	199,039
Foreign exchange commission collected and due to the government of Aruba	374,033	92,351
Wage tax, social premiums, and pension contributions withheld	107,314	42,635
Accrual for several professional services	241,926	293,013
Transfer in transit	74,372	150
Accrual vacation allowance	362,874	391,998
Advance payments related to administrative fines imposed on supervised financial institutions	2,968,332	928,582
Other payables	1,138,244	380,258
Total	6,392,500	2,334,611

The payables and accrued expenses amounted to Afl. 6,392,500 as of December 31, 2018 (December 31, 2017: Afl. 2,334,611). The net increase of Afl. 4,057,889 (+ 173.8 percent) was associated mainly with increases in the item 'advance payments related to administrative fines imposed on supervised financial institutions' (+ Afl. 2,039,750), the item 'unclaimed principal/coupons of Aruban government securities' (+ Afl. 926,366), and the item 'other payables' (+ Afl. 757,986) as of end-December 2018, when compared to December 31, 2017. During the year 2018 the CBA collected more payments from administrative fines imposed on supervised financial institutions.

However, these have not become irrevocable yet as of end-December 2018 causing a surge in the item 'advanced payments related to administrative fines imposed on supervised financial institutions'. The increase in the item 'unclaimed principal/coupons of Aruban government securities' was related to principal and interest payments payable to several financial institutions holding government securities not collected yet as of end-December 2018. Furthermore, the increase in the item 'other payables', compared to December 31, 2017, was attributed mainly to invoices received for several ongoing CBA projects, which were outstanding at the end of December 2018.

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 tables provide a specification of the 'Revaluation account' of the CBA as of December 31, 2018.

	December 31, 2018	December 31, 2017
	Afl.	Afl.
Revaluation account as of beginning balance	139,365,720	114,945,382
Net changes in the market value of gold	(2,958,366)	27,372,355
Net changes in the market value of foreign exchange	(64,862)	47,028
Net changes in the market value of securities	5,352,390	(2,999,045)
Revaluation account as of ending balance	141,694,882	139,365,720

	December 31, 2018	December 31, 2017
	Afl.	Afl.
Gold	146,382,797	149,341,163
Foreign exchange	(306,475)	(241,613)
Investment portfolio	(4,381,440)	(9,733,830)
	141,694,882	139,365,720

At end-2018, the market price of gold decreased by USD 14.85 (Afl. 26.58) per fine troy ounce or 1.1 percent compared to end-2017, thereby negatively impacting the value of the CBA's revaluation account (see note on Gold). In addition, during the year 2018 the yield on the 3-year US Treasury Notes increased by 48 basis points to 2.46 percent as of December 31, 2018 (December 31, 2017: 1.98 percent), and the yield on the 2-year US Treasury Notes also rose by 59 basis points to 2.48 percent as of December 31, 2018 (December 31, 2017: 1.89 percent), thereby causing net unrealized capital losses which negatively impacted the value of the CBA's revaluation account during the year 2018. Furthermore, the revaluation account was negatively impacted by the fluctuations in the exchange rate of the euro during the year 2018. The CBA's holdings in euros are held on an account at the Dutch central bank (the DNB) primarily to meet government payment needs.

However, the aforementioned negative impacts on the CBA's revaluation account was more than fully compensated for by the restructuring of the CBA's investment portfolio effectuated during the year 2018. The CBA liquidated some securities in its investment portfolio before their maturity in order to seize the opportunity to reinvest the proceeds in securities with a higher yield and to extend the duration of its portfolio. Largely because of the restructuring operation, the CBA was able to lower its unrealized capital losses on its investment portfolio in 2018 by Afl. 5,352,390 on a net basis, when compared to December 31, 2017. Overall, the aforementioned developments resulted in an increase in the revaluation account amounting to Afl. 2,329,162 (+ 1.7 percent) during the year 2018.

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, 2018.

- *General reserve (7.2)*

This item comprises:

	December 31, 2018	December 31, 2017
	Afl.	Afl.
Beginning balance	81,609,840	76,312,882
Retained earnings	-	5,296,958
Balance at the end of the year	81,609,840	81,609,840

In the month of May 2018, the net result of the year 2017 amounting to Afl. 8,826,657 was paid out to the government of Aruba as dividend.

4. NOTES TO THE CONDENSED PROFIT AND LOSS ACCOUNT FOR THE YEAR 2018

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, realized gains and losses on the investment portfolio, 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 2018.

	2018	2017
	Afl.	Afl.
Interest revenues (net of expenses)	21,737,640	21,469,272
Interest expenses	(148,039)	(160,022)
Net interest revenues	21,589,601	21,309,250

When compared to the previous year, total net interest revenues increased by Afl. 280,351 (+ 1.3 percent) to Afl. 21,589,601 in 2018 (2017: Afl. 21,309,250). This increase in the net interest revenues is attributed mainly to increases in the interest income realized by the CBA on its investment portfolio, its current accounts, as well as its time deposits during the year 2018, when compared to the previous year. The aforementioned increases were partly offset by an increase in the realized losses on the CBA's investment portfolio, which resulted largely from the early liquidation of some securities during the year 2018. This was done to reposition the CBA's investment portfolio by investing in higher yielding securities and to extend the duration of the portfolio.

Interest rates on current accounts, if applicable, and on time deposits held at the CBA are weekly determined considering the U.S. money market rates and the liquidity position on the local financial market. For the year 2018, an interest rate of 0.025 percent was paid on a 7-day time deposit held by the commercial banks at the CBA. This 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 2018.

	2018	2017
	Afl.	Afl.
Foreign exchange revenues	1,060,468	1,801,785
Coins revenues	1,000,689	1,166,681
Exchange rate margin compensation	9,704,904	5,530,485
Various revenues	3,377,659	2,165,048
Other revenues	15,143,720	10,663,999

When compared to the previous year, total other revenues increased by Afl. 4,479,721 (+ 42.0 percent) to Afl. 15,143,720 in 2018 (2017: Afl. 10,663,999). This increase in the total other revenues is mainly due to an increase in the revenues obtained from the exchange rate margin compensation. For the year 2018, total exchange rate margin compensation revenues increased by Afl. 4,174,419 (+ 75.5 percent) to Afl. 9,704,904 (2017: Afl. 5,530,485). This increase was due mainly to an adjustment in the amount of Afl. 3,468,557, which was recorded in the year 2017, and was related to a previous 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 (see also note 3.1 on Receivables).

- *Various revenues*

	2018	2017
	Afl.	Afl.
Passed on supervision costs	1,553,328	1,535,000
Administrative fines	1,520,179	400,950
Other income	304,152	229,098
Total	3,377,659	2,165,048

For the year 2018, the other revenues category 'various' increased by Afl. 1,212,611 (+ 56.0 percent) to Afl. 3,377,659 (2017: Afl. 2,165,048). This increase was attributed mostly to higher amounts received as incidental revenues stemming from administrative fines imposed by the CBA on supervised financial institutions (+ Afl. 1,119,229) which have become irrevocable.

Personnel expenses (4)

The following table provides a specification of the personnel expenses incurred by the CBA during the year 2018.

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	2018	2017
	Afl.	Afl.
Salaries and social security expenses	17,029,917	15,326,033
Courses, seminars, and education expenses	812,007	655,103
Other personnel expenses	744,038	500,030
Total	18,585,962	16,481,166

As of December 31, 2018, the CBA employed 98 persons full-time (December 31, 2017: 95 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 2018.

	2018	2017
	Afl.	Afl.
Utilities	442,895	464,404
Cleaning and maintenance	514,897	408,466
License and maintenance computers	1,389,653	1,148,364
Fire insurance and property tax	194,573	191,612
Telephone	204,513	181,876
Office supplies	130,917	158,647
Training and conferences CBA Committees	46,336	98,239
Donations	96,040	131,547
Legal	842,423	289,641
Other consultancy services	1,249,962	1,087,062
Literature, subscription, and membership contributions	333,065	130,296
Seminars organized/hosted by the CBA	166,949	89,959
Other expenses	1,190,948	729,871
Total	6,803,171	5,109,984

For the year 2018, the total operating expenses increased by Afl. 1,693,187 (+ 33.1 percent) to Afl. 6,803,171 (2017: Afl. 5,109,984). This (net) increase was mainly caused by increases of, respectively, Afl. 552,782 in the item 'legal', Afl. 461,077 in the item 'other expenses', Afl. 241,289 in the item 'license and maintenance computers', Afl. 202,769 in the item 'literature, subscription, and membership contributions', as well as Afl. 162,900 in the item 'other consultancy services'. The increase in the item 'legal' was largely related to higher expenses paid for legal services provided to the CBA in the year 2018, when compared to the previous year. The increase in the item 'other expenses' was mostly due to the higher costs incurred for the transportation of bank notes and the write off of the costs incurred related to a software implementation project due to the discontinuation of this project in 2018. Furthermore, the rise in the item 'license and maintenance computers' was attributed mainly to higher expenses paid for new or existing license fees in the year 2018, when compared to 2017. The surge in the item 'literature, subscription, and membership contributions' related mainly to higher expenses paid for membership contributions incurred by the CBA in the year 2018, when compared to the previous year.

During the year 2018, the CBA incurred higher expenses for consultancy services provided to the CBA related to several projects, when compared to the previous year.

Depreciation expenses (6)

	2018	2017
	Afl.	Afl.
Depreciation other fixed assets	1,488,938	1,091,207
Depreciation CBA premises	153,451	150,903
Total	1,642,389	1,242,110



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Report of the Independent auditor on the Condensed Financial Statements

Reference: 133179 / A-30988

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

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Opinion

The Condensed Financial Statements, which comprise the condensed balance sheet (before allocation of net result) as at December 31, 2018, the condensed profit and loss account and the condensed cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of the Centrale Bank van Aruba, Aruba (the Bank) for the year ended December 31, 2018.

In our opinion, the accompanying Condensed Financial Statements are consistent, in all material respects, with the audited financial statements, on the basis described in Note 2 of the Notes to the Condensed Balance Sheet as of December 31, 2018 and the Condensed Profit and Loss Account for the Year 2018 - 'Accounting policies'.

Condensed Financial Statements

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 of the Notes to the Condensed Balance Sheet as of December 31, 2018 and the Condensed Profit and Loss Account for the Year 2018 - 'Accounting policies'. 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 Condensed 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 financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated February 20, 2019.

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 of the Notes to the Condensed Balance Sheet as of December 31, 2018 and the Condensed Profit and Loss Account for the Year 2018 - 'Accounting policies'.

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



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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, April 19, 2019
Grant Thornton Aruba

Original has been signed by Edsel N. Lopez