

CONDENSED FINANCIAL STATEMENTS
2020



May 12, 2021

CENTRALE BANK VAN ARUBA

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A handwritten signature in blue ink, likely belonging to a representative of Ernst & Young, is placed over the printed text of the audit firm's name.

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

	<i>As of</i> <i>December 31, 2020</i>	<i>As of</i> <i>December 31, 2019</i>
<i>Assets</i>		
1. Gold	376,738,428	303,406,814
2. Foreign currency assets		
2.1 Due from banks and other financial institutions	104,750,723	154,307,941
2.2 Government and other papers	1,719,615,523	1,324,872,959
2.3 Other	7,678,721	6,555,184
	<u>1,832,044,967</u>	<u>1,485,736,084</u>
3. Other assets		
3.1 Receivables	10,202,182	9,100,953
3.2 Stock of coins and printing cost banknotes	4,333,981	5,403,816
3.3 Other fixed assets and premises	14,056,288	13,438,975
3.4 Projects in progress	4,790,392	5,151,199
	<u>33,382,843</u>	<u>33,094,943</u>
	<u>2,242,166,238</u>	<u>1,822,237,841</u>

CENTRALE BANK VAN ARUBA**CONDENSED BALANCE SHEET**
(before allocation of net result)
(Afl.)*As of*
*December 31, 2020**As of*
*December 31, 2019**Liabilities and equity*

1. Banknotes in circulation	302,569,670	258,880,440
2. Deposits of residents		
2.1 Government	95,360,877	17,313,303
2.2 Commercial banks	1,410,138,276	1,197,304,630
2.3 Other	1,268,028	1,295,361
	1,506,767,181	1,215,913,294
3. Deposits of nonresidents	148,676	4,333,008
4. Money in custody	2,194,344	1,813,360
5. Payables and accrued expenses	4,080,827	5,731,964
6. Revaluation account	297,974,530	215,526,336
7. Capital and reserves		
7.1 Capital	10,000,000	10,000,000
7.2 General reserve	90,039,439	84,103,532
	100,039,439	94,103,532
Net result for the year	28,391,571	25,935,907
	<u>2,242,166,238</u>	<u>1,822,237,841</u>

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

	<u>2020</u>	<u>2019</u>
1. Net interest revenues	37,063,455	38,542,553
2. Other revenues	18,354,025	15,347,878
Total net income	55,417,480	53,890,431
3. Amortization of stock of banknotes	1,101,249	642,395
4. Personnel expenses	17,670,540	18,611,798
5. Operating expenses	5,980,755	6,729,380
6. Depreciation expenses	2,273,365	1,970,951
Total expenses	27,025,909	27,954,524
Net result	28,391,571	25,935,907

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

	<u>2020</u>	<u>2019</u>
Operating activities		
Net result	28,391,571	25,935,907
<u>Adjustments for</u>		
Depreciation expenses	2,273,365	1,970,951
Amortization expenses	1,101,249	642,395
Adjustment in beginning balance/write off projects in progress	17,480	-
	3,392,094	2,613,346
<u>Changes in working capital</u>		
(Increase) in receivables	(1,101,229)	(716,094)
(Increase) in stock of coins and printing costs banknotes	(31,415)	(4,187,043)
Increase/(Decrease) in banknotes in circulation	43,689,230	(39,034,030)
Net increase /(decrease) in deposits of residents and nonresidents	286,669,555	(37,208,561)
Increase in money in custody	380,984	545
(Decrease) in payables and accrued expenses	(1,651,137)	(660,536)
	327,955,988	(81,805,716)
Total cash flow from/(used in) operating activities	359,739,653	(53,256,466)
Investment activities		
Net investments in premises, other fixed assets and projects in progress	(2,547,350)	(4,986,381)
Net investments in government and other papers	(385,609,073)	70,416,743
Net change in interest receivables from foreign currency assets	(1,271,909)	(324,230)
Total cash flow (used in)/from investment activities	(389,428,332)	65,106,132
Financing activities		
Profit distribution	(20,000,000)	(7,000,000)
Total cash flow (used in) financing activities	(20,000,000)	(7,000,000)

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

	<u>2020</u>	<u>2019</u>
Total net (decrease)/increase in cash and cash equivalents	(49,688,679)	4,849,666
Cash and cash equivalents as of January 1	154,760,437	149,898,050
Effects of exchange rate changes on the balance of cash held in foreign currencies	(16,911)	12,721
Cash and cash equivalents as of December 31	105,054,847	154,760,437
Cash and cash equivalents comprise:		
Due from banks and other financial institutions as of December 31	104,750,723	154,307,941
Banknotes as of December 31	304,124	452,496
	<u>105,054,847</u>	<u>154,760,437</u>

NOTES TO THE CONDENSED BALANCE SHEET AS OF DECEMBER 31, 2020 AND THE CONDENSED PROFIT AND LOSS ACCOUNT FOR THE YEAR 2020

1. GENERAL

For publication purposes, the Centrale Bank van Aruba (CBA) prepared the 2020 condensed financial statements derived from the CBA's audited financial statements 2020, 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 2020 in its report dated February 18, 2021. The CBO does not contain publication requirements. However, for transparency purposes, yearly the CBA publishes its condensed financial statements.

2. ACCOUNTING POLICIES

Form and presentation of the financial statements

The condensed financial statements are prepared by the Executive Management and follow the same criteria and accounting policies as applied by the CBA in the financial statements and disclose extracts derived from the audited financial statements. The CBA adheres to the relevant articles for the preparation of the financial statements as stated in the CBO. In addition, the financial statements are prepared according to the Guideline (EU) 2019/2217 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2019/34) (ESCB Guidelines) as issued by the Governing Council of the European Central Bank, except for the deviation by virtue of the CBO. The accounting policy in the CBO that deviates from the ESCB Guidelines is the accounting policy stated in the CBO article 31 sub 2.

The CBO states in article 31 sub 2 that the changes occurring during a financial year in the value of the gold and foreign exchange reserves and the commercial assets of the CBA, except those relating to the assets in which the capital and reserves have been invested, are to be recorded on the liability side of the balance sheet. In addition, it is stated that they will not be taken into account in the preparation of the profit and loss account. The CBA records these unrealized results in the Revaluation account.

This accounting policy deviates from the ESCB Guidelines, as this guideline states that, in contrast to the CBO, unrealized losses which exceed any unrealized gains recorded in the revaluation account, are to be recorded in the profit and loss account.

The CBA's financial year equals the calendar year. The financial statements are presented in Aruban florin (Afl.), and all values are rounded up to the nearest florin, except when otherwise indicated.

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 or from the CBA, and the cost or value of the asset or the amount of the obligation can be measured reliably.

Basis of accounting

The condensed 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 related to 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 currency are converted into Aruban florin (Afl.) at the rate of exchange (middle rate) prevailing on the balance sheet date. Transactions in foreign currency during the reporting period are converted into Aruban florin (Afl.) at the exchange rate prevailing on the date 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 2020.

Gold, marketable securities, and 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 on the last working day of the period under review.

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

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 policy 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.

Foreign currency assets and receivables

Foreign currency assets and 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 the selling price of the coins.

Printing cost banknotes

Printing costs banknotes consist of the printing costs related to the new 2019 series of Aruban florin banknotes that should cover the supply of banknotes for the upcoming years. These printing costs are amortized over a period of 5 years, starting from June 2019, which is the month in which the banknotes were officially brought into circulation by the CBA replacing the 2003 series banknotes.

Other fixed assets and premises

Other fixed assets and premises are valued at historical cost less accumulated depreciation and accumulated impairment losses, if any. 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:

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

Projects in progress

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

Banknotes in circulation

The CBA issues Aruban florin banknotes. Banknotes in circulation are recognized at their nominal value.

Other liabilities (comprising 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 (BoSD) 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

Revenues consist 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 fees obtained by the CBA from the foreign exchange banks, 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 and/or the CBA.

Pursuant to article 4 paragraphs 1, 3, 4 and 5 of the SOERMC, in the event a foreign exchange bank does not or does 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 fees are recognized in the period in which the assessment is sent to the foreign exchange bank.

- Other revenues – various, include a number of smaller revenue items that are recognized in the period in which they are earned. This category includes revenues related to the passing on of (part of) the supervision costs to the sectors supervised by the CBA and certain fees that are charged to the banking sector. It also contains administrative fines that are recognized as revenue only after these fines 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 are recorded as an ‘advance payment’ on the liability 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 comprise due from banks and banknotes. 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, 2020

Assets

The number in parentheses following the account description refers to the corresponding items in the condensed balance sheet.

Gold (1)

Effective December 31, 2001, the gold of the CBA is valued on a quarterly basis at the prevailing market price for gold. At December 31, 2020, the market price for gold per fine troy ounce was USD 1,891.10 or Afl. 3,385.07 (December 31, 2019: USD 1,523.00 or Afl. 2,726.17).

The following tables provide the quantity and the value, as well as the changes in the gold of the CBA as of December 31, 2020, when compared to the previous period.

	<u>Fine troy ounces</u>		<u>Value (Afl.)</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Gold	111,294.165	111,294.165	376,738,428	303,406,814
	December 31,		December 31,	
	2020		2019	
	Afl.		Afl.	
Gold as of beginning balance	303,406,814		255,325,898	
Net change in the value of gold	73,331,614		48,080,916	
Gold as of ending balance	376,738,428		303,406,814	

Foreign currency assets (2)

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

- Due from banks and other financial institutions (2.1)

Comprises current accounts held at financial institutions established in the Netherlands, United Kingdom, USA, and Curacao, and time deposits held at an international financial institution domiciled 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. 900,000, while in some exceptional cases a larger amount can be held. Furthermore, the ANG holding is limited to ANG 3,000,000, while in some exceptional cases a larger amount can be held. All the ratings of the financial institutions referred to above are in compliance with the CBA's investment guidelines. Current account and other money market instruments (such as short-term funds with maturities ranging from overnight to 1 year, e.g., certificates of deposit, as well as time deposits) are limited to a minimum credit rating of A-1 or P-1 or F1.

- Government and other papers (2.2)

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

1. U.S. government and U.S. agencies securities;
2. Securities issued by qualifying supranational financial institutions;
3. Asset-backed securities issued by qualifying institutions;
4. Money market instruments, comprising mostly certificates of deposit, time deposits, and treasury bills; and
5. Corporate bonds issued by the financial services industry, specifically banks and other financial institutions, and industrial sector.

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.

Investments in U.S. Treasury obligations and obligations directly or not directly guaranteed by the U.S. government and U.S. agency securities are limited to AA rated markets or equivalent, and all credits are limited to AAA rated markets or equivalent, while for money market instruments (excluding U.S. Treasury bills) the minimum investment grade is S&P A-1, Moody's P-1 or Fitch F-1.

For securities with split ratings, the highest rating is applied. In April 2020, the CBA revised the section "Credit Quality" of its investment guidelines to include reporting and advice obligations of the asset managers following a downgrade of a security to a level below the minimum credit quality as specified in the guidelines, by one or more of the three rating agencies, being Standard & Poor's, Moody's, and Fitch. Also, the CBA lowered the minimum credit rating threshold for corporate bonds in its investment guidelines from A to A- in August 2020.

The investment guidelines also maximize the share of eligible investment instruments within each investment portfolio, as well as their minimum credit quality. As of December 31, 2020, the investments of the CBA consisted entirely of U.S. dollar denominated fixed income securities.

During 2020, the value of the government and other papers held by the CBA increased by Afl. 394,742,564 (+ 29.8 percent) to Afl. 1,719,615,523 as of December 31, 2020 (December 31, 2019: Afl. 1,324,872,959). This increase was mainly attributed to net cash transfers in the amount of Afl. 349,050,000 from the CBA's current account held at a financial institution in the U.S.A. to replenish the investment portfolio. In addition, during the year 2020, the CBA's government and other papers provided Afl. 33,628,906 in interest income, as well as the change in the market value of the CBA's investment portfolio (revaluation account) (+ Afl. 9,133,491). The net change in the market value of the CBA's investment portfolio (as reflected in the revaluation account) was brought about by unrealized net capital gains, mainly resulting from the drop in both the yield on the 3-year and the 2-year US Treasury Notes during 2020.

- *Other (2.3)*

This foreign currency assets item consists of accrued interest earned on the CBA's government and other papers, as well as banknotes held by the CBA in foreign currencies.

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 item ‘receivables’ as of December 31, 2020, and December 31, 2019.

	December 31, 2020 Afl.	December 31, 2019 Afl.
Loans, mortgages, and advances to personnel	7,488,223	6,812,703
Prepaid expenses	896,192	1,009,392
Receivables passed-on supervision costs	306,800	263,036
Receivables (net) related to the exchange rate margin compensation	790,161	660,406
Various	720,806	355,416
Total	10,202,182	9,100,953

During the year 2020, the receivables grew by Afl. 1,101,229 (+ 12.1 percent) to Afl. 10,202,182 as of December 31, 2020 (December 31, 2019: Afl. 9,100,953). This net increase was mostly attributed to the items ‘loans, mortgages, and advances to personnel’ (+ Afl. 675,520), ‘various’ (+ Afl. 365,390), and ‘receivables (net) related to the exchange rate margin compensation’ (+ Afl. 129,755). The rises in the items ‘loans, mortgages, and advances to personnel’, when compared to December 31, 2019, were mainly associated with new mortgage loans, personal loans, and advances granted to CBA employees during the year 2020. The increase in the item ‘various’, when compared to December 31, 2019, resulted mainly from expenses prepaid by the CBA on behalf of the Government of Aruba (GoA) for an amount of Afl. 447,715, which, as per agreement with the government, will be settled with the profit distribution over the year 2020. The expansion in the item ‘receivables (net) related to the exchange rate margin compensation’, when compared to December 31, 2019, resulted from a higher fee of exchange rate margin compensation earned in December 2020, which was collected from the commercial banks during January 2021. The aforementioned rise was partly offset by a drop in the item ‘prepaid expenses’ (- Afl. 113,200), compared to December 31, 2019. The decrease in the item ‘prepaid expenses’ related primarily to the amortization of prepaid licenses during the year 2020, when compared to 2019.

- *Stock of coins and printing cost banknotes (3.2)*

This item consists of commemorative coins available for sale, as well as the printing costs related to the 2019 series Aruban florin banknotes.

- *Other fixed assets and premises (3.3)*

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

In Afl. thousands	Building, renovations, parking space and landscaping Afl.	Computer hardware & software Afl.	Other assets Afl.	Total Afl.
<u>As of January 1, 2020</u>				
Cost	15,559	13,544	12,379	41,482
Accumulated depreciation	(7,804)	(10,973)	(9,266)	(28,043)
Book value as of January 1, 2020	7,755	2,571	3,113	13,439
<u>Changes during the year:</u>				
Additions	29	2,614	247	2,890
Disposals	-	-	(77)	(77)
Depreciation expenses	(163)	(1,444)	(666)	(2,273)
Depreciation on disposals	-	-	77	77
Net changes during the year	(134)	1,170	(419)	617
<u>As of December 31, 2020</u>				
Cost	15,588	16,158	12,549	44,295
Accumulated depreciation	(7,967)	(12,417)	(9,855)	(30,239)
Book value as of December 31, 2020	7,621	3,741	2,694	14,056

- *Projects in progress (3.4)*

The following table provides the changes in the ongoing projects on the balance sheet of the CBA in 2020.

In Afl. thousands	Project in progress Afl.
<u>As of January 1, 2020</u>	
Beginning balance	<u>5,151</u>
<u>Changes during the year</u>	
Additions	2,363
Reclassification to capital asset accounts	(2,707)
Adjustment beginning balance	<u>(17)</u>
Net changes during the year	<u>(361)</u>
<u>As of December 31, 2020</u>	
Ending balance	<u>4,790</u>

The projects in progress amounted to Afl. 4,790,392 as of December 31, 2020 (December 31, 2019: Afl. 5,151,199). When completed, the acquired assets are transferred to their respective capital asset accounts within the category 'Other fixed assets' or 'Premises', and, subsequently, the depreciation of these assets will initiate.

Liabilities**Bank notes in circulation (1)**

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

Afl. Denomination	Value	
	December 31, 2020	December 31, 2019
	Afl.	Afl.
5.00	879,085	879,400
10.00	9,886,260	9,571,840
25.00	22,678,075	20,378,300
50.00	18,545,050	18,414,200
100.00	240,541,900	202,548,100
200.00	9,113,800	6,160,600
500.00	925,500	928,000
	302,569,670	258,880,440

As at December 31, 2020, the banknotes in circulation consisted of both the 2003 series florin banknotes still in hands of the public and which can be exchanged in accordance with article 8 paragraph 3 of the CBO for new 2019 series florin banknotes up to and including June 3, 2049 (8.1 percent), and the 2019 series florin banknotes (91.9 percent).

Deposits of residents (2)**- Government (2.1)**

This item consists of deposits of the GoA held at the CBA.

- Commercial banks (2.2)

This item comprises:

	December 31, 2020	December 31, 2019
	Afl.	Afl.
Current accounts	1,130,992,276	458,954,630
Reserve requirement	279,146,000	452,350,000
Time deposits	-	286,000,000
	1,410,138,276	1,197,304,630

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. These mandatory deposits are not accessible to the commercial banks.

In March 2020, the reserve requirement was lowered from 12 percent to 11 percent, and in April 2020 it was reduced further to 7 percent in order to provide ample liquidity to the commercial banks following the adverse economic developments resulting from the COVID-19 pandemic. Given the unprecedented developments due to the COVID-19 pandemic, the CBA lowered its time deposit interest rates set at a range of 0.025 percent to 0.100 percent to zero starting March 30, 2020, in order to encourage the commercial banks to step up their lending activities.

- *Other (2.3)*

This item consists of deposits of public nonfinancial corporations and other institutions held at the CBA.

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 item 'Payables and accrued expenses' of the CBA as of December 31, 2020, and December 31, 2019.

	December 31, 2020 Afl.	December 31, 2019 Afl.
Unclaimed principal/ coupons of Aruban government securities	364,110	1,381,405
Foreign exchange commission collected and due to the Government of Aruba	391,148	634,224
Wage tax, social premiums, and pension contributions withheld	58,565	79,423
Accrual for asset management fee and custodian charges	349,390	301,427
Payable usage clearing system fee	132,544	-
Transfer in transit	6,402	-
Accrual vacation allowance	363,114	363,114
Advance payments related to administrative fines imposed	1,318,000	2,000,332
Other payables	1,097,554	972,039
Total	4,080,827	5,731,964

The net decrease in the payables and accrued expenses, amounting to Afl. 1,651,137 (- 28.8 percent), was associated mainly with the reductions in the items 'unclaimed principal/coupons of Aruban government securities' (- Afl. 1,017,295), 'advance payments received related to administrative fines imposed' (- Afl. 682,332), as well as 'foreign exchange commission collected and due to the Government of Aruba' (- Afl. 243,076) as of end-December 2020, when compared to end-December 2019. The drop 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 which were paid out before end-December 2020. During the year 2020, several payments stemming from administrative fines that were imposed and collected by the CBA in the previous years, and taking into account that these administrative fines became irrevocable, were recognized as revenue. This caused a drop in the item 'advanced payments received related to administrative fines imposed'. The lower amount of foreign exchange commission collected and due to the Government of Aruba in 2020, when compared to the previous year, resulted in a lower amount outstanding as of December 31, 2020 (Afl. 391,148), when compared to 2019 (Afl. 634,224). The aforementioned drop was partly offset by an increase in the item 'payable usage clearing fee' (+ Afl. 132,544), compared to December 31, 2019. As per the terms of the contract signed between the CBA and the commercial banks for the use of the IP CSM, in January 2021, the CBA performed an assessment of the actual transactions executed by the commercial banks in 2020 compared to the previously estimated transactions in 2020. Since the actual transactions processed through the IP CSM surpasses the estimated transactions, the CBA lowered the actual tariff charged to the commercial banks per transaction retrospectively, which results in a reimbursement of the excess payments made by the commercial banks for the usage clearing system fee for the year 2020. This amount will be settled with the transaction fee payable by the commercial banks covering the month of January 2021, which is due in February 2021.

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 well as a detailed overview of this balance sheet item as of December 31, 2020 and December 31, 2019.

	December 31, 2020 Afl.	December 31, 2019 Afl.
Revaluation account as of beginning balance	215,526,336	141,694,882
Net changes in the market value of gold	73,331,614	48,080,916
Net changes in the market value of foreign exchange	(16,911)	12,721
Net changes in the market value of securities	9,133,491	25,737,817
Revaluation account as of ending balance	297,974,530	215,526,336

	December 31, 2020 Afl.	December 31, 2019 Afl.
Gold	267,795,327	194,463,713
Foreign exchange	(310,665)	(293,754)
Investment portfolio	30,489,868	21,356,377
	297,974,530	215,526,336

During 2020, the market price of gold per fine troy ounce increased by USD 368.10 (Afl. 658,90) or 24.2 percent, compared to year-end 2019, thereby positively impacting the CBA's revaluation account (see note on Gold). In addition, during the period under review, the yield on the 3-year US Treasury Notes decreased by 145 basis points to 0.17 percent as of December 31, 2020 (December 31, 2019: 1.62 percent), while the yield on the 2-year US Treasury Notes also fell by 145 basis points to 0.13 percent as of December 31, 2020 (December 31, 2019: 1.58 percent), resulting in unrealized net capital gains, thereby raising the value of the CBA's revaluation account as of December 31, 2020. These sharp decreases in the 3-year and 2-year US Treasury Notes stemmed from the cut by the Federal Reserve of its short-term interest rate to near zero, as an emergency monetary policy action in wake of the COVID-19 pandemic in order to prevent financial market disruptions similar to those that occurred during the financial crisis over a decade ago. On the other hand, the revaluation account was in part negatively impacted by the fluctuations in the exchange rate of the euro during 2020. The CBA's deposits in euros are held with the DNB primarily to meet GoA's payment needs. Overall, the aforementioned developments resulted, on balance, in an increase in the revaluation account, amounting to Afl. 82,448,194 (+ 38.3 percent) at end-December 2020.

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, 2020.

- *General reserve (7.2)*

This item comprises:

	December 31, 2020 Afl.	December 31, 2019 Afl.
Beginning balance	84,103,532	81,609,840
Retained earnings	5,935,907	2,493,692
Ending balance	90,039,439	84,103,532

In 2020, an amount of Afl. 20,000,000 was approved by the BoSD as profit distribution to the GoA, which, after settlement with several items, resulted in a transfer of the net amount of Afl. 19,876,845 to the Government of Aruba as profit distribution in December 2020. The remaining amount of the undistributed earnings pertaining to the year 2019, amounting to Afl. 5,935,907, was allocated to the general reserves of the CBA.

4. NOTES TO THE CONDENSED PROFIT AND LOSS ACCOUNT FOR THE YEAR 2020

The number in parentheses following the account description refers 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 2020, and the year 2019.

	2020	2019
	Afl.	Afl.
Interest revenues (net of expenses)	37,113,050	38,753,087
Interest expenses	(49,595)	(210,534)
Net interest revenues	37,063,455	38,542,553

When compared to the previous year, total (net) interest revenues decreased by Afl. 1,479,098 (-3.8 percent) to Afl. 37,063,455 at end-2020 (2019: Afl. 38,542,553). This decrease in the (net) interest revenues was attributed mainly to declines in the interest income from the investment portfolio, the interest income from the Lending Facility, as well as the interest income from current account deposits. The drop in the interest income from the investment portfolio was largely caused by the early repayment of securities due to the COVID-19 pandemic. The drop in the interest from the Lending Facility provided by the CBA was due to the fact that no loan was granted by the CBA in 2020, when compared to 2019. The contraction in the interest received from current account deposits was primarily caused by the cut by the Federal Reserve of its short-term interest rate to near zero as an emergency policy action to support the U.S. economy significantly affected by the COVID-19 pandemic. These reduced interest incomes were partly offset by higher realized gains from the investment portfolios, mainly driven by the active management strategy pursued by the asset managers to take advantage of short-term trading opportunities in order to generate greater returns, while keeping the related financial risks of the investment portfolios as low as possible.

Interest rates on current account deposits, if applicable, and on time deposits held with the CBA are weekly determined, by using the U.S. money market rates as reference rate and the available liquidity within the local financial system. These are 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. In conformity herewith, however, given the unprecedented economic developments in Aruba due to the COVID-19 pandemic, the CBA lowered all its time deposit interest rates ranging from 0.025 percent to 0.100 percent to zero, starting March 30, 2020, in order to encourage the commercial banks to step up their lending activities. This led to a decrease in the interest expenses on time deposits held with the CBA during 2020, when compared to the previous year.

Other revenues (2)

The other revenues consist of foreign exchange revenues, coins revenues, revenues from 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 2020 and the year 2019.

	2020	2019
	Afl.	Afl.
Foreign exchange revenues	7,049,272	1,471,347
Coins revenues	507,345	1,101,743
Exchange rate margin compensation	8,037,129	9,511,740
Various revenues	2,760,279	3,263,048
Total	18,354,025	15,347,878

When compared to the previous year, total other revenues increased by Afl. 3,006,147 (+ 19.6 percent) to Afl. 18,354,025 in 2020 (2019: Afl. 15,347,878). This increase in the total other revenues is mainly due to an increase in foreign exchange revenues. For the year 2020, total foreign exchange revenues increased by Afl. 5,577,925 (+ 379.1 percent) to Afl. 7,049,272 (2019: Afl. 1,471,347). This increase was partly offset by decreases in 'exchange rate margin compensation' (- Afl. 1,474,611), 'coins' Afl. 594,398, and 'various' (- Afl. 502,769).

For the year 2020, the other revenues category 'various' decreased by Afl. 502,769 (- 15.4 percent) to Afl. 2,760,279 (2019: Afl. 3,263,048). The table below indicates that this decrease was mostly attributed to a drop in the item 'other income' (- Afl. 427,320). The latter contraction was mainly due to higher operational expenses related to the new IP CSM platform, which was introduced in January 2020, when compared to the expenses of the previous clearing system in 2019.

	2020	2019
	Afl.	Afl.
Passed on supervision costs	1,584,438	1,590,002
Administrative fines	1,203,790	1,273,675
Other income	(27,949)	399,371
Various revenues	2,760,279	3,263,048

Personnel expenses (4)

The following table provides a specification of the personnel expenses incurred by the CBA during the year 2020 and the year 2019.

	2020	2019
	Afl.	Afl.
Salaries and social security expenses	16,803,059	16,522,887
Courses, seminars, and education expenses	184,236	1,229,643
Other personnel expenses	682,745	859,268
Total	17,670,540	18,611,798

At December 31, 2020, the CBA employed 107 persons full-time (December 31, 2019: 104 persons).

Operating expenses (5)

The following table provides a specification of the operating expenses incurred by the CBA during the year 2020 and the year 2019.

	2020	2019
	Afl.	Afl.
Utilities	378,349	459,346
Cleaning and maintenance	618,323	619,192
License and maintenance computers	1,627,322	1,757,438
Fire insurance and property tax	238,617	244,797
Telephone	196,461	206,642
Office supplies	102,431	120,342
Training and conferences CBA Committees	-	67,575
Donations	85,083	175,158
Legal	679,751	482,857
Other consultancy services	908,697	960,371
Literature, subscription, and membership contributions	251,824	254,726
Seminars organized/hosted by the CBA	50,709	270,800
Other expenses	843,188	1,110,136
Total	5,980,755	6,729,380

In the year 2020, total operating expenses decreased by Afl. 748,625 (- 11.1 percent) to Afl. 5,980,755 (2019: Afl. 6,729,380). This (net) decrease was largely caused by drops in the following items: ‘other expenses’ - Afl. 266,948 (- 24.0 percent), ‘seminars organized/hosted by the CBA’ - Afl. 220,091 (- 81.3 percent), and ‘license and maintenance computers’ - Afl. 130,116 (- 7.4 percent). The decline in the item ‘other expenses’ related mostly to lower advertisement expenses paid in 2020, when compared to the year before. In 2019, advertisement and promotional expenses were incurred in connection with the emission of the new 2019 series florin banknotes in June 2019. The drop in the item ‘seminars organized/hosted by the CBA’ was mainly due to fewer seminars organized by the CBA during 2020, when compared to the previous year, since the planned seminars were postponed due to the COVID-19 pandemic. The contraction in the item ‘license and maintenance computers’ related mainly to fewer software licenses acquired in 2020, when compared to the same period a year earlier.

Depreciation expenses (6)

	2020	2019
	Afl.	Afl.
Depreciation other fixed assets	2,110,373	1,809,469
Depreciation CBA premises	162,992	161,482
Total	2,273,365	1,970,951

5. Commitments

As of December 31, 2020, the CBA had the following material capital commitments outstanding, which are not reflected in the current financial statements:

- Commitment for the purchase and implementation of a data warehouse software amounting to Afl. 959,888
- Commitment for the renewal of the hardware platform amounting to Afl. 197,228.

6. Contingencies

As of December 31, 2020, the CBA was not involved in any legal proceedings or other business activities for which a contingent liability or a contingent asset may arise.

7. Significant event – Covid-19 pandemic

Due to the severe economic and financial impact of the Coronavirus (COVID-19), the Executive Committee of the CBA made an assessment of its effects on the future results, cash flows, and financial position of the CBA.

The Executive Committee emphasizes that as per the date of issuance of these financial statements, it is not possible to estimate with a high level of precision what the eventual consequences of the COVID-19 pandemic will be on the (Aruban) economy nor on the CBA's future results, cash flows, and financial position.

Notwithstanding this uncertainty and based upon currently available information, the Executive Committee assessed the CBA's future results, cash flows, and financial position by estimating the impact of the COVID-19 on the CBA's investment portfolio and operational costs.

Overall, based upon the financial projections made for 2021, the Executive Committee expects to generate a net profit for the calendar year 2021, notwithstanding the ongoing COVID-19 pandemic. It must be noted that the projections are based on different assumptions and that the uncertainties as a result of the COVID-19 pandemic are high. As such, the projections are prone to downside risks.

Overall, based on its assessment of the impact of the COVID-19 pandemic for the year 2021, and taking into account the uncertainties that exist as per the date of issuance of these financial statements, the Executive Committee concludes that it does not consider the impact to cast significant doubt upon the CBA's ability to continue as a going concern.

8. Subsequent events after the balance sheet date

There are no events after the reporting period that could have a (significant) effect on the 2020 financial statements, except as noted elsewhere in these financial statements.

Independent auditors report on the condensed financial statements

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

Opinion

The condensed financial statements, which comprise the condensed balance sheet as at December 31, 2020, the condensed profit and loss account, the condensed cashflow statement for the year then ended, and notes to the condensed balance sheet and the condensed profit and loss account, are derived from the audited financial statements of Centrale Bank van Aruba ("the CBA") for the year ended December 31, 2020.

In our opinion, the accompanying condensed financial statements are consistent, in all material respects, with the audited financial statements, on the basis described in the notes to the condensed financial statements.

Condensed financial statements

The condensed financial statements do not contain all the disclosures required by Guideline (EU) 2019/2217 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2019/34) as issued by the Governing Council of the European Central Bank. Reading the condensed financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements of the CBA and our auditor's report thereon.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements 2020 of the CBA in our auditor's report dated February 18, 2021. That report includes an Emphasis of matter paragraph and an Other matter paragraph. The Emphasis of matter paragraph draws attention to chapter 7 of the financial statements that describes the economic and social consequences the CBA is facing as a result of the consequences of the Covid-19. The Other matter paragraph draws attention to the financial statements of the CBA for the year ended December 31, 2019 that were audited by another auditor who expressed an unmodified opinion on those financial statements on April 17, 2020.

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.

Responsibilities of the President, Executive Directors and the 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 in accordance with the notes to the condensed financial statements.

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



Auditor's responsibilities

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, May 12, 2021

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for Ernst & Young

(Sgd.) Garrick de Cuba, MSc, RA