



Annual Report 2006

Bank van de Nederlandse Antillen

Willemstad, July 5, 2007



**Developments in the real
sector**

Macro-economic key figures main trading partners

%	United States			Netherlands			Venezuela		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Real GDP	3.9	3.2	3.3	2.0	1.5	2.9	18.3	10.3	10.3
Consumer prices	2.7	3.4	3.2	1.2	1.7	1.1	21.7	16.0	13.7
Unemployment rate	5.4	4.9	4.5	6.5	6.5	5.5	10.9	8.9	8.4

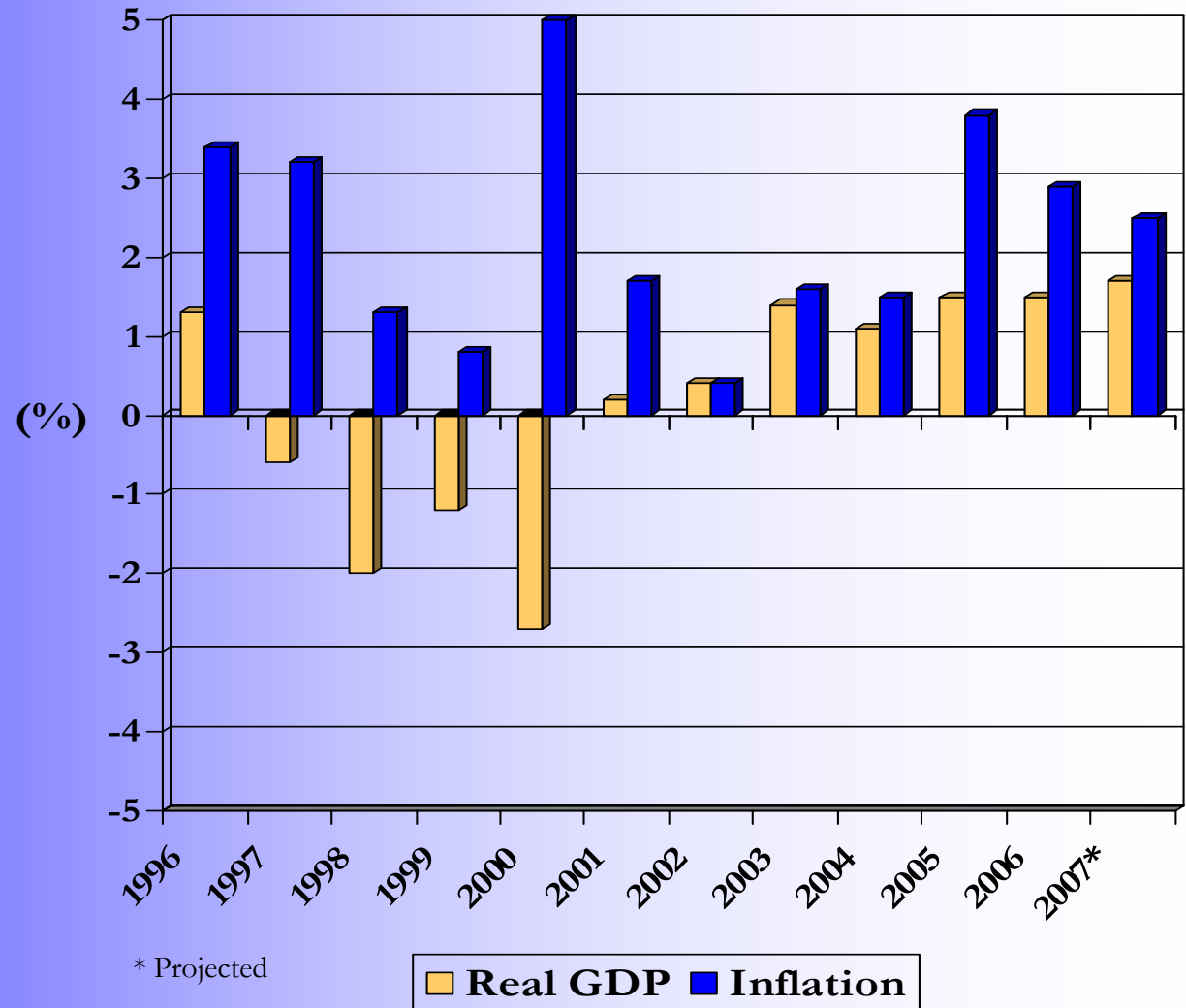
- Stable growth in US and Venezuela, and stronger growth in the Netherlands.
- Inflation as well as unemployment declined in all three countries.

Developments in 2006

- **Moderate economic growth of 1.5%:**
 - Firm growth in private investments and consumption.
 - Slowdown government investment and decline in government consumption.
 - Imports grew faster than exports.
- **Inflation slowed to 2.9% due to moderation oil prices.**
- **Developments by sector:**
 - Growth was particularly strong in construction, wholesale & retail trade, and financial services.
 - Growth was broad-based as all other sectors contributed also positively.

Economic development

- Economic growth estimated at 1,5% in 2006.
- Inflation decelerated to 2.9% in 2006, due particularly to the moderation in oil prices.
- For 2007, a slightly higher growth (1.7%) and a further moderation in inflation (2.5%) are expected.



Labor market developments

	Curacao			St. Maarten		Bonaire	
	2004	2005	2006	2003	2005	2004	2006
Employment	51,474	51,343	53,797	16,200	18,073	4,661	5,647
Unemployment	9,861	11,392	9,241	3,433	2,798	456	481
Labor force	61,335	62,735	63,038	19,633	20,871	5,117	6,128
Population	132,207	135,474	138,027	33,317	35,910	10,432	11,793
Participation rate	46.4%	46.3%	45.7%	58.9%	58.1%	49.1%	52.0%
Unemployment rate	16.1%	18.2%	14.7%	17.5%	13.4%	8.9%	7.8%
Youth unemployment rate	36.8%	44.0%	37.6%	31.9%	30.4%	25.2%	20.5%

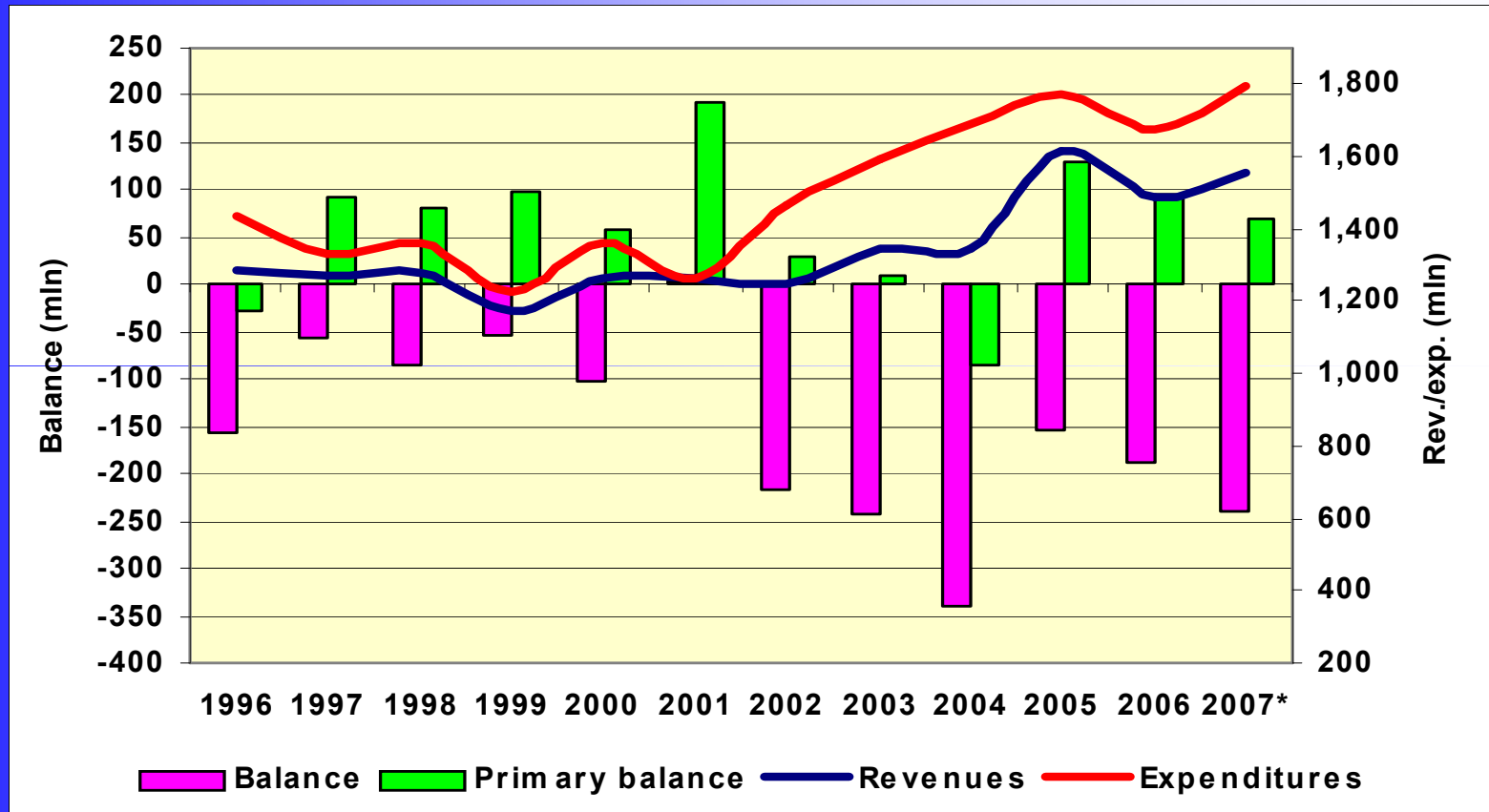
Unemployment also started to decline in Curacao.



**Public sector
developments**

Budget development general government

(Cash basis; NAf mln)



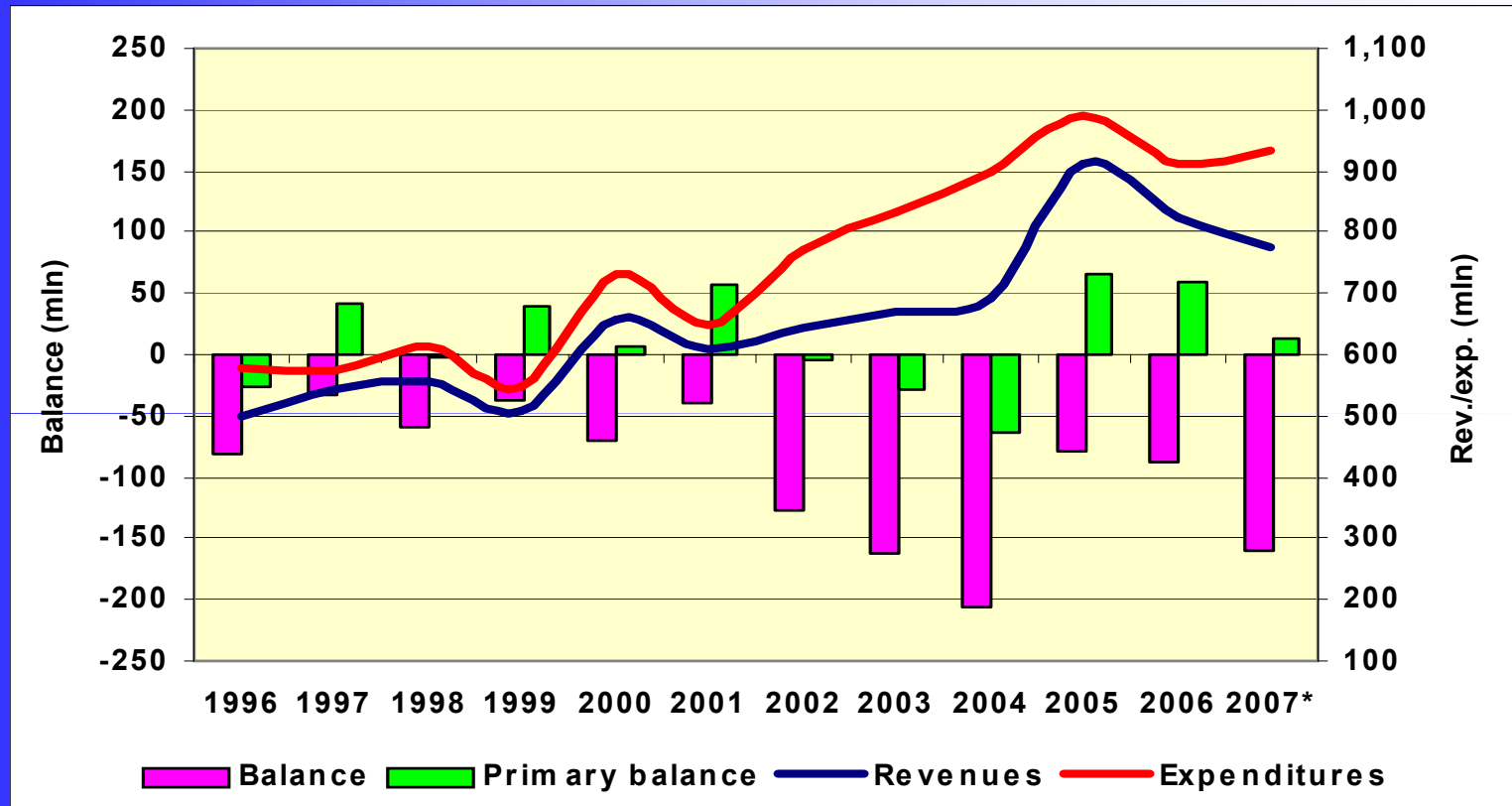
* Projection

- Higher 2006 deficit due largely to substantially smaller BRK-transfer.
- Further increase deficit in 2007 due to wages & salaries, goods & services, and interest payments.

Annual Report 2006

Budget development central government

(Cash basis; NAf mln)

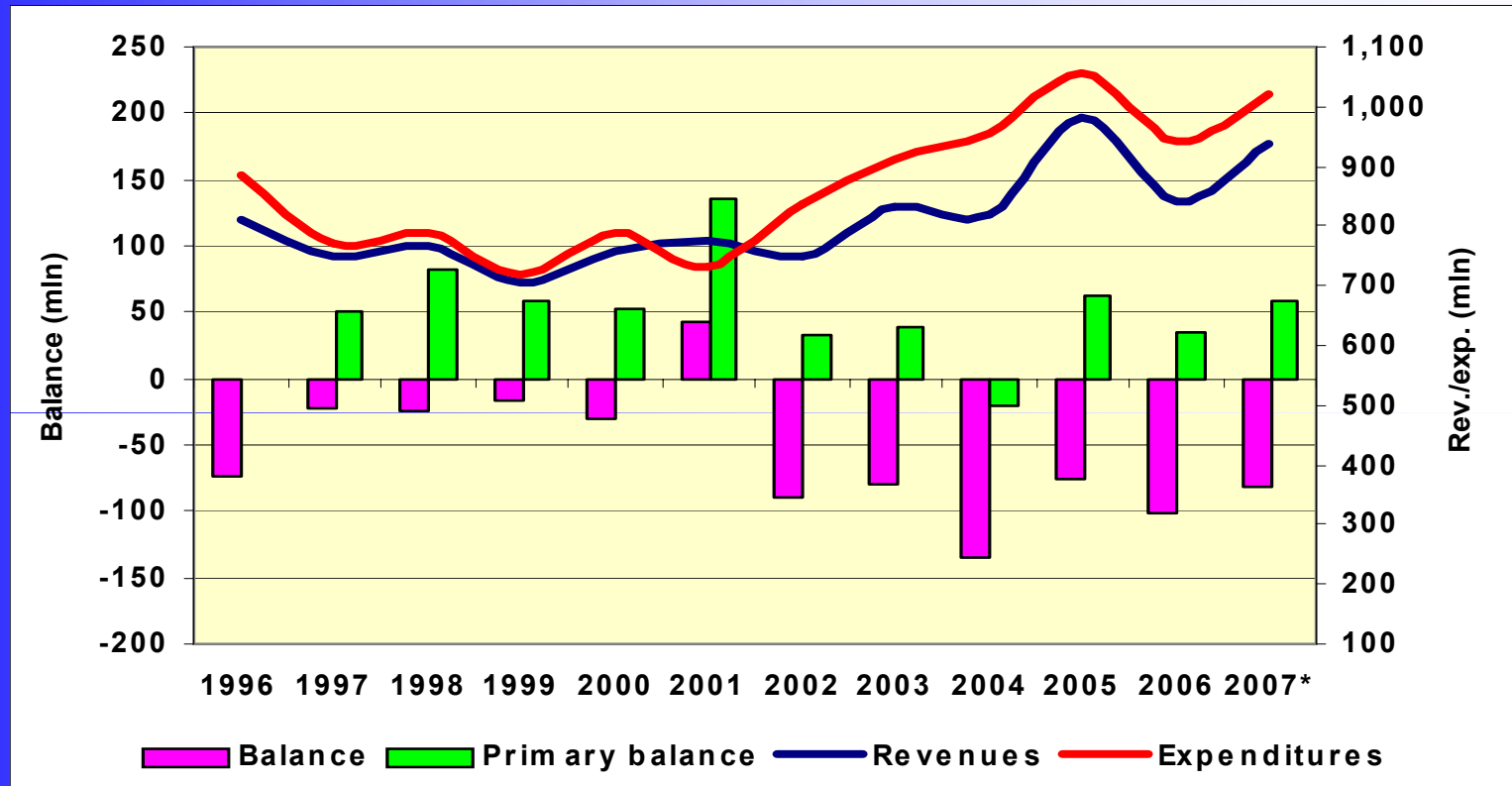


- Deficit deteriorated slightly from NAf 79 million in 2005 to NAf 88 million in 2006:
 - Drop in revenues (lower BRK transfers) exceeded drop in expenditures (mainly transfers and capital expenditures).
- Substantially larger deficit projected in 2007 (NAf 159 million):
 - Decline in revenues (mainly nontax) and higher capital expenditures.

Annual Report 2006

Budget development Curacao government

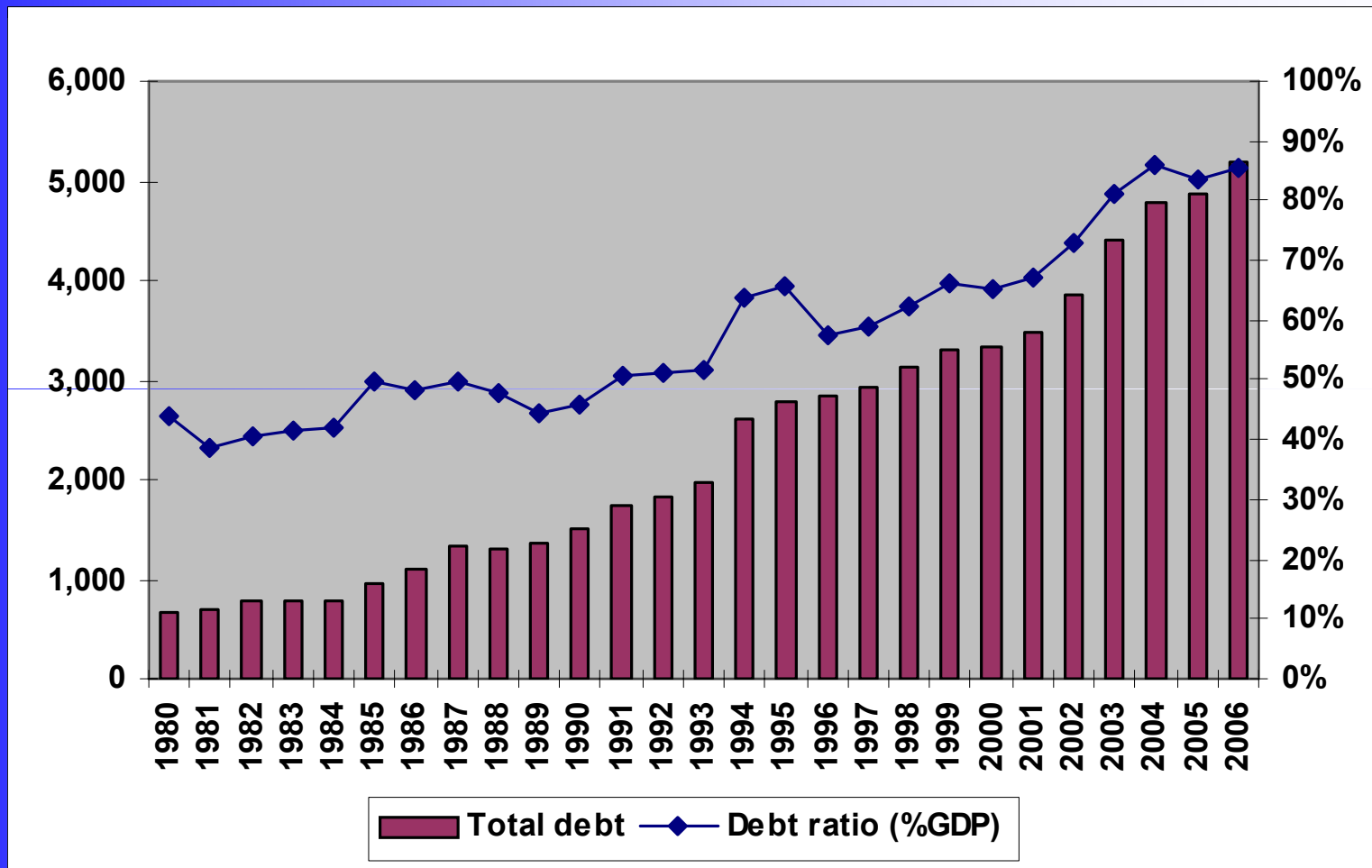
(Cash basis; NAf mln)



- Deficit deteriorated from NAf 75 million in 2005 to NAf 101 million in 2006:
 - Drop in revenues (lower BRK transfers and dividends) exceeded drop in expenditures (mainly pension premiums).
- Smaller deficit projected in 2007 (NAf 82 million):
 - Higher revenues (mainly tax) will exceed higher current expenditures (mainly wages & salaries and goods & services).

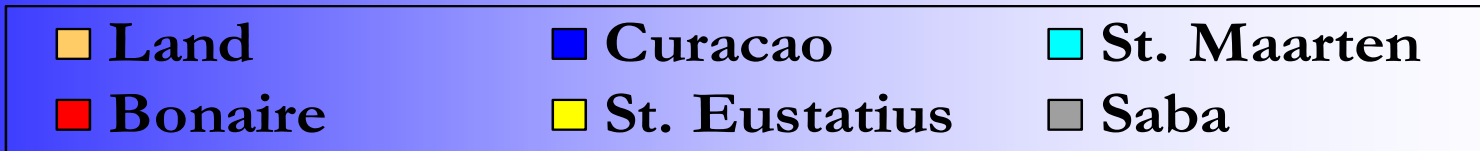
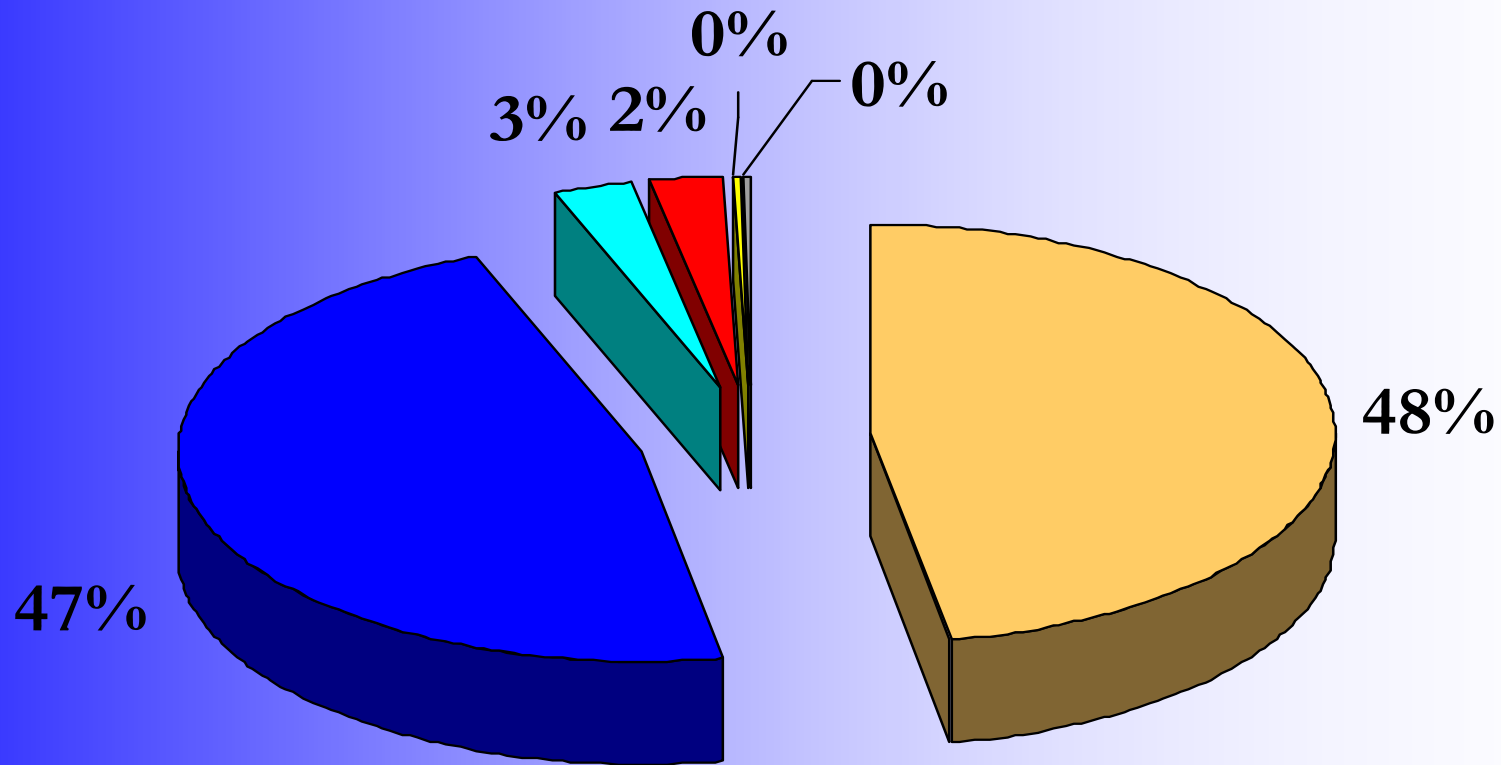
Annual Report 2006

Development in total public debt (mln. NAf)



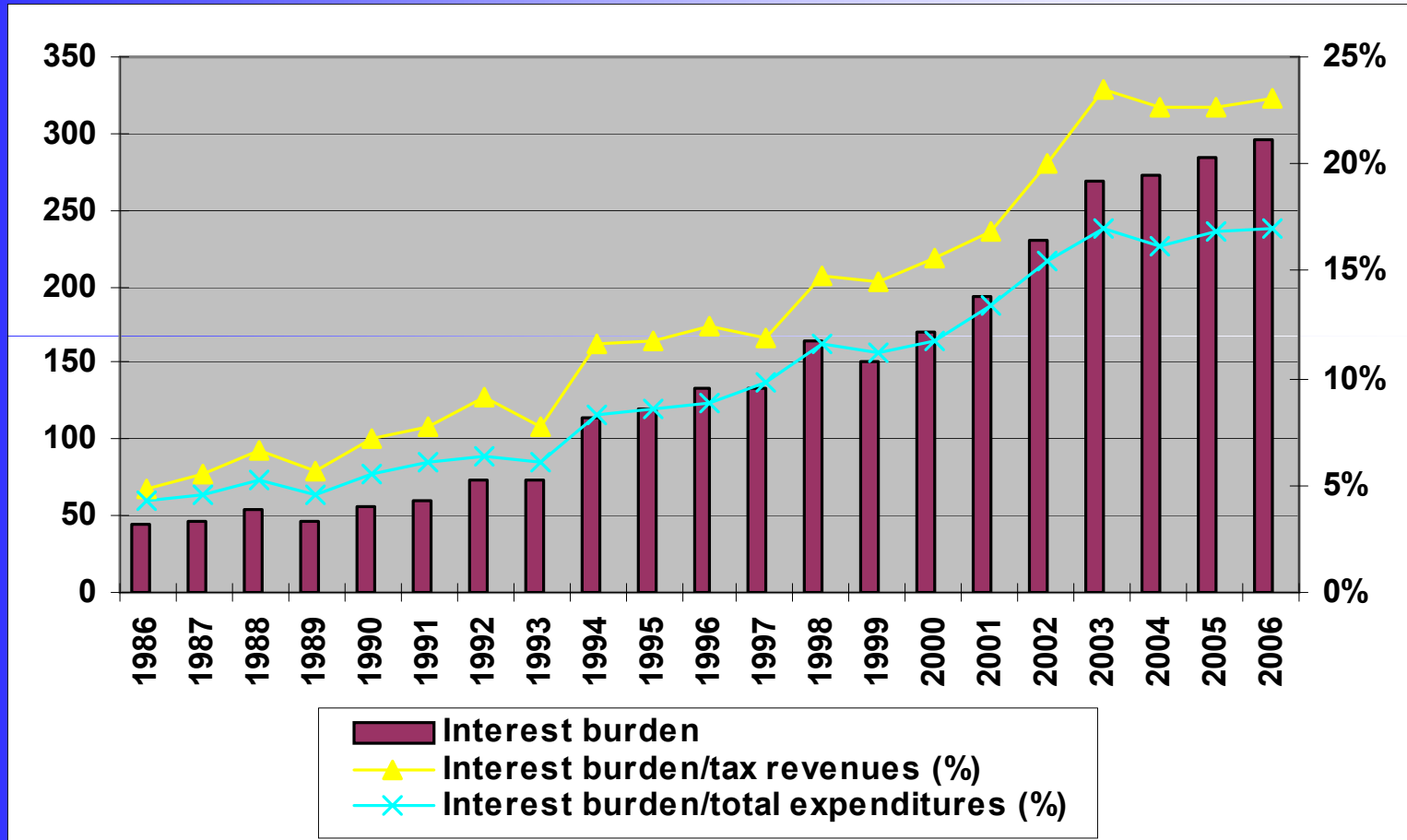
At the end of 2006, total debt amounted to NAf 5.2 billion (85% GDP).

Distribution public debt (December 2006)



Development in interest burden

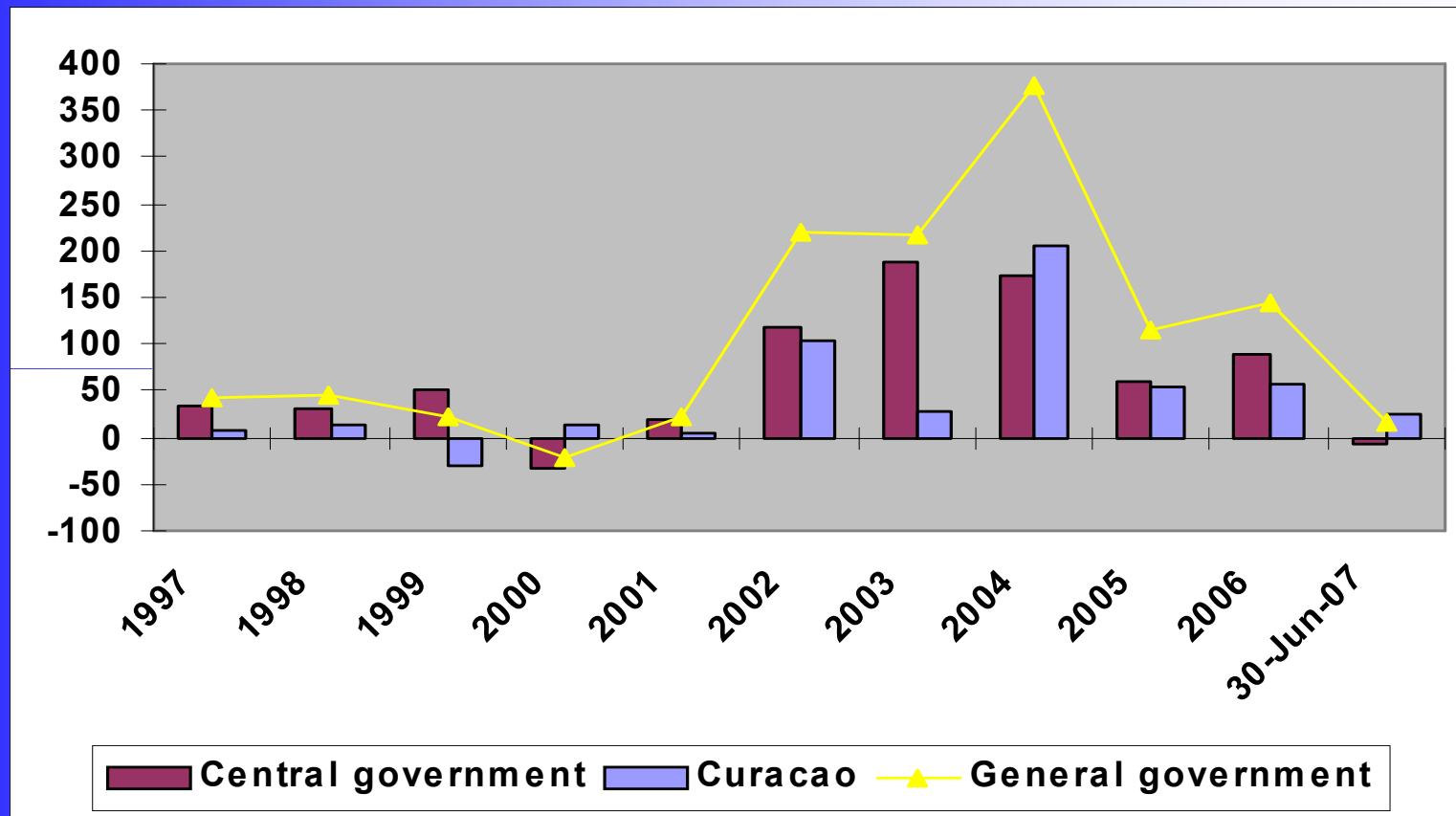
(mln. NAf)



Interest burden amounted to NAf 296 million in 2006 (23% of tax revenues and 17% of expenditures).

Net borrowing of the governments

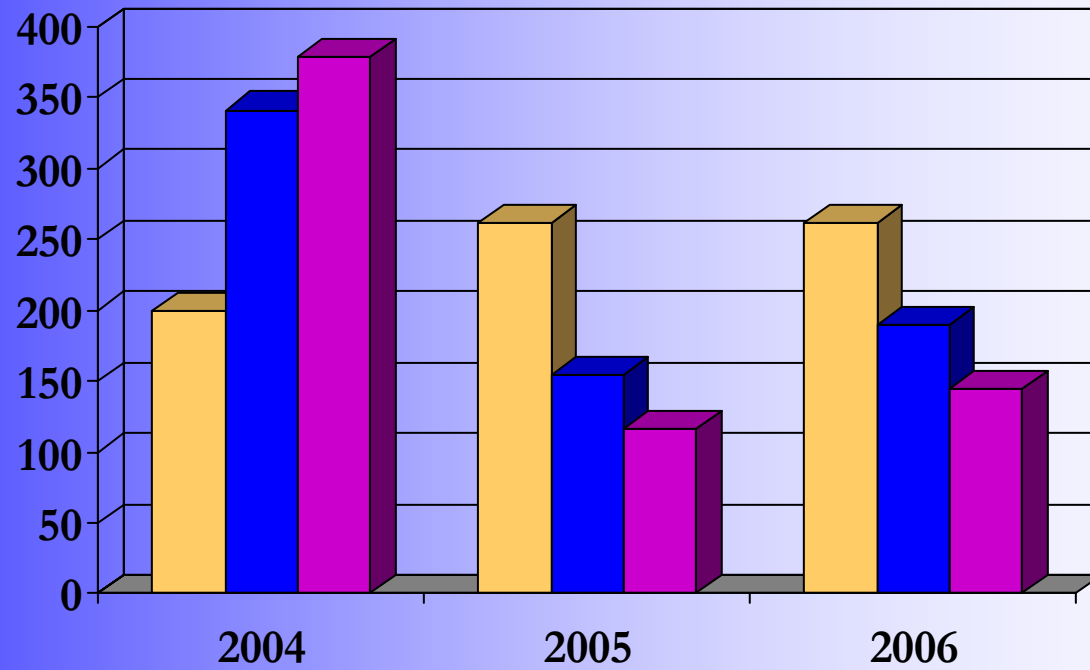
(mln. NAf)



- Total net borrowing in 2006: NAf 144 million (Curacao NAf 56 mln. and central government NAf 88 mln.).
- Total net borrowing until June 30, 2007: NAf 18 million (Curacao NAf 25 mln. and central government NAf -7 mln).

Deficit vs net borrowing general government

(mln. NAf)

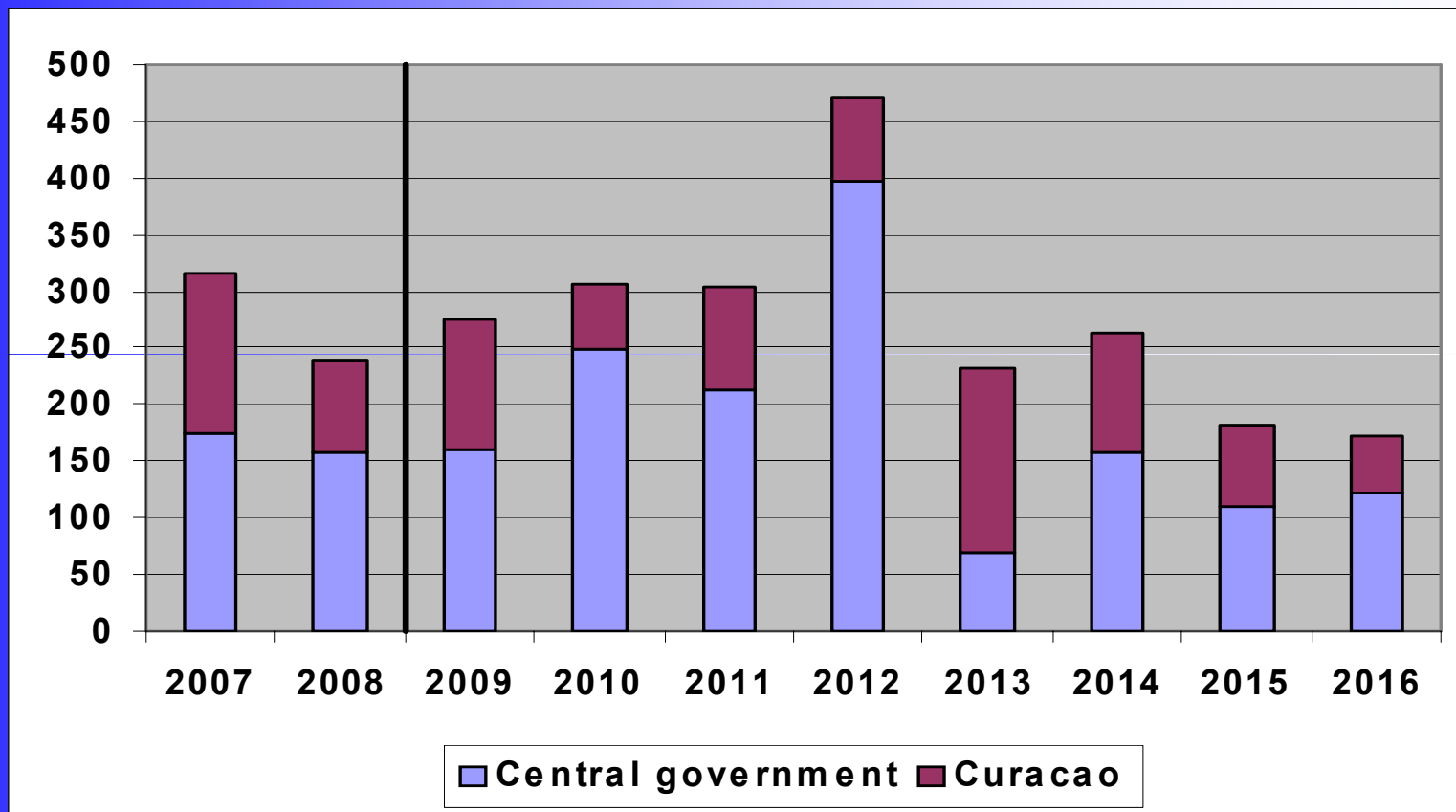


■ Projected deficit ■ Realized cash deficit ■ Net borrowing

In 2005 and 2006, net borrowing fell short to cover the projected deficit as well as the realized cash deficit.

Government bonds maturity schedule

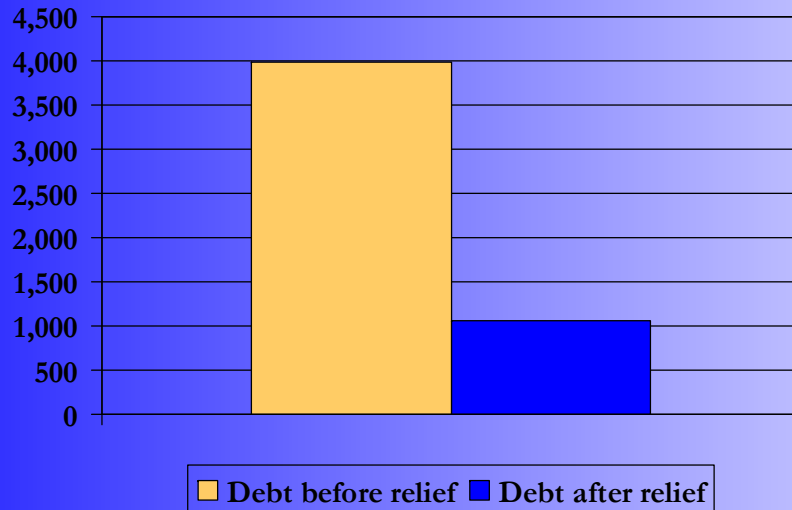
(in mln. NAf and as per June 30, 2007)



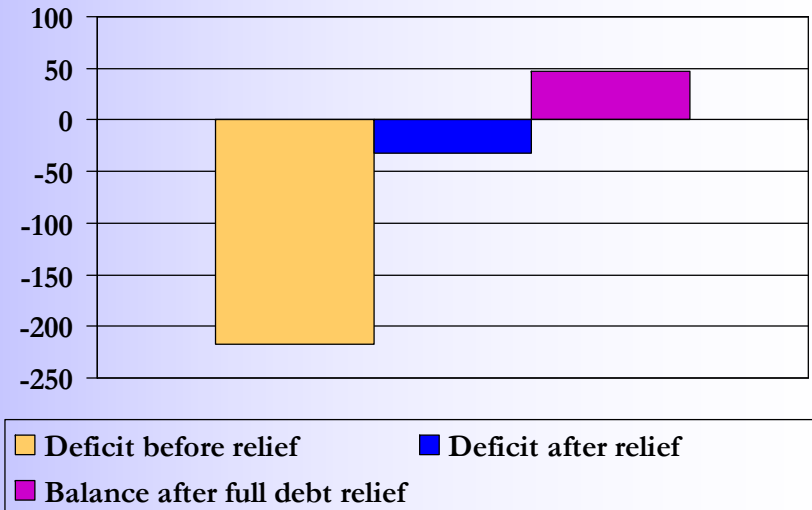
- During the next 10 years an average of NAf 276 mln. in bonds matures.
- Average share of central government is 66%.

Impact debt relief on country Curacao

(mln. NAf)



Debt as of 31-12-2005 including share in central government debt



Deficit 2006 including share in central government budget

- 74% of total debt will be taken over in Dutch proposal.
- Deficit will be reduced from NAf 217 million to NAf 32 million due to interest savings.
- In case of full debt relief, a surplus of nearly NAf.50 million would have resulted because all interest expenses are eliminated (2006 figures).



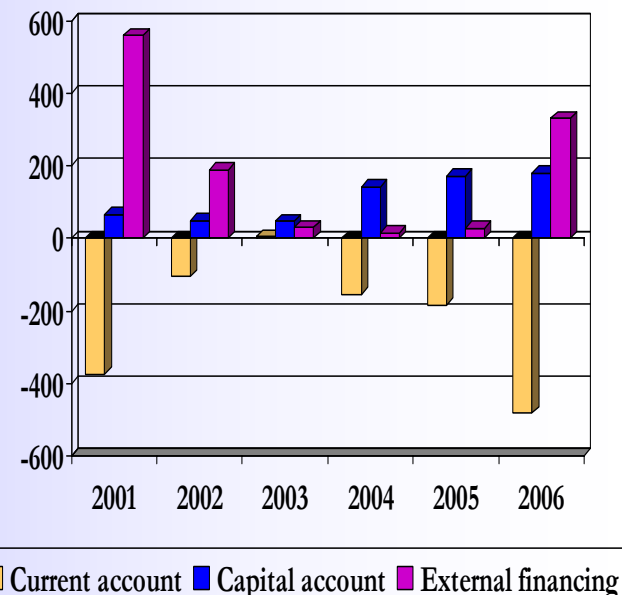
The external sector

Balance of payments

Transaction basis (mln. NAf)

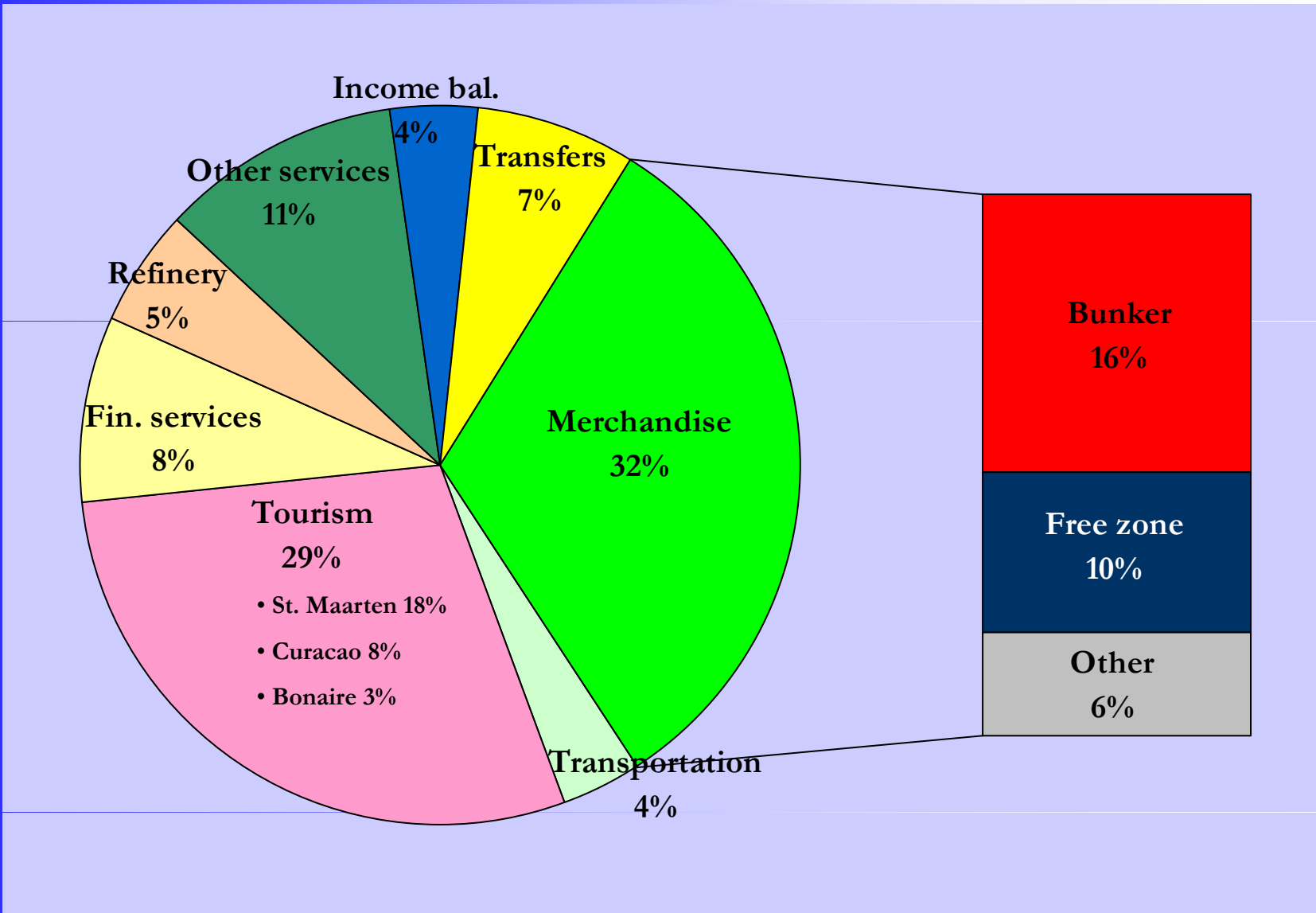
	2001	2002	2003	2004	2005	2006
Current account	-375.3	-105.7	4.5	-155.4	-184.3	-483.1
Capital account	66.6	49.7	46.9	142.2	171.1	179.6
External financing	559.5	188.6	29.8	14.8	28.2	329.8
<i>Direct investment¹</i>	<i>107.8</i>	<i>113.8</i>	<i>20.5</i>	<i>33.7</i>	<i>31.4</i>	<i>-16.0</i>
<i>Loans and credits¹</i>	<i>508.5</i>	<i>141.9</i>	<i>2.7</i>	<i>-17.2</i>	<i>39.5</i>	<i>232.8</i>
<i>Portfolio investment¹</i>	<i>-56.8</i>	<i>-67.1</i>	<i>6.6</i>	<i>-1.7</i>	<i>-42.7</i>	<i>113.2</i>
Change in reserves ¹	-415.1	-122.0	-89.0	-66.1	-132.7	-84.3
Statistical discrepancies	164.3	-10.6	7.8	64.6	117.8	58.0

1) – sign denotes an increase

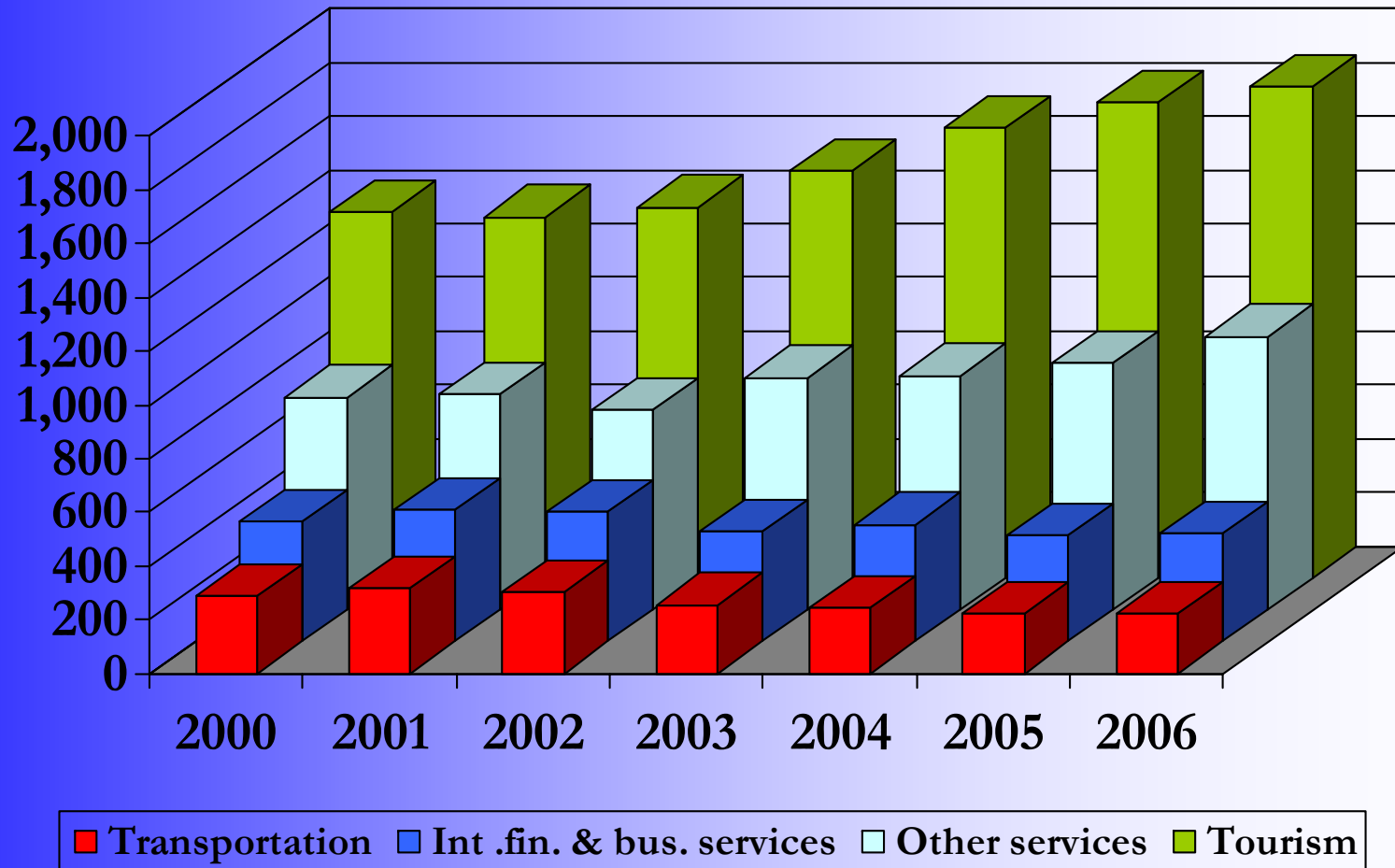


- Balance of payments surplus for sixth year in a row.
- Deterioration current account in 2006 due mainly to higher imports – related to increase in domestic spending and high oil prices – and lower BRK transfers.
- Current account deficit was financed by capital import related to development aid and external financing.
- Balance of payments surplus is expected to increase in 2007, among other things, because of the start of the debt takeover by the Dutch government.

Contribution to foreign exchange income (current account 2006)



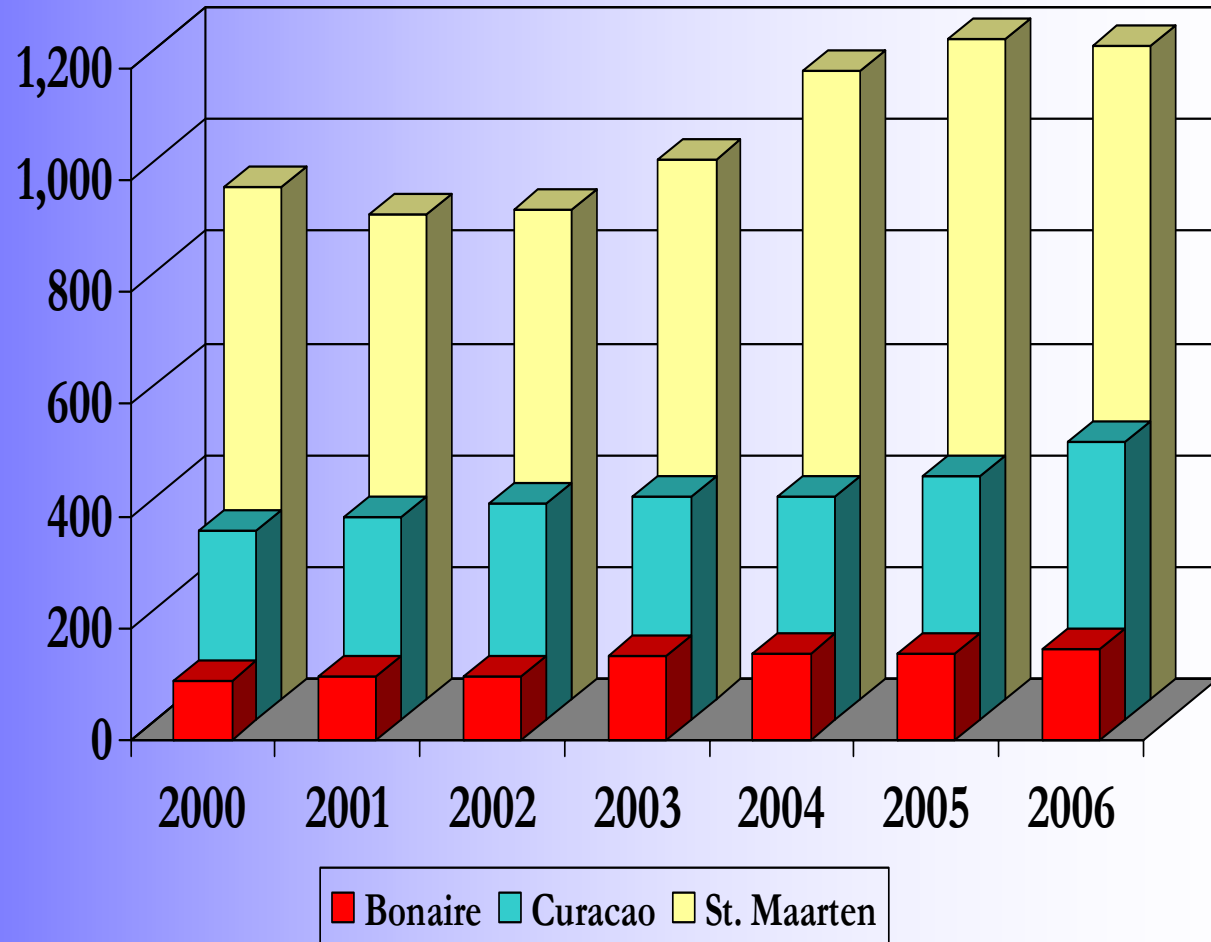
Foreign exchange income from services (NAf mln.)



Foreign exchange income from tourism (NAf mln.)

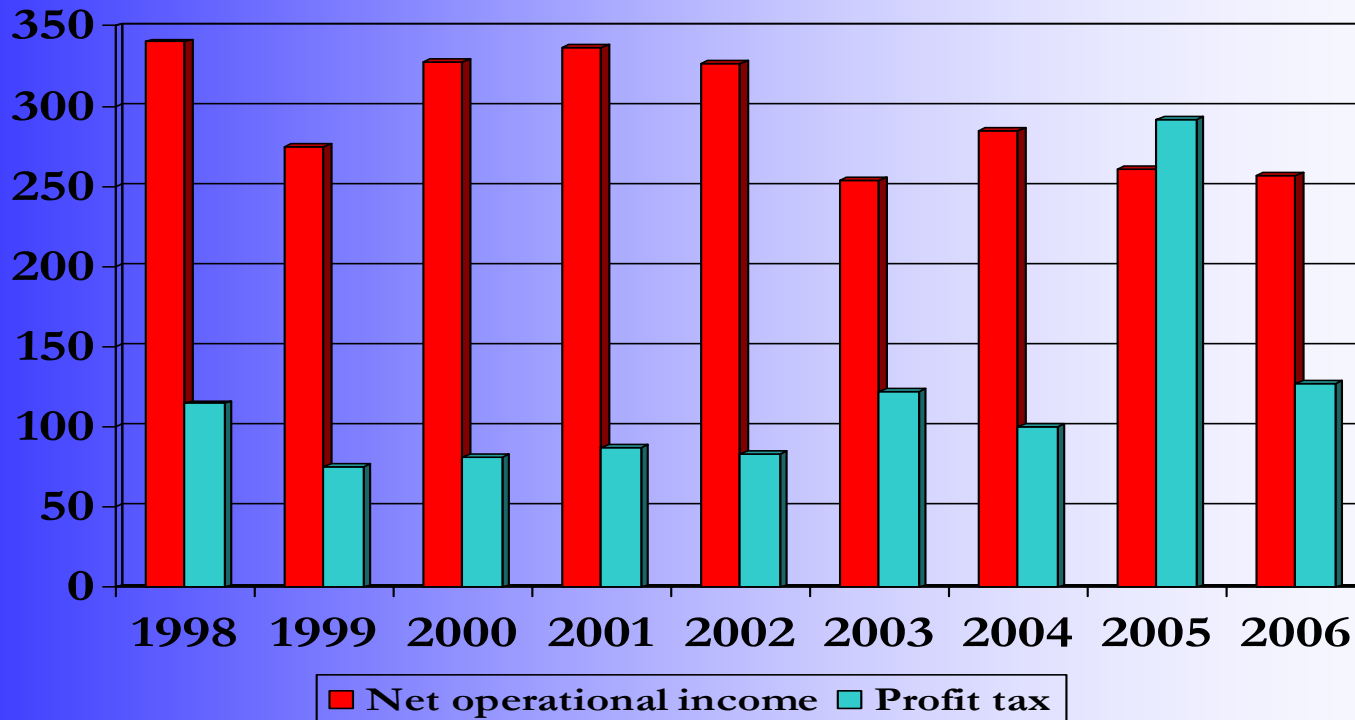
Average shares:

- St. Maarten: 65%
- Curacao: 26%
- Bonaire: 9%



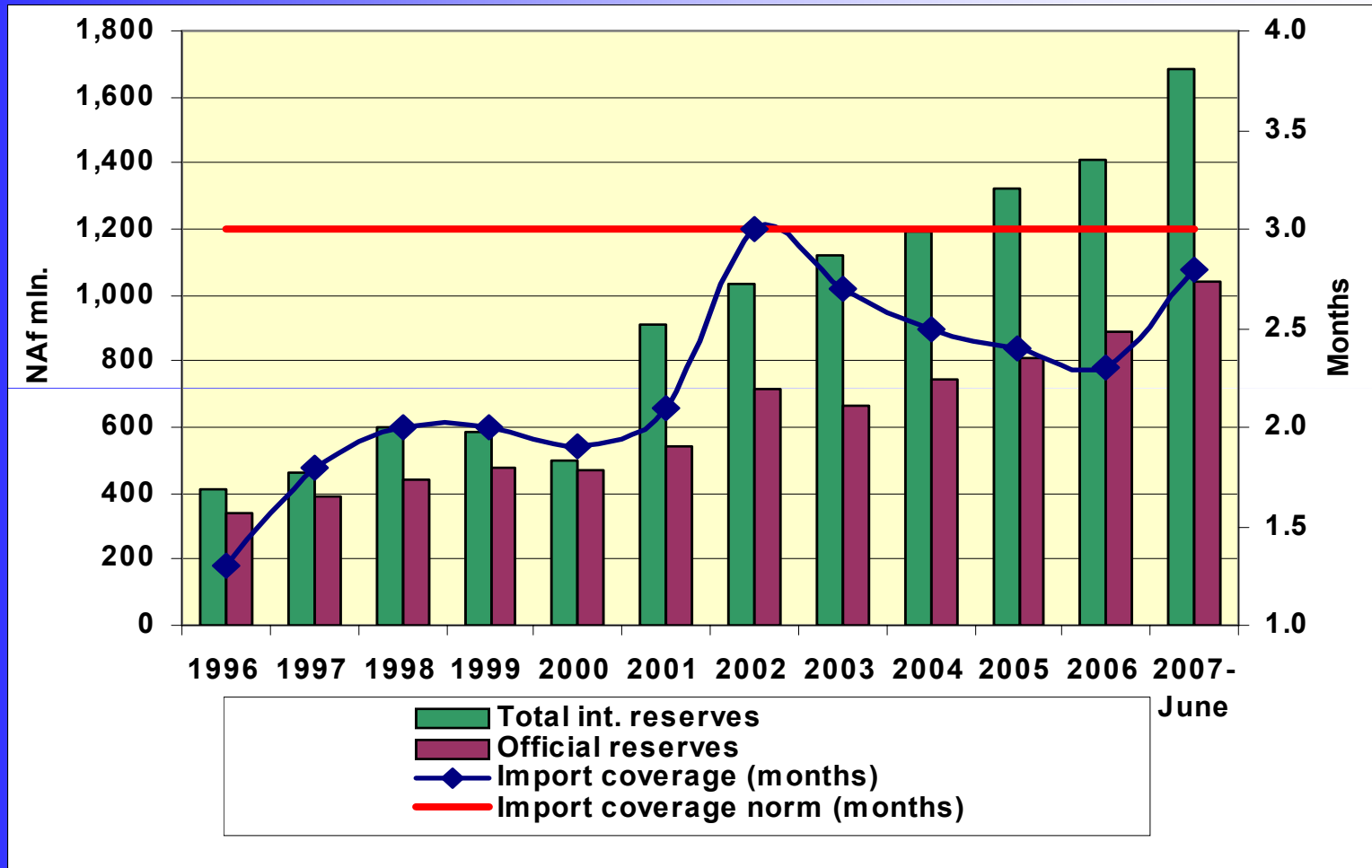
Foreign exchange contribution international financial and business services sector

(NAf mln.)



- Stabilization in net operational income.
- Large swings in tax income since 2003 due to the BRK transfers from Holland.

Development foreign exchange reserves



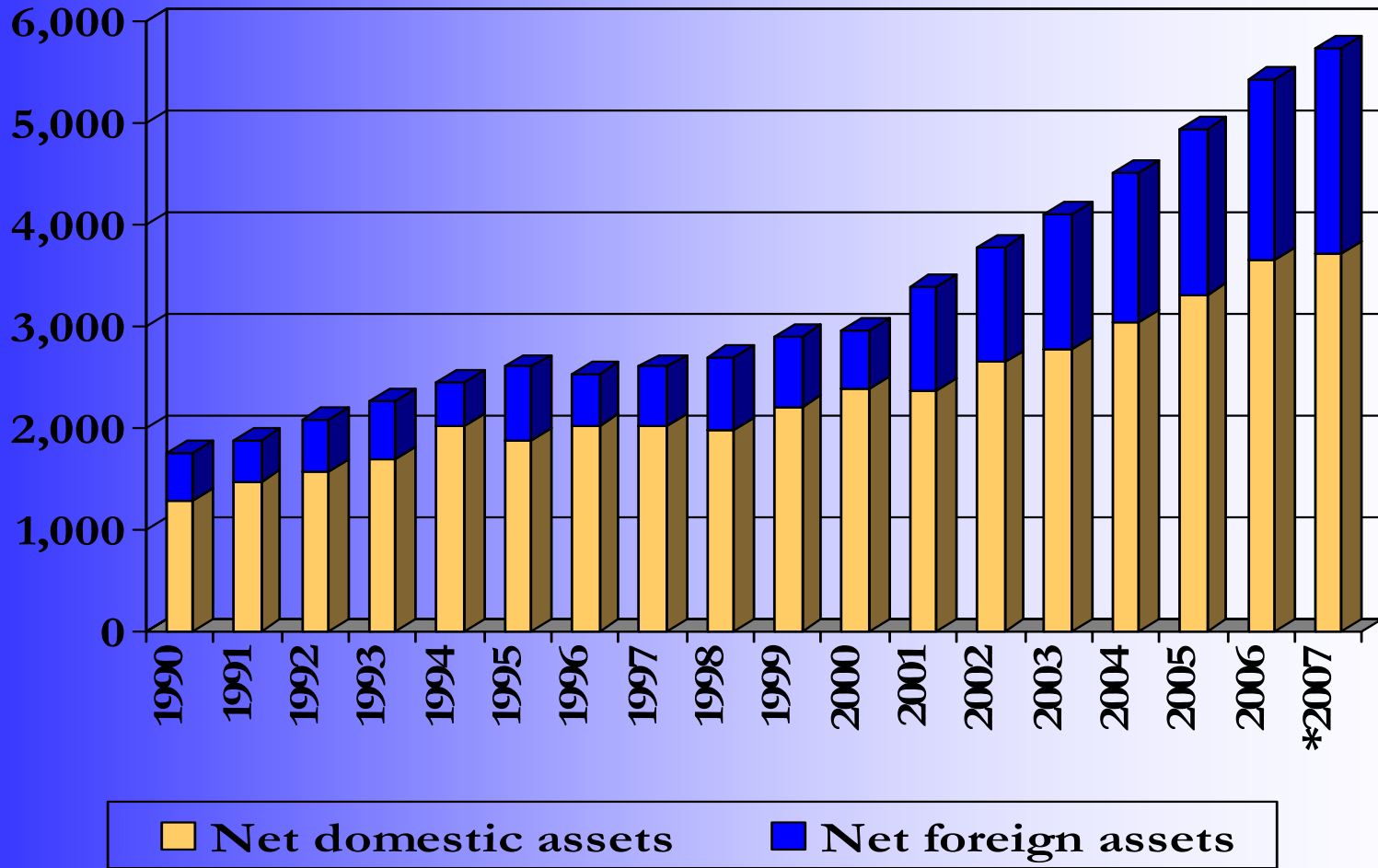
Declining trend import coverage during 2002-2006 due to strong growth in imports related with the economic recovery.

Monetary



developments

Development in the money supply (mln. NAf)



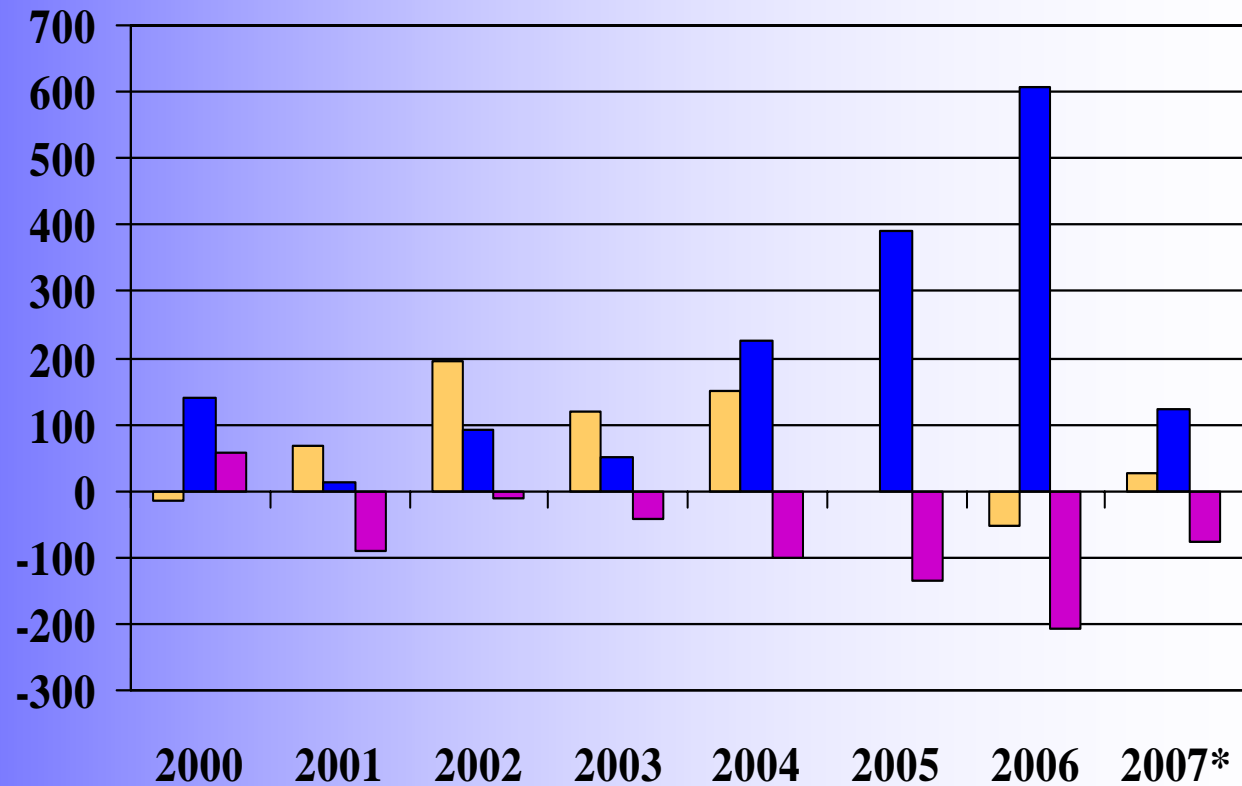
* April

- Money supply increased by 10% in 2006 (NDA 10% and NFA 9%).
- Money supply increased by 6% in Jan-Apr 2007 (NDA 2% and NFA 13%).

Net domestic credit by sector

(change, mln. NAf)

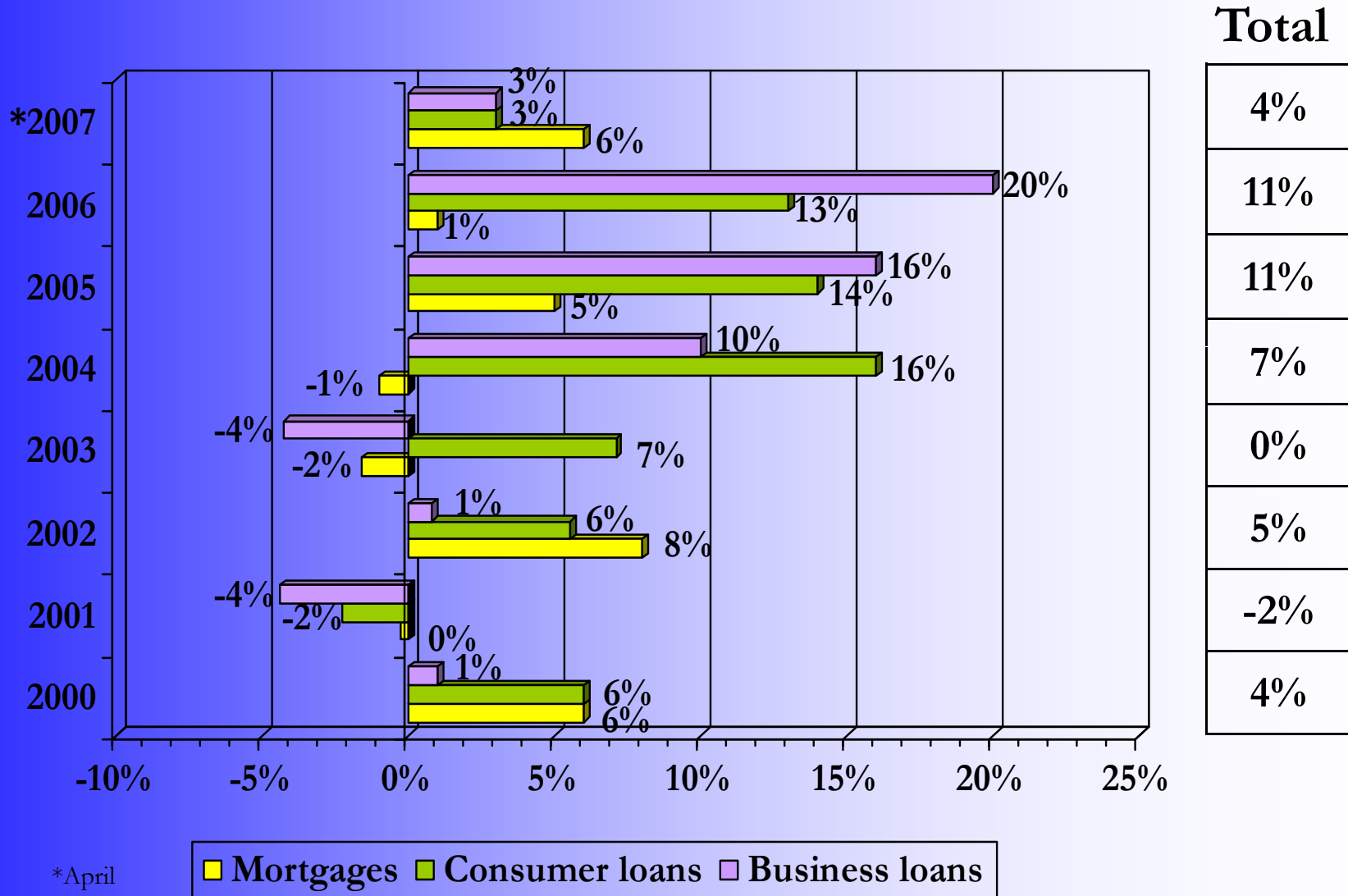
- Contractionary impact by the government in 2006, but expansionary impact in Jan-Apr 2007.
- Net private sector credit grew strongly in 2006 (18%), but moderated in Jan-Apr 2007 (3%, compared to 7% in 2006).



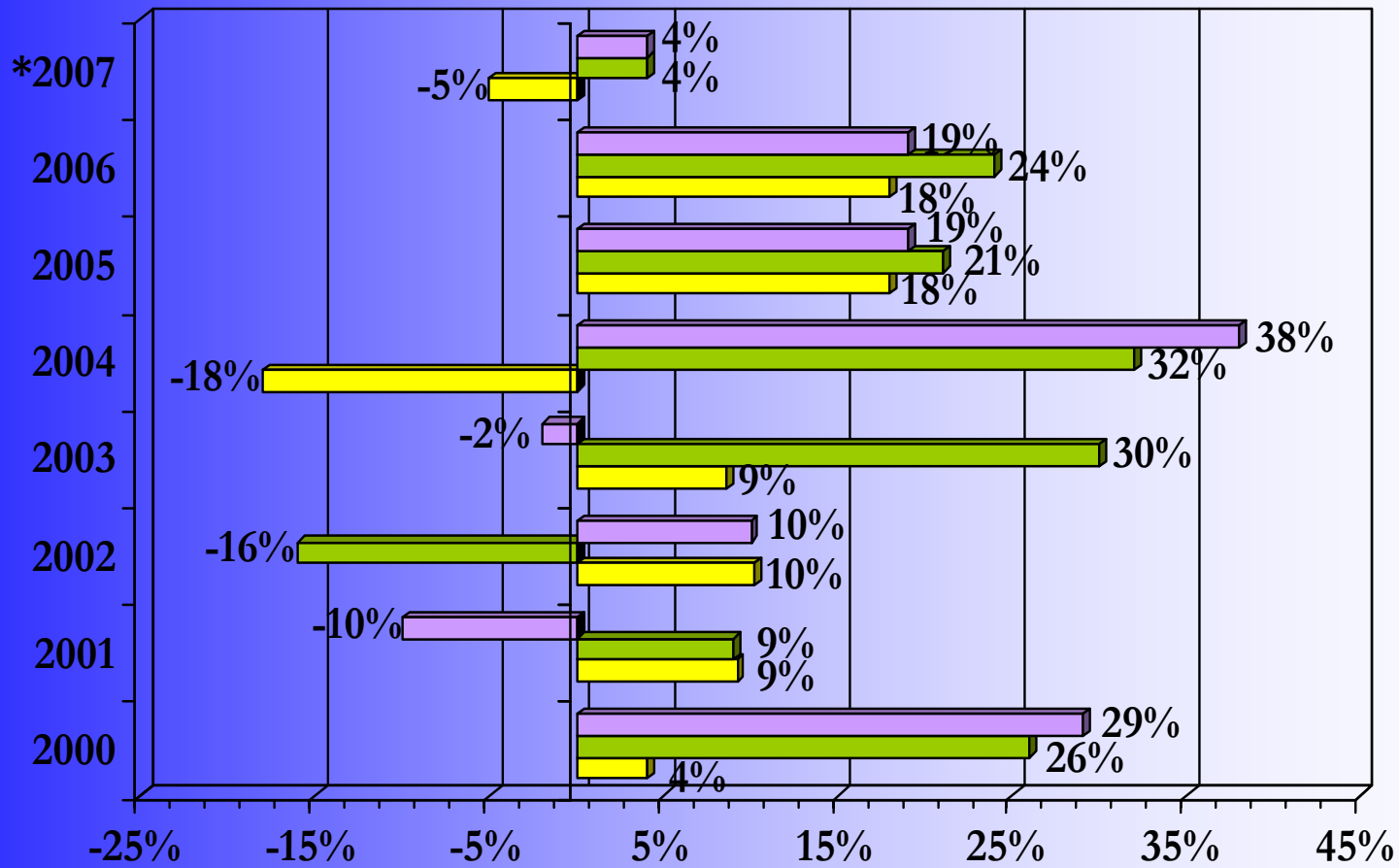
* April

Government Private sector Other

Development in credit extension Leeward Islands



Development in credit extension Windward Islands



Total

1%
20%
20%
10%
9%
4%
2%
16%

*April

■ Mortgages ■ Consumer loans ■ Business loans

Note: in 2004, a reclassification from mortgages to business loans occurred.

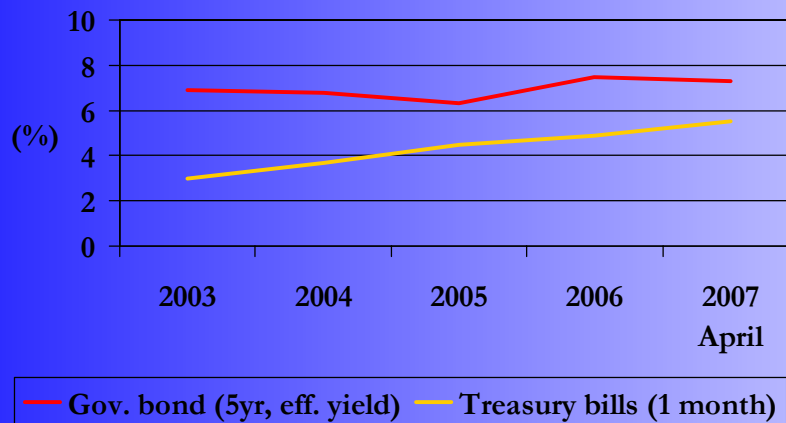
Annual Report 2006

Development in domestic interest rates

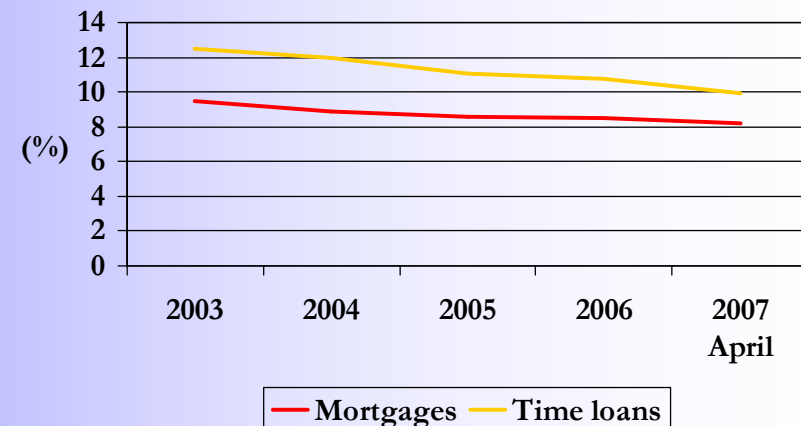
	2003	2004	2005	2006	2007 April
Central bank					
- Pledging rate	2.25%	2.75%	4.50%	5.50%	5.50%
- Maximum CD rate (1 month)	1.25%	2.64%	4.36%	5.33%	5.25%
Commercial bank deposit rates					
- Savings account	3.4%	2.8%	2.8%	2.8%	2.8%
- 12 month time deposit	4.9%	4.2%	4.1%	4.2%	4.5%
Commercial bank lending rates					
- Mortgages	9.5%	8.9%	8.6%	8.5%	8.2%
- Time loans	12.5%	12.0%	11.1%	10.8%	9.9%
Government securities					
- Gov. bond (5yr, effective yield)	6.9%	6.8%	6.3%	7.5%	7.3%
- Treasury bills (1 month)	3.0%	3.7%	4.5%	4.9%	5.5%

- Time deposit rate increased further.
- Declining trend in private lending rate.
- Rising trend in government lending rates

Government securities



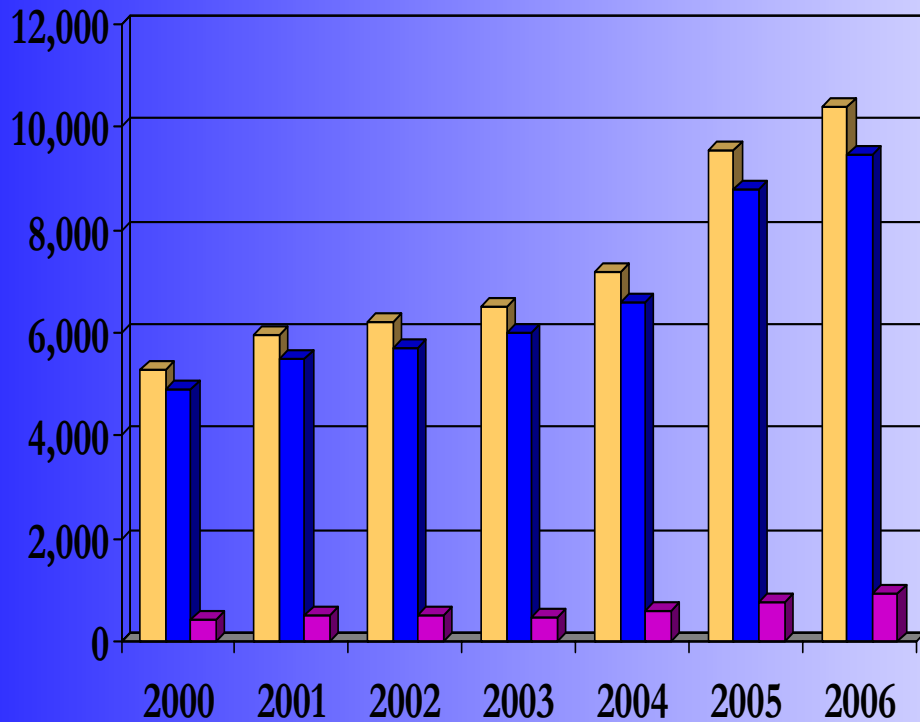
Commercial bank lending rates





The banking sector

Balance sheet development domestic banks (mln. NAf)

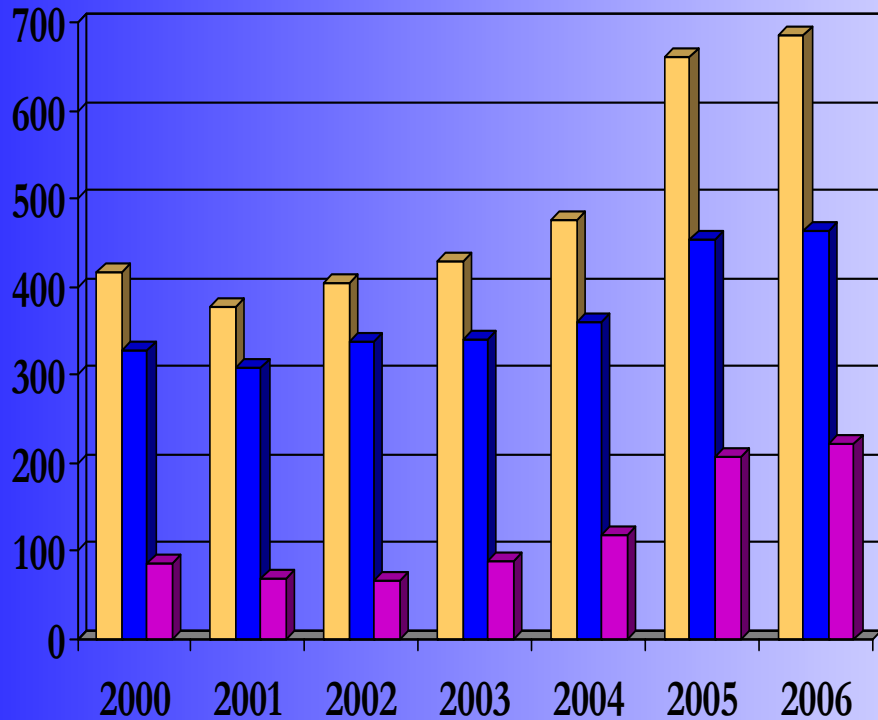


- Relatively large increases in assets, liabilities, and capital in 2005 due to acquisition by domestic bank of foreign subsidiary.
- Assets grew by 7.8% in 2006.

■ Total assets
 ■ Total liabilities
 ■ Capital

P & L development domestic banks

(mln. NAf)



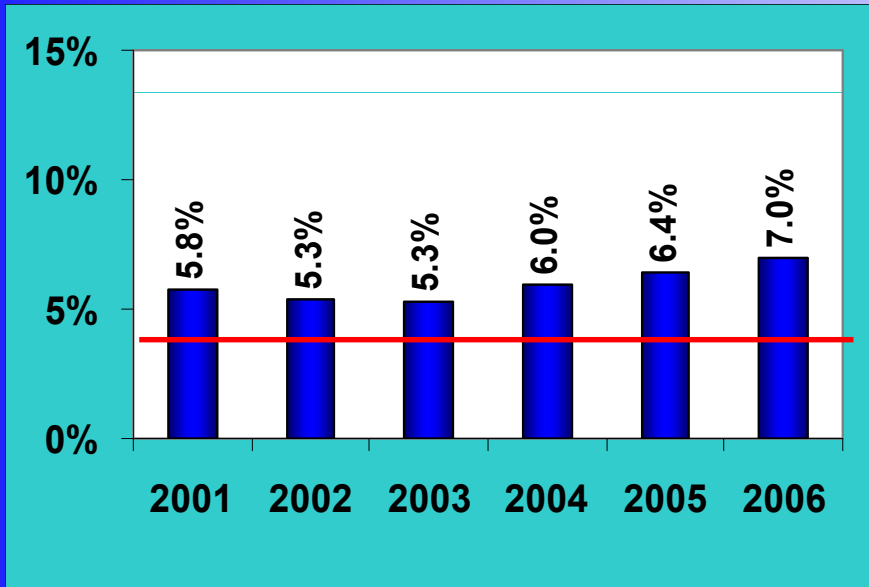
■ Operational income
 ■ Operational exp.
 ■ NOIBT

- Relatively large increases in income, expenditures, and profit in 2005 due also to acquisition by domestic bank.
- Net operating income before taxes increased by 7.4% in 2006.

Macro-prudential indicators

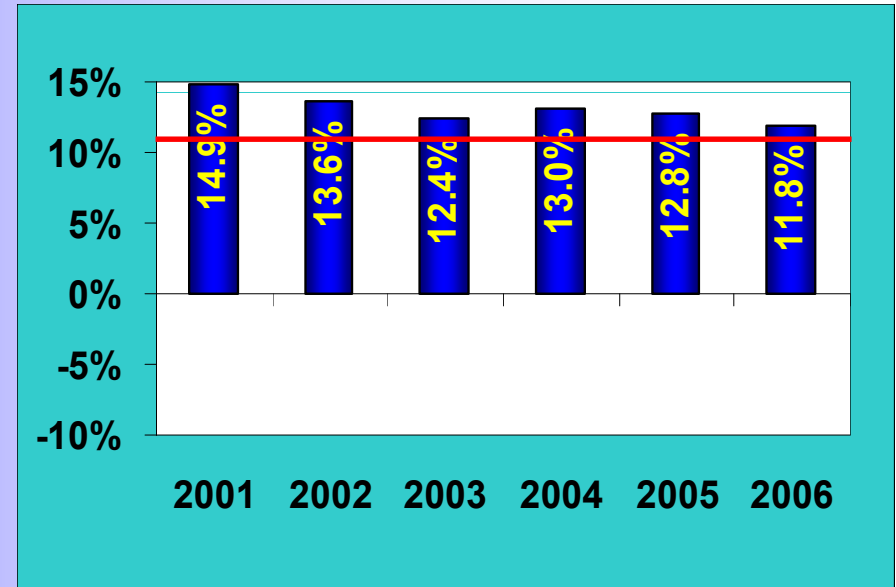
Capital adequacy

Tier 1 capital-to-total assets



Tier 1 capital-to-total assets $\geq 4\%$

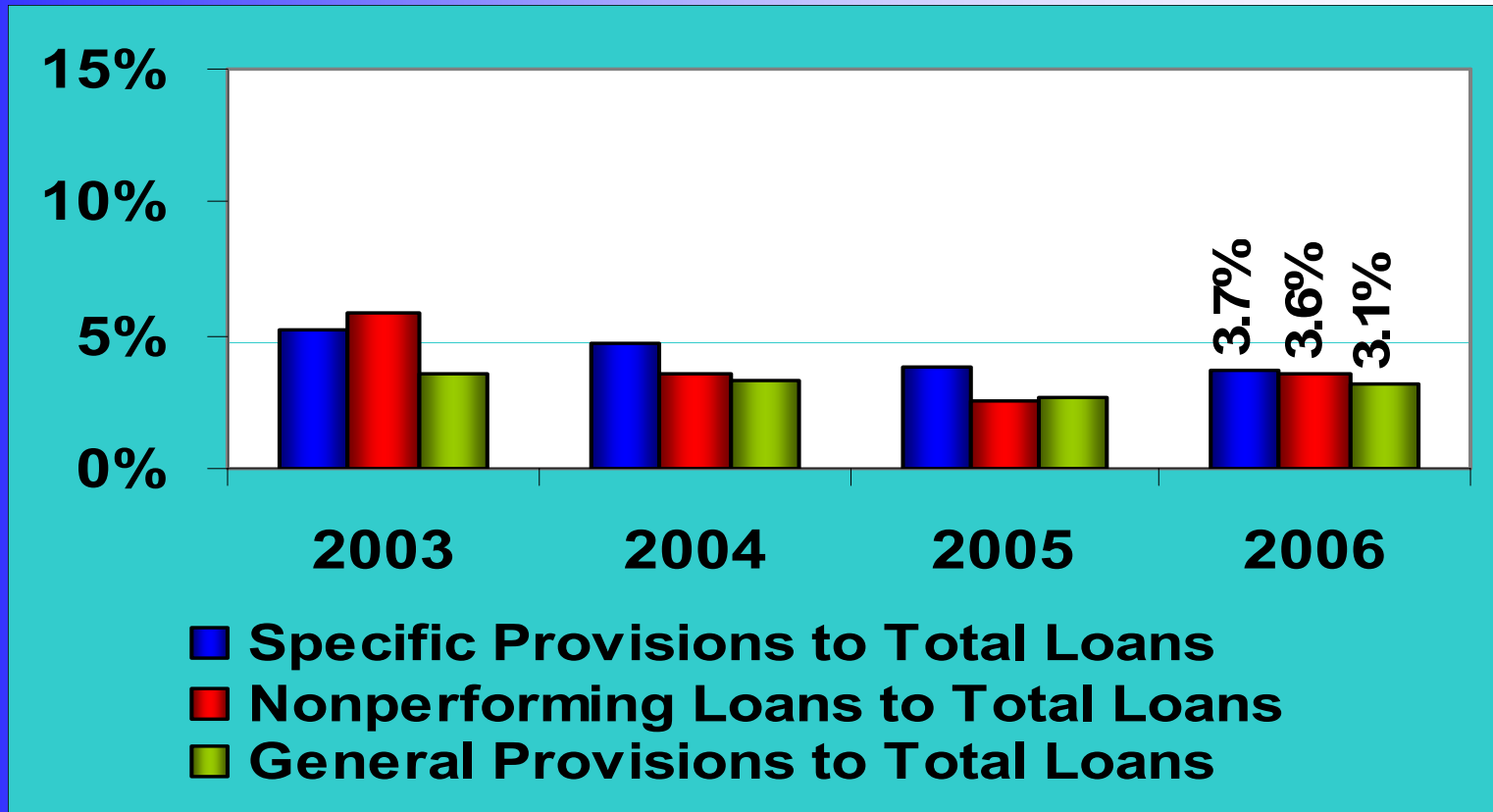
Total actual capital-to-total risk assets



Total actual capital-to-total risk assets $\geq 10.5\%$

Macro-prudential indicators

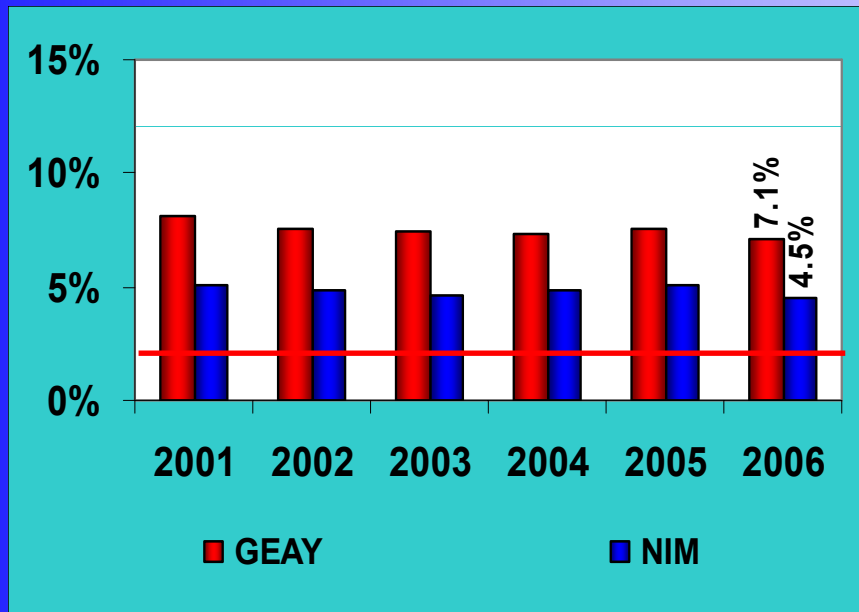
Assets quality



Macro-prudential indicators

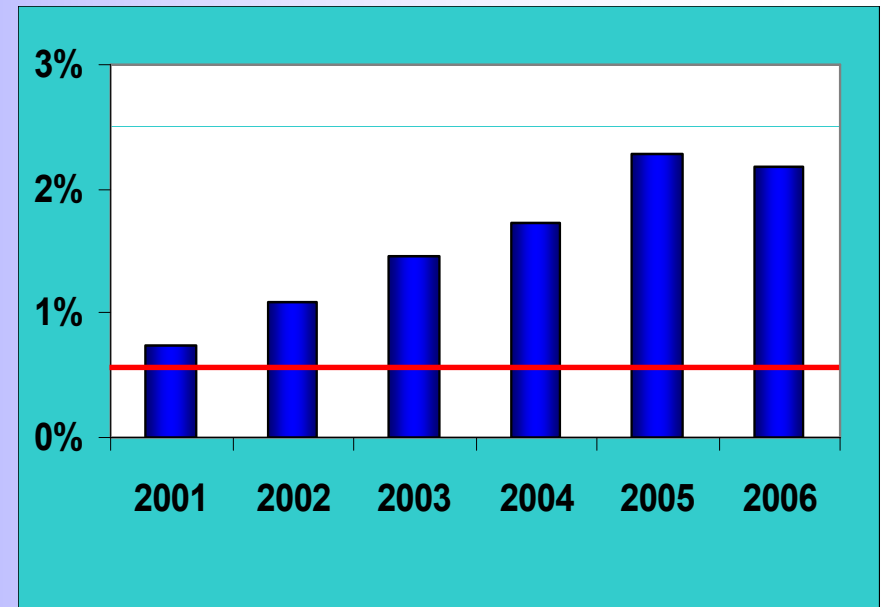
Earnings & profitability

Gross earning assets yield & net interest margin



Net interest margin \geq 2%

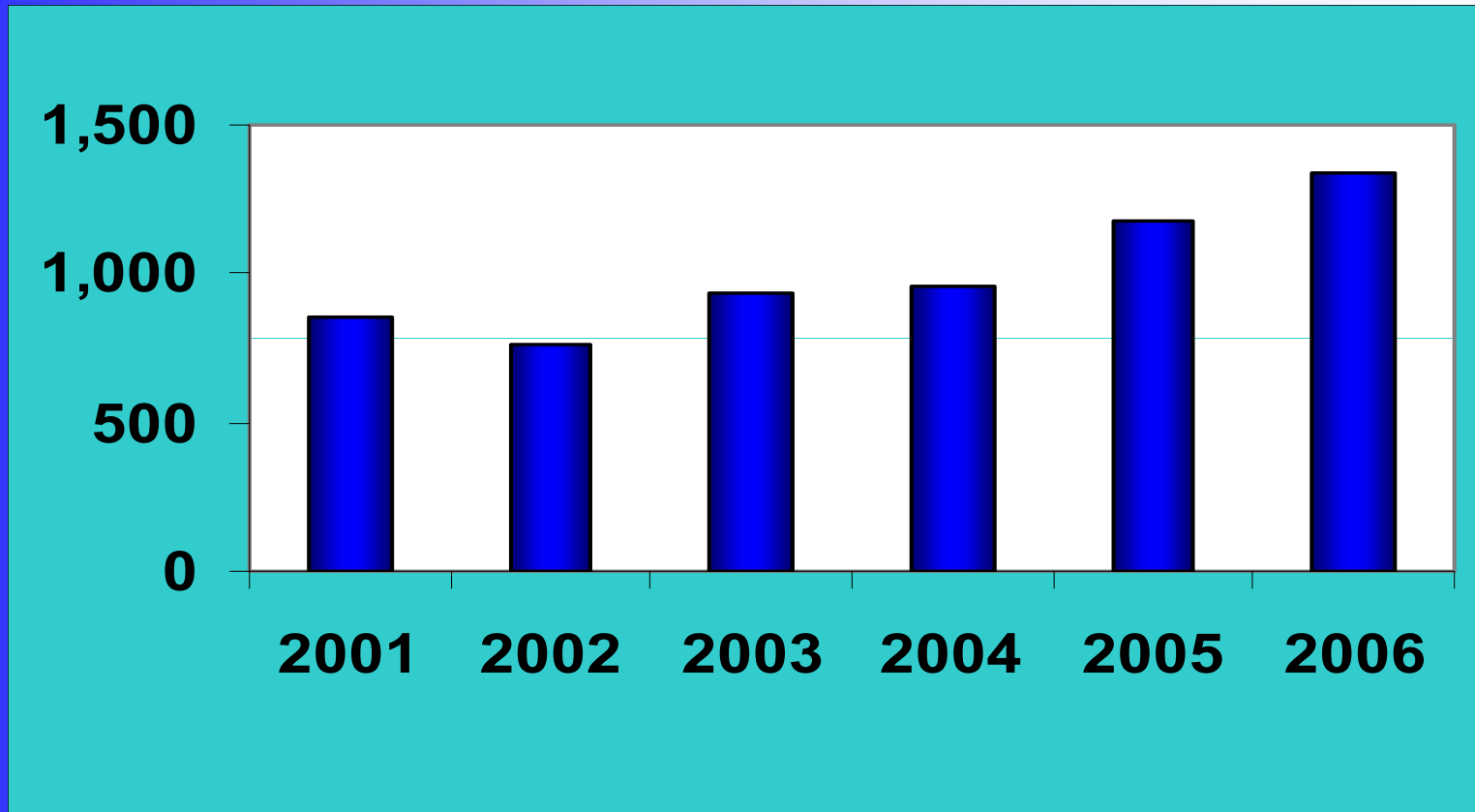
Return on assets



Return on assets \geq 0.6%

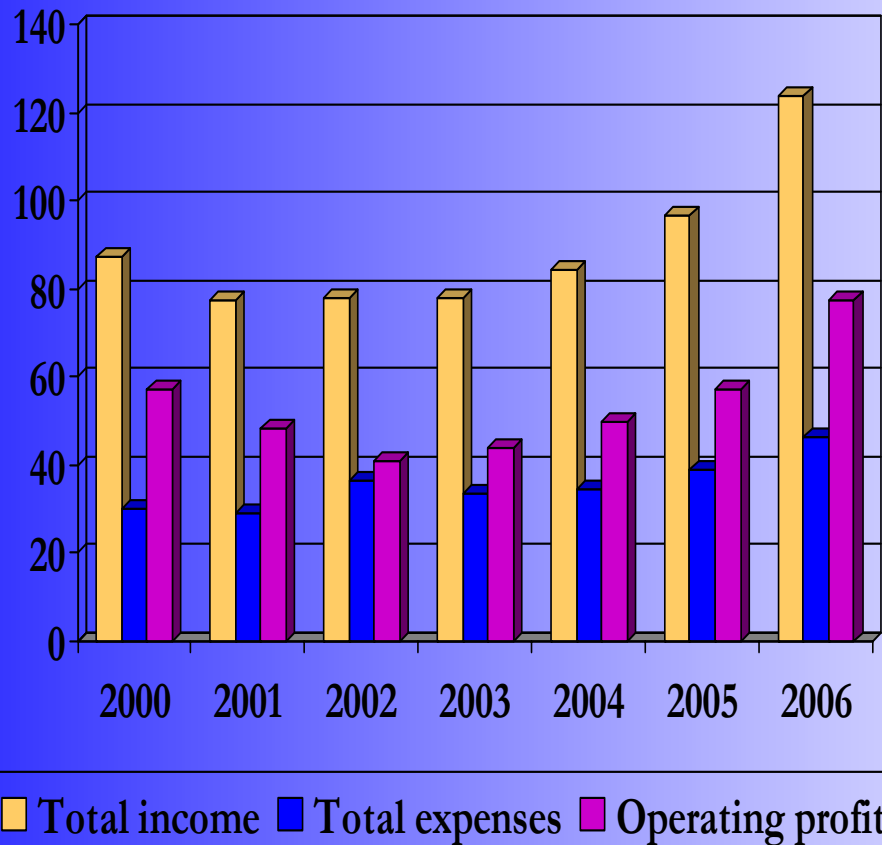
Macro-prudential indicators

Liquidity (mln. NAf)



Profit development central bank

(mln. NAf)



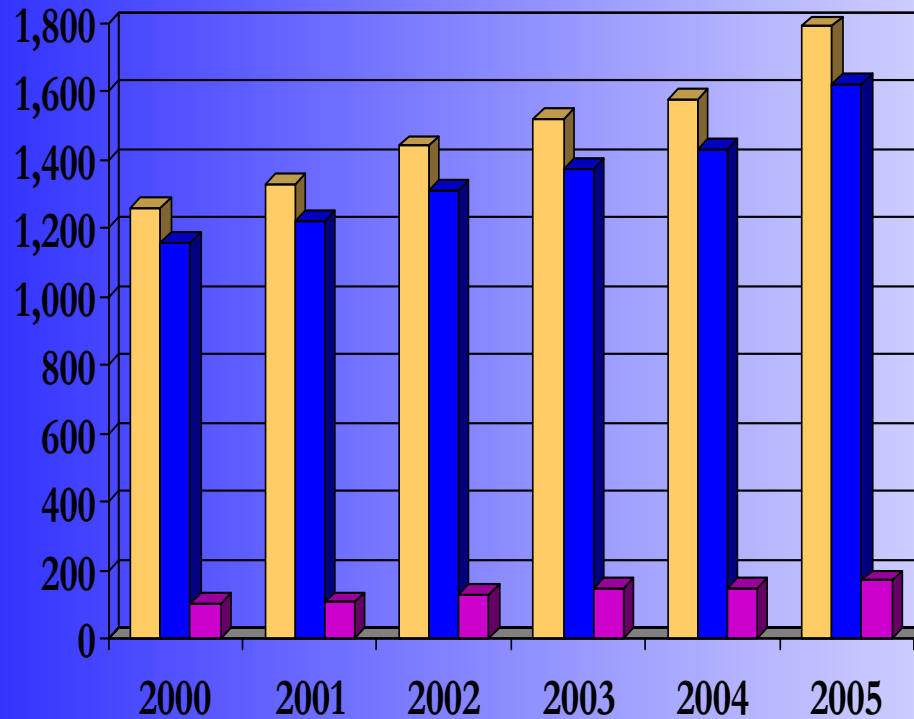
- Profit central bank is closely correlated with income performance.
- 2006 profit consisted of NAf 59.5 mln. license fee and NAf 17.9 mln. operational result (of which NAf 7.9 mln. from the sale of the former offices).



Institutional investors

Balance sheet domestic life insurance sector

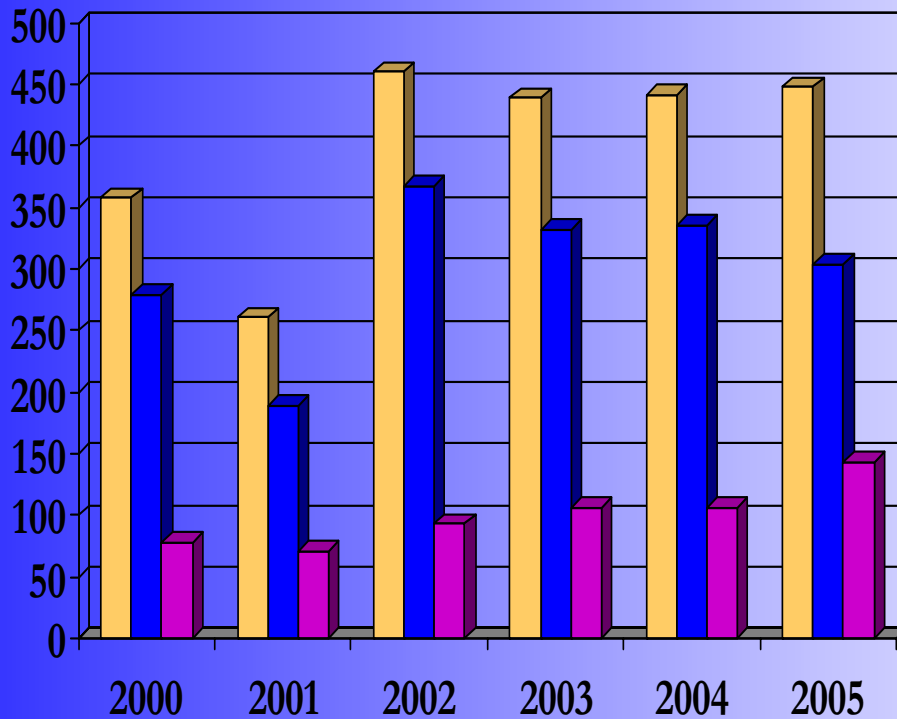
(NAf mln.)



■ Total assets
 ■ Total liabilities
 ■ Capital

- Total assets increased by 13.5% in 2005.
- 82% of total assets comprised investments.
- Equity position 2.9 times more than required.

Balance sheet domestic non-life insurance sector (NAf mln.)

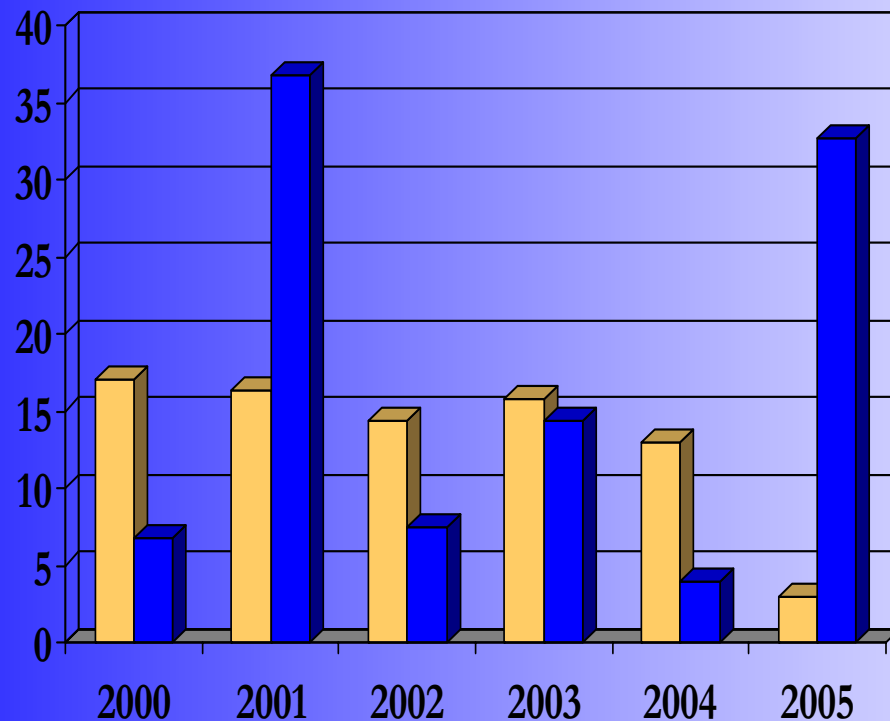


■ Total assets
 ■ Total liabilities
 ■ Capital

- Total assets increased by 1.5% in 2005.
- 63% of total assets was invested.
- Equity position 3.0 times more than required.

Net income domestic insurance companies

Before taxes (NAf mln.)



Life insurers Nonlife insurers

- Net result life insurance industry dropped to NAf 3.0 million (-76.7%) in 2005 due mainly to lower extraordinary results and unrealized losses.
- Net result nonlife insurance industry rose to NAf 32.7 million in 2005 (almost 7 times higher than in 2004) due mainly to higher net earned premium, a decline in provisions, and lower underwriting expenses incurred.

The End