

**CONDENSED FINANCIAL STATEMENTS
2019**



April 29, 2020

CENTRALE BANK VAN ARUBA

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

	<i>As of</i> <u>December 31, 2019</u>	<i>As of</i> <u>December 31, 2018</u>
<i>Assets</i>		
1. Gold	303,406,814	255,325,898
2. Foreign currency assets		
2.1 Due from banks and other financial institutions	154,307,941	149,239,605
2.2 Government and other papers	1,324,872,959	1,369,551,885
2.3 Other	6,555,184	6,436,903
	<u>1,485,736,084</u>	<u>1,525,228,393</u>
3. Other assets		
3.1 Receivables	9,100,953	8,384,859
3.2 Stock of coins and printing cost bank notes	5,403,816	1,859,168
3.3 Other fixed assets and premises	13,438,975	13,436,898
3.4 Projects in progress	5,151,199	2,137,846
	<u>33,094,943</u>	<u>25,818,771</u>
	<u>1,822,237,841</u>	<u>1,806,373,062</u>

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

	<i>As of</i> <u>December 31, 2019</u>	<i>As of</i> <u>December 31, 2018</u>
<i>Liabilities and equity</i>		
1. Bank notes in circulation	258,880,440	297,914,470
2. Deposits of residents		
2.1 Government	17,313,303	49,199,982
2.2 Commercial banks	1,197,304,630	1,204,581,445
2.3 Other	1,295,361	1,113,602
	<u>1,215,913,294</u>	<u>1,254,895,029</u>
3. Deposits of nonresidents	4,333,008	2,559,834
4. Money in custody	1,813,360	1,812,815
5. Payables and accrued expenses	5,731,964	6,392,500
6. Revaluation account	215,526,336	141,694,882
7. Capital and reserves		
7.1 Capital	10,000,000	10,000,000
7.2 General reserve	84,103,532	81,609,840
	<u>94,103,532</u>	<u>91,609,840</u>
Net result for the year	25,935,907	9,493,692
	<u>1,822,237,841</u>	<u>1,806,373,062</u>

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

	<u>2019</u>	<u>2018</u>
1. Net interest revenues	38,542,553	21,589,601
2. Other revenues	15,347,878	15,143,720
Total net income	53,890,431	36,733,321
3. Amortization of stock of bank notes	642,395	208,107
4. Personnel expenses	18,611,798	18,585,962
5. Operating expenses	6,729,380	6,803,171
6. Depreciation expenses	1,970,951	1,642,389
Total expenses	27,954,524	27,239,629
Net result	25,935,907	9,493,692

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

	<u>2019</u>	<u>2018</u>
Operating activities		
Net result	25,935,907	9,493,692
<u>Adjustments for:</u>		
- Depreciation expenses	1,970,951	1,642,389
- Amortization expenses	642,395	208,107
- Adjustment in beginning balance/write off projects in progress	<u>-</u>	<u>96,000</u>
	2,613,346	1,946,496
<u>Changes in working capital</u>		
(Increase)/Decrease in receivables	(716,094)	1,250,545
(Increase) in stock of coins and printing cost bank notes	(4,187,040)	(1,333,851)
(Decrease)/Increase in bank notes in circulation	(39,034,030)	1,646,170
Net (decrease)/Increase in deposits of residents and nonresidents	(37,208,561)	123,961,402
Increase/(Decrease) in money in custody	545	(85)
(Decrease)/Increase in payables and accrued expenses	<u>(660,536)</u>	<u>4,057,889</u>
	(81,805,716)	129,582,070
Total cash flow (used in)/from operating activities	(53,256,466)	141,022,258
Investment activities		
Net investments in premises, other fixed assets and projects in progress	(4,986,381)	(3,910,127)
Net investments in government and other papers	70,416,743	(107,609,817)
Change in interest receivables from foreign currency assets	<u>(324,230)</u>	<u>(1,957,883)</u>
Total cash flow from/(used in) investment activities	65,106,132	(113,477,827)
Financing activities		
Paid dividends	<u>(7,000,000)</u>	<u>(8,826,657)</u>
Total cash flow (used in) financing activities	(7,000,000)	(8,826,657)

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

	<u>2019</u>	<u>2018</u>
Total net increase in cash and cash equivalents	4,849,666	18,717,774
Cash and cash equivalents as of January 1	149,898,050	131,245,138
Effects of exchange rate changes on the balance of cash held in foreign currencies	12,721	(64,862)
Cash and cash equivalents as of December 31	154,760,437	149,898,050
Cash and cash equivalents comprises:		
Due from banks and other financial institutions as of December 31	154,307,941	149,239,605
Bank notes as of December 31	<u>452,496</u>	<u>658,445</u>
	154,760,437	149,898,050

NOTES TO THE CONDENSED BALANCE SHEET AS OF DECEMBER 31, 2019 AND THE CONDENSED PROFIT AND LOSS ACCOUNT FOR THE YEAR 2019**1. GENERAL**

For publication purposes, the Centrale Bank van Aruba (CBA) prepared the condensed financial statements derived from the CBA's audited financial statements 2019, 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 2019 in its report dated April 17, 2020.

2. ACCOUNTING POLICIES**Form and presentation of the financial statements**

The financial information used to produce the condensed financial statements 2019 was derived from the CBA's audited financial statements 2019, and do not include all the detailed information and disclosures contained in the audited financial statements 2019. The latter was prepared in accordance with the accounting policies as stated in the CBO. For the accounting policies not defined in this Ordinance, the CBA applies those of the European Central Bank (ECB) and the European System of Central Banks (ESCB).

Accounting principles

The following accounting principles have been applied: transparency, prudence, recognition and disclosure of post-balance-sheet events, materiality, going concern, the accruals principle, consistency, and comparability.

Recognition of assets and liabilities

An asset or liability is only recognized in the balance sheet when it is probable that any associated future economic benefit will flow to or from the CBA, substantially all of the associated risks and rewards have been transferred to 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 financial statements have been prepared on a historical cost basis, modified to include the market valuation of gold, marketable securities and on-balance sheet claims and liabilities denominated in foreign currency. Transactions related to financial assets and liabilities are reflected in the accounts on the basis of the date on which they are settled.

Conversion of foreign currency

Assets and liabilities denominated in foreign currency are converted into Aruban florin (Afl.) at the rate of exchange (middle rate) prevailing on the balance sheet date. Transactions in foreign currency during the reporting period are converted into Aruban florin (Afl.) at the exchange rate prevailing on the date of settlement. The exchange rate for one U.S. dollar (USD) is fixed at Afl. 1.79, in accordance with the State Decree Value of the Aruban florin (AB 1992 No. GT 6). The exchange rate for one Netherlands Antillean guilder (ANG) is also fixed at Afl. 1.00.

Comparison with previous year/Changes in accounting policies

The principles of valuation and determination of results remained unchanged in the year 2019.

Gold, marketable securities, on-balance sheet claims and liabilities denominated in foreign currency

Gold, marketable securities, and on-balance sheet claims and liabilities denominated in foreign currency are valued at market prices prevailing on the last working day of the period under review.

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

The accounting policies of the ECB and ESCB prescribe that unrealized losses 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 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 their selling price.

Printing cost bank notes

Printing costs bank notes consist of the printing costs related to the new 2019 series of Aruban florin bank notes which will cover the supply of bank notes 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 bank notes were officially brought into circulation by the CBA.

Other fixed assets and premises

Other fixed assets and premises are valued at historical cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the expected useful life of the assets, beginning from the moment of use. The useful life applied for the main asset classes is as follows:

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

Bank notes in circulation

The CBA issues Aruban florin bank notes. Bank notes in circulation are recognized at their nominal value.

Other liabilities (deposits of residents and non-residents, money in custody, and payables and accrued expenses)

Other liabilities are recognized at their nominal value.

Post-balance-sheet events

The values of assets and liabilities are adjusted for events that occur between the annual balance sheet date and the date on which the Executive Committee authorizes the submission of the CBA's financial statements to the Board of Supervisory Directors for approval, if such events materially affect the condition of assets and liabilities at the balance sheet date. Important post-balance-sheet events that do not materially affect the condition of assets and liabilities at the balance sheet date are disclosed in the notes, if considered necessary.

Revenue recognition

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 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 or the CBA. Pursuant to article 4 paragraphs 1, 3, 4 and 5 of the aforementioned SOERMC, in the event a foreign exchange bank does not or 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, including 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 of (part of) the supervision costs to the sectors supervised and some fees that are charged to the banking sector. It also contains administrative fines that are recognized as revenue only after these fines have become irrevocable. This stage in the legal process is reached when all the rights of appeal of all the parties involved have been exhausted. Until this stage in the legal process is reached, all payments collected by the CBA from administrative fines imposed are recorded as an 'advance payment' on the liability side of the CBA's balance sheet.

Expenses

Expenses are recognized in the period in which they are incurred by the CBA.

Cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement comprise due from banks and bank notes. 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, 2019

Assets

The figures in parentheses following the descriptions refer to the corresponding items in the condensed balance sheet.

Gold (1)

Effective December 31, 2001, the gold holdings of the CBA are valued on a quarterly basis at the prevailing market price for gold. At December 31, 2019, the market price for gold per fine troy ounce was USD 1,523.00 or Afl. 2,726.17 (December 31, 2018: USD 1,281.65 or Afl. 2,294.15).

The following tables provide the quantity and the value, as well as the changes in the gold holdings of the CBA as of December 31, 2019, when compared to the previous period.

	<u>Fine troy ounces</u>		<u>Value (Afl.)</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Gold holdings	111,294.165	111,294.165	303,406,814	255,325,898
		December 31,	December 31,	
		2019	2018	
		Afl.	Afl.	
Gold holdings as of beginning balance		255,325,898	258,284,264	
Net change in the value of gold holdings		48,080,916	(2,958,366)	
Gold holdings as of ending balance		303,406,814	255,325,898	

Foreign currency assets (2)

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

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

Comprises current accounts held at financial institutions in the Netherlands, the United Kingdom, the U.S.A., at the Centrale Bank van Curaçao en St. Maarten (CBCS) and time deposits held at financial institutions in the U.S.A and Colombia. In order to minimize foreign exchange risks, total non-U.S. dollar holdings (excluding ANG) are limited to a maximum amount equivalent to Afl. 0.9 million, while in some exceptional cases a larger amount can be held. Furthermore, the ANG holding is limited to ANG 3 million, while in some exceptional cases a larger amount can be held. All the ratings of the banks and financial institutions mentioned above are in compliance with the CBA's investment guidelines as mentioned in note (2.2) below.

- *Government and other papers (2.2)*

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

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

The investment guidelines of the asset managers, based on conservative parameters, stipulate, amongst other, the investment objectives, benchmarks, average duration, and eligible investment instruments, which must be denominated in U.S. dollar per investment portfolio. Investments in US Treasury obligations and obligations directly or not directly guaranteed by the US Government are limited to AA rated markets or equivalent, and all other credits are limited to AAA rated markets or equivalent, while for money market instruments (excluding treasury bills) the minimum investment grade is S&P A-1, Moody's P-1 or Fitch F-1.

In 2012, corporate bonds, issued only by banks and other financial institutions with a minimum rating of single A, have been included in the investment guidelines as an eligible instrument. In 2014, the eligible corporate bonds were expanded with industrial companies with a minimum rating of single A, but up to a maximum asset allocation of 10 percent. In 2015, in order to reduce the exposure to premium risk in the investment portfolio, while at the same time maintaining an adequate level of interest income, the CBA lowered the maximum purchase price for new investments in US Treasuries from USD 102 to USD 100, and increased the maximum asset allocation in the category of industrials within the corporate bonds category with a minimum rating of single A from 10 to 15 percent. In 2016, the CBA amended the investment guidelines of the investment portfolio by lowering the maximum purchase price of any eligible instrument from USD 102 to USD 101, excluding US Treasuries which should be bought at USD 100 or below, in order to further reduce the exposure to premium risk in this portfolio. For securities with split ratings, the highest rating is applied.

These guidelines also maximize the share of eligible investment instruments within each investment portfolio, as well as their minimum credit quality. As of December 31, 2019, the investments of the CBA consisted entirely of U.S. dollar denominated fixed income securities.

During 2019, the value of the government and other papers held by the CBA decreased by Afl. 44,678,926 (-3.3 percent) to Afl. 1,324,872,959 as of December 31, 2019 (December 31, 2018: Afl. 1,369,551,885). This decrease was mainly attributed to cash transfers in the amount of Afl. 240,844,500 (USD 134.5 million) in the last four months of 2019 to the CBA's current account held at a financial institution in the U.S.A. to meet certain liquidity needs. However, the aforementioned cash outflow denominated in foreign currency was partially offset by a replenishment of the CBA investment portfolio in the amount of Afl. 134,250,000 (USD 75 million) during the first quarter of 2019 and was invested at higher coupons in order to capture the higher yielding environment at that moment.

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, 2019, and December 31, 2018.

	December 31, 2019 Afl.	December 31, 2018 Afl.
Loans, mortgages and advances to personnel	6,812,703	5,697,565
Prepaid expenses	1,009,392	1,096,004
Receivable passed on supervision costs	263,036	577,570
Amounts receivable (net) relating to the exchange rate margin compensation	660,406	713,000
Various	355,416	300,720
Total	9,100,953	8,384,859

During the year 2019, the receivables increased by Afl. 716,094 (+ 8.5 percent) to Afl. 9,100,953 as of December 31, 2019 (December 31, 2018: Afl. 8,384,859). This net increase was mainly attributed to the item 'loans, mortgages and advances to personnel' (+ Afl. 1,115,138). The rise in the item 'loans and advances to personnel', when compared to December 31, 2018, was mainly attributed to new loans granted to CBA employees during the year 2019. The aforementioned rise was partly offset by drops in the items 'receivable passed on supervision costs' (- Afl. 314,534), and 'prepaid expenses' (- Afl. 86,612), compared to December 31, 2018. The decrease in the item 'receivable passed on supervision costs' related to more passed on supervision costs collected by the CBA as of December 31, 2019, when compared to December 31, 2018. The contraction in the item 'prepaid expenses' related mainly to the amortization of prepaid licenses during the year 2019

when compared to 2018, and a training for CBA personnel that was prepaid in December 2018 and was organized by the CBA and attended by its employees in January 2019.

- *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	Computer hardware & software	Other assets	Total
	Afl.	Afl.	Afl.	Afl.
<u>As of January 1, 2019</u>				
Cost	15,088	13,183	11,339	39,610
Accumulated depreciation	(7,643)	(9,730)	(8,800)	(26,173)
Book value as of January 1, 2019	7,445	3,453	2,539	13,437
<u>Changes during the year:</u>				
Additions	471	361	1,140	1,972
Disposals	-	-	(100)	(100)
Depreciation expenses	(161)	(1,243)	(566)	(1,970)
Depreciation on disposals	-	-	100	100
Net changes during the year	310	(882)	574	2
<u>As of December 31, 2019</u>				
Cost	15,559	13,544	12,379	41,482
Accumulated depreciation	(7,804)	(10,973)	(9,266)	(28,043)
Book value as of December 31, 2019	7,755	2,571	3,113	13,439

- *Projects in progress (3.4)*

The following table provides the changes in the ongoing projects on the balance sheet of the CBA in 2019.

	Project in progress
In Afl. thousands	Afl.
<u>As of January 1, 2019</u>	
Beginning balance	<u>2,138</u>
<u>Changes during the year:</u>	
Additions	4,756
Write offs	-
Reclassification to capital asset accounts	(1,743)
Adjustment beginning balance	-
Net changes during the year	<u>3,013</u>
<u>As of December 31, 2019</u>	
Ending balance	<u>5,151</u>

The projects in progress amounted to Afl. 5,151,199 as of December 31, 2019 (December 31, 2018: Afl. 2,137,846). When completed, the acquired assets are transferred to their respective capital asset accounts within the category 'Other fixed assets and premises', and subsequently, the depreciation of these assets will initiate.

Liabilities

Bank notes in circulation (1)

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

Afl. Denomination	Value Afl.	
	December 31, 2019	December 31, 2018
	Afl.	Afl.
5.00	879,400	879,765
10.00	9,571,840	9,834,930
25.00	20,378,300	21,171,275
50.00	18,414,200	19,222,800
100.00	202,548,100	243,158,200
200.00	6,160,600	-
500.00	928,000	3,647,500
	258,880,440	297,914,470

As at December 31, 2019, the bank notes in circulation consisted of both the old 2003 series florin banknotes (12.5 percent) and the new 2019 series florin banknotes (87.5 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, 2019 Afl.	December 31, 2018 Afl.
Current accounts	458,954,630	398,676,445
Reserve requirement	452,350,000	420,905,000
Time deposits	286,000,000	385,000,000
	1,197,304,630	1,204,581,445

Current accounts of the commercial banks are primarily held for transaction purposes. The reserve requirement comprises mandatory deposits held by the commercial banks in accordance with the monetary policy requirements of the CBA. The CBA amended its Time Deposit Facility on July 4, 2016, whereas the maturity of time deposits now ranges from 7 days to 1 month.

- *Other (2.3)*

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

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, 2019, and December 31, 2018.

	December 31,	December 31,
	2019	2018
	Afl.	Afl.
Unclaimed principal/ coupons of Aruban government securities	1,381,405	1,125,405
Foreign exchange commission collected and due to the Government of Aruba	634,224	374,033
Wage tax, social premiums, and pension contributions withheld	79,423	107,314
Accrual for several professional services	301,427	241,926
Transfer in transit	-	74,372
Accrual vacation allowance	363,114	362,874
Advance payments related to administrative fines imposed on supervised financial institutions	2,000,332	2,968,332
Other payables	972,039	1,138,244
Total	5,731,964	6,392,500

The payables and accrued expenses amounted to Afl. 5,731,964 as of December 31, 2019 (December 31, 2018: Afl. 6,392,500). The net decrease in the payables and accrued expenses, amounting to Afl. 660,536 (- 10.3 percent), was associated mainly with reductions in the items 'advance payments related to administrative fines imposed (-Afl. 968,000), and 'other payables' (-Afl. 166,205) as of end-December 2019, when compared to December 31, 2018. During the year 2019, several payments stemming from administrative fines imposed and collected by the CBA during previous years became irrevocable and were recognized as revenue, causing a drop in the item 'advanced payments related to administrative fines imposed on supervised financial institutions'.

Furthermore, the decrease in the item ‘other payables’, when compared to December 31, 2018, was mainly due to the fact that there were fewer invoices outstanding as of end-December 2019. The effect of these transactions was partly offset by increases in the items ‘foreign exchange commission collected and due to the Government of Aruba’ (+ Afl. 260,191) and ‘unclaimed principal/coupons of Aruban government securities’ (+ Afl. 256,000). The foreign exchange commission collected and due to the Government of Aruba, which stood at Afl. 634,224 as of December 31, 2019, was subsequently transferred to the account of the Government of Aruba in January 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 not collected yet as of end-December 2019.

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, 2019 and December 31, 2018.

	December 31, 2019 Afl.	December 31, 2018 Afl.
Revaluation account as of beginning balance	141,694,882	139,365,720
Net changes in the market value of gold	48,080,916	(2,958,366)
Net changes in the market value of foreign exchange	12,721	(64,862)
Net changes in the market value of securities	25,737,817	5,352,390
Revaluation account as of ending balance	215,526,336	141,694,882

	December 31, 2019 Afl.	December 31, 2018 Afl.
Gold	194,463,713	146,382,797
Foreign exchange	(293,754)	(306,475)
Investment portfolio	21,356,377	(4,381,440)
	215,526,336	141,694,882

During 2019, the market price of gold per fine troy ounce increased by USD 241.35 (Afl. 432.02) or 18.8 percent compared to year-end 2018, thereby positively impacting the revaluation account (see note (1) on Gold). In addition, the yield on the 3-year US Treasury Notes decreased by 84 basis points to 1.62 percent as of December 31, 2019 (December 31, 2018: 2.46 percent), while the yield on the 2-year US Treasury Notes fell by 90 basis points to 1.58 percent as of December 31, 2019 (December 31, 2018: 2.48 percent). The aforementioned decreases in yield resulted in unrealized net capital gains, thereby also positively contributing to the increase in the revaluation account at December 31, 2019. Furthermore, the revaluation account was positively impacted by the fluctuations in the exchange rate of the euro during 2019. The CBA holds euros to meet certain euro payments. Overall, the aforementioned developments resulted in an increase in the revaluation account amounting to Afl. 73,831,454 (+ 52.1 percent) during 2019.

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, 2019.

- *General reserve (7.2)*

This item comprises:

	December 31, 2019 Afl.	December 31, 2018 Afl.
Beginning balance	81,609,840	81,609,840
Retained earnings	2,493,692	-
Ending balance	84,103,532	81,609,840

In the month of May 2019, the net amount of Afl. 6,821,000 was paid out to the Government of Aruba as profit distribution. The remaining amount of the undistributed earnings pertaining to the year 2018, being Afl. 2,493,692, was allocated to the general reserves of the CBA.

4. NOTES TO THE CONDENSED PROFIT AND LOSS ACCOUNT FOR THE YEAR 2019

The figures in parentheses following the description refer to the corresponding items in the condensed profit and loss account.

Net interest revenues (1)

The net interest revenues consist mostly of interest income, realized gains and losses on the investment portfolio, as well as management fees and charges for custodian services.

The following table provides a specification of the net interest revenues realized by the CBA during the year 2019, and the year 2018.

	2019	2018
	Afl.	Afl.
Interest revenues (net of expenses)	38,753,087	21,737,640
Interest expenses	(210,534)	(148,039)
Net interest revenues	38,542,553	21,589,601

When compared to the previous year, total net interest revenues increased by Afl. 16,952,952 (+ 78.6 percent) to Afl. 38,542,553 at end-2019 (2018: Afl. 21,589,601). This increase in the net interest revenues is attributed mainly to growths in the interest income from the investment portfolio, the realized gains from the investment portfolio, as well as the interest income from a loan facility granted to an institution during the year 2019, when compared to the previous year. The aforementioned increases were partly offset by a decrease in the interest on time deposits, since the CBA did not place any time deposits during 2019.

Interest rates on current accounts, if applicable, and on time deposits held at the CBA are weekly determined, taking also into account the U.S. money market rates and the liquidity in the local financial market. During the year 2019, an interest rate of 0.025 percent was paid on a 7-day time deposit held by the commercial banks at the CBA. This was based on the amended Time Deposit Facility of the CBA, which came into effect on July 4, 2016, and is applicable to time deposits with maturities ranging from 7 days to 1 month.

Other revenues (2)

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

The following table provides a specification of the other revenues realized by the CBA during the year 2019, and the year 2018.

	2019	2018
	Afl.	Afl.
Foreign exchange revenues	1,471,347	1,060,468
Coins revenues	1,101,743	1,000,689
Exchange rate margin compensation	9,511,740	9,704,904
Variou s revenues	3,263,048	3,377,659
Other revenues	15,347,878	15,143,720

When compared to the previous year, total other revenues increased by Afl. 204,158 (+ 1.3 percent) to Afl. 15,347,878 in 2019 (2018: Afl. 15,143,720). This increase in the total other revenues is mainly due to an increase in foreign exchange revenues. For the year 2019, total foreign exchange revenues increased by Afl. 410,879 (+ 38.7 percent) to Afl. 1,471,347 (2018: Afl. 1,060,468). This increase was partly offset by decreases in ‘exchange rate margin compensation’ of (- Afl. 193,164) and ‘various revenues’ (- Afl. 114,611).

- *Variou s revenues*

	2019	2018
	Afl.	Afl.
Passed on supervision costs	1,590,002	1,553,328
Administrative fines	1,273,675	1,520,179
Other income	399,371	304,152
Total	3,263,048	3,377,659

For the year 2019, the other revenues category ‘various revenues’ decreased by Afl. 114,611 (- 3.4 percent) to Afl. 3,263,048 (2018: Afl. 3,377,659). This decrease was attributed mostly to lower incidental revenues stemming from administrative fines imposed by the CBA (- Afl. 246,504) that became irrevocable during 2019. The CBA recognizes administrative fines as revenues after these have become irrevocable. The aforementioned decrease was partly offset by an increase in the handling fees (+ Afl. 109,335) related to the emission of the new 2019 series florin bank notes.

Personnel expenses (4)

The following table provides a specification of the personnel expenses incurred by the CBA during the year 2019, and the year 2018.

	2019	2018
	Afl.	Afl.
Salaries and social security expenses	16,522,887	17,029,917
Courses, seminars, and education expenses	1,229,643	812,007
Other personnel expenses	859,268	744,038
Total	18,611,798	18,585,962

At December 31, 2019, the CBA employed 104 persons full-time (December 31, 2018: 98 persons).

Operating expenses (5)

The following table provides a specification of the operating expenses incurred by the CBA during the year 2019, and the year 2018.

	2019	2018
	Afl.	Afl.
Utilities	459,346	442,895
Cleaning and maintenance	619,192	514,897
License and maintenance computers	1,757,438	1,389,653
Fire insurance and property tax	244,797	194,573
Telephone	206,642	204,513
Office supplies	120,342	130,917
Training and conferences CBA Committees	67,575	46,336
Donations	175,158	96,040
Legal	482,857	842,423
Other consultancy services	960,371	1,249,962
Literature, subscription, and membership contributions	254,726	333,065
Seminars organized/hosted by the CBA	270,800	166,949
Other expenses	1,110,136	1,190,948
Total	6,729,380	6,803,171

In the year 2019, the total operating expenses decreased by Afl. 73,791 (- 1.1 percent) to Afl. 6,729,380 (2018: Afl. 6,803,171). This (net) decrease was caused mainly by declines of, respectively, Afl. 359,566 in the item 'legal' and Afl. 289,591 in the item 'other consultancy services'. The decrease in the item 'legal' was related largely to lower expenses paid for legal services provided to the CBA in the year 2019. The decline in the item 'other consultancy services' was mostly attributed to lower expenses for consultancy services provided to the CBA related to several projects, when compared to the previous year.

The aforementioned drops were partly offset by rises in the items ‘license and maintenance computers’ (+ Afl. 367,785), ‘cleaning and maintenance’ (+ Afl. 104,295), as well as ‘seminars organized/hosted by the CBA’ (+ Afl. 103,851). The rise in the item ‘license and maintenance computers’ was attributed mostly to the purchase of new software licenses. The expansion in the item ‘cleaning and maintenance’ was largely related to higher expenses paid for cleaning and maintenance services provided to the CBA, while the rise in the item ‘seminars and conferences organized by the CBA’ related to more seminars and conferences organized in the year 2019.

Depreciation expenses (6)

	2019	2018
	Afl.	Afl.
Depreciation other fixed assets	1,809,469	1,488,938
Depreciation CBA premises	161,482	153,451
Total	1,970,951	1,642,389

5. Commitments

As of December 31, 2019, the CBA had a total amount of Afl. 1,273,888 in capital commitments outstanding, which are not reflected in the current financial statements.

6. Contingencies

As of December 31, 2019, 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. Subsequent events after the balance sheet date

Due to the severe economic and financial impact of the Coronavirus (COVID-19) pandemic, the Executive Committee of the CBA recently made an assessment of its financial results, cash flows, and financial position of the CBA for the year 2020, reckoning with a high level of uncertainty and limited information available.

Overall, based on the aforementioned assessment, and taking into account the uncertainties that exist as per the date of issuance of these financial statements, the Executive Committee concludes that it does not consider the effects to cast significant doubt upon the CBA’s ability to continue as a going concern, and has also determined that these events are non-adjusting subsequent events.

Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect these impacts.



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Report of the Independent Auditor on the Condensed Financial Statements

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

Our ref: 133179/ A-31465

Opinion

The Condensed Financial Statements, which comprise the condensed balance sheet (before allocation of net result) as at December 31, 2019, the condensed profit and loss account and the condensed cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of the Centrale Bank van Aruba, Aruba (the 'Entity') for the year ended December 31, 2019.

In our opinion, the accompanying Condensed Financial Statements are consistent, in all material respects, with the audited financial statements, on the basis described in Note 2 of the Notes to the Condensed Balance Sheet as of December 31, 2019 and the Condensed Profit and Loss Account for the Year 2019 - 'Accounting policies'.

Condensed Financial Statements

The Condensed Financial Statements do not contain all the disclosures required by the Central Bank Ordinance and the accounting policies of the European Central Bank (ECB) and the European System of Central Banks (ESCB) as described in Note 2 of the Notes to the Condensed Balance Sheet as of December 31, 2019 and the Condensed Profit and Loss Account for the Year 2019 - 'Accounting policies'. Reading the Condensed Financial Statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The Condensed Financial Statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated April 17, 2020. That report also includes:

- An *Emphasis of matter - Effects of Coronavirus (COVID-19)* section that draws attention to note 7 of the audited financial statements which includes the Executive Committee's assessment of the Coronavirus (COVID-19) on the future results, cash flows and financial position of the Centrale Bank van Aruba. As stated in this note, based on its assessment of the impact of the Coronavirus for the year 2020, and taking into account the uncertainties that exist as per the date of issuance of these financial statements, the Executive Committee concludes that it does not consider the impact to cast significant doubt upon the Centrale Bank van Aruba's ability to continue as a going concern.

Responsibilities of the President, Executive Directors and Board of Supervisory Directors for the Condensed Financial Statements

The President and the Executive Directors are responsible for the preparation of the Condensed Financial Statements on the basis described in Note 2 of the Notes to the Condensed Balance Sheet as of December 31, 2019 and the Condensed Profit and Loss Account for the Year 2019 - 'Accounting policies'.

The Board of Supervisory Directors is responsible for the adoption of the financial statements.



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Auditor's Responsibility

Our responsibility is to express an opinion on whether the Condensed Financial Statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, 'Engagements to Report on Summary Financial Statements'.

Aruba, April 29, 2020
Grant Thornton Aruba

Original signed by Edsel N. Lopez