

**CONDENSED FINANCIAL STATEMENTS
2013**



CENTRALE BANK VAN ARUBA

*Initialed on behalf of
PricewaterhouseCoopers
Aruba
For identification purposes only
Oranjestad,*

CENTRALE BANK VAN ARUBA**CONDENSED BALANCE SHEET**
(before allocation of profit)
(Afl.)*As of*
December 31, 2013*As of*
December 31, 2012*Assets*

1. Gold	239,358,691	331,496,348
2. Foreign currency assets		
2.1 Due from banks	147,723,910	75,506,333
2.2 Government and other papers	802,092,938	998,498,506
2.3 Other	3,753,250	3,971,571
	<u>953,570,098</u>	<u>1,077,976,410</u>
3. Other assets		
3.1 Receivables	8,461,665	8,274,673
3.2 Stock of coins and bank notes	1,870,383	883,747
3.3 Fixed assets	9,274,250	10,553,931
3.4 Projects in progress	944,888	-
	<u>20,551,186</u>	<u>19,712,351</u>
	<u>1,213,479,975</u>	<u>1,429,185,109</u>

CENTRALE BANK VAN ARUBA		CONDENSED BALANCE SHEET	
		(before allocation of profit)	
		(Afl.)	
		<i>As of</i>	<i>As of</i>
		<u>December 31, 2013</u>	<u>December 31, 2012</u>
<i>Liabilities and equity</i>			
1. Bank notes in circulation		237,698,675	224,996,970
2. Deposits of residents			
2.1 Government	74,746,502	44,947,725	
2.2 Commercial banks	712,614,187	823,100,169	
2.3 Other	8,849,458	15,045,388	
		796,210,147	883,093,282
3. Deposits of nonresidents		55,159	3,728,796
4. Money in custody		953,076	952,531
5. Payables and accrued expenses		5,311,011	5,397,493
6. Revaluation account		85,296,428	220,952,441
7. Capital and reserves			
7.1 Capital	10,000,000	10,000,000	
7.2 General reserve	76,312,882	76,312,882	
		86,312,882	86,312,882
Profit for the year		1,642,597	3,750,714
		<u>1,213,479,975</u>	<u>1,429,185,109</u>

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

	2013	2012
1. Net interest revenues	12,296,450	16,118,798
2. Other revenues	8,277,752	6,519,338
Total income	20,574,202	22,638,136
3. Amortization of stock of bank notes	548,705	341,780
4. Personnel expenses	12,567,792	13,009,775
5. Operating expenses	4,189,071	4,147,352
6. Depreciation expenses	1,626,037	1,388,515
Total expenses	18,931,605	18,887,422
Net result	1,642,597	3,750,714
Profit distribution		
Allocated to the Treasury Department	1,642,597	3,750,714
Allocated to the General Reserve	-	-

**NOTES TO THE CONDENSED BALANCE SHEET AS OF DECEMBER 31, 2013 AND
THE CONDENSED PROFIT AND LOSS ACCOUNT FOR THE YEAR 2013**

1. GENERAL

The Centrale Bank van Aruba (CBA), for publication purposes, prepared the condensed financial statements derived from the CBA's audited balance sheet and profit and loss account for the year 2013, 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 in its report dated February 27, 2014, expressed an unqualified opinion on the CBA's financial statements for the year 2013.

2. PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

Basis of presentation

The financial information used to produce the condensed financial statements 2013 was derived from the CBA's audited balance sheet and profit and loss account for the year 2013, and do not include all the detailed information and disclosures contained in the audited financial statements 2013. 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 policies

Gold, marketable securities, and on-balance sheet claims and liabilities denominated in foreign currency are valued at market prices on the last working day of the financial year. The other assets and liabilities are shown on a historical cost basis or at their nominal value.

Regarding the recognition of income and expenses, the accounting policies of the ECB and ESCB prescribe that unrealized losses should 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 unrealized losses have been charged to the revaluation account.

Comparison with previous year

The principles of valuation and determination of results remained unchanged in the year 2013.

Conversion of foreign currencies

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.

Premises, other fixed assets and projects in progress

Premises and other fixed assets are recorded at historical cost less accumulated depreciation and are amortized according to the straight-line method over the estimated life of the asset, starting from the moment of use. The CBA's building, renovations, and landscaping are depreciated in 40 years with a residual value of 30 percent. Other fixed assets consist of computer hardware and software, furniture, and equipment. The estimated life of computer hardware and software is 3 years, that of motor vehicles 3 years, furniture 5 years, and equipment 3 to 10 years. The projects in progress include several ongoing projects of the CBA. When completed the acquired assets will be transferred to their respective capital asset accounts, and, subsequently, the depreciation of these assets will start.

Recognition of income and expenses

Income and expenses are recognized in the period in which they are earned or incurred. Realized gains and losses arising from investments are included in the profit and loss account. Unrealized gains and losses are not recognized as income or expenses, but are transferred directly to the revaluation account.

3. NOTES TO THE CONDENSED BALANCE SHEET AS OF DECEMBER 31, 2013**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, 2013, the market price for gold was USD 1,201.50 or Afl. 2,150.69 (2012: USD 1,664.00 or Afl. 2,978.56) per fine troy ounce.

The following table provides information on the quantity and the value of the gold holdings of the CBA as of December 31, 2013.

	<u>Fine troy ounces</u>		<u>Value (Afl.)</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Gold holdings	111,294.165	111,294.165	239,358,691	331,496,348

	December 31, 2013 Afl.	December 31, 2012 Afl.
Gold holdings as of beginning balance	331,496,348	313,666,466
Net change in the value of gold holdings	(92,137,657)	17,829,882
Gold holdings as of ending balance	239,358,691	331,496,348

Foreign currency assets (2)

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

- *Due from banks (2.1)*

Comprises current accounts held at credit institutions from the Netherlands, the United Kingdom, the U.S.A, and also at the Centrale Bank van Curaçao en St. Maarten (CBCS). 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. Furthermore, the ANG holding is limited to ANG 1 million. However, in some exceptional cases a larger amount could be temporarily held. Interests received from the bonds held on the custodian account are credited to the CBA's current account at a credit institution in the U.S.A.

- *Government and other papers (2.2)*

Consist of investments through CBA's internal and 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.

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 Aaa & AAA is required, while for money market instruments (excluding treasury bills) the minimum investment grade is A-1 & P-1. As of September 27, 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. For securities with split ratings, the highest rating is applied. These guidelines also maximize the share of eligible investment instruments within each investment portfolio, and set minimum credit quality requirements. At the end of December 2013, the investments of the CBA consisted entirely of U.S. dollar denominated fixed income securities.

During the year 2013, the government and other papers of the CBA decreased by Afl. 196,405,568 (19.7 percent) to Afl. 802,092,938 as of December 31, 2013, and stemmed largely from the restructuring of the CBA medium-term investment portfolio in December 2013. This restructuring entailed a partial liquidation of securities, with the aim to mitigate interest rate risk, which resulted in a realized loss of Afl. 5,062,163.

- *Other (2.3)*

This item comprises:

	December 31, 2013 Afl.	December 31, 2012 Afl.
Bank notes	183,200	288,057
Interest receivables	3,570,050	3,683,514
	<u>3,753,250</u>	<u>3,971,571</u>

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, prepaid pension premiums, and other receivables.

The following table provides a specification of the CBA's receivables as of December 31, 2013.

	December 31, 2013 Afl.	December 31, 2012 Afl.
Loans and advances to personnel	6,946,593	7,210,185
Prepaid expenses	547,231	317,749
Receivable passed on supervision costs	720,742	612,552
Various	247,099	134,187
Total	8,461,665	8,274,673

During the year 2013, the receivables increased by Afl. 186,992 (2.3 percent) to Afl. 8,461,665 as of December 31, 2013. This increase was largely related to prepaid expenses for the management liability insurance (approximately Afl. 152,000) and the replacement of two company cars (Afl. 73,500).

- *Stock of coins and bank notes (3.2)*

This item comprises commemorative coins available for sale and valued at selling price, as well as 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 moment the bank notes are brought into circulation by the CBA.

- *Fixed assets (3.3)*

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

Condensed Financial Statements 2013

In Afl. thousands	Building, renovations and parking space Afl.	Computer hardware & software Afl.	Other assets Afl.	Total Afl.
<u>As of January 1, 2013</u>				
Cost	14,804	7,415	7,754	29,973
Accumulated depreciation	(6,876)	(5,704)	(6,839)	(19,419)
Book value as of January 1, 2013	7,928	1,711	915	10,554
<u>Changes during the year:</u>				
Additions	8	523	187	718
Disposals	-	-	(143)	(143)
Reclassifications	-	(12)	12	-
Reclassifications to projects in progress	-	(210)	(32)	(242)
Depreciation expenses	(321)	(900)	(405)	(1,626)
Depreciation on disposals	-	-	143	143
Adjustment beginning balance - Cost	(66)	(97)	(27)	(190)
Adjustment beginning balance - Accum. Depr	66	-	(6)	60
Net changes during the year	(313)	(696)	(271)	(1,280)
<u>As of December 31, 2013</u>				
Cost	14,746	7,619	7,751	30,116
Accumulated depreciation	(7,131)	(6,604)	(7,107)	(20,842)
Book value as of December 31, 2013	7,615	1,015	644	9,274

In order to provide a clearer illustration of the ongoing projects within the different departments of the CBA, a total amount of Afl. 242,000, representing several ongoing projects that were included in the capital assets accounts as of December 31, 2012, was reclassified to projects in progress as of December 31, 2013.

- *Projects in progress (3.4)*

As of December 31, 2013, a separate classification and presentation of the ongoing projects on the balance sheet of the CBA are used to provide a clearer illustration of the ongoing projects within the different departments of the CBA. The projects in progress amount to Afl. 944,888, which include several ongoing projects of the CBA, e.g., the upgrading of the Integrated Banking System software (IBS) and the E-banking project. When completed, the acquired assets will be transferred to their respective capital asset accounts within the respective categories.

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, 2013 Afl.	December 31, 2012 Afl.
5.00	881,590	881,690
10.00	8,055,160	7,749,280
25.00	18,356,025	17,547,550
50.00	17,546,300	17,085,050
100.00	188,164,100	176,654,900
500.00	4,695,500	5,078,500
Total	237,698,675	224,996,970

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, 2013 Afl.	December 31, 2012 Afl.
Current accounts	236,819,187	209,846,169
Reserve requirement	370,795,000	353,254,000
Time deposits	105,000,000	260,000,000
	712,614,187	823,100,169

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 maturity of time deposits ranges from 7 days to 24 months.

- *Other (2.3)*

This item includes deposits of public nonfinancial corporations and other institutions, and the deposits of funds made available by the Aruban and Dutch governments in the framework of the joint development program agreed upon. The funds are managed by FDA.

Deposits of nonresidents (3)

This item consists of Aruban florin deposits of nonresident banks.

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, 2013.

	December 31, 2013 Afl.	December 31, 2012 Afl.
Checks outstanding	81,824	84,811
Unclaimed principal/ coupons of Aruban government securities	105,295	64,143
Foreign exchange commission collected and due to the government of Aruba	3,041,858	2,535,741
Wage tax and pension contributions withheld	397,990	260,298
Accrual for several professional services	565,500	290,807
Transfer in transit	19,362	900,000
Accrual vacation allowance	364,000	350,000
Other payables	735,182	911,693
Total	5,311,011	5,397,493

During the year 2013, the payables and accrued expenses decreased by Afl. 86,482 (1.6 percent) to Afl. 5,311,011 as of December 31, 2013. The main items included in payables and accrued expenses as of December 31, 2013 are, amongst other, accrual for vacation allowance, accrual for several professional services (e.g. consultants, asset management fees and custodian charges), and the foreign exchange commission collected and due to the government. The latter, in the amount of Afl. 3,041,858 as of December 31, 2013, will be transferred to the Government's account at the beginning of 2014.

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, 2013.

	December 31, 2013 Afl.	December 31, 2012 Afl.
Revaluation account as of beginning balance	220,952,441	207,391,771
Net changes in the market value of gold	(92,137,014)	17,829,882
Net changes in the market value of foreign exchange	(40,296)	49,710
Net changes in the market value of securities	(43,478,703)	(4,318,922)
Revaluation account as of ending balance	85,296,428	220,952,441

During the year 2013, the market price of gold dropped considerably. Additionally, the market value of the investment portfolio of the CBA declined. Both resulted in a decrease of Afl. 135,656,013 in the revaluation account.

In the month of December 2013, the CBA medium-term investment portfolio was restructured, and, consequently, part of the unrealized loss was realized and recognized in the profit and loss account.

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, 2013.

- General reserve (7.2)

This item comprises:

	December 31, 2013 Afl.	December 31, 2012 Afl.
Beginning balance	76,312,882	76,312,882
Retained earnings	-	-
Balance at the end of the year	76,312,882	76,312,882

In December 2013, the undistributed earnings of the year 2012 in the amount of Afl. 3,750,714 were paid out to the Government of Aruba.

4. NOTES TO THE CONDENSED PROFIT AND LOSS ACCOUNT FOR THE YEAR 2013

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 2013.

	2013	2012
	Afl.	Afl.
Interest revenues (net of expenses)	12,426,906	16,350,633
Interest expenses	(130,456)	(231,835)
Net interest revenues	12,296,450	16,118,798

When compared to the previous year, in 2013 net interest revenues decreased by Afl. 3,822,348 (23.7 percent) to Afl. 12,296,450 (2012: Afl. 16,118,798). The decrease in the revenues is mainly attributed to the realized loss related to the restructuring of the CBA medium-term investment portfolio in December 2013.

During 2013, the CBA did not receive interest on its current account held with the CBCS. Based on a mutual agreement between the CBA and the CBCS, the interest remuneration on current accounts held with each other was lowered to 0 percent as of September 5, 2012.

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 2013, an interest rate of 0.05 percent was paid on a 7-day time deposit held by commercial banks at the CBA.

Other revenues (2)

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

The following table provides a specification of the other revenues realized by the CBA during the year 2013.

	2013	2012
	Afl.	Afl.
Foreign exchange revenues	4,428,684	4,094,427
Coins revenues	1,182,896	942,133
Various revenues	2,666,172	1,482,778
Other revenues	8,277,752	6,519,338

- *Foreign exchange revenues*

This item consists of net transaction profits, resulting from the margin between the buying and selling rates applied by the CBA.

- *Coins revenues*

Pursuant to article 12, paragraph 1 of the State Ordinance Governing the Monetary System, coins are minted exclusively for the account of the Government of Aruba, whereas, in conformity with article 7 of the Central Bank Ordinance, the CBA is entrusted with the issuing of these coins. Furthermore, in accordance with article 12, paragraph 2 of the former ordinance, the difference between the face value and the cost of minting of the coins (seignorage) is included in the CBA's profit and loss account. Unlike bank notes, coins issued are not included in the CBA's liabilities.

- *Various revenues*

	2013	2012
	Afl.	Afl.
Passed on supervision costs	1,456,500	1,387,000
Administrative fines	951,468	15,000
Other income	258,204	80,778
Total	2,666,172	1,482,778

The increase in the other revenues 'various' is largely attributed to incidental revenues totaling Afl. 951,468, stemming from administrative fines imposed by the CBA on certain supervised financial institutions.

Personnel expenses (4)

The following table provides a specification of the personnel expenses incurred by the CBA during the year 2013.

	2013	2012
	Afl.	Afl.
Salaries and social security expenses	12,178,061	12,543,552
Other personnel expenses	389,731	466,223
Total	12,567,792	13,009,775

As of December 31, 2013, the CBA employed 83 persons full-time (December 31, 2012: 88 persons).

During the year 2013, there was no addition to the pension provision, as at the end of December 2012 the decision was made to transfer the ensuing liabilities of the three pensioners to an insurance company in compliance with the new pension law, while the claims ensuing from a special pension arrangement for the other three employees were paid out.

In 2005, the CBA entered into an agreement with an insurance company for a supplementary medical insurance plan for its personnel and their families. In 2012, the CBA decided to terminate the services of this insurance company, and from that date on, the CBA itself is administering this supplementary medical insurance plan.

Operating expenses (5)

The following table provides a specification of the operating expenses incurred by the CBA during the year 2013.

	2013	2012
	Afl.	Afl.
Utilities	473,630	493,694
Cleaning and maintenance	305,831	246,956
Maintenance computers	716,020	668,435
Fire insurance and property tax	191,142	192,307
Telephone	180,361	162,634
Office supplies	173,964	141,257
Courses, seminars and meetings	502,818	543,334
Donations	129,446	88,356
Remuneration Board of Supervisory Directors	168,000	168,000
Consultancy and other professional services	601,065	731,916
Literature, subscription and membership contributions	122,698	107,778
Other expenses	624,096	602,685
Total	4,189,071	4,147,352

Depreciation expenses (6)

	2013	2012
	Afl.	Afl.
Depreciation other fixed assets	1,305,339	1,259,743
Depreciation CBA premises	320,698	128,772
Total	1,626,037	1,388,515

Commitments & contingencies

On December 20, 2013, the CBA approved a quotation received from the vendor of the bank note sorting machine, and informed the vendor that it will purchase the machine as mentioned in the quotation. The vendor was also requested to send a full contract, containing all technical specifications related to the bank note sorting machine, for sign-off. However, due to delays the contract was received on January 22, 2014. The total costs for the purchase of this machine, including transportation charges, and import duties, for which the CBA has committed itself, are estimated at Afl. 2.1 million as of December 31, 2013.



Independent Auditor's Report on the condensed financial statements

To the Board of Supervisory Directors,
The President and the Executive Directors of
Centrale Bank van Aruba
J.E. Irausquin Blvd. 8
Oranjestad, Aruba

Reference: 133179/A-28410

Report on the condensed financial statements

The accompanying financial statements, which comprise the condensed balance sheet as at December 31, 2013, the condensed profit and loss account for the year then ended, and related notes, are derived from the audited financial statements of the Centrale Bank van Aruba for the year ended December 31, 2013. We expressed an unmodified audit opinion on those financial statements in our report dated February 27, 2014. Those financial statements and the condensed financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those 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 financial statements. Reading the condensed financial statements, therefore, is not a substitute for reading the audited financial statements of the Centrale Bank van Aruba.

Management's Responsibility for the condensed financial statements

Management is responsible for the preparation of a summary of the audited financial statements on the basis described in Note 2 of the condensed financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on the condensed financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements".

Opinion with respect to the condensed financial statements

In our opinion, the condensed financial statements derived from the audited financial statements of the Centrale Bank van Aruba for the year ended December 31, 2013 are consistent, in all material respects, with those financial statements, on the basis described in Note 2.

Aruba, August 19, 2014
PricewaterhouseCoopers Aruba

Original has been signed by Edsel N. Lopez