

CONDENSED FINANCIAL STATEMENTS
2022



July 12, 2023

CENTRALE BANK VAN ARUBA

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

	<i>As of</i> <u>December 31, 2022</u>	<i>As of</i> <u>December 31, 2021</u> (Restated)
<i>Assets</i>		
1. Gold	361,050,124	362,594,052
2. Foreign currency assets		
2.1 Due from banks and other financial institutions	153,336,837	269,859,178
2.2 Government and other papers	2,276,486,089	2,107,535,693
2.3 Other	9,419,944	5,041,663
	<u>2,439,242,870</u>	<u>2,382,436,534</u>
3. Other assets		
3.1 Receivables	11,285,821	11,557,356
3.2 Stock of coins and printing costs banknotes	2,165,936	3,215,453
3.3 Other fixed assets and premises	13,449,920	12,426,500
3.4 Projects in progress	6,872,891	6,660,952
	<u>33,774,568</u>	<u>33,860,261</u>
	<u>2,834,067,562</u>	<u>2,778,890,847</u>

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

	<i>As of</i> <u>December 31, 2022</u>	<i>As of</i> <u>December 31, 2021</u> (Restated)
<i>Liabilities and equity</i>		
1. Banknotes in circulation	297,790,515	292,303,655
2. Deposits of residents		
2.1 Government	69,639,855	41,748,760
2.2 Commercial banks	2,193,704,582	2,060,214,156
2.3 Other	3,939,710	984,309
	<u>2,267,284,147</u>	<u>2,102,947,225</u>
3. Deposits of nonresidents	9,405,081	96,805
4. Money in custody	2,163,863	2,194,877
5. Payables and accrued expenses	4,481,091	4,070,726
6. Revaluation account	129,833,734	246,256,879
7. Capital and reserves		
7.1 Capital	10,000,000	10,000,000
7.2 General reserve	101,289,844	101,289,844
	<u>111,289,844</u>	<u>111,289,844</u>
Net result for the year	11,819,287	19,730,836
	<u>2,834,067,562</u>	<u>2,778,890,847</u>

CENTRALE BANK VAN ARUBA

**CONDENSED PROFIT AND LOSS
ACCOUNT
(Afl.)**

	<u>2022</u>	<u>2021</u>
1. Net interest revenues	20,728,036	27,502,742
2. Other revenues	19,777,566	19,708,164
Total net income	40,505,602	47,210,906
3. Amortization of stock of banknotes	1,101,249	1,101,249
4. Personnel expenses	19,107,069	18,438,520
5. Operating expenses	6,258,384	5,535,853
6. Depreciation expenses	2,219,613	2,404,448
Total expenses	28,686,315	27,480,070
Net result	11,819,287	19,730,836

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

	<u>2022</u>	<u>2021</u>
Operating activities		
Net result	11,819,287	19,730,836
<u>Adjustments for</u>		
Depreciation expenses	2,219,613	2,404,448
Amortization expenses	1,101,249	1,101,249
Adjustment in beginning balance/write off projects in progress	-	48,989
	3,320,862	3,554,686
<u>Changes in working capital</u>		
Decrease/(increase) in receivables	271,535	(1,355,174)
(Increase)/decrease in stock of coins and printing costs of banknotes	(51,732)	17,279
Increase/(decrease) in banknotes in circulation	5,486,860	(4,015,610)
Net increase in deposits of residents and nonresidents	173,645,198	596,128,173
(Decrease)/increase in money in custody	(31,014)	533
Increase/(decrease) in payables and accrued expenses	410,365	(10,101)
	179,731,212	590,765,100
Total cash flow from operating activities	194,871,361	614,050,622
Investment activities		
Net investments in other fixed assets, premises, and projects in progress	(3,454,972)	(2,694,209)
Net investments in government and other papers	(283,927,062)	(425,458,037)
Net change in interest receivables from foreign currency assets	(4,466,837)	2,700,235
Total cash flow (used in) investment activities	(291,848,871)	(425,452,011)
Financing activities		
Profit distribution	(19,730,836)	(23,391,571)
Total cash flow (used in) financing activities	(19,730,836)	(23,391,571)

CENTRALE BANK VAN ARUBA

**CONDENSED CASH FLOW STATEMENT
(Cont'd)**

(Afl.)

	<u>2022</u>	<u>2021</u>
Total net (decrease)/increase in cash and cash equivalents	(116,708,346)	165,207,040
Cash and cash equivalents as of January 1	270,226,479	105,054,847
Effects of exchange rate changes on the balance of cash held in foreign currencies	97,449	(35,408)
Cash and cash equivalents as of December 31	153,615,582	270,226,479
Cash and cash equivalents comprise:		
Due from banks and other financial institutions as of December 31	153,336,837	269,859,178
Banknotes as of December 31	278,745	367,301
	<u>153,615,582</u>	<u>270,226,479</u>

4. NOTES TO THE CONDENSED BALANCE SHEET AS OF DECEMBER 31, 2022 AND THE CONDENSED PROFIT AND LOSS ACCOUNT FOR THE YEAR 2022

1. GENERAL

For publication purposes, the Centrale Bank van Aruba (CBA) prepared the 2022 condensed financial statements derived from the CBA's audited financial statements 2022, 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 2022 in its report dated June 15, 2023. The CBO does not mandate 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 Committee and follow the same 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 following 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 transfers in Netherlands Antillean guilder (ANG) is also fixed at Afl. 1.00 as established by the CBA.

Comparison with previous year/Changes in accounting policies

The principles of valuation and determination of results remained unchanged in the year 2022.

Correction of an error

As of January 1, 2021, the unredeemed banknotes of the series 1990/1993 amounted to Afl. 6,284,955. In accordance with article 8 of the CBO, the unredeemed banknotes of the series 1990/1993 should have been recognized as income in the 2014 financial statements, which corresponds to ten years after they were officially withdrawn from circulation. In order to correct the aforementioned omission, the adjustment of the unredeemed banknotes of the series 1990/1993 was processed as a prior period adjustment in the opening balance of the general reserve of 2021.

The error was corrected by restating the affected financial statement line item for the prior periods as follows:

Impact on Banknotes in Circulation:

	2021
	Afl.
Beginning balance	302,569,670
Adjustment related to release of unredeemed banknotes of the series 1990/1993	(6,284,955)
Beginning balance after adjustment	296,284,715
Movement during the year	(3,981,060)
Ending balance	292,303,655

Impact on Capital and Reserves – General reserve:

	2021
	Afl.
Beginning balance	90,039,439
Adjustment related to release of unredeemed banknotes of the series 1990/1993	6,284,955
Beginning balance after adjustment	96,324,394
Banknotes of the series 1990/1993 received in 2021	(34,550)
Retained earnings	5,000,000
Ending balance after adjustment	101,289,844

The change did not have an impact on net result for the year 2021 nor on the operating, investing, and financing cash flows in 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 treatment is not in conformity with article 31, paragraph 2 of the CBO, which requires that changes in the valuation of the gold and foreign exchange reserves and business assets of the CBA occurring during the financial year should be reported on the liabilities side of the balance sheet. Therefore, in the (condensed) financial statements, unrealized losses are charged to the revaluation account.

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 costs banknotes

Printing costs banknotes consist of the printing costs related to the 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 five years, starting from June 2019, which is the month in which the 2019 series banknotes were 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 are valued at historical cost and include several projects still in the process of being executed as of December 31, 2022. 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 balance sheet date and the date on which the Executive Committee authorizes the submission of the CBA's financial statements to the Board of Supervising Directors for approval, if such events materially affect the condition of assets and liabilities at the balance sheet date. Important post-balance-sheet events that do not materially affect the condition of assets and liabilities at the balance sheet date are disclosed in the notes, if considered necessary.

Revenue recognition

Revenues consist of the following categories:

- Interest revenues, consist 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, are 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, are 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, are the amounts 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.
- Other revenues – various, include a number of smaller revenue items that are recognized in the period in which they are earned. This category comprises 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 adjusted for in the cash flow statement.

5. NOTES TO THE CONDENSED BALANCE SHEET AS OF DECEMBER 31, 2022

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, 2022, the market price for gold per fine troy ounce was USD 1,812.35 or Afl. 3,244.11 (December 31, 2021: USD 1,820.10 or Afl. 3,257.98).

The following tables provide the quantity and the value, as well as the changes in the gold of the CBA as of December 31, 2022, when compared to the previous period.

	<u>Fine troy ounces</u>		<u>Value (Afl.)</u>	
	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Gold	111,294.165	111,294.165	361,050,124	362,594,052
			December 31, 2022	December 31, 2021
			Afl.	Afl.
Gold as of beginning balance			362,594,052	376,738,428
Net change in the value of gold			(1,543,928)	(14,144,376)
Gold as of ending balance			361,050,124	362,594,052

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 a financial institution in Colombia.

During 2022, the balance sheet item 'Due from banks and other financial institutions' decreased by Afl. 116,522,341 (- 43.2 percent) to Afl. 153,336,837 as of December 31, 2022, when compared to December 31, 2021 (Afl. 269,859,178). This decrease was largely the result of drops in the CBA's time deposits held at a financial institution in Colombia (- Afl. 71,600,000) and in the CBA's current account held at the FRNY (- Afl. 49,833,538), as well as at a financial institution in the U.S.A. (- Afl. 5,785,927) as of December 31, 2022, compared to December 31, 2021. On the other hand, the CBA's current account held at the CBCS increased by Afl. 10,857,669.

In order to minimize foreign exchange risk, total non-U.S. dollar holdings are limited to a maximum amount. 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) must be held at a financial institution with 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 CBA's 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 CBA's investment guidelines are based on conservative parameters and 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. Moreover, the mortgage-backed securities are limited to U.S. agency mortgages only, and the credit quality of asset-backed securities and corporate bonds is limited to a minimum rating of AAA or equivalent and A- or equivalent, respectively. For securities with split ratings, the highest rating is applied.

During 2022, the government and other papers held by the CBA increased by Afl. 168,950,396 (+ 8.0 percent) to Afl. 2,276,486,089 as of December 31, 2022 (December 31, 2021: Afl. 2,107,535,693). This increase was mainly attributed to net cash transfers in the amount of Afl. 268,500,000 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. 38,627,296). The effect of these increases was partially offset by the net change in the market value of the CBA's investment portfolio (- Afl. 114,976,666) (see note 6 on Revaluation account) as well as the net realized capital losses of Afl. 23,021,233. Both of these items were impacted by a decline in the market value of certain securities within the investment portfolio due to the upward movements in the US Treasury yields during 2022, the liquidation of some securities before their maturity at a loss, as well as securities bought above par that matured. It should be noted that the unrealized loss reflects a temporary decrease in the market value of a security below its purchase value at the balance sheet date. In July and October 2022, the CBA executed restructuring operations in order to maximize the income generating capacity of the portfolio for the coming years, aiming also to mitigate the interest rate risk and further expansion of the unrealized loss position of the investment portfolio. The net effect of these two transactions was a total net realized capital loss of USD 12,700,000 (Afl. 22,733,000).

- **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, 2022 and December 31, 2021.

	December 31, 2022 Afl.	December 31, 2021 Afl.
Loans, mortgages and advances to personnel	8,390,163	8,365,370
Prepaid expenses	566,637	793,870
Receivable passed on supervision costs	257,699	299,977
Receivable (net) related to the exchange rate margin compensation	1,150,428	1,110,918
Prepayments on behalf of the Government of Aruba	631,571	662,198
Receivables relating to administrative fines imposed on supervised institutions	230,500	273,542
Various	58,823	51,481
	11,285,821	11,557,356

- ***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, as well as other assets comprising 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, 2022</u>				
Cost	15,656	16,410	12,682	44,748
Accumulated depreciation	(8,118)	(13,741)	(10,463)	(32,322)
Book value as of January 1, 2022	7,538	2,669	2,219	12,426
<u>Changes during the year:</u>				
Additions	678	2,150	416	3,244
Disposals	-	(5,861)	(1,499)	(7,360)
Depreciation expenses	(170)	(1,457)	(593)	(2,220)
Depreciation on disposals	-	5,861	1,499	7,360
Net changes during the year	508	693	(177)	1,024
<u>As of December 31, 2022</u>				
Cost	16,334	12,699	11,599	40,632
Accumulated depreciation	(8,288)	(9,337)	(9,557)	(27,182)
Book value as of December 31, 2022	8,046	3,362	2,042	13,450

In 2022, the CBA removed the fully depreciated other fixed assets from its fixed assets register. These assets were no longer in use and were disposed of in 2022.

- ***Projects in progress (3.4)***

The following table provides the changes in the ongoing projects on the balance sheet of the CBA in 2022.

In Afl. thousands	Project in progress Afl.
<u>As of January 1, 2022</u>	
Beginning balance	<u>6,661</u>
<u>Changes during the year</u>	
Additions	3,392
Adjustment	(21)
Reclassification to capital asset accounts	<u>(3,159)</u>
Net changes during the year	<u>212</u>
<u>As of December 31, 2022</u>	
Ending balance	<u>6,873</u>

The projects in progress amounted to Afl. 6,872,891 as of December 31, 2022 (December 31, 2021: Afl. 6,660,952). 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

Banknotes in circulation (1)

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

Afl. Denomination	Value	
	December 31, 2022	December 31, 2021
	Afl.	Afl.
10.00	9,222,890	8,941,130
25.00	22,039,775	21,196,475
50.00	17,538,450	17,484,950
100.00	238,724,500	233,958,700
200.00	9,576,400	10,019,400
500.00	688,500	703,000
	297,790,515	292,303,655

As at December 31, 2022, the banknotes in circulation consisted of both the 2003 series florin banknotes (5.5 percent) and the 2019 series florin banknotes (94.5 percent).

Deposits of residents (2)

- *Government (2.1)*

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

- *Commercial banks (2.2)*

This item comprises:

	December 31, 2022	December 31, 2021
	Afl.	Afl.
Current accounts	853,064,582	1,519,443,156
Reserve requirement	1,215,640,000	540,771,000
Time deposits	125,000,000	-
	2,193,704,582	2,060,214,156

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.

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 by 1 percentage point in the months of January and February 2022. Subsequently, the reserve requirement was expanded by 2 percentage points on a monthly basis in the period March up to and including July 2022. In December 2022, the reserve requirement was

increased by 1 percentage point. Henceforth, as per end-December 2022, the reserve requirement stood at 25 percent.

Furthermore, the CBA moved up its time deposit interest rates to pre-pandemic levels as of September 5, 2022, ranging from 0.025 percent to 0.100 percent, taking into account the increases of the Federal Fund rate during 2022, as well as the expectation that the Federal Reserve may increase aforementioned rates further to contain inflationary pressures in the U.S.A.

- ***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, 2022 and December 31, 2021.

	December 31, 2022 Afl.	December 31, 2021 Afl.
Unclaimed principal/ coupons of Aruban government securities	1,552	856,182
Foreign exchange commission collected and due to the Government of Aruba	182,152	195,879
Wage tax, social premiums, and pension contributions withheld	541,243	59,019
Accrual for asset management and custodian fees	525,421	452,928
Payable usage clearing system fee	76,325	62,290
Accrual vacation allowance	420,000	417,400
Advance payments related to administrative fines imposed	705,699	1,020,000
Accounts payable	1,869,482	916,911
Other payables	159,217	90,117
	4,481,091	4,070,726

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, 2022 and December 31, 2021.

	December 31, 2022 Afl.	December 31, 2021 Afl.
Revaluation account as of beginning balance	246,256,879	297,974,530
Net changes in the market value of gold	(1,543,928)	(14,144,376)
Net changes in the market value of foreign currencies	97,449	(35,408)
Net changes in the market value of securities	(114,976,666)	(37,537,867)
Revaluation account as of ending balance	129,833,734	246,256,879

	December 31, 2022 Afl.	December 31, 2021 Afl.
Gold	252,107,023	253,650,951
Foreign currencies	(248,624)	(346,073)
Securities	(122,024,665)	(7,047,999)
	129,833,734	246,256,879

During 2022, the revaluation account contracted by Afl. 116,423,145 (- 47.3 percent) to Afl. 129,833,734, compared to December 31, 2021 (Afl. 246,256,879). This decline was mainly attributed to the revaluation of the investment portfolio that was negatively impacted during the period under review, because of the upward movements in the US Treasury yields, resulting in a rise in the unrealized capital losses in both portfolios. During the period under review, the yield on the 3-year US Treasury Notes increased by 325 basis points to 4.22 percent as of December 31, 2022 (December 31, 2021: 0.97 percent), while the yield on the 2-year US Treasury Notes rose by 368 basis points to 4.41 percent (December 31, 2021: 0.73 percent).

In addition, the market price of gold dropped by USD 7.75 (Afl. 13.87) per fine troy ounce as of December 31, 2022, when compared to December 31, 2021, thereby negatively impacting the value of the CBA's gold assets (see note 1. 'Gold'). Furthermore, during 2022 the fluctuations in the exchange rate of the euro, which affected the value of the euro holdings vis-à-vis the florin, had a positive impact on the revaluation account. 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, 2022.

- **General reserve (7.2)**

This item comprises:

	December 31, 2022 Afl.	December 31, 2021 Afl.
Beginning balance	101,289,844	90,039,439
Adjustment related to release of unredeemed banknotes of the series 1990/1993 as of January 1, 2021	-	6,284,955
Banknotes of the series 1990/1993 received in 2021	-	(34,550)
Beginning balance after adjustment	101,289,844	96,289,844
Retained earnings	-	5,000,000
Ending balance	101,289,844	101,289,844

The undistributed profit related to the year 2021 amounted to Afl. 19,730,836. In the month of July 2022, in accordance with article 33 of the CBO, the full amount of Afl. 19,730,836 was approved by the Minister of Finance and Culture as profit distribution to the Government of Aruba. In accordance with the agreement with the Government of Aruba, several items that were prepaid by the CBA for the Government of Aruba were settled with the profit distribution over the year 2021. Upon instruction from the Government of Aruba, the net amount of Afl. 19,066,630 was paid out on July 19, 2022.

As of January 1, 2021, the unredeemed banknotes of the series 1990/1993 amounted to Afl. 6,284,955. In accordance with article 8 of the CBO, the unredeemed banknotes of the series 1990/1993 should have been recognized as income in the 2014 financial statements, which corresponds to 10 years after they were officially withdrawn from circulation. In order to correct the aforementioned omission, an adjustment of the unredeemed banknotes of the series 1990/1993 was processed as a prior period adjustment in the opening balance of the general reserve of 2021.

6. NOTES TO THE CONDENSED PROFIT AND LOSS ACCOUNT FOR THE YEAR 2022

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 years 2022 and 2021.

	2022	2021
	Afl.	Afl.
Interest revenues (net of expenses)	20,746,533	27,505,019
Interest expenses	(18,497)	(2,277)
Net interest revenues	20,728,036	27,502,742

When compared to the previous year, total net interest revenues decreased by Afl. 6,774,706 (- 24.6 percent) to Afl. 20,728,036 at year-end 2022 (2021: Afl. 27,502,742). This contraction in the (net) interest revenues was mainly attributed to an Afl. 20,956,176 rise in the net realized losses on the CBA's investment portfolio, following the restructuring operations of the investment portfolio that took place in July and October 2022 to reposition the portfolio and optimize its returns while partially mitigating the unrealized losses. The effect of this contraction was partly offset by an Afl. 11,917,653 expansion in the interest income from the investment portfolio, because the proceeds from the restructuring operations and matured securities were reinvested in securities with notably higher coupons (see note 2.3 on Government and other papers).

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.

Other revenues (2)

The other revenues consists of foreign exchange revenues, coins revenues, revenues from exchange rate margin compensation, and other revenues.

The following table provides a specification of the other revenues realized by the CBA during the years 2022 and 2021.

	2022	2021
	Afl.	Afl.
Foreign exchange revenues	5,029,702	5,799,826
Coins revenues	794,676	1,281,528
Exchange rate margin compensation	10,966,478	9,208,532
Various revenues	2,986,710	3,418,278
Total	19,777,566	19,708,164

The following table provides a specification of the ‘various’ revenues realized by the CBA during the years 2022 and 2021.

	2022	2021
	Afl.	Afl.
Passed on supervision costs	1,590,001	1,588,916
Administrative fines	1,458,500	1,715,500
Other (expense)/income	(61,791)	113,862
Various revenues	2,986,710	3,418,278

Personnel expenses (4)

The following table provides a specification of the personnel expenses incurred by the CBA during the year 2022 and the year 2021.

	2022	2021
	Afl.	Afl.
Salaries and social security expenses	17,937,370	17,626,948
Courses, seminars, conferences and education expenses	430,852	250,513
Other personnel expenses	738,847	561,059
	19,107,069	18,438,520

At December 31, 2022, the CBA employed 109 persons full-time (December 31, 2021: 104 persons).

Operating expenses (5)

The following table provides a specification of the operating expenses incurred by the CBA during the year 2022 and the year 2021.

	2022	2021
	Afl.	Afl.
Utilities	470,050	442,399
Cleaning and maintenance	631,366	610,164
License and maintenance computers	1,902,190	1,771,095
Fire insurance and property tax	241,708	241,708
Telephone	179,197	194,860
Office supplies	103,549	80,213
Donations	71,768	93,158
Legal	497,632	479,701
Other consultancy services	843,527	596,933
Literature, subscription, and membership contributions	279,729	274,924
Seminars organized/hosted by the CBA	13,669	20,694
Other expenses	1,023,999	730,004
Total	6,258,384	5,535,853

In the year 2022, the total operating expenses expanded by Afl. 722,531 (+ 13.1 percent) to Afl. 6,258,384 (2021: Afl. 5,535,853). This (net) increase was largely caused by rises in the following items: ‘Other expenses’ + Afl. 293,995 (+ 40.3 percent), ‘Other consultancy services’ + Afl. 246,594 (+ 41.3 percent), and

‘License and maintenance computers’ Afl. 131,095 (+ 7.4 percent). The expansion in the item ‘Other expenses’ related mostly to higher costs of transportation of bank notes in 2022, when compared to a year earlier, since no transport of banknotes took place in 2021. The rise in the ‘Other consultancy services’ is associated with higher expenses paid for consultancy services provided to the CBA during 2022, whether or not related to projects, when compared to the previous year. The growth in the item ‘License and maintenance computers’ is mostly attributed to more software licenses acquired in 2022, when compared to the same period of 2021.

Depreciation expenses (6)

	2022	2021
	Afl.	Afl.
Depreciation other fixed assets	2,049,924	2,253,957
Depreciation CBA premises	169,689	150,491
	2,219,613	2,404,448

7. COMMITMENTS

As of December 31, 2022, 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. 639,925.
- Commitment for the purchase and implementation of the new financial software packages, amounting to Afl. 439,184.

8. CONTINGENCIES

As of December 31, 2022, the CBA was not involved in any legal proceedings or other business activities for which a contingent liability or a contingent asset may have arisen.

9. COVID-19 PANDEMIC

The severe economic and financial impacts of the COVID-19 pandemic, witnessed in 2020 and 2021, have subsided considerably. Nonetheless, its possible effects on the future results, cash flows, and financial position of the CBA are regularly assessed by the Executive Committee.

In this regard, it is emphasized 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, if any, of the COVID-19 pandemic may have on the (Aruban) economy nor on the CBA's future results, cash flows, and financial position.

Overall, based on its assessment of the possible impact of the COVID-19 pandemic for the year 2022, and taking into account the uncertainties that still may exist as per the date of issuance of these financial statements, the Executive Committee concludes that it does not consider the effects of the impact of the COVID-19 pandemic to cast significant doubt upon the CBA's ability to continue as a going concern.

10. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

There are no events after the reporting period that could have a (significant) effect on the financial statements as of December 31, 2022, except as noted elsewhere in these financial statements.

Independent auditors report on the condensed financial statements

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

Opinion

The condensed financial statements 2022 of the Centrale Bank van Aruba ("the CBA"), which comprise the condensed balance sheet as at December 31, 2022, the condensed profit and loss account and the condensed cash flow statement for the year then ended, and the notes to the condensed balance sheet as of December 31, 2022 and the condensed profit and loss account for the year 2022, are derived from the audited financial statements of the CBA for the year ended December 31, 2022.

In our opinion, the accompanying condensed financial statements 2022 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, 2022 and the condensed profit and loss account for the year 2022.

Condensed financial statements

The condensed financial statements 2022 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 2022 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 2022 of the CBA in our report dated June 15, 2023. The audited financial statements 2022 and the condensed financial statements 2022 do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements 2022.

Responsibilities of the Executive Committee for the condensed financial statements

The Executive Committee is responsible for the preparation of the condensed financial statements 2022 in accordance with the notes to the condensed balance sheet as of December 31, 2022 and the condensed profit and loss account for the year 2022.

Auditor's responsibilities

Our responsibility is to express an opinion on whether the condensed financial statements 2022 are consistent, in all material respects, with the audited financial statements 2022 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 12, 2023
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for Ernst & Young

(Sgd.) Garrick de Cuba, MSc, RA
Partner