

QUARTERLY BULLETIN 2006-1

Bank van de Nederlandse Antillen

REPORT OF THE PRESIDENT

The Netherlands Antillean economy is gradually shifting into higher gear. Real Gross Domestic Product grew by 0.7% in the first quarter of 2006, compared to 0.5% in the first quarter of 2005. The expansion in the first quarter of 2006 was entirely private-sector driven. Consumer spending was fuelled by a reduction in income tax rates and an increase in consumer loans. In addition, private investment expanded, supported by increases in business loans and mortgages. The expansion in private expenditures was mitigated by a decline in government spending and net exports. A decrease in government investment more than offset an increase in government consumption, while a higher growth in imports than in exports resulted in a drop in net exports. The annualized inflation rate continued to rise, reaching 3.5% at the end of the first quarter of 2006. The higher inflation was fueled primarily by the sharp rise in oil prices in the international markets and the impact of oil prices on the prices of imported goods.

An analysis of the economic growth by sector reveals that the construction, wholesale & retail trade, financial, and manufacturing sectors were the primary contributors to the economic growth in the first quarter of 2006. The increase in construction activities was attributable mainly to the various projects implemented in the tourism and transportation sectors. The wholesale & retail trade sector continued to perform strongly, boosted by the increase in domestic demand and more activities in the free zone. The good performance of the financial sector stemmed from the domestic banking sector, which registered a strong demand for credit. In contrast, activities in the international financial and business services sector remained weak. Moreover, maintenance on the refinery's plants and an increase in ship repair activities contributed to the growth in manufacturing.

In contrast, activities in tourism and the transport, storage, & communication sector recorded a decline. Both stay-over and cruise tourism declined, dominated by developments in St. Maarten and Bonaire. Curacao recorded only a marginal drop in the number of stay-over visitors, while the number of cruise tourists increased significantly. Similar to the development in stay-over tourism, the number of passengers handled declined at the airports of the Netherlands Antilles, except Curacao. The airport of Curacao registered a slight increase in the number of passengers, owing entirely to a growth in transit passengers. Harbor activities declined also. Curacao's harbor recorded a marked decline in the amount of freight handled, due to a sharp drop in transshipment. However, the number of ship calls increased in Curacao but declined in Bonaire and St. Maarten. Furthermore, oil transshipment and storage activities declined in Curacao and Bonaire but expanded in St. Eustatius.

The balance of payments recorded a significant surplus in the first quarter of 2006, even exceeding the large surplus in the first quarter of 2005. The higher surplus resulted from more development aid received and increased external financing of the private sector. The latter was related mainly to the acquisition of foreign assets by a local bank and the repatriation of portfolio investments abroad by institutional investors. In contrast, the surplus on the current account decreased. The lower surplus was due to a deterioration in the trade and current transfers balances because the services and income balances improved. The deterioration of the trade balance resulted from a stronger growth in imports than in exports. Higher international oil prices and the growth in private spending contributed mainly to the increase in imports. The increase in exports was attributable mainly to higher bunker sales -- also related to the higher oil prices -- and more re-exports by the free zone.

The deterioration of the current transfers balance was accounted for by a decline in profit taxes transferred by the international financial services sector to the government and fewer family transfers from abroad. The services balance improved slightly, owing mainly to an increase in the refining fee paid by the Venezuelan state oil company, PDVSA, to the Isla refinery related to maintenance work. Finally, the improvement in the income balance was caused primarily by dividend income received by a domestic bank from a subsidiary in Aruba.

The cash deficit of the general government improved in the first quarter of 2006 compared to the first quarter of 2005. The lower deficit was the result of higher revenues as well as lower expenditures. The increase in revenues was accounted for primarily by tax revenues. Indirect taxes (i.e., sales tax, import duties, and excises) in particular recorded a growth, related to the expansion in domestic spending, supplemented by an increase in motor vehicle taxes collected. The decline in expenditures was due to capital expenditures because some transitory capital transfers in the first quarter of 2005 did not occur in the first quarter of 2006. Current expenditures increased slightly, attributable mainly to higher transfers.

The improvement in the first quarter cash deficit, however, masks the much gloomier budgetary outlook for the entire year. The initial deficit of the general government is projected at NAf.288 million, almost twice the outcome in 2005. The Bank welcomes the proposed measures to reduce the deficit to approximately NAf.173 million, but this amount is still considered too high to be financed entirely on the local capital market. If no additional measures are taken, arrears are likely to accumulate again, weakening the financial position of creditors like the government pension fund, APNA. This outlook underscores again the importance of alleviating the debt burden, the interest expenses of which absorb approximately NAf.300 million of government revenues. A significant debt relief is a crucial factor in creating prospects for economic and social progress for the islands in their new status.

The growth in the money supply accelerated slightly in the first quarter of 2006 compared to the first quarter of 2005, resulting from a stronger increase in net foreign assets related to the higher surplus on the balance of payments. The growth in net domestic assets weakened, due to a decline in net credit to the government. The local banks reduced their government securities portfolio to free funds for expanding their loans to the private sector. The growth in private loans and an increase in participations led to a strong expansion in net credit to the private sector.

The strong growth in private sector credit extension, the declining trend in official reserves, and shortfalls in the amount of bank liquidity mopped up on auctions of CDs prompted the Bank to tighten its monetary stance in the first quarter of 2006 with two raises of the reserve requirement reaching 13.0% as of March 16. In addition, the Bank increased its pledging two times during the first quarter of 2006, reaching 5.0% as of March 24. These increases were a reaction to the further rise in US interest rates, given the impact of US rates on the domestic money and capital market.

Preparations for the new constitutional status of the islands of the Netherlands Antilles within the Kingdom of the Netherlands are at the top of the political agenda. While the three small islands, Bonaire, St. Eustatius and Saba, reached a political agreement with the Dutch government in October, paving the way to work decisively towards their new status, Curacao and St. Maarten booked much less progress. Intra- and inter-island political dissension hampers closing the ranks to start effective negotiations with the Dutch government. This is worrisome because it also delays the

unique opportunity offered by the constitutional changes to address effectively the many financial-economic and social imbalances facing our islands. Therefore, to achieve sound public finances, an attractive growth-oriented investment climate, the creation of durable jobs, and the eradication of poverty, a more pragmatic approach to create prospects for reaching a political agreement is indispensable.

E.D. Tromp
President

INTERNATIONAL ECONOMIC DEVELOPMENTS

For the last several quarters, the US economy maintained its momentum, as real GDP grew by 3.7% in the March quarter of 2006 (see Table 1). The first-quarter performance was boosted by private spending and an improvement in net foreign demand. Despite the rising inflation and interest rates, private demand continued to increase. Corporations continued to expand their investments, driven by high profit rates and capacity utilization. Higher consumer spending was related to the positive developments in the labor market, as the unemployment rate fell to 4.6%, the lowest in nearly five years. Labor productivity in the non-farm business sector, however, decelerated from 3.0% to 2.4% in the January-March quarter of 2006. Slowing productivity can push up labor costs. Since Hurricane Katrina last year, the rising energy prices have put upward pressure on inflation. The US inflation rate stood at 3.5% in the first three months of 2006, compared to 3.0% in the same quarter of 2005. As a result, the Federal Reserve raised the Fed funds rate by a quarter percentage point for two consecutive months reaching 4.75% in March 2006. Exports grew at a faster rate than imports, causing a reduction in the current account deficit by 8.6% to US\$.816 billion.

Table 1 Selected indicators of various countries

	<u>United States</u>		<u>Netherlands</u>		<u>Venezuela</u>	
	2005-I	2006-I	2005-I	2006-I	2005-I	2006-I
Real GDP (% change)	3.3	3.7	0.4	2.9	6.6	9.4
Consumer prices (%)	3.0	3.5	1.4	1.5	20.0	14.8
Unemployment rate (%)	5.0	4.6	7.0*	6.2*	13.5	10.1

Sources: US Bureau of Economic Analysis, US Bureau of Labor Statistics, Central Bureau of Statistics Netherlands, Banco Central de Venezuela, and Instituto Nacional de Estadística Venezuela.

*Quarterly average

The economy of the Netherlands became stronger, as real GDP rose by 2.9% in the first quarter of 2006. Strong impulses came from foreign demand, household spending, and fixed investment. Consumers spent more on durable goods, such as automobiles, furniture, and electronics. Re-exports as well as locally manufactured exports expanded significantly, largely to the EU countries. The retail and wholesale sector benefited from the strong increase in exports and retail sales. Also, investment in housing, new machinery and equipment, and commercial buildings was up. Dwellings and commercial property investments provided positive contributions to the construction industry. The robust economic growth converted into more temporary jobs, which reduced the jobless rate to 6.2%. The annual inflation rate in the Netherlands remained steady at 1.5% during the months January-March 2006, despite the increase in the cost of energy. According to the European Harmonized Index (HICP), the Netherlands continued as the country with the lowest inflation rate in the Euro-zone area.

Despite a contraction in the oil sector, Venezuela posted a growth of 9.4% in the March quarter of 2006. The driving force behind this growth came from the non-oil sector (10.9%), owing mainly to more activities in the manufacturing, construction, trade, communications, and financial services sectors. The construction sector continued to benefit from higher government demand, boosted by the windfall in oil revenues resulting from record oil prices. The windfall oil profits were used to finance government spending programs, raising the spending power of the poor through subsidies,

among other things. Inflation remained in check, due largely to the subsidies and to currency and price controls imposed by the government. Moreover, the methodology for measuring inflation has been adjusted to include government subsidized products, resulting in artificially lower figures. Since 2004, Venezuela's inflation rate has shown a declining trend. In the first quarter of 2006, the current account surplus rose by 59.3% to \$7.5 billion, sustained mostly by higher prices of oil exports. The first-quarter economic growth also coincided with a further improvement in the labor market situation, as the jobless rate declined to 10.1%.

GENERAL ECONOMIC DEVELOPMENTS IN THE NETHERLANDS ANTILLES

The Netherlands Antillean economy expanded by 0.7% in the first quarter of 2006 following a growth of 0.5% in the same quarter of 2005. Private spending was the main driver of economic growth in the March quarter of 2006, mitigated partially by a decline in public spending and net foreign demand (see Table 2). The first-quarter growth was accompanied by a higher inflation rate of 3.6%,¹ largely the result of rising oil prices.

The growth in private demand generated an expansionary impulse in the first quarter of 2006. Consumer spending grew due to a rise in disposable income related to a reduction in the income tax and an increase in consumer loans. Private investments grew also, reflected by increases in mortgages and business loans.

Table 2 GDP growth by expenditure ^{*)} (real percentage changes)

	2004-I	2005-I	2006-I
Domestic expenditure, of which:	0.8	1.1	2.6
Private sector	-0.6	0.6	2.7
- Investment	0.2	0.2	1.5
- Consumption	-0.8	0.4	1.2
Government sector	1.4	0.5	-0.1
- Investment	0.3	-0.3	-0.1
- Consumption	1.1	0.8	0.1
Changes in inventory	-0.1	-1.9	0.1
Foreign net expenditure, of which:	0.6	1.3	-1.9
Export of goods and services	6.2	3.8	5.1
Import of goods and services	5.7	2.5	7.0
GDP	1.3	0.5	0.7
Net primary income	-0.3	1.1	1.0
Gross national income	1.0	1.6	1.8
Net current transfers from abroad	-0.6	-1.8	-0.1
Gross national disposable income	0.4	-0.2	1.7

¹ First quarter of 2006 compared to first quarter of 2005.

BNA estimates

*) Expenditure categories data are weighted contributors to GDP growth.

Public consumption increased slightly due to salary adjustments, extra hiring of personnel, and increased overtime expenses. However, a decline in public investment offset the increase in public consumption, resulting in a drop in public demand. Furthermore, net foreign demand worsened as rising import demand (7.0%) offset the expansion in exports (5.1%). The growth in imports was linked primarily to higher oil prices, the wholesale & retail trade, and the construction sectors. The latter was related, among other things, to the expansion of the airports of St. Maarten and Curaçao and maintenance work at the refinery in Curaçao.

During the first three months of 2006, gross national income of the Netherlands Antilles rose by 1.8%, related mainly to an increase of 1.0% in net primary income from abroad. However, this increase was offset by the growth in consumption and investment, leading to a decline in national savings. This decline was due to a reduction in private savings, partly mitigated by an improvement in public dissavings. Furthermore, total investment expanded because the growth in private investment offset the drop in public investment.

Domestic production

During the months of January – March 2006, economic activity was backed mainly by growth in the private sector. In addition, the public sector expanded slightly due to salary adjustments, extra hiring of personnel, and increased overtime expenses. Within the private sector, favorable developments occurred in construction, wholesale & retail, financial intermediation, manufacturing, and real estate, renting & business activity (see Table 3).

Table 3 GDP by sector (real percentage changes)

Sector	2004-I	2005-I	2006-I
Agriculture, fishery, & mining	3.1	-5.0	-5.4
Manufacturing	3.2	-3.5	1.0
Electricity, gas, & water	1.1	-0.2	-1.2
Construction	1.9	1.9	4.5
Wholesale & retail trade	2.3	1.8	3.0
Restaurants & hotels	3.1	1.9	-0.5
Transport, storage, & communication	-0.1	-2.3	-2.4
Financial intermediation	1.3	0.7	2.3
Real estate, renting, & business activity	-0.8	0.9	1.0
Private households	-2.1	0.7	-2.6
Total private sector	0.6	0.2	0.6
Public sector	0.5	0.3	0.3
Taxes minus subsidies	0.1	-0.1	-0.1

GDP	1.3	0.5	0.7
BNA estimate			

As in the previous quarters, the demand for construction work continued to improve, related to projects in the tourism and transportation sectors. The wholesale & retail sector continued to perform strongly in the first quarter of 2006, boosted by the upturn in domestic demand and increased activities in the free zone. In line with the favorable results in the free zone, the number of free-zone visitors rose by 9.3% in the March quarter of 2006 compared to the same period in 2005.

Furthermore, increased added value of 2.3% in the financial services sector contributed to the expansion in private sector production in the first quarter of 2006. The financial services sector performed well as increased added value in domestic financial services outpaced the fall in international financial services. The expansion in the domestic financial services sector was mainly due to strong domestic demand and the related credit extension increase.

Favorable developments in both Curaçao's ship repair industry and the "Isla" refinery led to an increase in value added in the manufacturing sector. The growth in the ship repair industry was due to a rise in the number of man-hours sold, while the growth in the activities of the "Isla" refinery was related to maintenance work on the plant's catcracker.

In contrast, the tourism industry did not perform well during the first quarter of 2006 -- the number of stay-over tourists declined by 2.0% compared to the first quarter of 2005. As a consequence, activities in the restaurants & hotels sector declined. Tourist arrivals dropped from all main markets except Europe. The number of European visitors expanded, albeit at a slower rate than in the previous year. The North American market worsened as the number of charter flights from the United States and Canada declined during the first three months of 2006 compared to the same period of 2005. Furthermore, the South American and Caribbean tourist markets recorded a decrease, which may be linked to a lack of airlift in the region and tighter visa requirements. The performance of the cruise tourism sector also was poor as the number of cruise tourists dropped by 4.6% and the number of cruise calls by 14.7%.

An analysis by islands shows a drop in total stay-over visitors on all islands in the first quarter of 2006 (see Table 7 in the appendix). St. Maarten's decrease (2.0%) was a result of fewer stay-over arrivals from the North American and Caribbean markets. In Curaçao, stay-over tourism dropped by 0.2% as the number of travelers from Venezuela, the United States, and the Caribbean declined. This decline was partially offset by an increase in the number of visitors from the Netherlands and Canada. As for Bonaire, stay-over tourism declined in all markets. Cruise tourist arrivals in Curaçao were up 12.6% in the first quarter of 2006, following a strong recovery of 47.1% in the corresponding quarter of 2005. In contrast, the performance of cruise tourism in St. Maarten was unfavorable as the number of cruise tourists shrank by 5.1%.

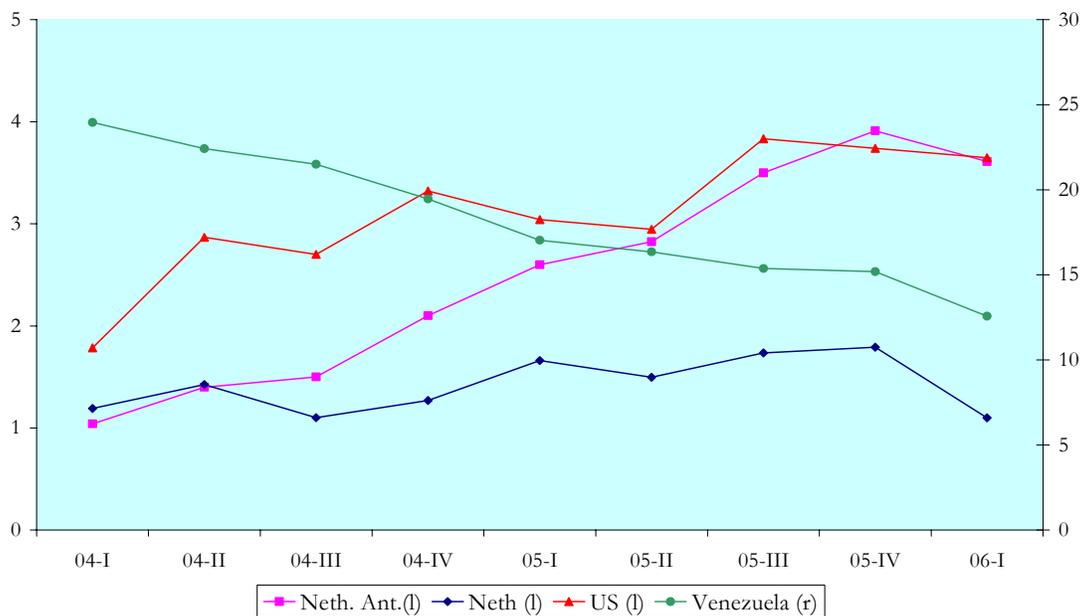
The transport, storage, & communication sector continued to dampen GDP growth as both the air transportation and the sea transportation sectors performed weakly in the first quarter of 2006. The number of passengers transported on regional connections by the local carriers Winair and Dutch Antilles Express (DAE) fell. In addition, airport activities declined, led by a drop in total passenger traffic in the Netherlands Antilles. Developments in the harbor sector were disappointing. Both oil

storage and transshipment activities recorded negative results. Furthermore, fewer ships were piloted into the harbors, and total cargo movements in Curaçao deteriorated by 17.2%.

Inflation

An analysis of the price developments on a quarterly basis shows that the Antillean inflation rate was in line with the US inflation rate (see Graph 1). First-quarter inflation accelerated to 3.6% in 2006 from 2.6% in the same quarter of 2005. The main price rises were recorded in the categories “food” (6.9%), “housing” (3.7%), “transport & communication” (4.1%), and “beverages & tobacco” (4.3%). The higher inflation was fueled primary by the sharp rise in oil prices in the international markets. The higher energy prices are reflected in our import prices, which companies pass on to the consumers. Rising energy and automobile prices were mostly accounted for the higher housing and transportation prices. An analysis by island shows that during the first three months of 2006, Curaçao had the highest quarterly inflation rate (3.8%), followed by St. Maarten (3.6%), and Bonaire (1.2%). See Table 8 in the appendix for a detailed overview.

Graph 1 Developments in consumer prices (annual quarterly change)



Source: Central Bureau of Statistics, US Bureau of Labor Statistics, Central Bureau of Statistics Netherlands, and Banco Central de Venezuela.

DEVELOPMENTS IN PUBLIC FINANCE

The general government’s² expansionary fiscal policy became more contained as reflected by the reduced deficit on a cash basis. Because tax revenues increased (3.4%) and expenditures dropped

² General government constitutes both the central government and the island government of Curaçao.

(1.9%), the deficit improved by NAf.20.9 million to reach NAf.8.2 million in the first quarter of 2006 compared to the same quarter of 2005 (see Table 9 in the appendix). Both the central government and the island government of Curaçao contributed to this development. The deficit of the central government improved by NAf.4.7 million to NAf.31.1 million, while the island government of Curaçao's surplus increased by NAf.16.2 million to NAf.22.9 million. Indirect taxes at the central government level (i.e., sales tax, excises, and import duties) in particular contributed to the rise in tax income, owing to the increase in domestic spending. In addition, the island government of Curaçao collected more motor vehicle taxes. Finally, profit tax revenues declined, but were offset by an increase in wage taxes collected.

Fiscal expenditures decreased slightly, mainly as a result of lower capital outlays of the central government and a drop in wages and salaries of the island government of Curaçao due to non-compliance with pension contributions. Nevertheless, the wage component increased at both government levels, contributing to higher government consumption and, hence, to the GDP growth in the first quarter of 2006. The higher wage component was attributable to pay adjustments and extra hiring at the island government and more overtime compensation at the central government. The reduced capital outlays were largely the result of a reduction in capital transfers and net lending of the central government. In the first quarter of 2006, no capital transfers were made, as opposed to the same quarter in 2005 when funds were transferred to the postal office and to the fund for economic development. The decreases in these expenditure categories were offset partly by an increase in current transfers.

Financing of the balance of the government sector (i.e., the deficit and net lending) in the economy was provided by the private sector, which absorbed the debt issued by the government. Table 4 reflects the financing of the government through debt securities with the public at both the central government and the Curaçao government level. Some of the funds obtained by the issuance of debt with the public were used to redeem government securities in the commercial banks' portfolios, resulting in a drop in domestic bank credit to the government in the first quarter of 2006.

Table 4 Financing of the cash balances (in millions NAf.)

	Central government		Curaçao government	
	2005-I	2006-I	2005-I	2006-I
Monetary financing	6.0	-7.1	17.7	-47.9
Central bank	-30.9	13.1	-4.5	13.0
Commercial banks	36.4	-20.2	22.2	-60.9
Coins and notes	0.5	0.0	-.	-.
Nonmonetary financing	29.8	38.2	-24.3	25.0
Government securities with the public	26.0	74.9	4.8	30.9
Other	3.8	-36.7	-29.1	-5.9
Cash balance	-35.8	-31.1	6.6	22.9

Public sector debt

The total outstanding public debt increased by NAf.77.8 million, reaching NAf.4.95 billion (84.7% of GDP) in the first quarter of 2006. The increase in public debt was caused by both the domestic and foreign components. The increase in the domestic debt (NAf.61.3 million) resulted mainly from the buildup of arrears, especially with the fund for economic development. Noteworthy is the net redemption of debt securities (NAf.8.9 million) and the substitution of short-term securities for long-term securities. This substitution can be explained by the reduction in the government securities portfolios of the commercial banks, which have a stronger appetite for shorter maturities than other investors. The increase in the foreign debt (NAf.16.5 million) can be explained largely by the appreciation of the euro vis-à-vis the Netherlands Antillean guilder (see Table 10 in the appendix).

DEVELOPMENTS IN THE BALANCE OF PAYMENTS

In the first quarter of 2006, both the exports and the imports of goods and services increased compared to the same quarter of 2005. However, as the growth in imports outpaced the export growth, net exports of goods and services declined. This decline, combined with a deterioration of the current transfers balance, led to a drop in the current account surplus (see Table 5). The capital and financial account improved compared to the first quarter of 2005. These developments led to a substantial growth in the foreign reserves. See Table 11 in the appendix for more details.

Table 5 Balance of payments summary (in millions NAf.)

	2004-I	2005-I	2006-I
Current account	40.7	68.3	38.5
Capital transfers	9.7	99.8	112.9
External financing of the government	3.5	3.0	2.9
External financing of the private sector	-44.2	9.0	62.1
- Direct investment *)	-5.8	3.7	-13.2
- Loans and credits *)	64.8	-6.9	56.3
- Portfolio investments *)	-103.2	12.2	19.0
Change in net foreign assets of the banking system *)	-34.4	-190.7	-254.3
- with commercial banks	-84.9	-55.8	-170.4
- with central bank	50.5	-134.9	-83.9
Statistical discrepancies	24.6	10.5	37.9

*) a minus sign implies an increase

Current account

Exports of goods and services grew by NAf.175.3 million in the March quarter of 2006. This growth was related, among other things, to an increase in earnings from bunker sales due to higher oil prices. In addition, re-exports by the free-zone companies grew to meet increased foreign demand.

Moreover, the refining fee paid by PDVSA for its operations in Curaçao increased by NAf.16.0 million during the first quarter of 2006, related to maintenance work on the refinery's catcracker. The earnings from international financial services contributed also to the improvement of the exports of goods and services. In the March quarter of 2006, the earnings in this sector grew by NAf.11.4 million, due mainly to transfers by some international financial companies from their foreign accounts to their domestic accounts to cover their operational costs in the Netherlands Antilles. Furthermore, foreign exchange revenues from the tourism sector increased by NAf.9.1 million during the first quarter of 2006, a result of the growth in revenues from stay-over tourism in Curaçao and the Windward Islands. Since the number of stay-over tourists declined in both Curaçao and the Windward Islands, the growth in revenues from stay-over tourism can be related to an increase in the average length of stay and/or a rise in the average spending per visitor. In addition, receipts from cruise tourism in Curaçao grew.

Imports of goods and services increased by NAf.207.1 million in the first quarter of 2006 compared to the first quarter of 2005. This increase was related mainly to higher oil imports due to the rise in oil prices on the international markets. Furthermore, merchandise imports rose as both domestic consumption and private investments grew in the January – March period of 2006. In addition, the import of construction services increased due to, among other things, the expansion of the airport in St. Maarten and maintenance activities on the catcracker of the refinery in Curaçao. As the growth in imports outweighed the growth in exports, net earnings from exports of goods and services declined by NAf.31.7 million.

The income balance improved by NAf.11.7 million in the first quarter of 2006 mainly due to dividend income received by a domestic bank from a subsidiary in Aruba. The improvement of the income balance was offset partially by an increase in interest payments on loans received from abroad.

The current transfers balance deteriorated in the March quarter of 2006 by NAf.9.8 million compared to the same period in 2005. This deterioration was due largely to a decline in the profit tax revenues of the government from the international financial services sector and a drop in family transfers from abroad. Overall, the current account surplus declined by NAf.29.9 million in the first quarter of 2006.

Financing of the current account balance

From a financing point of view, the current account balance reflects the net accumulation of wealth abroad by the nonbanking and the banking sectors. The change in the net foreign assets of the non-banking entities comprises the external financing of the government, the external financing of the private sector, and capital transfers. The growth in the latter was related to a large inflow of development aid funds in the first quarter of 2006.

Despite the current account surplus, the net foreign wealth of the private sector declined by NAf.62.1 million in the first quarter of 2006. The change in the financing of the private sector was due to a deterioration in the loans and credits balance and in the portfolio investment balance, partially offset by an increase in direct investments abroad (see Table 12 in the appendix).

The loans and credits balance, including trade credits, loans, and other investments, worsened by NAF.56.3 million in the first quarter of 2006. This worsening was due mainly to the acquisition of foreign assets by a local bank, the financial settlement of which will take place in the next quarters. The deterioration in the loans and credits balance was partially mitigated by an improvement in the net trade credits balance. In the March quarter of 2006, net trade credit extended on exports increased, reflecting the growth in merchandise exports, whereas net trade credit received on imports declined. Furthermore, the net loans and borrowing balance improved due to the net repayment of loans received from abroad.

Net portfolio investments declined by NAF.19.0 million due in part to a drop in investments in foreign debt securities by institutional investors. This drop was related partly to the conversion of a portion of a local institutional investor's foreign debt securities into cash.

The current account surplus, the capital transfers, and the external financing of the private and government sectors led to an increase in net foreign assets (i.e., reserves) of NAF.254.3 million. This increase consisted of a NAF.170.4 million rise in net foreign assets held by the commercial banks and NAF.83.9 million in net foreign assets held by the central bank.

MONETARY DEVELOPMENTS

Monetary policy

During the March quarter of 2006, the Bank's monetary policy was directed toward tightening the surplus on the domestic money market. The Bank tried to achieve this goal by deploying both of its main monetary policy instruments: auctions of Certificates of Deposit (CDs) and the reserve requirement. Via biweekly auctions of CDs, negotiable securities issued by the Bank, the Bank aims to mop up excess liquidity in the commercial banking sector whenever deemed necessary. The subscriptions on several of the auctions in the first quarter of 2006 fell short compared to the amounts the Bank announced. As a result, the reserve requirement percentage was raised twice during the first quarter of 2006 -- on January 16 and March 16, reaching 13.00% at the end of the quarter.

The Bank's official interest rate, the pledging rate, was raised twice during the first quarter of 2006 -- on February 10 and on March 24. Both increases amounted to 25 basis points reaching 5.00% at the end of the quarter. As with previous increases in the pledging rate, the recent raises were the result of higher interest rates on the international financial markets and their impact on the domestic money market. To compete with international investment alternatives, the Bank has to offer competitive interest rates on CDs. To avoid interest rate arbitrage, the pledging rate should always be higher than the rates offered on CDs.

Net accumulation of wealth and the money supply

During the first quarter of 2006, money holdings of the private sector expanded by NAF.283.9 million, an acceleration compared to the increase of NAF.237.2 million in the corresponding quarter of 2005. The increase in domestic liquidity during the first three months of 2006 stemmed mainly from credit extended by domestic commercial banks to finance the increase in private consumption

and investment (NAf.149.6 million). In addition, capital transfers from abroad amounted to NAf.112.9 million, related mainly to development aid funds received. Another factor that contributed to the increase in liquidity of the domestic sector was the external financing of the private sector in the amount of NAf.62.1 million. These liquidity expanding factors more than offset the drop of NAf.67.0 million in nonbank financing of the government sector. See Tables 13A and 13B in the appendix.

The money supply increased by 5.8% (NAf.283.9 million) during the March quarter of 2006, an acceleration compared to the increase of 5.3% (NAf.237.2 million) registered during the corresponding quarter of 2005. The increase in the money supply resulted from increases in both net foreign assets (15.7%) and net domestic assets (0.8%).

Factors affecting the money supply

The increase in net foreign assets was due to increases at the commercial banks and the Bank of 33.5% and 7.5%, respectively. The increase in net foreign assets at the commercial banks was more than triple the increase registered in the first quarter of 2005, mainly the result of an increase in deposits at foreign banks. The Bank's official reserves decelerated when comparing the growth rate during the first three months of 2006 with the growth rate during the first three months of 2005. These opposite developments are explained partly by the commercial banks' purchase of foreign exchange from the Bank.

Net domestic assets increased by 0.8% during the first quarter of 2006, a deceleration compared to the increase of 1.5% during the corresponding quarter of 2005. The increase in 2006 was due mainly to a sharp increase of 4.3% (NAf.149.6 million) in net credit extended to the private sector, which offset the drop of 9.9% (NAf.61.7 million) in net credit extended to the governments. The increase in net private credit extension, reflecting the increase in domestic economic activity, was the result of increases in both commercial banks' lending to the private sector and securities and participations. The latter was mainly related to the participation of a domestic commercial bank in, among other things, a local insurance company.

All private loan components increased in the Netherlands Antilles during the March quarter of 2006, resulting in an overall growth of 1.2%. On the Leeward Islands, business loans and consumer loans increased by 2.4% and 2.1%, respectively, offsetting the drop of 0.6% in mortgages extended. The Windward Islands recorded the opposite development: mortgages extended increased by 6.2%, offsetting the drop in business loans and consumer loans of 2.4% and 1.7%, respectively.

Net domestic credit to the governments declined by 9.9% during the March quarter of 2006. Both net domestic credit extended to the island government of Curaçao and the central government dropped by 24.2% and 1.9%, respectively. Net credit to the governments has been declining since the third quarter of 2005 as the amount of government securities in the commercial banks' portfolio has been dropping. One reason for this development was to free funds for private credit extension. See Table 14 in the appendix for more details.

Developments in domestic interest rates

As mentioned, the Bank raised its official lending rate, i.e., the pledging rate, twice during the March quarter of 2006. On both occasions, this action was the result of developments in the international financial markets, which affect the domestic money market. These developments also explain the rise in the maximum CD rates the Bank offers on its biweekly auctions, because they have to compete with foreign investment alternatives.

The average rate on passbook savings remained unchanged for the sixth consecutive quarter. The average rate on time deposits dropped slightly compared to the fourth quarter of 2005, but in general, the level remained rather constant.

Average mortgage rates continued to drop mainly due to increased competition among domestic commercial banks. On the other hand, the average rate on time loans increased for the second consecutive quarter, a turnaround compared to the decreasing trend that started about two years ago. The recent increases could be related to the strong demand for consumer and business credit.

Both the average rate on government bonds and (one month) treasury bills increased slightly during the first quarter of 2006, a turnaround from the decreasing trend during the previous quarters. This development can be related to the increase in interest rates of foreign investment alternatives and the shift of funds into private credit extension. See Table 15 in the appendix for more details.

DEVELOPMENTS IN THE COMMERCIAL BANKING SECTOR

During the first three months of 2006, total assets of the commercial banking sector grew by 4.4%, an acceleration compared to the 3.4% increase recorded in the first three months of 2005. The growth in 2006 was mainly the result of the increase of NAf.221.2 million in investments in unconsolidated subsidiaries and affiliates. This increase was related mainly to the participation of a domestic commercial bank in, among other things, a local insurance company. Another factor worth mentioning was the increase in noninterest-bearing cash by 36.1% (NAf.171.9 million), largely the result of transfers from nonresident accounts to improve the domestic liquidity position. See Table 16 in the appendix.

The aggregate income statement of the domestic commercial banks reveals that profitability increased during the March quarter of 2006 compared to the same period of 2005, owing to increases in both net interest income and other income. As a result, the banking sector contributed positively to the increase in gross domestic production. See Table 17 in the appendix.

Macroprudential indicators

The macroprudential indicators for the first quarter of 2006 reveal further improvement in the general performance of the commercial banking sector (see Table 6). The adequacy of the capital reserves, as measured by the ratio of total capital against total assets, has been improving during the last three quarters. The growth in capitalization has surpassed the growth in total assets, resulting in a capital adequacy well above the international benchmark of 8.0%.

The quality of assets is measured by two ratios: nonperforming loans-to-total loans and provisions for loan losses-to-nonperforming loans. The nonperforming loans-to-total loans ratio worsened slightly in the first quarter of 2006 because the outstanding amount of nonperforming loans grew faster than the total outstanding loans. The increase in nonperforming loans was a turnaround from the decreasing trend during the previous quarters. The growth in provisions for loan losses offset the growth in nonperforming loans explaining the increase in the provisions for loan losses-to-nonperforming loans ratio.

The gross earnings-assets yield continued its increasing trend as the growth in interest income surpassed the growth in the average return on assets. However, the net interest margin remained unchanged for the third consecutive quarter, suggesting that interest income grows at about the same pace as interest expenses. The return on assets ratio reveals net income before dividend and taxes in relation to total assets. This ratio dropped slightly in the first quarter of 2006 because net income grew at a slower pace than total assets.

The liquidity of the domestic commercial banking sector, as revealed by the ratio of total loans to total deposits, increased for the second consecutive quarter.

Table 6 Macprudential indicators (in %, end of period)

	2004-IV	2005-I	2005-II	2005-III	2005-IV	2006-I
Capital adequacy						
Total capital/ total assets	7.9%	7.9%	7.9%	8.1%	8.2%	8.9%
Asset quality						
Nonperforming loans/ total loans	3.6%	3.6%	3.2%	2.8%	2.6%	2.7%
Provisions for loan losses/ non-performing loans	92.7%	92.3%	104.0%	108.3%	106.0%	113.6%
Earnings						
Gross earnings-assets yield	7.3%	7.6%	7.1%	7.5%	7.5%	7.8%
Net interest margin	4.9%	5.0%	4.6%	5.1%	5.1%	5.1%
Return on assets	1.7%	2.0%	2.0%	2.0%	2.4%	2.3%
Liquidity						
Total loans/ total deposits	64.9%	63.2%	64.5%	67.8%	61.9%	60.3%

APPENDIX

Table 7 Developments in stay-over tourism per island (% change)³

	Curaçao				St. Maarten				Bonaire			
	2005-I		2006-I		2005-I		2006-I		2005-I		2006-I	
North America, of which:	11.4	(0.9)	6.5	(0.5)	3.9	(1.7)	-3.8	(-1.5)	2.2	(0.1)	-11.4	(-0.4)
- U.S.A.	12.7	(0.8)	-5.0	(-0.3)	0.2	(0.1)	-0.4	(-0.1)	3.7	(0.1)	-12.8	(-0.4)
Europe, of which:	11.0	(1.3)	5.8	(0.7)	-1.5	(-0.2)	3.6	(0.5)	-1.2	(0.0)	-3.3	(-0.1)
- The Netherlands	5.9	(0.6)	5.3	(0.5)	-9.5	(-0.2)	17.7	(0.4)	-6.5	(-0.1)	-8.9	(-0.2)
South & Central America, of which:	15.9	(0.7)	-12.6	(-0.5)	7.2	(0.1)	34.4	(0.5)	-11.5	(0.0)	-3.0	(0.0)
- Venezuela	18.8	(0.6)	-26.6	(-0.6)	4.9	(0.0)	-53.3	(-0.1)	23.1	(0.1)	-29.3	(0.0)
- Colombia	6.1	(0.0)	4.8	(0.0)	---	---	---	---	-43.3	(0.0)	1.8	(0.0)
Caribbean, of which:	-13.4	(-0.5)	-16.0	(-0.5)	-5.4	(-0.2)	-9.4	(-0.4)	4.9	(0.0)	-13.3	(0.0)
- Dominican Republic	-39.8	(-0.2)	-24.2	(-0.1)	-46.7	(-0.2)	-10.0	(0.0)	---	---	---	---
Total	7.5	(2.1)	-0.2	(-0.1)	1.8	(1.2)	-2.0	(-1.3)	-0.7	(0.1)	-7.8	(-0.6)

Source: Curaçao Tourist Board, St. Maarten Tourist Bureau, and Tourism Corporation Bonaire

Table 8 Netherlands Antilles consumer prices (annual quarterly percentage change)

	2004-IV	2005-I	2005-II	2005-III	2005-IV	2006-I
Food	5.9	6.9	6.8	7.4	7.6	6.9
Beverages & tobacco	-0.4	0.2	3.0	3.5	3.7	4.3
Clothing & footwear	-0.4	-0.5	-0.8	-0.5	-0.6	-0.1
Housing	2.1	2.0	2.8	3.9	3.8	3.7
Housekeeping & furnishings	1.3	5.3	5.1	5.5	5.2	2.7
Health	1.0	1.3	1.5	1.5	1.0	1.1
Transport & communication	1.6	1.9	1.9	2.8	4.4	4.1
Recreation & education	0.5	0.5	0.1	0.4	0.4	0.4
Other	0.7	0.9	1.1	1.5	2.2	2.4
General inflation rate	2.1	2.6	2.8	3.5	3.9	3.6

Source: Central Bureau of Statistics.

³ Weighted growth rates between brackets

Table 9 Budgetary overview (in millions NAf.)

	2003-I	2004-I	2005-I	2006-I
General government				
Revenues	370.3	345.3	367.1	380.5
Tax revenues, of which:	355.8	328.7	350.4	362.5
Taxes on income and profits	197.0	170.5	186.4	185.8
Taxes on goods and services	124.6	121.2	127.2	135.3
Taxes on international trade and transactions	24.7	27.2	27.6	30.0
Nontax and other revenues	14.5	16.6	16.7	18.1
Expenditures	410.4	417.4	396.3	388.8
Current, of which:	376.6	388.2	385.2	388.5
Wages and salaries	155.5	129.9	137.7	133.4
Goods and services	94.2	101.4	110.0	107.9
Subsidies	35.9	13.3	9.2	11.1
Transfers	73.4	87.8	62.5	72.5
Interest payments	52.8	55.8	65.8	63.7
Capital	33.8	29.2	11.1	0.2
Budget balance	-40.1	-72.0	-29.2	-8.2
Central government				
Revenues	143.0	147.0	155.8	166.4
Tax revenues, of which:	133.1	136.0	144.2	153.1
Taxes on goods and services	101.0	102.7	109.3	113.0
Taxes on international trade and transactions	24.7	27.2	27.6	30.0
Nontax and other revenues	9.9	11.0	11.6	13.3
Expenditures	196.8	204.6	191.6	197.5
Current, of which:	166.3	195.1	183.0	199.0
Wages and salaries	71.9	69.0	63.0	71.5
Goods and services	23.0	23.6	35.5	32.6
Transfers	45.4	78.3	61.2	66.1
Interest payments	22.4	23.2	23.3	28.8
Capital	30.5	9.5	8.6	-1.5
Budget balance	-53.8	-57.6	-35.8	-31.1
Island government of Curaçao				
Revenues	258.3	236.3	249.7	245.5
Tax revenues, of which:	222.7	192.7	206.2	209.4
Taxes on income and profits	197.0	170.5	186.4	185.8
Taxes on goods and services	23.6	18.5	17.9	22.3
Nontax and other revenues	35.6	43.6	43.5	36.1
Expenditures	244.6	250.7	243.0	222.6
Current, of which:	241.3	231.0	240.5	220.9
Wages and salaries	83.6	60.9	74.7	61.9
Goods and services	71.2	77.8	74.5	75.3
Transfers	42.4	47.5	39.7	37.8
Interest payments	30.4	32.6	42.5	34.9
Domestic	27.1	29.3	37.9	32.5
Abroad	3.3	3.3	4.6	2.4
Capital	3.3	19.7	2.5	1.7
Budget balance	13.7	-14.4	6.6	22.9

Table 10 Total outstanding consolidated public debt¹ (in millions NAf.)

	2005-I	2005-II	2005-III	2005-IV	2006-I
Domestic consolidated debt,	4,058.9	3,967.8	4,010.9	4,145.0	4,206.3
of which:					
-Central government,	2,130.6	2,108.7	2,131.2	2,233.5	2,282.4
of which:					
Long-term securities	1,742.6	1,729.4	1,777.8	1,771.6	1,800.1
Short-term securities	112.0	92.1	83.6	94.4	70.2
APNA	118.1	117.7	117.3	209.0	208.6
SVB	7.8	11.2	9.9	13.9	15.4
-Curaçao,	2,230.9	2,145.8	2,187.5	2,076.5	2,104.1
of which:					
Long-term securities	733.3	737.4	737.4	737.4	754.8
Short-term securities	157.6	141.2	145.9	202.6	171.8
APNA	823.7	762.2	774.7	758.4	765.2
Central government	369.9	367.5	388.8	253.9	267.4
Other islands	356.8	362.1	366.7	312.6	319.2
Foreign debt	785.0	717.7	714.6	725.8	742.3
Total debt (consolidated)	4,843.9	4,685.6	4,725.6	4,870.8	4,948.6
(% of GDP)	86.8%	83.0%	82.8%	84.4%	84.7%

⁽¹⁾ Adjusted for inter-government debt

Table 11 Detailed overview of balance of payments (in millions NAf.)

	2004-I	2005-I	2006-I
Trade balance	-519.8	-544.3	-588.6
-Exports	282.2	370.1	498.8
-Imports	801.9	914.4	1087.4
Services balance	540.9	600.4	613.0
Receipts, of which:	877.5	920.4	967.1
-Travel	487.1	533.7	542.8
-Transportation	62.9	54.3	55.7
-Other services, of which:	327.6	332.4	368.5
-Int. fin & bus. services sector	109.4	100.0	111.4
Expenses, of which:	336.7	320.0	354.1
-Travel	117.6	118.4	123.4
-Transportation	38.5	35.9	40.6
-Other services, of which:	180.5	165.8	190.1
-Int. fin & bus. services sector	36.1	29.4	34.1
Income balance ¹⁾	-11.6	-1.6	10.1
Current transfers balance ²⁾	31.2	13.8	4.0
Current account balance	40.7	68.3	38.5
Capital & financial account balance	-65.3	-78.7	-76.4
Capital account balance	9.7	99.8	112.9
Financial account balance	-75.0	-178.5	-189.2
Net errors & omissions	24.6	10.5	37.9

1) Labor and investment income.

2) Public and private transfers.

Table 12 Breakdown of net changes in the financial account (in millions NAf.)*

	2004-I	2005-I	2006-I
Direct investment	-5.8	3.7	-13.2
- Abroad ¹⁾	0.5	-1.6	1.8
- In the Netherlands Antilles ²⁾	-6.3	5.3	-15.0
Portfolio investment ¹⁾	-103.2	12.2	19.0
Other investment, of which:	56.9	7.8	120.3
- Assets ¹⁾	71.5	15.6	31.5
- Liabilities ²⁾	-14.6	-7.8	88.8
Net lending/borrowing, of which:	11.5	-11.8	-61.1
- Assets ¹⁾	-1.0	-13.9	-19.1
- Liabilities ²⁾	12.5	2.1	-42.0
Reserves ³⁾	-34.5	-190.7	-254.3
Total assets ¹⁾	-66.7	-178.6	-221.1
Total liabilities ²⁾	-8.4	-0.2	31.8
Balance	-75.1	-178.5	-189.3

*Data may not add due to rounding

1) A minus sign implies an increase in assets.

2) A minus sign means a decrease in liabilities.

3) A minus sign means an increase in reserves.

Table 13A Net accumulation of wealth for 2005-I (in millions NAf.)

2005-I	Domestic sectors			External sector
	Private	Government	Banking	
Nonfinancial transactions	98.7	-30.4		-68.3
Government net lending	-1.2	1.2		
Gov't dom. nonbank financing	1.4	-1.4		
External financing of government		3.0		-3.0
External financing of private sector	9.0			-9.0
-Direct investment (equity)	3.7			-3.7
-Loans and credits	-6.9			6.9
-Portfolio, incl. debt	12.2			-12.2
Capital transfers	99.8			-99.8
Change in net foreign assets of the central bank			-134.9	134.9
Change in net foreign assets of commercial banks			-55.7	55.8
Change in domestic bank credit	39.2	27.6	-66.8	
Change in broad money	-237.2		237.2	
Other items, net/errors & omissions	-9.7		20.2	-10.5

Table 13B Net accumulation of wealth for 2006-I (in millions NAf.)

2006-I	Domestic sectors			External sector
	Private	Government	Banking	
Nonfinancial transactions	51.1	-12.6		-38.5
Government net lending	-4.4	4.4		
Gov't dom. nonbank financing	-67.0	67.0		
External financing of government		2.9		-2.9
External financing of private sector	62.1			-62.1
-Direct investment (equity)	-13.2			13.2
-Loans and credits	56.3			-56.3
-Portfolio, incl. debt	19.0			-19.0
Capital transfers	112.9			-112.9
Change in net foreign assets of the central bank			-83.9	83.9
Change in net foreign assets of commercial banks			-170.6	170.4
Change in domestic bank credit	149.6	-61.7	-87.9	
Change in broad money	-283.9		283.9	
Other items, net/errors & omissions	-20.6		58.5	-37.9

Table 14 Monetary survey (in millions NAf.)

	2004-IV	2005-I	2005-II	2005-III	2005-IV	2006-I
Money supply (M2)	4,509.9	4,747.1	4,890.9	4,831.1	4,933.4	5,217.3
Money (M1)	1,596.6	1,729.8	1,841.3	1,726.3	1,784.0	1,800.9
Coins & notes with the public	231.3	221.7	224.6	222.9	239.9	232.9
Total demand deposits, of which :	1,365.3	1,508.1	1,616.7	1,503.4	1,544.1	1,568.0
- Netherlands Antillean guilders	1,050.7	1,146.8	1,263.0	1,152.0	1,188.0	1,138.9
- Foreign currency	314.6	361.3	353.7	351.4	356.1	429.1
Near money	2,913.3	3,017.3	3,049.6	3,104.8	3,149.4	3,416.4
Time deposits	1,790.5	1,874.1	1,883.4	1,927.7	1,947.3	2,169.3
Savings	1,122.8	1,143.2	1,166.2	1,177.1	1,202.1	1,247.1
Factors affecting the money supply						
Net domestic assets	3,048.3	3,094.9	3,121.5	3,225.3	3,305.5	3,333.1
General government	621.3	648.9	579.4	594.3	621.9	560.2
- Central government	363.9	387.3	396.8	353.5	397.9	390.4
- Island governments	257.4	261.6	182.6	240.8	224.0	1697.8
Private sector	3,059.7	3,098.9	3,230.2	3,361.9	3,450.3	3,599.9
Net foreign assets	1,461.6	1,652.2	1,769.4	1,605.8	1,627.9	1,884.2
Central bank	1,015.3	1,150.2	1,247.8	1,115.2	1,117.9	1,201.8
Commercial banks	446.3	502.0	521.6	490.6	510.0	680.6
Memorandum items						
Government loans by commercial banks	620.1	658.2	614.2	600.4	603.4	531.5
- Central government	331.4	357.3	328.1	308.9	306.2	288.7
- Island governments	288.7	300.9	286.1	291.5	297.2	242.8
Private sector loans - Leeward Islands	2,129.5	2,148.2	2,246.3	2,321.0	2,367.4	2,397.9
- Mortgages	778.2	782.7	786.1	803.7	812.4	807.5
- Consumer loans	626.6	623.8	655.6	681.7	713.6	728.4
- Business loans	724.7	741.7	804.6	835.6	841.4	862.0
Private sector loans - Windward Islands	828.5	845.0	885.4	958.3	995.4	1,004.4
- Mortgages	306.0	320.1	330.5	348.8	362.0	384.4
- Consumer loans	195.6	191.0	195.9	218.6	243.2	239.0
- Business loans	326.9	333.9	359.0	390.9	390.2	381.0

Table 15 Developments in domestic interest rates (in %)

	2004-IV	2005-I	2005-II	2005-III	2005-IV	2006-I
Central bank						
- Pledging rate	2.75	3.00	3.25	3.75	4.50	5.00
- Maximum CD rate (1 month)	2.64	2.88	3.29	3.74	4.36	4.74
Commercial bank borrowing rates						
- Passbook savings	2.8	2.8	2.8	2.8	2.8	2.8
- Time deposit (12 months)	4.1	4.2	4.1	4.1	4.1	4.0
Commercial bank lending rates						
- Mortgages	8.9	8.7	8.6	8.7	8.6	8.3
- Time loans	12.0	11.5	11.2	10.3	10.8	11.2
Government securities						
- Government bonds (5-year effective yield)	6.8	6.8	6.3	6.3	6.3	6.4
- Treasury bills (1 month)	3.7	3.6	3.3	3.3	4.5	4.8

Table 16 Aggregate balance sheet of domestic commercial banks (in millions NAf)

	2004-IV	2005-I	2005-II	2005-III	2005-IV	2006-I
Assets						
Noninterest-bearing cash	440.0	453.9	506.9	379.6	475.7	647.6
Interest-bearing cash	1,590.6	1,744.3	1,718.8	1,667.4	1,836.7	1,930.9
Investments	744.0	789.7	780.2	781.9	1,675.8	1,548.8
Loans	4,049.2	4,091.9	4,278.1	4,426.0	5,151.5	5,182.4
Investments in unconsolidated subsidiaries and affiliates	12.2	13.4	9.9	11.0	11.2	232.4
Fixed assets	190.7	194.6	198.0	195.3	218.3	215.9
Other assets	162.6	148.4	142.9	126.8	188.4	220.3
Total assets	7,189.2	7,436.2	7,634.7	7,588.0	9,557.6	9,978.3
Liabilities						
Demand deposits	2,061.8	2,260.7	2,372.3	2,261.4	2,799.1	2,879.3
Savings deposits	2,467.1	2,491.9	2,510.0	2,545.5	3,094.3	3,159.4
Time deposits	1,810.8	1,840.5	1,865.9	1,867.3	2,555.7	2,746.8
Total deposits	6,339.6	6,593.0	6,748.2	6,674.2	8,449.0	8,785.5
Borrowings	30.4	18.5	37.2	33.0	25.2	26.0
Other liabilities	238.4	220.3	228.2	241.4	316.3	295.7
Total liabilities	6,608.5	6,831.9	7,013.5	6,948.5	8,790.6	9,107.2
Minority interest	6.4	6.8	7.4	6.5	7.0	7.4
Subordinated debentures	7.5	7.4	7.2	5.5	5.5	5.5
General provisions	144.4	143.9	144.7	145.4	159.2	166.2
Capital & reserves	422.5	446.2	461.8	482.1	595.3	692.1
Total capital	580.8	604.4	621.1	639.4	767.1	871.1
Total liabilities and capital	7,189.2	7,436.2	7,634.7	7,588.0	9,557.7	9,978.3

**Table 17 Aggregate income statement of domestic commercial banks
(accumulated, in millions NAf.)***

	2004-IV	2005-I	2005-II	2005-III	2005-IV	2006-I
Interest income	457.8	124.6	239.3	392.9	608.1	175.4
Interest expenses	156.8	43.1	87.0	132.1	200.9	62.2
Net interest income	301.0	81.5	152.3	260.9	407.2	113.1
Other income	174.9	49.3	98.8	146.0	215.5	58.8
Total operational income	475.9	130.9	251.1	406.8	622.7	172.0
Salaries & other employee expenses	215.9	54.4	110.3	163.9	238.8	65.6
Occupancy expenses	57.3	15.8	32.0	48.7	68.1	18.5
Other operating expenses	50.1	18.5	35.8	54.7	106.6	24.5
Net addition to general provisions	35.5	4.9	13.4	24.7	39.8	10.7
Total operational expenses	358.8	93.6	191.5	292.0	453.3	119.3
Net operating income	117.1	37.3	59.6	114.8	169.4	52.7
Net extraordinary items	7.4	-0.1	1.8	5.8	25.9	3.5
Applicable profit taxes	30.8	8.0	19.3	28.9	36.6	12.9
Net income after taxes	93.6	29.2	42.1	91.7	158.7	43.3

* Cumulative quarterly figures.