

## Condensed Balance Sheet

### CENTRALE BANK VAN CURAÇAO EN SINT MAARTEN

**August 2018**

(millions of NAf.)

Assets	Difference compared to		Liabilities	Difference compared to	
	31-Aug-18	31-Jul-18		31-Aug-18	31-Jul-18
<b>Claims on nonresidents</b>	<b>3,262.6</b>	<b>-335.1</b>	<b>Liabilities to nonresidents</b>	<b>303.7</b>	<b>10.0</b>
Gold	904.9	-13.9	Deposits of nonresidents in foreign currency	303.7	10.0
Official reserves	2,357.7	-321.2			
Other	0.0	0.0			
<b>Domestic assets</b>	<b>715.1</b>	<b>44.3</b>	<b>Domestic liabilities</b>	<b>2,823.9</b>	<b>-289.7</b>
			<b>Currency in circulation</b>	<b>460.9</b>	<b>-1.3</b>
<b>Claims on the government</b>	<b>0.1</b>	<b>0.0</b>	<b>Government deposits</b>	<b>139.1</b>	<b>-11.7</b>
Government paper in portfolio	0.1	0.0	Government of Curacao	77.9	-3.4
Government agencies and institutions	0.0	0.0	Government of Sint Maarten	59.0	-8.3
Other	0.0	0.0	Former Central Government	1.8	0.0
			Government agencies and institutions	0.4	0.0
<b>Claims on deposit money banks</b>	<b>231.3</b>	<b>40.0</b>	<b>Liabilities to deposit money banks</b>	<b>2,125.8</b>	<b>-241.0</b>
Current account balances	231.3	40.0	Current account balances	751.5	-265.4
			Certificates of Deposit	26.5	-8.5
			Required reserves	1,347.8	32.8
<b>Claims on other sectors</b>	<b>483.8</b>	<b>4.3</b>	<b>Liabilities to other sectors</b>	<b>98.1</b>	<b>-35.7</b>
Other assets	483.8	4.3	Deposits of other residents	38.9	-37.6
			Other liabilities	59.2	2.0
			<b>Capital and reserves</b>	<b>850.2</b>	<b>-11.2</b>
<b>Total assets</b>	<b>3,977.7</b>	<b>-290.8</b>	<b>Total liabilities</b>	<b>3,977.7</b>	<b>-290.8</b>

During the month of August 2018, the Bank maintained the reserve requirement at 18.00%. Nevertheless, the amount of required reserves increased by NAf.32.8 million due to the higher base amount<sup>1</sup> upon which it is calculated. Furthermore, on the bi-weekly auctions of certificates of deposit (CDs), the Bank issued a lower amount of CDs causing a NAf.8.5 million decrease in the outstanding amount of CDs.

Base money<sup>2</sup> dropped by NAf.266.7 million due primarily to a decrease in the current account balances of the commercial banks (NAf.265.4 million). The decrease in the current account balances was largely the result of the net purchase of foreign exchange by the commercial banks at the Bank and the increase in the required reserves. By contrast, transfers by the public pension fund, APC, the government of Sint Maarten and N.V. Pensioen ESC from their accounts at the Bank towards their accounts at the commercial banks, payments by USONA<sup>3</sup> to local creditors regarding the construction of the new hospital in Curaçao, and the decline in the amount of outstanding CDs moderated the drop in the current account balances. In addition, the Bank provided short-term liquidity to some

<sup>1</sup> The base amount is equal to the commercial banks' domestic liabilities -/- long-term deposits.

<sup>2</sup> The sum of currency in circulation and the current account balances of the commercial banks at the Bank.

<sup>3</sup> USONA is the foundation in charge with the construction of the new hospital in Curaçao.

commercial banks during the month of August, reflected by an increase in the item “Claims on deposit money banks” by NAf.40.0 million.

The item “Liabilities to nonresidents” grew by NAf.10.0 million due mainly to transactions carried out by some commercial banks in Bonaire towards their accounts at the Bank. Also, an increase in the deposits of the Dutch Ministry of the Interior and Kingdom Relations (BZK) at the Bank related to interest and principal payments on debt securities issued by the government of Sint Maarten that are held by the Dutch State contributed to the increase in the item “Liabilities to nonresidents”.

The net position of the government with the Bank worsened by NAf.11.7 million because of decreases in the deposits of the government of Sint Maarten (NAf.8.3 million) and the government of Curaçao (NAf.3.4 million). The decrease in the deposits of the government of Sint Maarten was attributable largely to the transfer of funds from its account at the Bank towards its accounts at the commercial banks and interest and principal payments on debt securities held by the Dutch State. The decline in the deposits of the government of Curaçao was mainly the result of the transfer of funds to USONA regarding the construction of the new hospital. This decline was, however, partly offset by the transfer of license fees over the month of July by the Bank.

Meanwhile, the item “Liabilities to other sectors” dropped by NAf.35.7 million in August, due mainly to the transfer of funds by APC from its account at the Bank towards its accounts at the commercial banks. However, the payments received by APC regarding the repayment of debt securities by the Dutch State Treasury Agency (DSTA), which were taken over by the Dutch government under the debt relief program, moderated the decline in the item “Liabilities to other sectors”.

The decline by NAf.321.2 million of the item “Official reserves” on the assets side of the balance sheet was primarily the result of the net purchase of foreign exchange by the commercial banks from the Bank and the payments by USONA to foreign creditors regarding the construction of the new hospital in Curaçao. The decline in reserves was, however, moderated by the transactions carried out by some commercial banks in Bonaire, the transfers by the DSTA for the payment of matured debt securities, and the transfer of funds by the World Bank for the reconstruction of Sint Maarten.<sup>4</sup> In addition, N.V. Pensioen ESC transferred funds from abroad.

In June 2018, the Dutch government paid off the final bond loan of the former Netherlands Antilles taken over under the debt relief program, thereby ending the associated inflow of foreign exchange.<sup>5</sup> The holders of these securities, i.e., local private and institutional investors, reinvested only part of the received interest and principal payments abroad because of the very low international interest rates and the uncertainty in the securities markets. These circumstances explain also the excess liquidity in the local banking system. Since the international interest rates are gradually increasing and the securities markets have improved, the appetite to invest more funds abroad to realize higher returns than can be

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<sup>4</sup> The World Bank transferred funds from the Sint Maarten Recovery, Reconstruction and Resilience Trust Fund that supports recovery efforts, helps the government of Sint Maarten prepare projects with well-defined development objectives, and provides capacity support for effective, efficient and transparent project execution following the massive destruction that Hurricane Irma caused in Sint Maarten in September 2017. The Dutch government has made €470 million (NAf.1.0 billion) available for the fund that is managed by the World Bank.

<sup>5</sup> The Dutch government is still paying off an annuity loan in the portfolios of the public pension funds of Curaçao (APC) and Sint Maarten (APS). The last payment will take place at the end of 2030.

made domestically increased. In August, many investors decided to invest abroad, causing a significant decline in the balance sheet item “Official reserves.” With an import coverage in excess of 4 months, there is no reason for concern. Nevertheless, the Bank monitors the development in the official reserves closely and will take timely measures if the decline appears to be structural.

Finally, the item “Gold” on the assets side of the balance sheet dropped by NAf.13.9 million as a result of the lower market value at the balance sheet date compared to the end of July 2018. The decrease in the item “Capital and reserves” on the liabilities side of the balance sheet was related to the drop in the market value of gold.

Willemstad, September 20, 2018

**Centrale Bank van Curaçao en Sint Maarten**