

# CONDENSED FINANCIAL STATEMENTS 2021



June 13, 2022

CENTRALE BANK VAN ARUBA

ERNST & YOUNG  
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PURPOSES ONLY

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

	<i>As of</i> <u>December 31, 2021</u>	<i>As of</i> <u>December 31, 2020</u>
<i>Assets</i>		
<b>1. Gold</b>	<b>362,594,052</b>	<b>376,738,428</b>
<b>2. Foreign currency assets</b>		
2.1 Due from banks and other financial institutions	269,859,178	104,750,723
2.2 Government and other papers	2,107,535,693	1,719,615,523
2.3 Other	5,041,663	7,678,721
	<u><b>2,382,436,534</b></u>	<u><b>1,832,044,967</b></u>
<b>3. Other assets</b>		
3.1 Receivables	11,557,356	10,202,182
3.2 Stock of coins and printing cost banknotes	3,215,453	4,333,981
3.3 Other fixed assets and premises	12,426,500	14,056,288
3.4 Projects in progress	6,660,952	4,790,392
	<u><b>33,860,261</b></u>	<u><b>33,382,843</b></u>
	<u><b>2,778,890,847</b></u>	<u><b>2,242,166,238</b></u>


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

	<i>As of</i> <i><u>December 31, 2021</u></i>	<i>As of</i> <i><u>December 31, 2020</u></i>
<i>Liabilities and equity</i>		
<b>1. Banknotes in circulation</b>	<b>298,554,060</b>	<b>302,569,670</b>
<b>2. Deposits of residents</b>		
2.1 Government	41,748,760	95,360,877
2.2 Commercial banks	2,060,214,156	1,410,138,276
2.3 Other	984,309	1,268,028
	<b>2,102,947,225</b>	<b>1,506,767,181</b>
<b>3. Deposits of nonresidents</b>	<b>96,805</b>	<b>148,676</b>
<b>4. Money in custody</b>	<b>2,194,877</b>	<b>2,194,344</b>
<b>5. Payables and accrued expenses</b>	<b>4,070,726</b>	<b>4,080,827</b>
<b>6. Revaluation account</b>	<b>246,256,879</b>	<b>297,974,530</b>
<b>7. Capital and reserves</b>		
7.1 Capital	10,000,000	10,000,000
7.2 General reserve	95,039,439	90,039,439
	<b>105,039,439</b>	<b>100,039,439</b>
<b>Net result for the year</b>	<b>19,730,836</b>	<b>28,391,571</b>
	<b><u>2,778,890,847</u></b>	<b><u>2,242,166,238</u></b>



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

	<u>2021</u>	<u>2020</u>
1. Net interest revenues	27,502,742	37,063,455
2. Other revenues	19,708,164	18,354,025
<b>Total net income</b>	<b>47,210,906</b>	<b>55,417,480</b>
3. Amortization of stock of banknotes	1,101,249	1,101,249
4. Personnel expenses	18,438,520	17,670,540
5. Operating expenses	5,535,853	5,980,755
6. Depreciation expenses	2,404,448	2,273,365
<b>Total expenses</b>	<b>27,480,070</b>	<b>27,025,909</b>
<b>Net result</b>	<b>19,730,836</b>	<b>28,391,571</b>

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CENTRALE BANK VAN ARUBA	CONDENSED CASH FLOW STATEMENT	
	(Afl.)	
	<u>2021</u>	<u>2020</u>
<b>Operating activities</b>		
Net result	<b>19,730,836</b>	<b>28,391,571</b>
<u>Adjustments for</u>		
Depreciation expenses	2,404,448	2,273,365
Amortization expenses	1,101,249	1,101,249
Adjustment in beginning balance/write off projects in progress	48,989	17,480
	<b>3,554,686</b>	<b>3,392,094</b>
<u>Changes in working capital</u>		
(Increase) in receivables	(1,355,174)	(1,101,229)
Decrease/(increase) in stock of coins and printing costs banknotes	17,279	(31,415)
(Decrease)/increase in banknotes in circulation	(4,015,610)	43,689,230
Net increase in deposits of residents and nonresidents	596,128,173	286,669,555
Increase in money in custody	533	380,984
(Decrease) in payables and accrued expenses	(10,101)	(1,651,137)
	<b>590,765,100</b>	<b>327,955,988</b>
<b>Total cash flow from operating activities</b>	<b>614,050,622</b>	<b>359,739,653</b>
<b>Investment activities</b>		
Net investments in premises, other fixed assets and projects in progress	(2,694,209)	(2,547,350)
Net investments in government and other papers	(425,458,037)	(385,609,073)
Net change in interest receivables from foreign currency assets	2,700,235	(1,271,909)
<b>Total cash flow (used in) investment activities</b>	<b>(425,452,011)</b>	<b>(389,428,332)</b>
<b>Financing activities</b>		
Profit distribution	(23,391,571)	(20,000,000)
<b>Total cash flow (used in) financing activities</b>	<b>(23,391,571)</b>	<b>(20,000,000)</b>

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

	<u>2021</u>	<u>2020</u>
<b>Total net increase/(decrease) in cash and cash equivalents</b>	<b>165,207,040</b>	<b>(49,688,679)</b>
<b>Cash and cash equivalents as of January 1</b>	<b>105,054,847</b>	<b>154,760,437</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies	(35,408)	(16,911)
<b>Cash and cash equivalents as of December 31</b>	<b>270,226,479</b>	<b>105,054,847</b>
<b>Cash and cash equivalents comprise:</b>		
Due from banks and other financial institutions as of December 31	269,859,178	104,750,723
Banknotes as of December 31	367,301	304,124
	<u><b>270,226,479</b></u>	<u><b>105,054,847</b></u>

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**NOTES TO THE CONDENSED BALANCE SHEET AS OF DECEMBER 31, 2021 AND THE CONDENSED PROFIT AND LOSS ACCOUNT FOR THE YEAR 2021**


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**1. GENERAL**

For publication purposes, the Centrale Bank van Aruba (CBA) prepared the 2021 condensed financial statements derived from the CBA's audited financial statements 2021, 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 2021 in its report dated May 18, 2022. 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 condensed 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 stated in article 31 sub 2, which stipulates that the changes that occurred during a financial year in the value of the gold and foreign exchange reserves and the business assets of the CBA, except those relating to the assets in which the capital and reserves have been invested, are recorded on the liability side of the balance sheet, and shall not be included in the compilation of the profit and loss account. The CBA, therefore, records these changes in the Revaluation account. This accounting policy deviates from the ESCB Guidelines, as this guideline states that, in contrast to the CBO, unrealized losses that 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 benefits 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 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 2021.

## **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 2019 series 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 of December 31, 2021. 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 nonresidents, 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 that 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 amounts 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 once these fines have become irrevocable. This stage in the legal process is reached when all the rights of appeal of 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, 2021

### 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, 2021, the market price for gold per fine troy ounce was USD 1,820.10 or Afl. 3,257.98 (December 31, 2020: USD 1,891.10 or Afl. 3,385.07 ).

The following tables provide the quantity and the value, as well as the changes in the gold of the CBA as of December 31, 2021, when compared to the previous period.

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	<u>Fine troy ounces</u>		<u>Value (Afl.)</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Gold</b>	111,294.165	111,294.165	362,594,052	376,738,428
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2021</b>		<b>2020</b>	
	<b>Afl.</b>		<b>Afl.</b>	
<b>Gold as of beginning balance</b>		376,738,428		303,406,814
Net change in the value of gold		(14,144,376)		73,331,614
<b>Gold as of ending balance</b>		<b>362,594,052</b>		<b>376,738,428</b>

Foreign currency assets (2)

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

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

Comprises current accounts held at De Nederlandsche Bank (DNB), the Bank of England (BOE), the Federal Reserve Bank of New York (FRNY), the Centrale Bank van Curaçao en St. Maarten (CBCS), and other financial institutions in the U.S.A. and time deposits held at the Fondo Latinoamericano de Reservas (FLAR). In order to minimize foreign exchange risk, 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 mentioned previously 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 Standard & Poor's (S&P) A-1 or Moody's P-1 or Fitch F1.

- *Government and other papers (2.2)*

Consist of investments through CBA's external asset managers, based on the 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. Mortgage-Backed securities issued by qualifying institutions;
5. Money market instruments, comprising mostly certificates of deposit, time deposits, and treasury bills; and
6. Corporate bonds issued by the financial services industry, specifically banks and other financial institutions, and the 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 Notes and securities 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 S&P, Moody's, and Fitch. Also, the CBA amended 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, 2021, the investments of the CBA consisted entirely of U.S. dollar denominated fixed income securities.

During 2021, the government and other papers held by the CBA increased by Afl. 387,920,170 (+ 22.6 percent) to Afl. 2,107,535,693 as of December 31, 2021 (December 31, 2020: Afl. 1,719,615,523). This increase was mainly attributed to net cash transfers in the amount of Afl. 393,800,000 from the CBA's current account held at a financial institution in the U.S.A. to replenish its investment portfolio. In addition, the item 'government and other papers' was positively impacted by interest income received (+ Afl. 33,872,261). The effect of these increases was partially offset by the net change in the market value of the CBA's investment portfolio (revaluation) (- Afl. 37,537,867) (see note 3. 'Revaluation account'). The net change in the market value of the CBA's investment portfolio (as reflected in the revaluation account) was negatively impacted by the mark-to-market adjustments stemming from the upward movements in the interest rates during 2021, which was expected based on the inverse relationship between bonds prices and yields. The yield curve shifted higher at the end of 2021 as financial markets anticipated a faster pace of asset purchase tapering by the Fed and earlier than initially anticipated policy rate hikes in 2022. Consequently, the bond market ended the month of December 2021 with the yields on the 2-year US Treasuries and 3-year US Treasuries 60 basis points (bps) and 80 bps higher at 0.73 percent and 0.97 percent, respectively, compared to end-December 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, 2021, and December 31, 2020.

	<b>December 31, 2021 Afl.</b>	<b>December 31, 2020 Afl.</b>
Loans, mortgages, and advances to personnel	8,365,370	7,488,223
Prepaid expenses	793,870	896,192
Receivables passed on supervision costs	299,977	306,800
Receivables (net) related to the exchange rate margin compensation	1,110,918	790,161
Prepayments on behalf of the Government of Aruba	662,198	561,746
Receivables relating to administrative fines imposed on supervised institutions	273,542	70,000
Various	51,481	89,060
<b>Total</b>	<b>11,557,356</b>	<b>10,202,182</b>

During the year 2021, the receivables surged by Afl. 1,355,174 (+ 13.3 percent) to Afl. 11,557,356 as of December 31, 2021 (December 31, 2020: Afl. 10,202,182). This net increase was mostly attributed to the items ‘loans, mortgages, and advances to personnel’ (+ Afl. 877,147), ‘receivable (net) related to the exchange rate margin compensation’ (+ Afl. 320,757), ‘receivables relating to administrative fines imposed on supervised institutions’ (+ Afl. 203,542), and ‘prepayments on behalf of the Government of Aruba’ (+ Afl. 100,452). The rise in the item ‘loans, mortgages, and advances to personnel’, when compared to December 31, 2020, was mainly associated with new mortgage loans granted to CBA employees during the year 2021. The expansion in the item ‘receivable (net) related to the exchange rate margin compensation’, when compared to December 31, 2020, resulted from a higher amount of exchange rate margin compensation earned in December 2021, which was collected from the commercial banks during January 2022. The increase in the item ‘receivables relating to administrative fines imposed on supervised institutions’, when compared to December 31, 2020, related to payment plans granted to supervised institutions for imposed administrative fines that became irrevocable in 2021. The aforementioned expansion in the ‘prepayments on behalf of the Government of Aruba’, as per agreement with the Government of Aruba (GOA), will be settled with the profit distribution over the year 2021. The aforementioned expansions were partly offset by a drop in the item ‘prepaid expenses’ (- Afl. 102,322), compared to December 31, 2020. This decrease is related primarily to the amortization of prepaid licenses during the year 2021, when compared to 2020.

- *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.
<b><u>As of January 1, 2021</u></b>				
Cost	15,588	16,158	12,549	44,295
Accumulated depreciation	(7,967)	(12,417)	(9,855)	(30,239)
<b>Book value as of January 1, 2021</b>	<b>7,621</b>	<b>3,741</b>	<b>2,694</b>	<b>14,056</b>
<b><u>Changes during the year:</u></b>				
Additions	68	289	133	490
Depreciation expenses	(151)	(1,329)	(609)	(2,089)
Adjustment - Cost	-	(37)	-	(37)
Adjustment - Accum. Depr	-	5	1	6
<b>Net changes during the year</b>	<b>(83)</b>	<b>(1,072)</b>	<b>(475)</b>	<b>(1,630)</b>
<b><u>As of December 31, 2021</u></b>				
Cost	15,656	16,410	12,682	44,748
Accumulated depreciation	(8,118)	(13,741)	(10,463)	(32,322)
<b>Book value as of December 31, 2021</b>	<b>7,538</b>	<b>2,669</b>	<b>2,219</b>	<b>12,426</b>

- *Projects in progress (3.4)*

The following table provides the changes in the ongoing projects on the balance sheet of the CBA in 2021.

<b>In Afl. thousands</b>	<b>Project in progress  Afl.</b>
<b><u>As of January 1, 2021</u></b>	
Beginning balance	<u>4,790</u>
<b><u>Changes during the year</u></b>	
Additions	2,695
Write offs	(326)
Reclassification to capital asset accounts	(490)
Adjustment beginning balance	(8)
<b>Net changes during the year</b>	<u>1,871</u>
<b><u>As of December 31, 2021</u></b>	
Ending balance	<u>6,661</u>

The projects in progress amounted to Afl. 6,660,952 as of December 31, 2021 (December 31, 2020: Afl. 4,790,392). 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.

<b>Afl.</b> <b>Denomination</b>	<b>Value</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
	<b>Afl.</b>	<b>Afl.</b>
5.00	878,790	879,085
10.00	10,480,120	9,886,260
25.00	22,212,400	22,678,075
50.00	18,165,650	18,545,050
100.00	235,910,700	240,541,900
200.00	10,019,400	9,113,800
500.00	887,000	925,500
	<b>298,554,060</b>	<b>302,569,670</b>

As at December 31, 2021, the banknotes in circulation consisted of both the 2003 series florin banknotes still in the 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 (7.8 percent), and the 2019 series florin banknotes (92.2 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:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
	<b>Afl.</b>	<b>Afl.</b>
Current accounts	1,519,443,156	1,130,992,276
Reserve requirement	540,771,000	279,146,000
	<b>2,060,214,156</b>	<b>1,410,138,276</b>

Current accounts of the commercial banks are primarily held for transaction purposes. The reserve requirement comprises of 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.

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Considering the rebound in economic activities, the monetary data, and the anticipated foreign exchange outflow following the full revocation of the imposed COVID-19 pandemic-related foreign exchange restrictions, the CBA raised the reserve requirement in September 2021 from 7 percent to 9 percent. Thereafter, the CBA increased the reserve requirement by 1 percentage point on a monthly basis, up to the pre-pandemic level of 12 percent as per end-December 2021.

During 2021, there were no changes in the CBA's time deposit interest rates, which stayed at zero percent as of 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, 2021, and December 31, 2020.

	December 31, 2021 Afl.	December 31, 2020 Afl.
Unclaimed principal/ coupons of Aruban government securities	856,182	364,110
Foreign exchange commission collected and due to the Government of Aruba	195,879	391,148
Wage tax, social premiums, and pension contributions withheld	59,019	58,565
Accrual for asset management fee and custodian charges	452,928	349,390
Payable usage clearing system fee	62,290	132,544
Transfer in transit	-	6,402
Accrual vacation allowance	417,400	363,114
Advance payments related to administrative fines imposed	1,020,000	1,318,000
Accounts payable	916,911	998,499
Other payables	90,117	99,055
<b>Total</b>	<b>4,070,726</b>	<b>4,080,827</b>

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During 2021, the payables and accrued expenses decreased by Afl. 10,101 (- 0.2 percent) to Afl. 4,070,726 as of December 31, 2021 (December 31, 2020: Afl. 4,080,827). This net decrease was mainly associated with reductions in the items 'advance payments received related to administrative fines imposed' (- Afl. 298,000), as well as 'foreign exchange commission collected and due to the Government of Aruba' (- Afl. 195,269), when compared to December 31, 2020. During the year 2021, several payments stemming from administrative fines imposed and collected by the CBA during the previous years became irrevocable and were recognized as revenue, causing a drop in the item 'advance payments received related to administrative fines imposed'. The decreased amount of foreign exchange commission collected and due to the GOA as of year-end 2021, when compared to the previous year, resulted in a lower amount outstanding as of December 31, 2021 (Afl. 195,879), when compared to 2020 (Afl. 391,148). The aforementioned decreases were partly offset by expansions in the items 'unclaimed principal/coupons of Aruban government securities' (+ Afl. 492,072), as well as 'accrual for asset management and custodian fees' (+ Afl. 103,538), as of end-December 2021, when compared to December 31, 2020. The rise 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 not paid out by end-December 2021, but in January 2022. The surge in the item 'accrual for asset management and custodian fees' reflected higher accruals related to the asset management and custodian fees over the last quarter of 2021, since the investment portfolio grew in size when compared to 2020. The invoices for these fees were received and subsequently paid in January 2022.

#### 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, 2021 and December 31, 2020.

	December 31, 2021 Afl.	December 31, 2020 Afl.
<b>Revaluation account as of beginning balance</b>	<b>297,974,530</b>	<b>215,526,336</b>
Net changes in the market value of gold	(14,144,376)	73,331,614
Net changes in the market value of foreign currencies	(35,408)	(16,911)
Net changes in the market value of securities	(37,537,867)	9,133,491
<b>Revaluation account as of ending balance</b>	<b>246,256,879</b>	<b>297,974,530</b>

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	<b>December 31, 2021 Afl.</b>	<b>December 31, 2020 Afl.</b>
Gold	253,650,951	267,795,327
Foreign currencies	(346,073)	(310,665)
Securities	(7,047,999)	30,489,868
	<b>246,256,879</b>	<b>297,974,530</b>

During 2021, the revaluation account contracted by Afl. 51,717,651 (- 17.4 percent) to Afl. 246,256,879, compared to December 31, 2020 (Afl. 297,974,530). This drop was mainly attributed to the revaluation of the investment portfolio that was negatively impacted during the period under review, because of the change in the market value of the securities within the portfolio as a result of the financial market developments in 2021, particularly December of that year. During the period under review, the yield on the 3-year US Treasury Notes increased by 80 basis points to 0.97 percent as of December 31, 2021 (December 31, 2020: 0.17 percent), while the yield on the 2-year US Treasury Notes rose by 60 basis points to 0.73 percent (December 31, 2020: 0.13 percent). In addition, the market price of gold dropped by USD 71 (Afl. 127.09) per fine troy ounce as of December 31, 2021, when compared to December 31, 2020, thereby negatively impacting the value of the CBA's revaluation account (see note 1. 'Gold'). Furthermore, the revaluation account was negatively impacted by the fluctuations in the exchange rate of the euro during 2021, thus affecting the value of the euro holdings vis-à-vis the florin. The CBA's holdings in euros are held on an account at the DNB primarily to meet the government's payment needs in this currency.

#### 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, 2021.

##### - *General reserve (7.2)*

This item comprises:

	<b>December 31, 2021 Afl.</b>	<b>December 31, 2020 Afl.</b>
<b>Beginning balance</b>	<b>90,039,439</b>	<b>84,103,532</b>
Retained earnings	5,000,000	5,935,907
<b>Ending balance</b>	<b>95,039,439</b>	<b>90,039,439</b>

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The undistributed profit related to the year 2020 amounted to Afl. 28,391,571. In the month of July 2021, in accordance with article 33 of the CBO, an amount of Afl. 23,391,571 was approved by the Minister of Finance, Economic Affairs and Culture as profit distribution to the GOA. In accordance with the agreement with the GOA, several items that were prepaid by the CBA for the GOA were settled with the profit distribution over the year 2020. Consequently, upon instruction from the GOA, the net amount of Afl. 22,854,356 was paid out on December 16, 2021. The GOA also agreed to allocate Afl. 5,000,000, being the remaining amount of the undistributed earnings pertaining to the year 2020, to the general reserves of the CBA.

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#### 4. NOTES TO THE CONDENSED PROFIT AND LOSS ACCOUNT FOR THE YEAR 2021

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 2021, and the year 2020.

	<b>2021</b>	<b>2020</b>
	<b>Afl.</b>	<b>Afl.</b>
Interest revenues (net of expenses)	27,505,019	37,113,050
Interest expenses	(2,277)	(49,595)
<b>Net interest revenues</b>	<b>27,502,742</b>	<b>37,063,455</b>

When compared to the previous year, total net interest revenues decreased by Afl. 9,560,713 (-25.8 percent) to Afl. 27,502,742 at year-end 2021 (2020: Afl. 37,063,455). This contraction in the (net) revenues was mainly attributed to declines in the realized gains on the CBA's investment portfolio (- Afl. 5,174,224), the interest income from the investment portfolio (- Afl. 3,730,325), as well as the interest on current account deposits (- Afl. 491,857) during 2021, when compared to 2020. The decline in realized gains from the investment portfolio as of December 31, 2021, when compared to December 31, 2020, was mainly driven by losses incurred due to the paydowns on mortgage-backed securities, as well as losses incurred on the securities that were called or repaid in 2021, that were purchased above par. In addition, the aforementioned decrease in the interest income from the investment portfolio was largely the result of reinvestment of matured and new funds at much lower interest rates during 2021. Furthermore, the drop in the interest earned on current account deposits during 2021, when compared to 2020, was mostly because the Federal Reserve Bank of New York lowered its interest rate on deposits in current account to zero in March 2020, to counteract the negative financial and economic effects of the COVID-19 pandemic on the U.S. economy. In June 2021, the Federal Reserve Bank of New York increased its interest rate on deposits in current account slightly to 0.05 percent.

Interest rates on current account deposits, if applicable, and on time deposits held with the CBA are weekly determined 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 2021, 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 2021 and the year 2020.

	<b>2021</b>	<b>2020</b>
	<b>Afl.</b>	<b>Afl.</b>
Foreign exchange revenues	5,799,826	7,049,272
Coins revenues	1,281,528	507,345
Exchange rate margin compensation	9,208,532	8,037,129
Various revenues	3,418,278	2,760,279
<b>Total</b>	<b>19,708,164</b>	<b>18,354,025</b>

When compared to the previous year, total other revenues increased by Afl. 1,354,139 (+ 7.4 percent) to Afl. 19,708,164 in 2021 (2020: Afl. 18,354,025). This increase in the total other revenues is mainly due to an increase in the exchange rate margin compensation revenues. For the year 2021, total exchange rate margin compensation revenues increased by Afl. 1,171,403 (+ 14.6 percent) to Afl. 9,208,532 (2020: Afl. 8,037,129). In addition, the items coins revenues and various revenues also expanded by Afl. 774,183 (+ 152.6 percent) to Afl. 1,281,528, and by Afl. 657,999 (+ 23.8 percent) to Afl. 3,418,278, respectively (2020: Afl. 507,345 and Afl. 2,760,279). The effect of these increases was partly offset by a decrease in ‘foreign exchange revenues’ (- Afl. 1,249,446 or - 17.7 percent).

For the year 2021, the other revenues category ‘various revenues’ increased by Afl. 657,999 (+ 23.8 percent) to Afl. 3,418,278 (2020: Afl. 2,760,279). The table below indicates that this rise was mostly attributed to an expansion in the item ‘administrative fines’ (+ Afl. 511,710). The latter increase was mainly related to higher amounts received as incidental revenues stemming from administrative fines imposed by the CBA on supervised financial institutions, when compared to the previous year. The CBA recognizes administrative fines as revenue only after these fines have become irrevocable.

	<b>2021</b>	<b>2020</b>
	<b>Afl.</b>	<b>Afl.</b>
Passed on supervision costs	1,588,916	1,584,438
Administrative fines	1,715,500	1,203,790
Other income	113,862	(27,949)
<b>Various revenues</b>	<b>3,418,278</b>	<b>2,760,279</b>

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#### Personnel expenses (4)

The following table provides a specification of the personnel expenses incurred by the CBA during the year 2021 and the year 2020.

	<b>2021</b>	<b>2020</b>
	<b>Afl.</b>	<b>Afl.</b>
Salaries and social security expenses	17,626,948	16,803,059
Courses, seminars, conferences and education expenses	250,513	184,236
Other personnel expenses	561,059	683,245
<b>Total</b>	<b>18,438,520</b>	<b>17,670,540</b>

At December 31, 2021, the CBA employed 104 persons full-time (December 31, 2020: 107 persons).

#### Operating expenses (5)

The following table provides a specification of the operating expenses incurred by the CBA during the year 2021 and the year 2020.

	<b>2021</b>	<b>2020</b>
	<b>Afl.</b>	<b>Afl.</b>
Utilities	442,399	378,349
Cleaning and maintenance	610,164	618,323
License and maintenance computers	1,771,095	1,627,322
Fire insurance and property tax	241,708	238,617
Telephone	194,860	196,461
Office supplies	80,213	102,431
Donations	93,158	85,083
Legal	479,701	679,751
Other consultancy services	596,933	908,697
Literature, subscription, and membership contributions	274,924	251,824
Seminars organized/hosted by the CBA	20,694	50,709
Other expenses	730,004	843,188
<b>Total</b>	<b>5,535,853</b>	<b>5,980,755</b>

In the year 2021, total operating expenses decreased by Afl. 444,902 (- 7.4 percent) to Afl. 5,535,853 (2020: Afl. 5,980,755 ). This (net) decrease was largely caused by drops in the following items: 'other consultancy services' - Afl. 311,764 (- 34.3 percent), 'legal' - Afl. 200,050 (- 29.4 percent), and 'other expenses' - Afl. 113,184 (- 13.4 percent). The decline in the item 'other consultancy services' is associated with lower expenses paid for consultancy services provided to the CBA during 2021, when compared to the previous year. The contraction in the item 'legal' related to less legal assistance requested by the CBA during 2021, when compared to a year earlier. The drop in the item 'other expenses' related mainly to advertisement and promotion expenses, and was largely due to decreased advertisement and promotional expenses incurred in 2021, when compared to the previous year, when the latter included advertisement and promotion expenses related to the launching of the IP CSM platform ( I-Pago) in 2020.

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The effect of these declines was partly offset by an increase in the category ‘license and maintenance computers’ + Afl. 143,773 (+ 8.8 percent), mainly because more software licenses were acquired in 2021, when compared to the same period of 2020.

#### Depreciation expenses (6)

	<b>2021</b>	<b>2020</b>
	<b>Afl.</b>	<b>Afl.</b>
Depreciation other fixed assets	2,253,957	2,110,373
Depreciation CBA premises	150,491	162,992
<b>Total</b>	<b>2,404,448</b>	<b>2,273,365</b>

### **5. Commitments**

As of December 31, 2021, 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 the new financial software packages amounting to Afl. 1,534,080;
- Commitment for the purchase and implementation of a data warehouse software amounting to Afl. 639,925;
- Commitment for the hardware revamp project amounting to Afl. 112,731.

### **6. Contingencies**

As of December 31, 2021, 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. Covid-19 pandemic**

Due to the severe economic and financial impact of the COVID-19 pandemic, the Executive Committee of the CBA assessed its effects on the future results, cash flows, and its financial position.

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 further consequences of the COVID-19 pandemic will be on the (Aruban) economy nor on the CBA’s future results, cash flows, and financial position.

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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 pandemic on:

- CBA's investment portfolio: In response to the ongoing COVID-19 pandemic, many central banks, including the U.S. Federal Reserve, have significantly cut interest rates and increased bank liquidity, among other things, to reduce interest rate costs and to meet the higher demand for credit from businesses and consumers. One of the effects of the aforementioned cut in interest rates is a decrease in the interest income on the current account deposits of the CBA held for immediate liquidity at financial institutions in the U.S.A..

Furthermore, a portion of the securities holdings in the CBA's investment portfolio has a callable feature covenant, meaning that these securities are redeemable by the issuer if it decides to pay off its debt before the set maturity date. The available funds are then reinvested into securities with much lower coupon rates. Also, a portion of the securities held in the CBA investment portfolio matured in 2021. The funds from these matured securities with a high coupon rate were also reinvested at much lower coupon rates. On the other hand, the foreign exchange holdings were positively impacted by the loans received by the GOA from the Dutch government as temporary liquidity support, as well as a renewed growth in foreign exchange earnings from tourism activities in Aruba. The CBA continues to closely monitor the developments in the international financial markets and remains in close contact with its asset managers in order to take timely measures if necessary.

- CBA's operational costs: For the year 2021, the CBA postponed some of the planned investment projects and reduced its operational costs. In the upcoming years, the CBA intends to maintain its precautionary spending policy, depending on the economic outlook of Aruba and developments in the international financial markets. As per the date of issuance of these financial statements, the operations of the CBA are running without major interruptions with teams mostly working onsite. The CBA is constantly monitoring the developments with regard to COVID-19 and its possible effects on its operations and, if needed, will take additional measures to ensure the continuity of its critical operations.

Overall, based on its assessment of the impact of the COVID-19 pandemic for the year 2021, and taking into account the uncertainties that still 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 2021 financial statements, except as noted elsewhere in these financial statements.

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## 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 of the Centrale Bank van Aruba ("the CBA"), which comprise the condensed balance sheet as at December 31, 2021, 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 the CBA for the year ended December 31, 2021.

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 balance sheet as of December 31, 2021 and the condensed profit and loss account for the year 2021.

### *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 the auditor's report thereon.

### *The audited financial statements and our report thereon*

We expressed an unmodified audit opinion on the audited financial statements 2021 of the CBA in our report dated May 18, 2022. 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 and the Executive 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 balance sheet as of December 31, 2021 and the condensed profit and loss account for the year 2021.

### *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, July 15, 2022  
12233602 091/gdc/vg

for Ernst & Young

(Sgd.) Garrick de Cuba, MSc, RA