FINANCIAL STABILITY REPORT

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CENTRALE BANK
VAN SURINAME

CENTRAL BANK OF SURINAME

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Any required correction will be made in the electronic version.

CENTRALE BANK
VAN SURINAME

CONTENTS

ABBREVIATIONS

ACH	Automated Clearing House
ATS	Automated Transfer System
BIS	Bank for International Settlements
CAR	Capital Adequacy Ratio
CBvS	Central Bank of Suriname
CDC	Collective Defined Contribution
CIS	Commonwealth of Independent States
CSD	Central Securities Depository
Dagong	Dagong Global Credit Rating Company
DC	Defined Contribution
DvP	Delivery versus Payment
ECB	European Central Bank
FATF	Financial Action Task Force
Fed	Federal Reserve Bank of the United States
FX	Foreign exchange
GDP	Gross Domestic Product
HHI	Herfindahl-Hirschman Index
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IOU	I Owe You (Informal document acknowledging debt)
M2	Broad money
Moody's	Moody's Investors Service
NPC	National Payments Council
NPL	Non-Performing Loan
ROA	Return on Assets
ROE	Return on Equity
RTGS	Real Time Gross Settlement
S&P	Standard & Poor's Ratings Services
SMEs	Small and Medium-sized Enterprises
SNEPS	Suriname National Electronic Payment System
T-bills	Treasury bills

FOREWORD

Financial stability is not an end in itself, but it is, like price stability, widely regarded as an important precondition for sustainable economic growth. The Central Bank of Suriname (CBvS) defines 'financial stability' as the range of conditions where the financial system, including the national payment system, is able to withstand shocks without major disruption in financial intermediation and economic performance.

To achieve financial stability, central banks are increasingly employing macro-prudential policy and tools that help to mitigate systemic risk among financial institutions and between the financial system and the real economy. To optimize its financial stability function, the CBvS, in 2014, established a Financial Stability Department (FSD), which has direct responsibility for monitoring macro-prudential and financial soundness indicators, assessing financial risks and vulnerabilities, recommending appropriate macro-prudential actions, and informing stakeholders about financial stability developments. After just one year of FSD's establishment, the CBvS is pleased to present the first edition of its Financial Stability Report (FSR), of which the Dutch version will be shortly available on our website.

Further to the Bank Act, the CBvS has a mandate to supervise the entire financial sector, but since banks are the largest financial subsector, the emphasis in this inaugural FSR is on the banking industry. Even so, the report covers the performance of all financial subsectors in 2014, except for the insurance industry, which is covered until 2013. Special reference is made to 2008, the year of the global financial crisis that Suriname's economy has weathered fairly well. The crisis posed new challenges by revealing vulnerabilities despite the country's low exposure to global financial markets. Since then, however, the supervisory, legislative and regulatory framework has undergone major reforms to better assess and manage financial risks.

The report is the outcome of the coordinated efforts of mainly the Financial Stability, Research, and Financial Supervision Departments, and as a regular publication from now on, it aims at informing policy makers, market participants, professionals and the general public on the performance and resilience of the financial sector in Suriname, taking into account its domestic and global operating conditions.

Ingeborg Geduld-Nijman
Acting Governor

EXECUTIVE SUMMARY

This inaugural Financial Stability Report (FSR) published by the Central Bank of Suriname (CBvS) is intended to provide economic and financial decision makers and stakeholders with a comprehensive assessment of the performance and resilience of Suriname's financial sector and to increase understanding of the various measures that the CBvS has taken to maintain a stable and secure financial environment in Suriname.

In the aftermath of the global financial crisis and the accompanying reverberations that were felt throughout the Caribbean region, the CBvS has moved decisively to upgrade its internal arrangements for monitoring and safeguarding the soundness and stability of the financial sector.

Section I of this report sets out the broad overview of the financial sector in Suriname and provides an appropriate institutional context for the report. It broadly discusses the legal mandate of the CBvS, the main laws governing the financial sector and the institutional composition of the sector.

Section II identifies the key economic and financial risks arising from the global and domestic environment, and analyzes their consequences for the Surinamese financial sector and economy. The cobweb map below provides a broad overview of financial stability in Suriname, based on changes (inward movement is improvement; outward movement is deterioration) in the domestic and global environment.

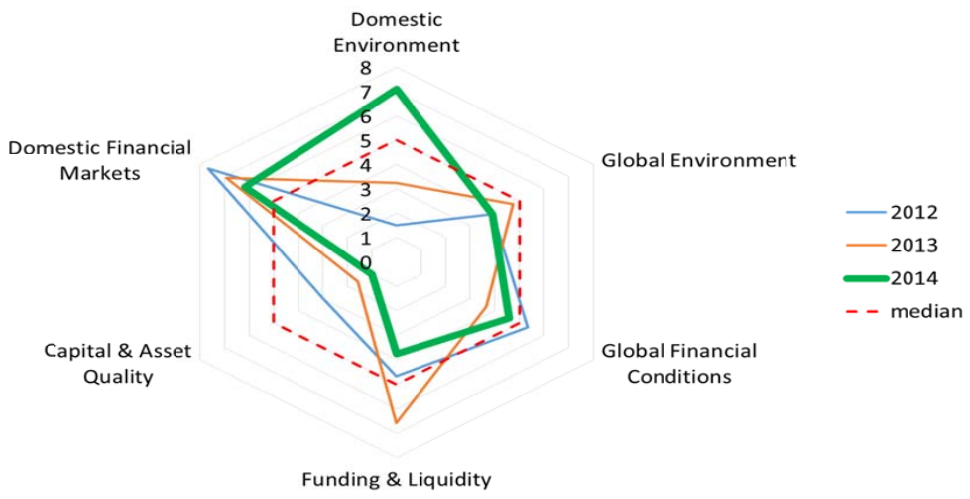
Section III assesses the financial performance, risks and soundness of commercial banks, insurance companies, pension funds and credit unions operating in Suriname.

Commercial banks

Since the global financial crisis, the Surinamese banking system has remained quite resilient and continued to be well-capitalized, profitable, and with an adequate level of liquidity. In 2014, the overall stability of the domestic banking industry improved markedly, as is shown in the banking stability index (BSI).

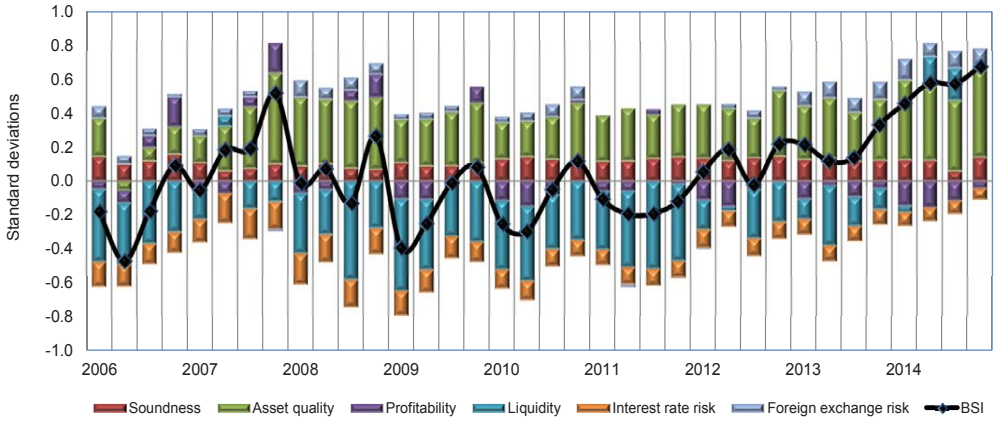
The capital adequacy ratio (CAR) at the end of 2008 was 9.8 percent; at the end of 2009 it had increased to 10.8 percent and then remained above 10 percent until 2014 (11.5%). In 2014, CARs were above the regional average of 10 percent, with Suriname ranking fifth among those CARICOM countries with ratios in excess of the regulatory minimum.

The non-performing loan (NPL) ratio decreased from 7.8 percent (2008) to 6.2 percent (2014), which is fair considering a threshold of 5 percent. Return on equity (ROE) has declined since 2008 (40.5%) although the banking sector is still profitable in 2014 (20.3%). The liquidity ratio of the commercial banks increased from 56.3 percent to 63.0 percent over the same period.



Source: Central Bank of Suriname

Banking Stability Index for Suriname



Source: Central Bank of Suriname

Insurance companies

Life insurance: The capital-to-total assets ratio improved significantly between 2008 (-42.9%) and 2013 (11.3%) as the result of increasing retained earnings. In 2008 and 2009, capital had tumbled significantly due to the impact of the global financial crises on some life insurance companies.

Non-Life Insurance: The capital-to-total assets ratio remained between 30 percent and 40 percent from 2008 (31.6%) to 2013 (36.4%).

The insurance risk ratio of both the life and non-life segments remained below the maximum threshold of 300 percent, indicating that insurance companies have sufficient capital in relation to their insurance business. Furthermore, most of the insurers have comfortably met the regulatory capital requirements in the last two reporting years, as the capital surplus accounted for more than 100 percent of the required capital. The capital consisted primarily of retained earnings.

Pension funds

The solvency of a pension fund is determined by the investments minus financial resilience in percent of the provision for pension commitments. The financial resilience depends on the risk degree assigned to the committed investments. The solvency also depends on the chosen pension scheme, due to the relationship of the weighted assets with the provision for pension commitments. With the exception of 2009 and 2010, the coverage ratio of the pension funds as a whole (active pension funds excluding the Civil Servant Pension Fund) was above 100 percent. The coverage ratio also increased in the reporting period. On the one hand, the improved solvency can be attributed to a better composition of the investment portfolios but, on the other hand, it can also be attributed to the absence of the indexation of payments.

Credit unions

In 2014, both the closed-bond and the open-bond credit unions were in compliance with the 7 percent solvency ratio. Yet, the open-bond credit unions are more solvent as these credit unions have a larger working area, which results in higher equity. The CBvS is currently performing a more detailed supervision of those closed-bond credit unions that lack an adequate level of equity, which primarily consists of profit.

Section IV takes account of forward-looking risks and discusses the results from recently conducted stress tests of the banking sector. The stress tests examined the capital levels in individual banks and the banking system as a whole in the face of a number of single-factor stress-testing scenarios, including the materialization, to various degrees, of

commodity price risk, concentration risk and foreign exchange risk. Combinations of these risks are also tested in a multiple-factor stress-testing scenario. Overall, the banking system resilience is adequate. Based on the stress tests and the improved risk profile of commercial banks, as evidenced by increasing CARs and decreasing NPLs, it can be concluded that the overall banking system in Suriname is financially stable. This is confirmed by the banking stability index (see above) and is a result of the ongoing stricter prudential framework of supervision.

Section V contains initiatives, pertaining to macro-financial research, macro-prudential policy, financial market infrastructure and micro-prudential legislation/regulation, which are being pursued by the CBvS to mitigate risks and vulnerabilities and to enhance financial stability in Suriname.Finally, the Statistical Appendix of the report provides information on the evolution of key macroeconomic and financial soundness indicators. The financial soundness indicators cover all subsectors of Suriname's financial sector and, for comparison purposes, go back to 2008, the year of the global financial crisis.

I. OVERVIEW OF THE DOMESTIC FINANCIAL SECTOR

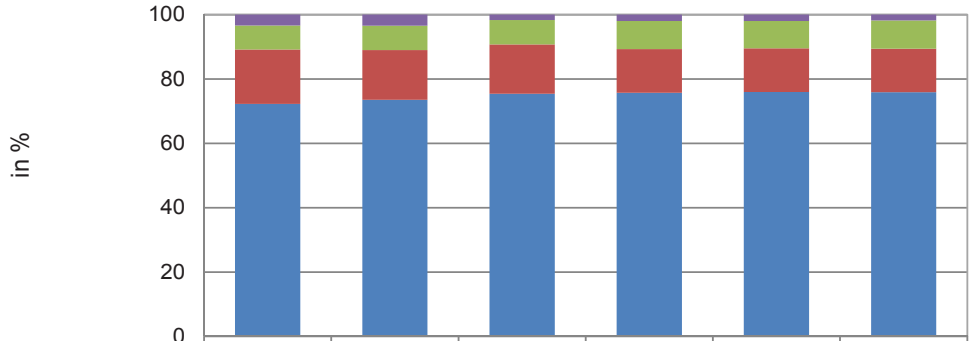
The Central Bank of Suriname (CBvS) is the monetary authority of Suriname and functions as supervisor/regulator of the financial sector, as banker to the commercial banks, and as cashier, banker and financial advisor to the Government. The CBvS was founded on April 1, 1957 and has played a crucial role in the financial and economic development of Suriname. Following the Bank Act 1956 (revised 2005), most of the duties assigned to the CBvS refer to financial stability issues. The core duties of the CBvS are:

a. To promote the stability of the monetary unit of Suriname:
b. To provide for the monetary circulation in Suriname to the extent that it concerns banknotes as well as facilitating payments by giro;
c. To promote the development of a sound banking and credit system in Suriname;
d. To supervise the banking and credit system, the pension and insurance system, foreign exchange transactions, and transfer of financial resources to and from abroad, all of this subject to the applicable statutory regulations; the supervision also aims to preserve the integrity of the institutions operating in these sectors and sub-sectors;
e. To promote and facilitate the flow of payments between Suriname and foreign countries;
f. To promote the balanced socio-economic development of Suriname.

The CBvS therefore has the legal power to ensure the smooth functioning of the financial sector and the payment and settlement systems, which requires a good understanding of key macroeconomic trends, developments in the financial sector and sources of risks in the systemically important banks and financial markets in the economy.

The six main laws that govern the financial sector of Suriname are: (1) the Bank Act 1956, (2) the Banking and Credit System Supervision Act 2011, (3) the Pension and Provident Fund Act 2005, (4) the Banking and Credit System Supervision Act 1968 (for insurance companies), (5) the Foreign Exchange Houses and Money Transfer Companies Act 2012, and (6) the Capital Market Act 2014, which regards supervision of the Stock Exchange. By law, a deposit insurance scheme must be in place by 2016 at the latest, while the establishment of the first credit bureau is expected around the same time.

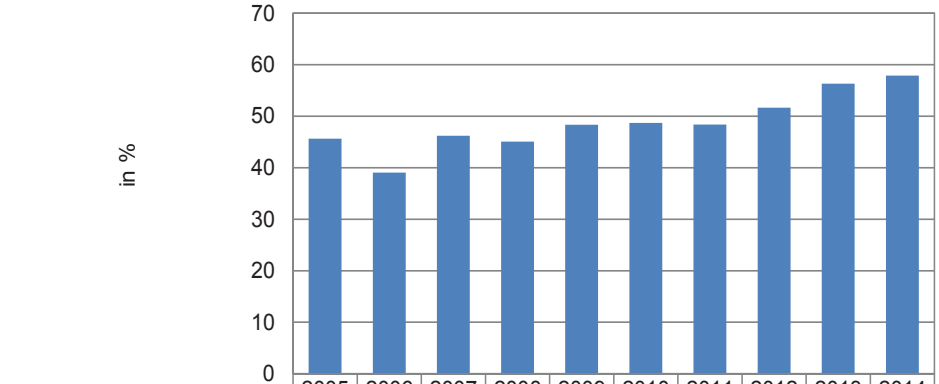
Figure I.1
Distribution of Financial Sector Assets



	2008	2009	2010	2011	2012	2013
Others	3	3	2	2	2	2
Insurance Companies	7	8	8	9	8	9
Pension Funds	17	15	15	14	14	13
Banks	72	74	75	76	76	76

Source: Central Bank of Suriname
Note: Data of non-banks are not always up to date due to late reporting.

Figure I.2
Total Commercial Bank Assets



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total Assets of Commercial Banks in % of GDP	46	39	46	45	48	49	48	52	56	58

Source: Central Bank of Suriname, General Bureau of Statistics an Planning Office (2014 GDP)

As of December 2014, the financial sector of Suriname consisted of 9 commercial banks, 2 secondary banks, 1 development bank, 4 finance and investment companies, 24 credit unions, 13 insurance companies (4 life insurance, 7 non-life insurance, 2 funeral insurance), 38 pension funds, 5 provident funds, 25 foreign exchange offices, 6 money transfer houses and 1 stock exchange. In Suriname, commercial banks are the premier financial institutions, holding over 75 percent of the assets of the financial system[1], excluding the Central Bank of Suriname (Figure I.1), while representing 58 percent of Gross Domestic Product (GDP) (Figure I.2).

The financial instruments in Suriname mainly consist of demand deposits, term deposits, savings deposits, foreign currency deposits, Treasury bills and Central Bank gold certificates. The latter are perpetuities denominated in grams of gold at a 5 percent annual interest rate. The interest received in Surinamese currency varies with changes in the international price of gold and the official buying rate of the U.S. dollar. The sale of new gold certificates was discontinued following the 9/11 events that pushed up international gold prices and prompted speculation. Other traded securities include the stocks of eleven companies listed on the local Stock Exchange. In addition, State Oil Company bonds are traded on the Stock Exchange.

Traditionally, the main instrument of monetary policy has been quantitative credit control through credit ceilings, due to respective exchange rate arrangements and external current account deficits.

In 2001, the credit ceilings were replaced by reserve requirements. Over the years, the reserve ratios applicable to foreign currency deposits have been regularly increased to discourage foreign currency borrowing. Foreign currency deposits were introduced in 1992 while foreign currency credit was formally permitted in 1995.

The money market in Suriname is mainly evident through Treasury bills (T-bills), which are regularly issued to cover the operational deficits of the Government. These securities are mostly held in portfolio by banks, insurance companies and pension funds (Table I.1).

The capital market in Suriname is mainly represented by the Stock Exchange, established as a private sector entity in 1994. As of December 2014, the stocks of eleven companies were listed on the Stock Exchange. In addition, a 5-year bond of State Oil Company that was listed since 2010 was replaced by a second 5-year bond in May 2015 (Table I.2), to co-finance the company's investment program for 2015-2020, with a budget of approximately US$ 1 billion. The bond issue was also open for investors from the Netherlands and the Caribbean.
To reform the capital market, the Capital Market Act was proclaimed in May 2014. The purpose of this law is the regulation and supervision of the capital market to facilitate an adequate functioning of the securities market and to protect investors. The authority of supervision of the capital market is by law entrusted to the CBvS. As of December 2014, the market capitalization of the Suriname Stock Exchange was equivalent to 11 percent of GDP (Table I.3).

1 Excluding the assets of the civil servant pension fund, the state-owned medical insurance company and the funeral insurers.

Table I.1
T-bills Held by Banks and Non-Banks
(in SRD)

Year	Commercial Banks	Non-Banks	Total	Maturity (months)
2008	81,300,000	57,075,000	138,375,000	6 & 12
2009	59,500,000	57,745,000	117,245,000	6 & 12
2010	172,720,000	58,415,000	231,135,000	6 & 12
2011	155,520,000	71,545,000	227,065,000	6 & 12
2012	249,520,000	81,895,000	331,415,000	12
2013	346,000,000	99,083,000	445,083,000	12
2014	858,944,834	142,922,970	1,001,937,804	6, 12,18 & 24

Source: Central Bank of Suriname

Table I.2
The Suriname Stock Exchange

Number of institutions							
	2008	2009	2010	2011	2012	2013	2014
Stock Exchange	1	1	1	1	1	1	1
Listed Stocks & Bonds	11	11	12	12	12	12	12
Brokers	6	6	6	6	6	6	6

Source: Suriname Stock Exchange

Table I.3
Market Capitalization of the Stock Exchange

Period	Market capitalization in SRD (I)	GDP in SRD (II)	I:II (%)	Turnover in SRD
2008	581,103,643	9,698,000,000	6.0	191,673
2009	673,714,274	10,638,000,000	6.3	753,483
2010	909,945,296	11,992,000,000	7.6	208,116
2011	1,294,212,432	14,259,000,000	9.1	667,941
2012	1,838,974,081	16,540,000,000	11.1	1,188,055
2013	1,861,926,000	17,262,000,000	10.8	793,315
2014	2,006,789,458	18,213,900,000	11.0	931,273

Sources: Suriname Stock Exchange, General Bureau of Statistics and Planning Office (2014 GDP)

II. OPERATING ENVIRONMENT

1. International Environment

Global economic recovery continued in 2014 albeit at an uneven pace across regions. The U.S. economy recovered noticeably, but weaknesses in the euro area and in Japan and slower growth in emerging market economies exerted a drag on higher global growth. The world economy grew at an estimated 3.4 percent in 2014. Improvement is expected for 2015 and 2016, with growth projections of 3.1 percent and 3.6 percent, respectively.

Volatility of global equity markets remained relatively low throughout the year, aided by largely accommodative central bank policies. Economic recovery was the strongest in the U.S. (2.4% in 2014), which prompted U.S. monetary authorities to gradually reduce their monetary stimulus. The unwinding of the asset purchase program progressed orderly and without disruptions to global financial markets. It was expected that monetary tightening in the U.S., through an increase in policy rates, would follow in 2015. This anticipation, along with improved growth prospects for the U.S. economy, has contributed to a strengthening of the U.S. dollar against a range of currencies from the second half year of 2014.

Economic activity in the euro area remained fragile, with observed weaknesses in core economies such as France and Germany. The prolonged period of low interest rates and low inflation – continued also in 2014 – heightened the perception of their risk to economic growth in the euro area. These concerns prompted the European Central Bank (ECB) to announce and implement a new program for the purchase of public and private securities in the first quarter of 2015. The ECB also introduced a new loan arrangement, offering banks loans on favorable terms, provided they increase lending to small and medium-sized enterprises.

Geopolitical tensions in Eastern Europe between Russia and Ukraine and its Western allies contributed to the disappointing growth performance in Europe. The sanctions imposed by the European Union and the U.S.A. on Russia also had a dampening impact on growth in Russia, Ukraine and other members of the Commonwealth of Independent States (CIS).

In Japan, enduring deflation and high real interest rates continue to threaten economic recovery. The Bank of Japan continued its 'quantitative and qualitative monetary easing' in 2014. Bold structural reforms to boost competitiveness and future growth are a priority, as stronger growth is needed to address the fiscal situation, with debt estimated at 240 percent of Gross Domestic Product (GDP) and fiscal deficit of 8 percent of GDP in 2014.

Growth in emerging market economies moderated in 2014, mainly as the slowing of economic growth in China continued. The International Monetary Fund (IMF) estimated 7.4 percent economic growth for China in 2014. The slowing of Chinese growth was accompanied by a decline in the international prices of commodities, such as metals and oil. This decline has illustrated the vulnerability of the developing economies to developments in the world's second largest economy. Strong growth in China usually gives a boost to commodity exporting developing countries, helping them improve their terms of trade.

The emerging market economies experienced lower capital inflows in 2014, stemming from the U.S. Fed's gradual exit from quantitative easing. In particular the BRICS[1] economies have been affected. The ECB's recent quantitative easing has however improved the prospects for capital inflows to emerging market economies for 2015.

World economic developments adversely affected the Surinamese economy through trade linkages, with a resulting decline in the terms of trade for Suriname. This was translated into lower inflows of foreign exchange, a crucial input for sustaining economic growth. Also, spillovers from global financial market developments have affected the international cost of funding for Suriname.

1 Association of five major emerging economies, namely Brazil, Russia, India, China and South Africa.

2. Domestic Environment

The main economic challenge facing Suriname in 2014 emanated from the international environment in the form of the continued decline of international prices for its main export products. This has required policymakers to put in place timely and prudent policy measures, in particular with regard to safeguarding a manageable fiscal outcome. Related to the macro-economic mandate of the CBvS of maintaining stability in the value of the national currency, the CBvS has sought to secure a stable exchange rate and monitor credit growth in the economy, while protecting the health of the financial sector. The authorities consider such policies as essential to the realization of the growth potential of the economy.

2.1 Macroeconomic performance and policies

Balance of payments and international reserves

World market prices for gold and crude oil fell by 10 percent and 8 percent respectively in 2014, while that of alumina remained stable. Export volumes of oil and alumina registered practically no change, but that of gold fell by about 13 percent. Gold production by the Surinamese affiliates of the multinational gold companies was cut back based on relative cost considerations and this more than offset the increase in output by small scale producers. Hence, export revenues from mining declined significantly compared to 2013. The value of non-mining exports increased in 2014, albeit not enough to prevent a US$ 249 million decline (10%) of total exports compared to the year before. Largely due to central bank interventions, the level of imports has been broadly sustained, reaching a level just 7 percent short of that of 2013. Still, Suriname's trade surplus fell to US$ 133 million in 2014, from US$ 221 million in 2013 and US$ 701 million in 2012.

The external services deficit widened to US$ 529 million in 2014, mainly because of a step-up in payments for business and technical fees for the construction abroad of the new State Oil refinery. Net outgoing primary income payments of US$ 82 million were about half the previous year, mainly due to a lower profit transfer of foreign subsidiary companies. Inflows of personal transfers remained unchanged, whereas outflows showed a decline of US$ 6.4 million. On balance, US$ 71 million was received as incoming transfers. Consequently, the current account deficit has widened to US$ 385 million or 7.5 percent of GDP in 2014 from US$ 198 million or 3.9 percent of GDP in 2013, compared to the surplus of 3.3 percent of GDP in 2012.

The economy has received US$ 430 million through the financial account in 2014, of which foreign direct investment constituted US$ 14 million and net other financial inflows US$ 421 million. The latter comprised net company loans of US$ 351 million, trade credits of US$ 16 million, and net government loans of US$ 80 million, whereas an increase in net other foreign assets led to an outflow of US$ 89 million.

In total, the international reserves decreased by US$ 150.2 million, reaching US$ 625 million by end-December 2014, which was equivalent to 2.7 months of imports of goods and services, including those of the large-scale mining sector, whose imports are mostly self-financed. If these imports were excluded, the international reserves would cover 3.9 months of imports.

Government finance and debt

Government revenue from the mining sector fell by approximately one-third in 2014, after having fallen by already 21 percent in 2013. Its share in total government revenue has declined consistently, namely from 34 percent in 2012 to 30 percent in 2013, and further to 30 percent in 2014. Such a rapid decline in revenue needed to be met with a fierce adjustment to prevent fiscal deterioration. The lagged adjustment in 2013 caused the fiscal deficit to widen to 6.1 percent of GDP. However, in 2014 the deficit fell to 6 percent of GDP or SRD 961 million.

Underlying this outcome was a concerted effort to increase the efficiency of spending. Current spending was reduced by 7.6 percent, even though capital spending picked up as a result of the Government's infrastructure and development programs. Spending on wages and salaries, the largest item, was reduced by 3.5 percent, and on goods and services, the second largest item, it was reduced by almost 10 percent.

The deficit was financed for 27 percent by external sources and for 73 percent by domestic sources. Foreign financing was merely half the amount of 2013, resulting from substantially less foreign loan disbursements. Domestic financing totaled SRD 703 million, of which SRD 497 million consisted of Treasury bills purchased mainly by commercial banks operating in Suriname.

Government debt remained relatively low, even though the national legal ceilings still allow for increases. According to the international definition, the external debt was 15.8 percent of GDP in 2014 against a ceiling of 35 percent of GDP, while the domestic debt was 10.9 percent of GDP against a ceiling of 25 percent of GDP. However, according to the definition of the State Debt Act 2002, external

and domestic debt stood at 21.2 and 12.5 percent of GDP, respectively. Domestic debt was reduced in the course of 2014, partly reflecting an administrative measure to consolidate the Government accounts at the CBvS.

Money, credit and monetary policy
Broad money (M2) growth declined to 5.5 percent in 2014, compared to 11.1 percent in 2013. In 2014, domestic liquidity creation was dampened through a decline in net foreign assets and a slower increase in credit extension by banks to the private sector. Growth of bank credit to the private sector decelerated to a monthly average of 13.3 percent (on a 12-month basis) in 2014 from a monthly average of 17.2 percent in 2013. Credit growth in real terms, i.e. excluding price increases, was about 9.9 percent in 2014 compared to 15.3 percent in 2013.

The slowdown in credit extension by the commercial banks was, in fact, a result of monetary tightening.
First, the banks' required reserves were raised. In January 2013, the required reserve ratios for foreign currency deposits were increased from 40 percent to 45 percent, whereas in September 2013, both the local and foreign currency required reserve ratios were raised by 5 percentage points. As a result, the foreign currency required reserves ratio was raised from 45 percent to 50 percent and that for the local currency from 25 percent to 30 percent.
Second, in defense of the exchange rate and to allow for sufficient imports, the CBvS undertook foreign exchange market interventions through the banking system. Starting in 2013, the interventions gained momentum in 2014. Also, twice in 2014 banks engaged in a foreign-for-local-currency swap with the CBvS in a forward repurchase agreement. Thus, the international reserves held at the CBvS were replenished and banks used the local currency proceeds to invest in T-bills. As a result, banks' previously existing excess liquidity levels were largely drained.

Inflation and growth
Notwithstanding the global challenges that resulted in a significant fall in Suriname's export and fiscal revenues, the implemented macroeconomic stabilization policies proved successful in securing low inflation and sustained economic growth. Indeed, the foreign exchange market interventions also aimed to sustain imports that provided the needed basic consumption goods and production inputs. Suriname recorded an average inflation rate of 3.4 percent in 2014, up from 1.9 percent in 2013, but still comparing favorably to that of its peers. Furthermore, Suriname's growth rates in 2013 (2.8%) and 2014 (1.8%) were close the average growth rate of countries in the Latin American and Caribbean region in both years.

2.2 Sovereign credit ratings

In February 2014, Moody's Investors Service (Moody's) changed Suriname's outlook to stable from positive and reaffirmed its foreign and domestic currency sovereign bond ratings at Ba3. The revised outlook was mainly ascribed to deterioration in the Government's fiscal performance and rising debt levels despite rapid economic growth.

In April 2014, Standard & Poor's Ratings Services (S&P) also revised its outlook on the long-term ratings on Suriname to stable from positive balancing the agency's tempered view on public finances with the country's robust growth prospects in the gold industry. At the same time, S&P reaffirmed its BB-/B sovereign credit ratings for Suriname.

In July 2014, Dagong Global Credit Rating Company (Dagong) reaffirmed Suriname's BB+ ratings for local and foreign currency, with stable outlooks, based on the stable repayment capacity of the country despite low commodity prices. In addition, large-scale investments in the mining industry are expected to improve the solvency of the Government in the medium term. A year earlier, Suriname was the first Caribbean country to request a sovereign rating from the Beijing-based Dagong, which, given China's growing dominance in the world economy, should be considered a strategic move.

III. PERFORMANCE OF SURINAME'S FINANCIAL SECTOR

1. Commercial Banks

1.1 Introduction

Since the advent of the global financial crisis and its reverberation in the Caribbean, the Surinamese banking system has remained quite resilient and continued to be well-capitalized, profitable, and with an adequate level of liquidity. The analysis of the banking system shows a year on year increase of the assets from SRD 4.4 billion at the end of 2008 to SRD 10.5 billion at the end of 2014. The assets nominated in foreign currencies increased from SRD 2.3 billion to SRD 4.8 billion over the same period. However, in relative terms the assets nominated in foreign currencies decreased from 51.9 percent of total assets at the end of 2008 to 45.6 percent at the end of 2014. During the period under review the assets consisted mainly of liquid assets and loans.

The liabilities nominated in foreign currencies fluctuated between 50.9 percent and 55.9 percent of total liabilities. More than 90 percent of the funding of the banks is generated through deposits (savings, demand, deposits < 1 year and deposits > 1 year). At the end of 2008 deposits accounted for 95.6 percent of total funding, whereas this share amounted to 97.3 percent at the end of 2014.

The Capital Adequacy Ratio (CAR) at the end of 2008 was 9.8 percent; at the end of 2009 it increased to 10.8 percent and remained above 10 percent until 2014. In July 2014, new stricter regulations on capital were issued by the CBvS and subsequently the CAR at the end of 2014 stood at 11.5 percent. The Non-Performing Loan ratio (NPL) decreased from 7.8 percent in 2008 to 6.2 percent in 2014.

The commercial banking industry is highly concentrated as the three largest banks account for more than 80 percent of total commercial banks assets. This concentration is also indicated by the Herfindahl-Hirschman Index[1] , which based on bank market shares for 2014, assumed a value of 4,108, implying a very highly concentrated market.

Table III.1
Commercial Bank Ownership (2014)
(in percent)

Commercial Banks	State Ownership	Foreign Ownership	Domestic Private Ownership
De Surinaamsche Bank	10	0	90
RBC Royal Bank Suriname*	0	100	0
Hakrinbank	51	0	49
Surinaamse Volkscredietbank	100	0	0
Landbouwbank	100	0	0
Surinaamse Postspaarbank	100	0	0
Finabank	0	0	100
Surichange Bank	0	0	100
Coöperatieve Spaar- en Kredietbank Godo	0	0	100

Source: Central Bank of Suriname

*) Republic Bank Suriname as of August 2015.

1 The Herfindahl-Hirschman Index (HHI) is a commonly accepted statistical measure of market concentration. It is calculated by squaring the market shares of each firm competing in a market and then adding the results. A HHI below 1,000 indicates a very low concentration, a result in the range of 1,000-1,800 indicates a moderate concentration, while a result above 1,800 indicates a very high concentration. An index value equal to 10,000 implies full concentration or monopoly.

One of these three large banks is a subsidiary of a foreign bank, while the other two banks are partially state-owned. Furthermore, there are three fully state-owned small commercial banks (Table III.1). As of end 2014, total bank loans to the private sector accounted for 30 percent of GDP, while total bank deposits amounted to 47 percent of GDP.

1.2 Performance of Commercial Banks

1.2.1 Assets

Over the period 2008-2014, there was a volatile growth in the asset portfolio of commercial banks, with the highest year-on-year change of total assets in 2012 (22.2%), and the lowest year-on-year change in 2014 (7.1%) (Table III.2).

The foreign currency denominated assets and the local currency assets also show a volatile but positive growth in the period 2008-2014, except in 2014 when the foreign currency denominated assets decreased by 0.2 percent as a result of the swap agreement[2] between the commercial banks and the CBvS (Table III.3). The low growth rate of total assets can be explained by this decrease of the foreign currency denominated assets as well as a lower growth rate of local currency assets. The devaluation of the local currency in 2011 also resulted in an increase of the share of the foreign currency denominated assets to total assets.

Total assets increased by 141.2 percent in 2014 relative to 2008 mainly on account of the growth in liquid assets and loans, which collectively make up around 80 percent of commercial bank total assets.

The growth of liquid assets was mainly because of an increase in investment in Treasury bills (42.8% of the increase of total assets) and central bank balances (28.9% of the increase of total assets).

The growth of central bank balances is mainly caused by an increase in the reserve requirement deposits in SRD. An analysis of the composition of assets indicates no significant changes in the asset mix of commercial banks over the past seven years. Net loans generally constitute the largest part of banking assets, making up roughly 48 percent of total assets in 2014 while liquid assets constitute the next largest component (31 %). The share of foreign currency (FX) loans in total loans moved between 38.4 percent and 45.2 percent, representing the range of credit dollarization in the reporting period (Table III.4).

A. Loan Portfolio Performance

Despite an increase in lending rates over time, loan growth in the commercial banking system has remained quite buoyant and occurred in all the major sectors of the economy. The most significant loan growth during the period 2008-2014[3] has occurred in the trade/commerce and construction sectors, whose shares of total loans dominate the asset portfolio of commercial banks. Total loans to the trade/commerce and construction sectors grew by 147.7 percent and 113.7 percent, respectively, while loans to the agriculture and fisheries sectors grew at a more modest pace (Table III.5). Commercial banks also reduced their exposure to the forestry sector, with loan growth to this sector declining by 54.9 percent.

Table III.2
Shares of Foreign Currency and Local Currency Assets of Commercial Banks
(in SRD thousands)

	Foreign Currency Assets		Local Currency Assets		Total Assets	Year-on-Year Change
	Amount	% Share of total assets	Amount	% Share of total assets	Amount	%
2008	2,269,422	51.9	2,100,705	48.1	4,370,126	17.3
2009	2,671,338	52.0	2,470,282	48.0	5,141,621	17.7
2010	2,832,438	48.5	3,008,574	51.5	5,841,012	13.6
2011	3,716,202	53.1	3,278,618	46.9	6,994,820	19.8
2012	4,310,770	50.4	4,235,268	49.6	8,546,038	22.2
2013	4,823,753	49.0	5,022,550	51.0	9,846,303	15.2
2014	4,811,767	45.6	5,729,726	54.4	10,541,494	7.1

Source: Central Bank of Suriname

2 As mentioned earlier, commercial banks twice engaged in a foreign-for-local-currency swap with the CBvS.
3 The comparison with 2008 is to assess how the financial sector has developed since the global financial crisis.

Table III.3
Annual Change in Foreign Currency and Local Currency Assets of Commercial Banks
(in SRD thousands)

	Foreign Currency Assets		Local Currency Assets		Total Assets	Year-on-Year Change
	Amount	Year-on-year Change	Amount	Year-on-year Change	Amount	(%)
2008	2,269,422	11.5	2,100,705	24.3	4,370,127	17.3
2009	2,671,338	17.7	2,470,282	17.6	5,141,621	17.7
2010	2,832,438	6.0	3,008,574	21.8	5,841,012	13.6
2011	3,716,202	31.2	3,278,618	9.0	6,994,820	19.8
2012	4,310,770	16.0	4,235,268	29.2	8,546,038	22.2
2013	4,823,753	11.9	5,022,550	18.6	9,846,303	15.2
2014	4,811,767	-0.2	5,729,726	14.1	10,541,494	7.1

Source: Central Bank of Suriname

Table III.4
Commercial Bank Asset Composition
(in percent)

	2008			2009			2010			2011			2012			2013			2014		
ASSETS	FX	SRD	Total	FX	SRD	Total	FX	SRD	Total	FX	SRD	Total	FX	SRD	Total	FX	SRD	Total	FX	SRD	Total
Liquid assets:	33.4	31.8	32.6	28.1	31.7	29.8	27.7	30.6	29.2	25.6	27.4	26.4	21.1	35.9	28.4	24.7	33.8	29.3	26.0	35.1	30.9
- Cash	5.1	4.8	5.0	5.9	4.0	5.0	7.7	4.0	5.8	5.2	4.0	4.6	4.9	3.4	4.1	6.7	3.2	4.9	7.8	3.7	5.6
- Bank current account balances	28.1	23.1	25.7	22.0	25.3	23.6	19.9	21.0	20.5	20.1	18.8	19.5	15.7	26.8	21.2	17.4	23.9	20.7	16.5	16.3	16.3
- Treasury bills	-	3.8	1.8	-	2.4	1.1	-	5.6	2.9	-	4.6	2.2	-	5.7	2.8	-	6.7	3.4	-	15.1	8.2
- Other liquid assets	0.2	0.0	0.1	0.2	0.0	0.1	0.1	0.0	0.0	0.3	0.0	0.2	0.5	0.0	0.3	0.6	-	0.3	1.7	-	0.8
Bank balances excluding current accounts	16.7	0.3	8.8	28.6	0.3	15.0	28.6	0.4	14.1	31.6	0.4	16.9	37.0	0.3	18.8	31.6	0.1	15.5	27.6	0.5	12.9
Loans	45.2	54.7	49.7	39.2	57.7	48.1	38.5	58.7	48.9	38.4	60.4	48.7	39.4	52.6	45.9	39.6	54.8	47.4	42.2	53.2	48.2
Other assets	4.7	13.3	8.8	4.1	10.2	7.1	5.2	10.3	7.8	4.5	11.9	7.9	2.6	11.2	6.9	4.0	11.3	7.7	4.2	11.1	8.0
Total assets	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: Central Bank of Suriname

Table III.5
Commercial Bank Loans by Sector to Gross Loans
(in SRD thousands)

Loans by sector	2008	% Share	2014	% Share	% Change 2014/2008
Agriculture	95,000	4.2	109,304	2.1	15.1
Fisheries	35,866	1.6	52,332	1.0	45.9
Forestry	5,616	0.3	2,532	-	-54.9
Mining	18,429	0.8	175,336	3.4	851.4
Manufacturing	174,916	7.8	405,439	7.8	131.8
Construction	511,571	22.8	1,093,169	21.0	113.7
Electricity, Gas and Water	17,919	0.8	42,874	0.8	139.3
Trade/Commerce	605,812	27.0	1,500,420	28.8	147.7
Transport, Storage and Communication	80,744	3.6	153,193	2.9	89.7
Services	181,803	8.1	633,196	12.2	248.3
Other	514,490	22.9	1,033,500	19.9	100.9
Total gross loans	**2,242,166**	**100.0**	**5,201,295**	**100.0**	

Source: Central Bank of Suriname

In the period 2008-2014 the loan rates (SRD and FX) have remained relatively stable unlike the loan growth. It can thus be concluded that the loan rate had no significant impact on the loan growth (Figure III.1).

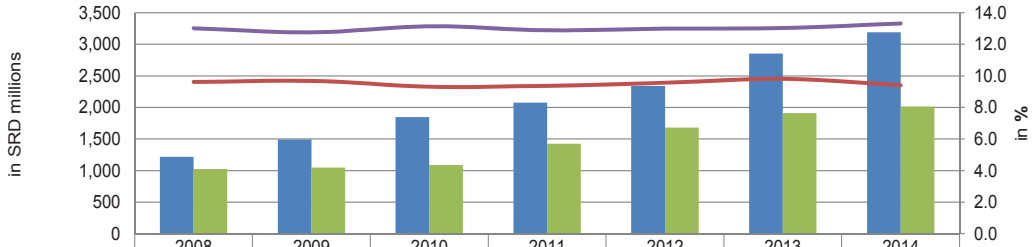
To cope with the higher credit demand and increased competition, commercial banks raised deposits rates for all currencies, to attract additional funding, but only raising the SRD lending rate. In 2014, the weighted average SRD lending rate increased, while the weighted average foreign currency lending rates decreased (Figure III.2). SRD and foreign currency lending consisted of mortgage loans, current account credit, personal loans, car loans and installment credit. The increase in the weighted average SRD lending rate was mostly due to current account credit and personal loans. Despite the decline in the weighted average U.S. dollar lending rate, the lending rates for personal loans and car loans increased. Even though the weighted average euro lending rate slightly declined, the lending rate for personal loans increased. The interest rate increases could be partially due to the fact that, in the third quarter of 2013, the CBvS had raised the reserve requirements for SRD and foreign currencies to 30 percent and 50 percent, respectively. Following the pattern of interest rates and realizing that reserve requirements are merely one determinant of the cost of financial intermediation, a comprehensive study on the determinants of interest rates in Suriname will be undertaken.

B. Commercial Bank Loans by Major Economic Sector

The total share of foreign currency loans to the export-based sector in 2008 and 2014 was 2.5 percent and 3.4 percent respectively. The greatest share of foreign currency loans is concentrated in the trade/commerce sector (15%).

The CBvS Guideline on Foreign Currency Lending Risks requires that foreign currency loans be granted to the clients, whose activities generate foreign currency and that the lending contracts should disclose the party that will bear any exchange risk in the repayment. In addition, credit institutions shall document the sources of each FX borrower and the

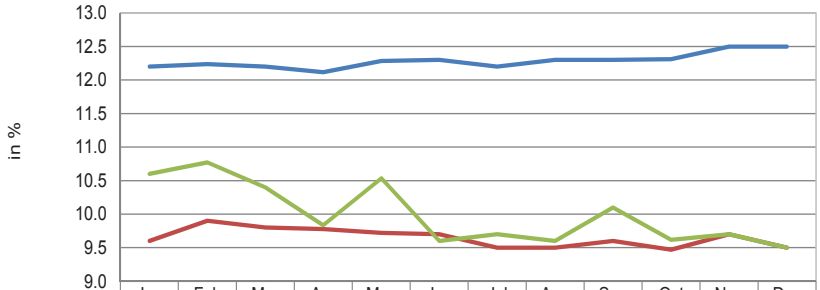
Figure III.1
Commercial Bank Average Loan Rates and Loan Growth



	2008	2009	2010	2011	2012	2013	2014
Loans in SRD	1,217	1,493	1,846	2,076	2,341	2,853	3,188
Loans in FX	1,025	1,047	1,090	1,426	1,681	1,912	2,013
Average Loan Rates (SRD)	13.0	12.8	13.1	12.9	13.0	13.0	13.3
Average Loan Rates (FX)	9.6	9.7	9.3	9.4	9.6	9.8	9.4

Source: Central Bank of Suriname

Figure III.2
Weighted Average Lending Rates



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Average SRD Lending Rates	12.2	12.2	12.2	12.1	12.3	12.3	12.2	12.3	12.3	12.3	12.5	12.5
Average USD Lending Rates	9.6	9.9	9.8	9.8	9.7	9.7	9.5	9.5	9.6	9.5	9.7	9.5
Average EUR Lending Rates	10.6	10.8	10.4	9.8	10.5	9.6	9.7	9.6	10.1	9.6	9.7	9.5

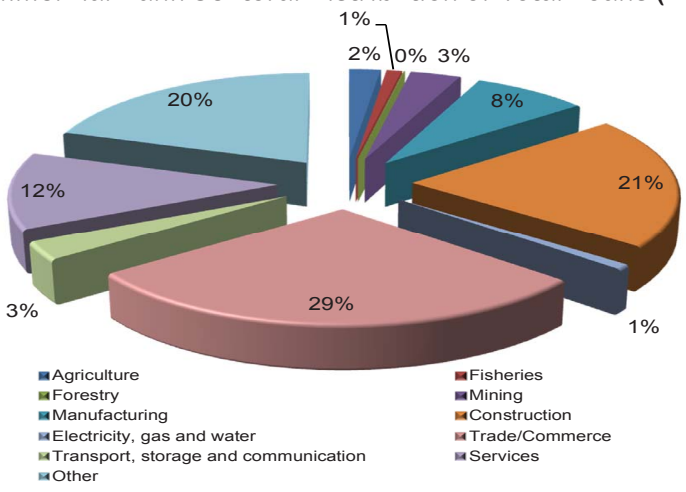
Source: Central Bank of Suriname

Table III.6
Commercial Bank Loans by Economic Sector
(in SRD thousands)

Loans by sector	2008	2009	2010	2011	2012	2013	2014
Agriculture	95,000	108,840	127,346	129,768	129,364	139,404	109,304
Fisheries	35,866	37,451	44,063	39,100	45,193	46,487	52,332
Forestry	5,616	4,791	3,036	2,302	4,250	3,144	2,532
Mining	18,429	32,616	59,431	81,513	92,171	128,170	175,336
Manufacturing	174,916	198,080	226,479	290,425	343,795	369,747	405,439
Construction	511,571	561,404	646,066	725,789	843,012	993,198	1,093,169
Electricity, gas and water	17,919	28,533	37,833	38,376	23,138	34,215	42,874
Trade/Commerce	605,812	665,562	702,027	922,321	1,200,226	1,436,759	1,500,420
Transport, Storage and Communication	80,744	71,503	70,538	75,209	174,213	166,245	153,193
Services	181,803	239,325	312,363	423,064	399,974	546,091	633,196
Other	514,490	591,670	707,205	774,153	766,804	902,403	1,033,500
Total gross loans	**2,242,166**	**2,539,775**	**2,936,387**	**3,502,020**	**4,022,138**	**4,765,864**	**5,201,295**

Source: Central Bank of Suriname

Figure III.3
Commercial Bank Sectoral Distribution of Total Loans (2014)



Source: Central Bank of Suriname

intended use of the foreign currency loans.
In the case of construction, loan growth was mainly associated with the introduction of a loan facility to finance the government housing program. Due to the increase of the maximum loan amount from SRD 100,000 to SRD 150,000 and the aggregate debtor's income from SRD 4,000 to SRD 6,000, it was possible to finance higher amounts and more customers under this facility. This facility is mainly comprised of loans for building, renovating and expanding residential housing at a favorable annual interest rate of 7 percent. Apart from this, government related construction and infrastructure projects contribute to the loan growth. The trade/commerce sector always had the largest share in the total loan portfolio (Table III.6 and Figure III.3). However, there is no breakdown of loans in the trade/commerce sector available.

1.2.2 Liabilities

As shown in the table below (Table III.7), during 2008-2014, there hasn't been significant change in the mutual relation between the local and foreign currency liabilities. While during this period, the share of foreign currency liabilities moved between 50.9 percent and 55.9 percent, the share of local currency liabilities moved between 44.1 percent and 49.1 percent. The slight change in the relation between the local and foreign currency liabilities is most likely due to the devaluation of the local currency in 2011 and its preceding overvaluation in 2010, which was also an election year.

A. Funding structure

The Surinamese banking system relies almost entirely on its deposit base, both local currency and foreign currency, as a source of funding for its activi-

Table III.7
Commercial Bank Foreign Currency and Local Currency Liabilities
(in SRD thousands)

	Foreign Currency Liabilities		Local Currency Liabilities		Total Liabilities	Year-on-Year Change
	Amount	% Share of Total Liabilities	Amount	% Share of Total Liabilities	Amount	(%)
2008	2,174,849	53.5	1,891,525	46.5	4,066,374	17.3
2009	2,593,762	54.2	2,190,773	45.8	4,784,536	17.7
2010	2,749,289	50.9	2,647,129	49.1	5,396,418	12.8
2011	3,608,847	55.9	2,852,430	44.1	6,461,277	19.7
2012	4,179,911	53.0	3,705,957	47.0	7,885,868	22.0
2013	4,694,918	51.8	4,361,276	48.2	9,056,194	14.8
2014	4,997,767	52.0	4,614,277	48.0	9,612,045	6.1

Source: Central Bank of Suriname

Table III.8
Funding Sources of Commercial Banks
(in percent)

Liabilities	2008			2014		
	FX	SRD	Total	FX	SRD	Total
Deposits	**93.9**	**97.8**	**95.6**	**98.5**	**95.9**	**97.3**
Other funding instruments	**6.1**	**2.2**	**4.4**	**1.5**	**4.1**	**2.7**
- Corporate banking bonds or equities	-	-	-	-	-	-
- Due to local and foreign banks (excluding demand deposits)	0.2	0.4	0.3	0.8	0.8	0.8
-Due to CBvS	3.2	1.5	2.5	0.6	1.0	0.8
-Other	2.7	0.3	1.6	0.1	2.3	1.2
Total liabilities	**100**	**100**	**100**	**100**	**100**	**100**

Source: Central Bank of Suriname

ties. In 2014 the banking system relied for 97.3 percent on its deposit base, which was even more than in 2008 when this was 95.6 percent (Table III.8). There is very little use of other funding instruments and no use of corporate banking bonds. The other funding instruments of commercial banks in 2008 consisted mainly of CBvS advances and in 2014 of funding from the Government for special projects, like a housing project. There is very little use of intra-bank borrowing as this was, in both 2008 and 2014, less than 1 percent of total funding.

B. Deposits

Since deposits are by far the largest part of the total funding structure, a very moderate change in the relation between the local and foreign currency deposits is observed during 2008-2014.The share of foreign currency deposits in total deposits moved between 51.3 percent and 56.7 percent, representing the range of deposit dollarization in the reporting period (Table III.9). The share of local currency deposits moved between 43.3 percent and 48.7 percent. The changes in the relation between the local and foreign currency liabilities in 2011 is most likely the result from the devaluation of the local currency in that year and may be a preceding overvaluation of the local currency in 2010.

Although total deposits have grown continuously during 2008-2014, the growth is remarkably less in 2010 and even smaller in 2014. The high growth figure of foreign currency deposits and the corresponding low growth figure of local currency deposits in 2011 are mostly a by-product of the devaluation in that year (Table III.10).

The growth factor over the period 2008-2014 is stronger in the longer-term deposits (term deposits with a maturity exceeding one year) and in savings, while the growth factor of shorter-term deposits (demand deposits and term deposits with a maturity less than one year) is less strong (Table III.11).

In 2008, 2010 and especially in 2014 there was a significantly lower growth in total deposits (Table III.12). In 2010 this was caused mainly by a reduced

Table III.9
Shares of Foreign Currency and Local Currency Deposits of Commercial Banks
(in SRD thousands)

	Foreign Currency Deposits		Local Currency Deposits		Total Deposits	Year-on-Year Change
	Amount	% Share of Total Deposits	Amount	% Share of Total Deposits	Amount	(%)
2008	1,888,013	55.0	1,544,031	45.0	3,432,044	11.8
2009	2,293,301	53.8	1,973,032	46.2	4,266,334	24.3
2010	2,465,667	51.3	2,344,457	48.7	4,810,124	12.7
2011	3,339,498	56.7	2,547,244	43.3	5,886,742	22.4
2012	3,751,106	53.0	3,323,726	47.0	7,074,831	20.2
2013	4,429,618	53.5	3,849,805	46.5	8,279,423	17.0
2014	4,752,074	54.1	4,029,022	45.9	8,781,095	6.1

Source: Central Bank of Suriname

Table III.10
Annual Change in Foreign Currency and Local Currency Deposits of Commercial Banks
(in SRD thousands)

	Foreign Currency Deposits		Local Currency Deposits		Total Deposits	Year-on-Year Change
	Amount	Year-on-Year Change (%)	Amount	Year-on-Year Change (%)	Amount	(%)
2008	1,888,013	8.4	1,544,031	16.3	3,432,044	11.8
2009	2,293,301	21.5	1,973,032	27.8	4,266,334	24.3
2010	2,465,667	7.5	2,344,457	18.8	4,810,124	12.7
2011	3,339,498	35.4	2,547,244	8.6	5,886,742	22.4
2012	3,751,106	12.3	3,323,726	30.5	7,074,831	20.2
2013	4,429,618	18.1	3,849,805	15.8	8,279,423	17.0
2014	4,752,074	7.3	4,029,022	4.7	8,781,095	6.1

Source: Central Bank of Suriname

Table III.11
Growth Factor of Commercial Bank Foreign Currency and Local Currency Deposits
(in SRD thousands)

Deposits	2008	2014	Growth factor
Total Deposits	**3,432,044**	**8,781,095**	**1.6**
-Demand deposits	1,663,907	3,832,727	1.3
-Savings	1,106,288	3,110,340	1.8
-Term deposits ≤ 1 year	407,878	873,524	1.1
-Term deposits > 1 year	253,971	964,504	2.8
Local Currency Denominated Deposits	**1,544,031**	**4,029,022**	**1.6**
-Demand deposits	852,710	1,946,656	1.3
-Savings	470,297	1,308,268	1.8
-Term deposits ≤ 1 year	133,012	419,375	2.2
-Term deposits > 1 year	88,012	354,722	3.0
Foreign Currency Denominated Deposits	**1,888,013**	**4,752,074**	**1.5**
-Demand deposits	811,197	1,886,071	1.3
-Savings	635,991	1,802,072	1.8
-Term deposits ≤ 1 year	274,866	454,149	0.7
-Term deposits > 1 year	165,959	609,782	2.7

Source: Central Bank of Suriname

growth in demand deposits and a decrease of term deposits with a remaining term to maturity of less than one year. As mentioned earlier, 2010 was an election year and the Government implemented projects at an accelerated pace. However, payment to private contractors often occurred at a later stage, which slowed down the growth in demand deposits.

In 2014, the weighted average SRD and U.S. dollar deposits rates increased moderately, while the weighted average euro rate remained constant (Figure III.4). The deposits were held in the form of demand deposits, saving deposits and term deposits. The increase in the weighted average SRD and U.S. dollar deposit rates was largely influenced by movements in term deposits as demand and savings deposits rates had remained constant. Higher credit demand, but also increased competition, made it necessary to adjust the term deposit rates for the SRD and the U.S. dollar to attract additional funding.

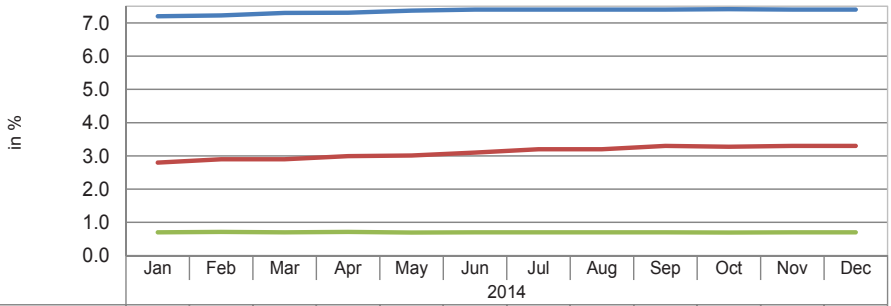
As mentioned earlier, the CBvS had raised the reserve requirement for SRD and foreign currencies to 30 percent and 50 percent, respectively, in the third quarter of 2013. This policy measure impacted the credit potential of banks, encouraging them to seek additional funding by raising deposit rates. This can be best observed in the deposit rate of the U.S. dollar. The growth in total deposits, which was much lower in 2014 (6.1%) than in 2013 (17.0 %), also explains the upward pressure on deposit rates.

Table III.12
Growth in Foreign Currency and Local Currency Deposits of Commercial Banks
(in percent)

Deposits	2008	2009	2010	2011	2012	2013	2014
Total Deposits	**11.8**	**24.3**	**12.7**	**22.4**	**20.2**	**17.0**	**6.1**
-Demand deposits	9.9	26.9	10.9	20.7	18.8	11.2	2.7
-Savings	16.6	23.0	21.9	26.1	18.4	19.7	5.0
-Term deposits ≤ 1 year	-5.5	28.2	-9.5	16.3	15.8	19.6	14.6
-Term deposits > 1 year	45.9	7.2	24.2	24.2	44.3	35.6	17.4
Local Currency Denominated Deposits	**16.3**	**27.8**	**18.8**	**8.6**	**30.5**	**15.8**	**4.7**
-Demand deposits	16.7	29.2	16.9	6.3	27.4	12.4	-0.7
-Savings	13.5	21.8	31.0	9.5	26.3	17.3	7.5
-Term deposits ≤ 1 year	15.8	36.8	-8.0	45.3	15.9	23.0	21.0
-Term deposits > 1 year	29.6	32.0	19.5	-18.6	129.8	25.3	8.9
Foreign Currency Denominated Deposits	**8.4**	**21.5**	**7.5**	**35.4**	**12.3**	**18.1**	**7.3**
-Demand deposits	3.5	24.3	4.4	38.2	10.7	10.0	6.5
-Savings	19.1	23.8	15.3	39.9	13.3	21.4	3.2
-Term deposits ≤ 1 year	-13.3	24.0	-10.2	0.5	15.7	16.9	9.2
-Term deposits > 1 year	56.4	-5.9	27.6	54.0	12.7	43.4	22.9

Source: Central Bank of Suriname

Figure III.4
Weighted Average Deposit Rates



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Average SRD Deposit Rates	7.2	7.2	7.3	7.3	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4
Average USD Deposit Rates	2.8	2.9	2.9	3.0	3.0	3.1	3.2	3.2	3.3	3.3	3.3	3.3
Average EUR Deposit Rates	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7

Source: Central Bank of Suriname

1.3 Financial Soundness and Stability

1.3.1 Capital Adequacy

For the purpose of prudential requirements, banks must comply with certain statutory solvency requirements (capital levels), which are, inter alia, on the basis of ratios. It can be stated that the banks' CAR has continued to improve over the period 2008–2014, and is, on average sufficient to cover their liabilities, potential losses, risks such as credit risk and most importantly protecting bank depositors. The ratio of regulatory capital to risk-weighted assets (CAR) increased over time as a result of growth in retained earnings.

Since September 2014, banks began to report on the basis of the new capital adequacy regulation, which in turn had an impact on the ratios of the banks (end of 2013: 12.4%; end of 2014: 11.5%). With the revised directive, the CBvS aims to govern the banks to strengthen their core capital, also known as Tier 1 capital, which primarily consists of equity capital and general reserves. It should be noted that in 2014, with the new capital regulation, the revaluation reserve, which was part of Tier 2 capital, is no longer included in the regulatory capital of banks. As a result, Tier 1 capital remained the dominant component, accounting for 99.6 percent of total regulatory capital at the end of 2014. Over the period 2008-2014, the regulatory capital showed a growth of 211.1 percent (Table III.13) with a minimal growth of 15 percent per year (Figure III.5 and Figure III.6). This increase of the regulatory capital of banks is largely due to the issuance of shares.

In 2014, commercial bank CARs were above the regional average of 10 percent, with Suriname ranking fifth among those CARICOM countries with ratios in excess of the regulatory minimum.

1.3.2 Asset Quality

The credit quality of commercial banks has also been steadily improving in the past seven years with the ratio of non-performing loans to total loans falling from 7.8 percent in 2008 to 6.2 percent in 2014. In an environment of relatively stable economic conditions, there has been a steady decline in impaired loans in the commercial bank loan portfolios (Figure III.7).

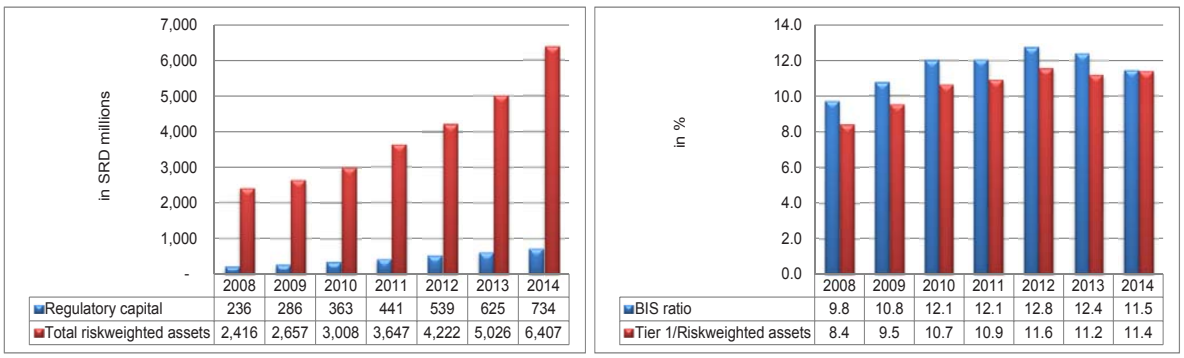
Given the steady improvement of the quality of loans in 2014, commercial banks were able to reduce their provisioning for non-performing loans. However, despite the improvement in the quality of the loan portfolio in 2014, banks held more loan provisions than in 2013. Provisions for adequate and special mention loans compared to non-performing loans, increased by 1.1 percent and 5.8 percent in 2013 from 2.1 percent and 9.3 percent in 2014.

Table III.13
Capital Adequacy of Commercial Banks
(in SRD thousands)

	2008	2009	2010	2011	2012	2013	2014
Tier 1	203,918	253,458	321,360	399,042	489,468	564,269	731,080
Tier 2	31,990	32,725	41,193	41,459	49,602	60,252	2,841
Regulatory Capital	235,908	286,182	362,553	440,501	539,070	624,520	733,921
Total Riskweighted Assets	2,415,521	2,657,106	3,008,202	3,647,220	4,222,304	5,026,446	6,406,886
BIS ratio (%)	9.8	10.8	12.1	12.1	12.8	12.4	11.5
Tier 1/Riskweighted Assets (%)	8.4	9.5	10.7	10.9	11.6	11.2	11.4

Source: Central Bank of Suriname

Figure III.5 and Figure III.6
Capital Adequacy of Commercial Banks

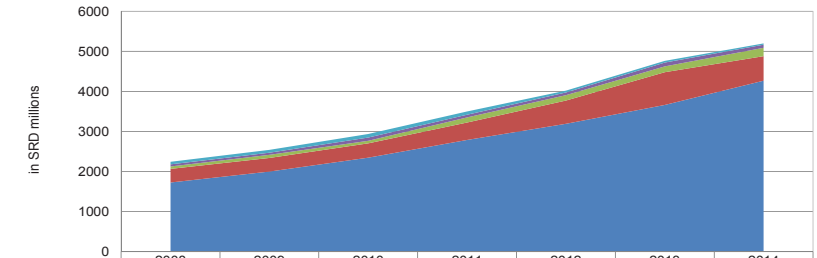


	2008	2009	2010	2011	2012	2013	2014
Regulatory capital	236	286	363	441	539	625	734
Total riskweighted assets	2,416	2,657	3,008	3,647	4,222	5,026	6,407

	2008	2009	2010	2011	2012	2013	2014
BIS ratio	9.8	10.8	12.1	12.1	12.8	12.4	11.5
Tier 1/Riskweighted assets	8.4	9.5	10.7	10.9	11.6	11.2	11.4

Source: Central Bank of Suriname

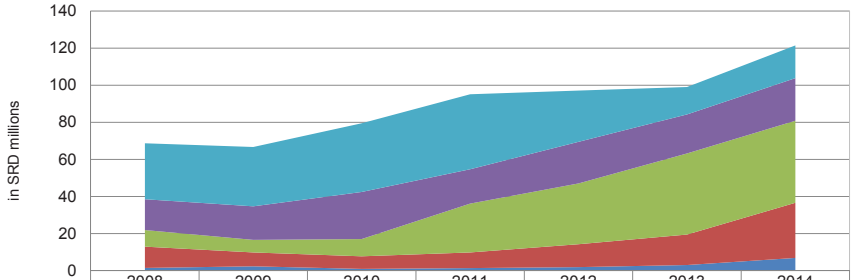
Figure III.7
Commercial Bank Classification of Non-Performing Loans



	2008	2009	2010	2011	2012	2013	2014
Loss	63.54665709	70.34012912	86.223	83.71698169	46.70888166	42.56946998	32.70711969
Doubtful	51.41258969	51.49703146	83.754	67.31916097	69.38028366	97.05532137	79.92780142
Substandard	60.6081136	78.55094597	63.302	127.9349486	131.5863033	143.6619421	208.4963921
Special mention	339.941	340.316	357.224	434.1580637	580.6030005	819.0111261	612.1406143
Pass	1726.656	1999.071232	2345.883716	2788.888	3193.855221	3663.562	4268.016716

Source: Central Bank of Suriname

Figure III.8
Commercial Bank Provisions for Non-Performing Loans



	2008	2009	2010	2011	2012	2013	2014
Loss	30.20627294	32.06530697	37.02	40.44598169	27.6637734	14.81446998	17.68455072
Doubtful	16.61428	18.03221013	25.354	18.48732702	22.47309554	21.09148052	22.994
Substandard	8.916559534	6.828047966	9.289	26.4304277	32.75662714	43.70195878	44.22773485
Special mention	11.545	7.497	6.86	8.36487549	12.34060436	16.44697849	29.78218248
Pass	1.455	2.33	0.935	1.434	1.933	3.056	6.854

Source: Central Bank of Suriname

The provisions for substandard and doubtful loans compared to non-performing loans, declined from 15.4 percent and 7.4 percent in 2013 to 13.8 percent and 7.2 percent in 2014. Provisions for loss loans compared to non-performing loans , increased from 5.2 percent in 2013 to 5.5 percent in 2014 (Figure III.8).

The amended Classification of Loans and Provisioning became effective in July 2014. Since then, a 5 percent provision is required for special mention loans, 20 percent for substandard loans, 50 percent for dubious loans and 100 percent for uncollectible loans. Following a transition schedule, commercial banks are required to maintain at least 25 percent of the calculated required provisions in 2014. Other effects of the amended directive are the distinction between consumer loans and business loans, and the value of collateral that may no longer be included in the calculation of provisions. More stringent time intervals are now used for consumer loans to determine their classification[4]. Despite the downward trend in NPLs, overall provisioning has increased. This was not only the result of the amended regulation but also of the stringent provisioning policy of the banks.

1.3.3 Earnings and Profitability

The return on assets (ROA) and return on equity (ROE) have declined since 2008 although the gross income has been increasing (Table III.14). The decline in these returns is the result of the relatively stronger increase of the average assets and equity in comparison with the increase of gross income.

1.3.4. Liquidity

During the period 2008-2014 the loan-to-deposit ratio ranged between 56.9 percent and 65.3 percent. In the period under review, the loan-to-deposit ratio declined from 65.3% (2008) to 59.2% (2014) (Table III.15). While the liquidity ratio has markedly improved since 2011, the liquid assets-to-total assets ratio only slightly increased since then (Figure III.9).

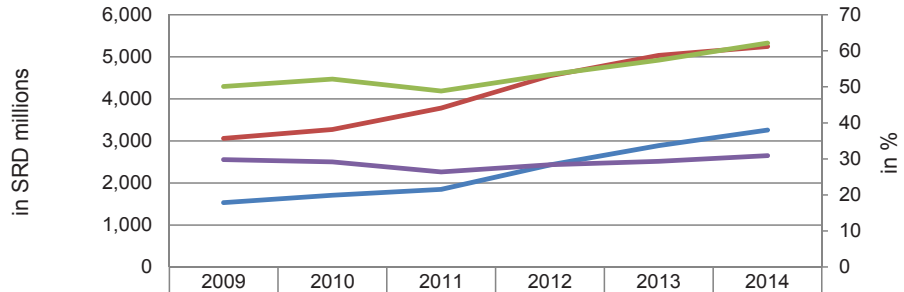
4 Consumers loans have to be reported as substandard between 60-90 days; doubtful between 90-120 days and loss when over 120 days in default. Business loans become substandard between 90-180 days, doubtful between 180-360 days and loss when over 360 days in default.

Table III.14
Commercial Bank Earnings and Profitability
(in SRD thousands)

	2008	2009	2010	2011	2012	2013	2014
Gross Income	113,675	116,619	116,834	122,935	148,128	157,978	174,826
Total Income	271,960	290,087	318,984	330,289	382,109	445,914	540,210
Expenses	158,285	173,469	202,150	207,354	233,981	287,936	365,383
Average Equity	281,006	330,418	400,841	489,069	596,856	725,140	859,779
Average Assets	4,058,884	4,761,595	5,491,316	6,417,916	7,770,429	9,196,170	10,193,898
ROE (%)	40.5	35.3	29.1	25.1	24.8	21.8	20.3
ROA (%)	2.8	2.4	2.2	1.9	1.9	1.7	1.7
% Change Average Equity	20.7	17.6	21.3	22.0	22.0	21.5	18.6
% Change Average Assets	23.8	17.3	15.3	16.9	21.1	18.3	10.8
% Change Gross Income	12.9	2.6	0.2	5.2	20.5	6.6	10.7

Source: Central Bank of Suriname

Figure III.9
Commercial Bank Liquidity Indicators



	2009	2010	2011	2012	2013	2014
Liquid assets	1,534	1,706	1,846	2,428	2,889	3,259
Short term liabilities	3,060	3,270	3,781	4,546	5,034	5,246
Liquidity ratio	50.1	52.2	48.8	53.4	57.4	62.1
Liquid assets/Total assets	29.8	29.2	26.4	28.4	29.3	30.9

Source: Central Bank of Suriname

Table III.15
Commercial Bank Loan-To-Deposit Ratio
(in percent)

	%
2008	65.3
2009	59.5
2010	61.0
2011	59.5
2012	56.9
2013	57.6
2014	59.2

Source: Central Bank of Suriname

2. Insurance Companies

2.1 Introduction

At end-2013, the insurance industry[5] in Suriname was comprised of 13 insurance companies consisting of 4 life[6], 7 non-life[7] and 2 funeral insurance companies[8] (Table III.16). One of the non-life insurance companies is a 100 percent state-owned medical insurance[9] company that has been established for civil servants, which does not fall under the supervisory ambit of the CBvS. As relates to the ownership, 40 percent of the shares of one non-life insurer is held by the Government. The remaining insurers are all domestic privately-owned companies.

The activity of the insurance industry is dominated by two large financial institutions - a financial holding company and a large insurance firm. The insur-

5 The ownership of one life company and two non-life companies falls under a major financial holding company.
6 Figures in this chapter refer to only three life and five non-life insurance companies.
7 Almost all the non-life insurance companies are related to a life insurance company.
8 As the funeral companies are very small and do not contribute significantly to the insurance industry, they are left out in this report.
9 Since this company is not supervised by the CBvS, its financial information is not available and therefore not included in this report.

Table III.16
Structure of Insurance Sector (2013)

	2008			2013		
	Number	% of Total insurance assets	% of Total financial assets	Number	% of Total insurance assets	% of Total financial assets
Life insurance	4	44[1]	4	4	44[1]	4
Non-life insurance	6	56	5	6	56[2]	5
Total	**10**	**100**	**9**	**10**	**100**	**9**

Source: Central Bank of Suriname
(1) Total assets of three life insurance companies, as financial data of one is not available.
(2) Total assets of five non-life insurance companies, as financial data of one is not available.

Table III.17
Insurance Penetration and Density

	2008	2009	2010	2011	2012	2013
Insurance penetration (in %)	2.0	2.0	2.0	2.0	2.0	3.0
Insurance density (in SRD)	449.1	418.5	459.3	568.5	595.6	874.1

Source: Central Bank of Suriname

ance companies that fall under the financial holding company accounted for 87 percent of the total assets of the life segment, 21 percent of the non-life segment and 50 percent of the total insurance industry in 2013. The other large financial institution, which has been in operation for more than 30 years, dominates activity in the non-life segment of the insurance industry. Its activities account for 40 percent of the total assets of the non-life segment, 8 percent of the life segment and 26 percent of the whole insurance industry. Thus, there is a very high degree of concentration in the insurance industry as evidenced by the results of the Herfindahl-Hirschman index[10].

Underwriting business in the life segment of the market is mainly for term insurance (of which credit insurance), whole-life insurance and annuities, while in the non-life segment of the market, business mainly revolves around medical insurance, fire & damage insurance and motor vehicle insurance. There is no domestic reinsurer in Suriname but there are re-insurance arrangements for life and non-life companies with several foreign reinsurers. Furthermore, reinsurance, especially regarding the motor vehicle insurance, is also settled among local insurers.

The insurance penetration[11] and insurance density[12] ratios over the period 2008-2013 showed some improvement (Table III.17). The insurance penetration ratio, which rose slightly in 2013 after being stable for years, indicates that insurance industry has gained importance in the Surinamese economy. This was mainly the result of the free medical insurance introduced by the Government for two age groups (≤16 and ≥60 years).

The insurance density, which grew steadily since 2008, indicates that insurance spending per capita in Suriname almost doubled in the reporting period.

2.2 Performance of Insurance Companies

This section examines the asset-liability performance of the life and non-life segments of the insurance industry drawing from its balance sheets and income statements. Total assets of the insurance industry more than doubled in 2013 to SRD 1,143 million (representing 9 percent of the total assets of the financial system[13] and 7 percent of GDP) from SRD 499 million in 2008 (accounting for 8 percent of total financial system assets and 5 percent of GDP).

2.2.1 Life Insurance

A. Assets

In the case of the life insurance segment of the industry, total assets increased significantly by 156 percent in 2013 to SRD 499 million, from SRD 195 million in 2008 (Figure III.10) . Much of this increase was due to the growth in investment in term deposits and mortgages which rose by 385.3 percent and 68.8 percent, respectively (Table III.18). The share

10 The Herfindahl-Hirschman index for the non-life and the life insurance segments in 2013 was 4,425 and 7,974, respectively, with index values exceeding 1,800 indicating very high market concentration.
11 Gross premium income in percent of GDP.
12 Gross premium income over population.
13 Preliminary percentage as not all financial institutions' data are available.

of term deposits in the asset mix of the life insurance sector also jumped sharply to 30.4 percent in 2013 from 16.0 percent in 2008. The data indicate that life insurance companies have been shifting from investments in short-term assets (especially cash and bank balances) to assets of a longer-term nature, such as term deposits.

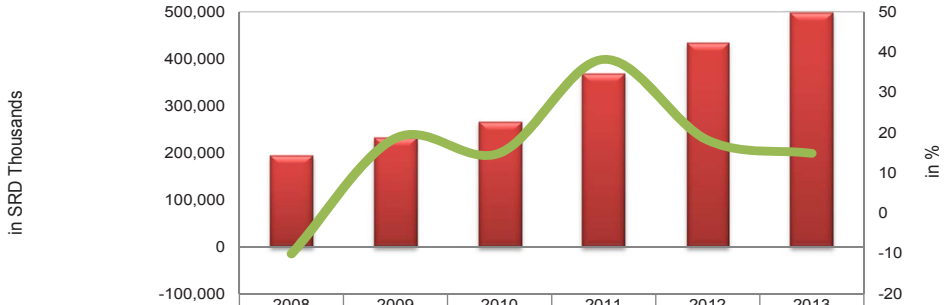
B. Gross Premium Income

Total premium income in the life segment of the insurance industry has increased modestly (6.6%) over the period 2008 to 2013 (Table III.19) in line with the growth in economic activity. Although income from individually paid premiums fell sharply between 2008 and 2013, because of reduced underwriting business in a few life insurance companies, collective premiums picked up robustly, mitigating any negative impact on total premium income. The increase in collective premiums was associated with higher purchases of life insurance by a few pension funds that were in the process of voluntary liquidation.

C. Investments

There has been a marked change in the investment mix of life insurance companies over the period 2008-2013. Life insurers have benefitted from higher rates of return in the banking system and in securities markets, which has increased the overall investment portfolio to SRD 435.2 million in 2013 from SRD 156.9 million in 2008 (Table III.20). Most of the gains in the investment portfolio were in loans on IOU's, term deposits and other investments, whose share of total investments rose to 13.4 percent, 34.8 percent and 7.4 percent in 2013 (Figure III.11) from 8.0 percent, 19.9 percent and 4.0 percent in 2008, respectively. The share of mortgages and real estate fell in 2013 as life insurance companies reduced their exposure to these sectors. The income from investments was the main contributor to the profits of life insurers in the reporting period.

Figure III.10
Total Assets of Life Insurers



	2008	2009	2010	2011	2012	2013
Total assets in SRD thousands	195,144	231,472	265,983	367,540	434,119	498,591
Growth change %	-10	19	15	38	18	15

Source: Central Bank of Suriname

Table III.18
Asset Composition of Life Insurers
(in SRD millions)

Assets	2008	% Total Assets (2008)	2013	% Total Assets (2013)	2013/2008
Cash and Bank Balances (liquid assets)	23.2	11.9	17.1	3.4	-26.3
Fixed Assets	3.8	1.9	2.9	0.6	-23.7
Mortgages	67.6	34.6	113.8	22.8	68.3
Real Estate	8.3	4.3	13.5	2.7	62.7
Securities	15.2	7.8	50.5	10.1	232.2
Loans on IOU's	12.5	6.4	58.5	11.7	368.0
Term Deposits	31.2	16.0	151.4	30.4	385.3
Policy Loans	0.8	0.4	0.0	0.0	-100.0
Saving Accounts	12.3	6.3	9.7	1.9	-21.1
Other Investments	6.2	3.2	32.2	6.5	419.4
Investments for Policyholders	2.8	1.4	5.6	1.1	100.0
Other Assets	11.4	5.8	43.4	8.7	280.7
Total Assets	**195.1**	**100.0**	**498.6**	**100.0**	**155.6**

Source: Central Bank of Suriname

Table III.19
Gross Premiums of Life Insurers

Categories	2008	2009	2010	2011	2012	2013
	SRD million					
Individually paid premiums	70	34.7	28.8	37.7	49	46.8
Collectively paid premiums	12.1	17.9	33.5	42.3	26.3	40.7
Total premiums	**82.1**	**52.6**	**62.3**	**80**	**75.3**	**87.5**
	Percentage change					
Individually paid premiums	0	-50.4	-17	30.9	30	-4.5
Collectively paid premiums	0	47.9	87.2	26.3	-37.8	54.8
Total premiums	**0**	**-35.9**	**18.4**	**28.4**	**-5.9**	**16.2**
Individually paid premiums						
% Change 2013/2008						-33.1
Collectively paid premiums						
% Change 2013/2008						236.4
Total premiums						
% Change 2013/2008						6.6

Source: Central Bank of Suriname

D. Liabilities and Claims

The actuarial liabilities of the life insurance companies have shown an upward trend from 2008 to 2013 (Figure III.12). The provisions made have been more than sufficient to cover the actuarial claims in the reporting years. The claims have fluctuated between SRD 13 million and SRD 31 million. Beside the actuarial liabilities, the other liabilities have also been gaining somewhat importance on the balance sheet of the life insurers.

E. Life Insurance: Financial Soundness Analysis

Capital Adequacy

The capital has improved in comparison to the total assets of the life insurers in the period 2008 -2013 as the result of increasing retained earnings (Table III.21). In 2008 and 2009, however, capital had tumbled significantly due to the impact of the global financial crisis on some life insurance companies.
The insurance risk ratio remained below the maximum threshold of 300 percent, which indicates that life insurance companies have sufficient capital in relation to their insurance business.
Furthermore, life insurers have comfortably met the regulatory capital requirements since 2010, as the capital surplus accounted for more than 100 percent of the required capital in this period. The capital consisted primarily of retained earnings.

Asset Quality

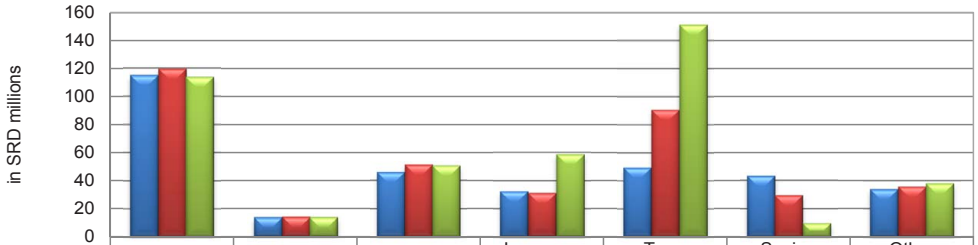
Mortgages which accounted for approximately 23 percent of the total assets in 2013 lost its importance slightly in comparison to 2008 (34.6%) (Table III.18).
On the contrary, real estate, unquoted equities and debtors became more important on the balance sheet of the companies in 2013 (17.7% and 13.8% in 2008). This increase was mainly driven by debtors, as companies were more willing to lend to their affiliates.

Table III.20
Investments of Life Insurers
(in SRD millions)

Investments	2008	% Total Investments (2008)	2013	% Total Investments (2013)	2013/2008
Mortgages	67.6	43.1	113.8	26.1	68.3
Real Estate	8.3	5.3	13.5	3.1	62.7
Securities	15.2	9.7	50.5	11.6	232.2
Loans on IOU's	12.5	8.0	58.5	13.4	368.0
Term Deposits	31.2	19.9	151.4	34.8	385.3
Policy Loans	0.8	0.5	0.0	0.0	0.0
Saving Accounts	12.3	7.8	9.7	2.2	-21.1
Other Investments	6.2	4.0	32.2	7.4	419.4
Investments for Policyholders	2.8	1.8	5.6	1.3	100.0
Total Investments	**156.9**	**100.0**	**435.2**	**100.0**	**177.4**

Source: Central Bank of Suriname

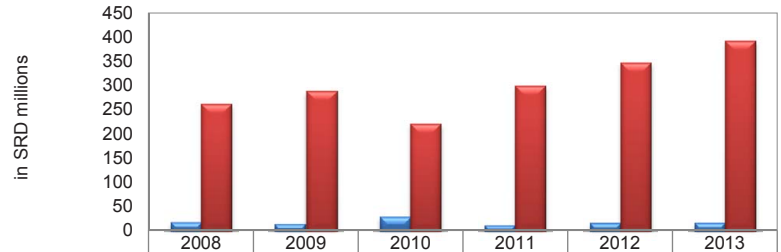
Figure III.11
Investment Structure of Life Insurers



	Mortgages	Real estate	Securities	Loans on IOU's	Term deposits	Saving accounts	Other investments
2011	115	13	46	32	49	43	34
2012	120	14	51	31	91	29	36
2013	114	13	50	58	151	10	38

Source: Central Bank of Suriname
Note: Other investments include investments for policy holders.

Figure III.12
Actuarial Provisions and Claims of Life Insurers



	2008	2009	2010	2011	2012	2013
Claims in SRD millions	19	15	30	13	17	18
Actuarial provisions in SRD millions	261	287	221	300	347	393

Source: Central Bank of Suriname

Reinsurance and Actuarial Issues
The retention of the assumed risks by the life insurance companies remained stable at approximately 97 percent in 2013 in comparison with the preceding five years (Table III.21). However, the net technical provisions in the reporting period were more than sufficient to cover the average claims in the preceding three years.

Earnings and Profitability
The underwriting income of the life insurance companies has been negative for the whole reporting period. However, they were able to operate profitably due to high investment income. Notable was that expenses in relation to the net premium earned have not been sufficient to cover the operating costs. A reason was that the companies made large provisions for the actuarial liabilities. In 2011, the provisions made were large enough to push the expense ratio below zero (Table III.21). This was primarily due to the acquisition of portfolios of pension funds.

Liquidity
The liquidity position of the life insurance companies has improved gradually due to their shift from longer-term assets to shorter-term ones. In 2013, the liquidity ratio reached 57.4 percent in comparison to 31.8 percent in 2008 (Table III.21).

2.2.2 Non-Life Insurance

A. Assets
In the non-life insurance segment of the insurance industry, total assets increased by 154.8 percent in 2013 to SRD 644.8 million, from SRD 253.1 million in 2008 (Table III.22 and Figure III.13). Much of this increase was due to the growth in investments in term deposits and securities which rose by 461.7 percent and 243.8 percent, respectively. The share of term deposits in the asset mix of the non-life insurance segment went to 15.9 percent in 2013 from 7.2 percent in 2008. The data indicate that non-life insurance companies have been shifting from investments in short-term assets (especially cash and bank balances) to assets of a longer-term nature such as term deposits, as interest rates and yields rose.
The other assets primarily consisted of receivables from policyholders, and during the period 2008-2013, these receivables rose by 300 percent. This implied that insurance companies had been allowing clients grace periods for paying premiums.

Table III.21
Financial Soundness of Life Insurers

	2008	2009	2010	2011	2012	2013
Capital Adequacy						
Capital to Total Assets	-42.9	-33.3	9.0	10.0	11.1	11.3
Capital to Technical Reserves	-32.2	26.8	10.9	12.2	13.8	14.3
Asset Quality						
(Real Estate + Unquoted Equities + debtors) /Total assets	13.8	15.3	16.7	16.9	19.3	17.7
Reinsurance and Actuarial Issues						
Risk Retention Ratio (Net Premium / Gross Premiums)	98.6	97.3	96.5	96.8	97.0	97.0
Earnings and Profitability						
Combined Ratio (loss + Expense Ratios):	1503.7	132.1	134.4	-1829.6	166.3	149.7
Loss Ratio (Net claims/Net premiums)	255.8	62.6	84.5	-569.8	63.3	55.8
Expense Ratio (Expenses/Net Premiums)	1247.9	69.5	50.0	-1259.8	103.1	93.9
Liquidity						
Liquid Assets to short-term Liabilities	31.8	39.0	52.2	50.2	54.1	57.4

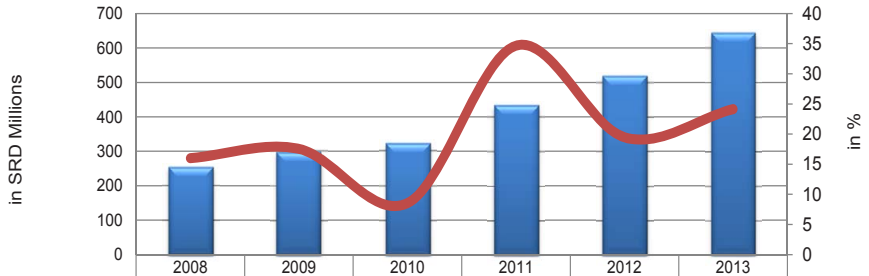
Source: Central Bank of Suriname

Table III.22
Asset Composition of Non-Life Insurers
(in SRD millions)

	2008	% Total Assets 2008	2013	% Total Assets 2013	2013/ 2008
Assets					
Fixed Assets	32.5	12.8	58.9	9.1	81.2
Cash and Banks	24.2	9.6	54.4	8.4	124.8
Participations	13.8	5.4	33.2	5.1	140.6
Mortgages	44.7	17.7	76.0	11.8	70.0
Real estate	13.4	5.3	24.8	3.8	85.1
Securities	14.6	5.8	50.2	7.8	243.8
Loans on IOU's	14.6	5.8	30.5	4.7	108.9
Term Deposits	18.3	7.2	102.8	15.9	461.7
Saving Accounts	2.0	0.8	2.1	0.3	5.0
Other Assets	74.9	29.6	212.0	32.9	183.0
Total Assets	**253.1**	**100.0**	**644.8**	**100.0**	**154.8**

Source: Central Bank of Suriname

Figure III.13
Total Assets and Growth of Non-Life Insurers



	2008	2009	2010	2011	2012	2013
Total assets in SRD millions	253	297	323	435	519	645
Asset growth %	16.0	17.5	8.5	34.7	19.5	24.1

Source: Central Bank of Suriname

B. Gross Premium Income

Compared to 2008, the gross premium written increased with 162.1 percent to SRD 393.4 million in 2013 from SRD 150.1 million (Table III.23). There was a significant growth notable in the Medical and Accident insurance business in 2013, as the Government launched the 'Free Basic Medical' insurance for the population in the age group 0-16 years and 60 years and older. The premiums for these specific groups are paid by the Government.

In 2008, the gross premium income of this line of business was SRD 63.6 million and in 2013 it rose

Table III.23
Growth in Gross Premium Income by Line of Business of Non-Life Insurers

	2008	2009	2010	2011	2012	2013
	SRD Millions					
Fire & Damage	37.5	39.7	42.2	54.5	58.7	64.4
Motor Insurance:						
- Third Party Liability	30.0	35.4	36.6	45.7	49.4	48.2
- Accidental Damage	8.5	10.9	13.7	14.9	19.0	19.8
Medical & Accident	63.6	68.0	72.3	92.7	101.8	237.8
Other	10.6	12.7	16.8	19.1	18.5	23.3
Total	**150.1**	**166.7**	**181.6**	**227.0**	**247.3**	**393.4**
	Percentage Change Annually					
Fire & Damage		5.9	6.3	29.1	7.7	9.7
Motor Insurance:						
-Third Party Liability		18.0	3.4	24.9	8.0	-2.4
-Accidental Damage		28.2	25.7	8.8	27.5	4.2
Medical & Accident		6.9	6.3	28.2	9.8	133.6
Other		19.8	32.3	13.7	-3.1	25.9
Total		**11.1**	**8.9**	**25.0**	**8.9**	**59.1**
	Percentage Change 2008/2013					
Fire & Damage						71.8
Motor Insurance:						
-Third Party Liability						60.7
-Accidental Damage						132.9
Medical & Accident						273.9
Other						119.8
Total						**162.1**

Source: Central Bank of Suriname

to SRD 237.8 million, which was an increase of 273.9 percent.

The launch of this Government facility had a major impact on the premiums of medical and accident insurance, which as mentioned earlier, was already the largest line of business making out 42.4 percent of total gross premium in 2008 and 60.4 percent in 2013.

In 2008, the gross premium income mainly consisted of 'Fire and damage', 'Motor liability' and 'Medical and accident', respectively 25.0 percent, 20.0 percent and 42.4 percent. In 2013, these shares represented 16.4 percent, 12.3 percent and 60.4 percent, respectively. In this context, it can be noted that 'Motor liability' is a mandatory insurance.

C. Investments

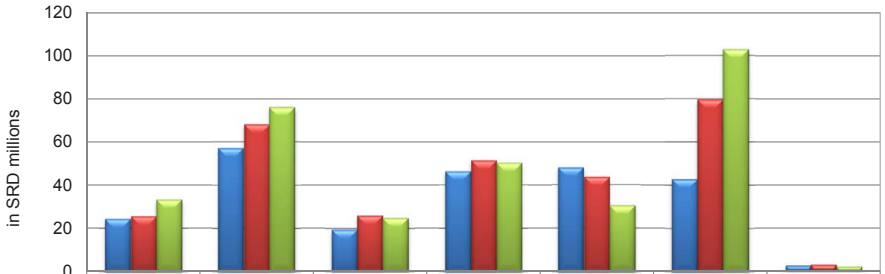
There has been some marked change in the investment mix of non-life insurance companies over the period 2008-2013. Non-life insurers have benefitted from higher rates of return in the banking system and in securities market, which have increased the overall investment portfolio to 319.6 million in 2013 from 121.5 million in 2008 (Table III.24). Most of the gains in the investment portfolio were in securities and term deposits, whose share of total investments rose to 15.7 percent and 32.2 percent in 2013 from 12.0 percent and 15.1 percent in 2008. The share of mortgages and real estate fell in 2013 as non-life insurance companies reduced their exposure to these sectors (Figure III.14).

Table III.24
Structure of Investments of Non-Life Insurers
(in SRD millions)

Investments		% Total Investments 2008	2013	% Total Investments 2013	2013/2008
Participations	13.8	11.4	33.2	10.4	140.6
Mortgages	44.7	36.8	76.0	23.8	70.0
Real Estate	13.4	11.0	24.8	7.7	85.1
Securities	14.6	12.0	50.2	15.7	243.8
Loans on IOU's	14.6	12.0	30.5	9.5	108.9
Term Deposits	18.3	15.1	102.8	32.2	461.7
Saving Accounts	2.0	1.6	2.1	0.7	5.0
Total Investments		**100.0**	**319.6**	**100.0**	**163.0**

Source: Central Bank of Suriname

Figure III.14
Structure of Investments of Non-Life Insurers



	Parti-cipations	Mortgages	Real estate	Securities	Loans on IOU's	Term deposits	Saving accounts
2011	24	57	19	46	48	43	3
2012	26	68	26	51	44	80	3
2013	33	76	25	50	31	103	2

Source: Central Bank of Suriname

D. Liability Structure

From 2008 till 2013, the total liabilities increased with 150.8 percent from SRD 144.5 million to SRD 362.4 million (Table III.25). The liabilities consisted primarily of the technical provisions (unearned premium provision and claims provision), which in 2008 stood at 41.0 percent and 24.2 percent of the total liabilities, while in 2013 they reached at 42.7 percent and 21.8 percent. They increased in this period with 161.3 percent and 125.7 percent. As mentioned earlier, in 2013, the Government introduced free basic medical insurance for the population in the age groups 16 years and younger and 60 years and older. This had an impact on the gross premium and on the unearned premium provision which increased with 90 percent compared to 2012.

E. Claims

The claims figures in the period 2008-2013 show an increase in the line 'Medical & accident'. The total claims increased from SRD 85.8 million in 2008 to SRD 183.7 million in 2013, which represents an increase of 114.1 percent (Table III.26). The claim ratio, which is defined as net claims divided by net earned premium, reached 60 percent in 2008, while in 2013 this ratio stood at 50 percent. This ratio indicates the profitability of the insurance activities. When the ratio is below 100 percent, net premium is sufficient to cover the net claims.

F. Non-Life Insurance: Financial Soundness Analysis

Capital Adequacy

The capital compared to the total assets of the non-life insurers in the period 2008-2013 remained between 31.6 percent and 36.4 percent. The insurance risk ratio remained below the maximum threshold of 300 percent, which indicates that companies have sufficient capital to cover their obligations deriving from their insurance business. Furthermore, most of the non-life insurers have comfortably met the regulatory capital requirements in the reporting years, as the capital surplus accounted for more than 100 percent of the required capital in this period. The capital consisted primarily of retained earnings.

Asset Quality

Mortgages which accounted for approximately 11.8 percent of the total assets in 2013 lost their relative importance in comparison to 2008 (17.7%). On the contrary, real estate, unquoted equities and debtors became more important on the balance sheets of the non-life insurance companies in 2013 (43.5%) relative to 2008 (38.8%). According to these percentages non-life insurance companies held more risky assets in their asset portfolios.

Reinsurance and Actuarial Issues

The retention of the assumed risks by the non-life insurance companies was relatively stable at 92.0 percent in 2013, approximately 5 percentage points higher than in 2008 (Table III.27).
In the period 2008-2013 reinsurance was mainly purchased for fire & damage insurance and other insurance (including liability insurance, construction all-risk insurance, money & good transport insurance and plane & marine insurance).
In the reporting period, the net technical provisions were more than sufficient to cover the average claims.

Earnings and Profitability

The non-life insurance companies have been able to operate profitably in the period 2008-2013 as the premiums earned were sufficient to cover both the claims and the operating costs. The contribution of the investment income and other profits to the profit before tax were approximately 33.8 percent in 2013 compared to 62.3 percent in 2008 (Table III.28).

Table III.25
Liabilities Structure of Non-Life Insurers
(in SRD millions)

Liabilities	2008	As % of Total Liabilities 2008	2013	As % of Total Liabilities 2013
Unearned Premium Provision	59.3	41.0	154.7	42.7
Claims Provision	35.0	24.2	79.0	21.8
Due to Group	2.4	1.6	1.6	0.4
Profit Sharing	0.2	0.1	0.5	0.1
Payables	20.4	14.1	54.4	15.0
Other Liabilities	27.3	18.9	72.2	19.9
Total Liabilities	**144.5**	**100.0**	**362.4**	**100.0**

Source: Central Bank of Suriname

Table III.26
Claims by Line of Business of Non-Life Insurers
(in SRD millions)

	2008	In % of Total Claims	2013	In % of Total Claims	2013/ 2008
Fire & Damage	9.2	10.7	5.1	2.8	-44.6
Motor Insurance:					
-Third Party Liability	23.7	27.6	36.5	19.9	54.0
-Accidental Damage	3.3	3.8	17.2	9.3	421.2
Medical & Accident	48.8	56.9	121.2	65.9	148.4
Other	0.8	0.9	3.8	2.1	375.0
Total	**85.8**	**100.0**	**183.7**	**100.0**	**114.1**

Source: Central Bank of Suriname

Table III.27
Net Premium Written by Line of Business of Non-Life Insurers
(in SRD millions)

	2008	Retention %	2013	Retention %
Fire & Damage	25.0	66.0	47.0	74.0
Motor Insurance				
-Third Party Liability	30.0	100.0	48.0	100.0
-Accidental Damage	8.0	98.0	19.0	97.0
Medical & Accident	63.0	99.0	237.0	100.0
Other	5.0	50.0	11.0	48.0
Total	**132.0**	**88.0**	**363.0**	**92.0**

Source: Central Bank of Suriname

However, investment income increased by 106.1 percent in 2013 as result of higher interest yields and larger investments.

Liquidity

Non-life insurance companies ought to have more liquid asset in their asset portfolio due to the short-term nature of their liabilities. In the period 2008-2013, non-life insurance companies held more liquid assets due to the shift from longer-term to shorter-term assets. As a result, the liquidity ratio was 111.8 percent in 2013 compared to 89.2 percent in 2008 (Table III.29).

Table III.28
Earnings and Profitability of Non-Life Insurers
(in SRD millions)

	2008	2013	% Change 2008/2013
Gross Premium Written	149.7	393.4	162.8
Premiums Ceded	18.6	30.4	63.4
Net Premiums Written	131.1	363.0	176.9
Change in Unearned Premiums	7.1	73.8	939.4
Net Premiums Earned	124.0	289.2	133.2
Incurred Claims	79.3	182.6	130.3
Acquisition Costs	22.8	30.5	33.8
Administration Costs	25.1	51.2	104.0
Total Underwriting Costs	118.2	252.5	113.6
Underwriting Income	5.8	36.8	534.5
Investment Income	8.2	16.9	106.1
Foreign Exchange Differences	-1.0	0.0	-100.0
Other Income	2.4	1.9	-20.8
Income Before Tax	15.4	55.6	261.0
Taxes	1.2	11.6	866.7
Net Income (loss) After Tax	14.1	44.0	212.1

Source: Central Bank of Suriname

Table III.29
Financial Soundness of Non-Life Insurers

	2008	2009	2010	2011	2012	2013
Capital Adequacy						
Capital to Total Assets	31.6	32.2	35.3	35	39	36.4
Capital to Technical reserves	84.7	80.7	94	116.5	143.2	100.4
Asset Quality						
/Total Assets	38.8	44.1	42.6	38.5	38.3	43.5
Reinsurance and Actuarial Issues						
Risk Retention Ratio (Net Premium / Gross Premiums)	86.6	82.9	84.3	87.8	87.6	92.3
Earnings and Profitability						
Combined Ratio (Loss + Expense Ratios)	95.2	97.4	97.1	99.1	89.4	87.1
Earned)	59.3	62	58	58.2	54.4	60.6
Earned)	35.9	35.4	39.1	40.8	35	26.5
Liquidity						
Liquid Assets to Short-term Liabilities	89.2	97.7	105.9	97.6	108.4	111.8

Source: Central Bank of Suriname

3. Pension Funds

3.1 Introduction

As at end-2014, the CBvS supervised 38 private company pension funds[14], comprising of 30 active and 8 inactive[15] funds (Table III.30). The majority of the active pension funds (99%) are hybrid funds, while the inactive funds, which are all in the process of liquidation, constitute defined benefit plans.

In Suriname, pension funds are classified as defined benefit, defined contribution (DC) or hybrid, also known as collective defined contribution (CDC), depending on how they are funded and whether they provide a guaranteed level of retirement benefits. Defined benefit funds guarantee the payment of a specified level of benefits conditional on the participants' income and employment history.

In defined contribution plans only the level of contributions to the accounts is known, not the future benefits, which means that the future benefits fluctuate on the basis of investment earnings.
In collective defined contribution plans the level of contributions is known, while the future benefits, which are determined by income and employment history, depend also on the investments decisions of a board of trustees.

14 The pension schemes that have been with insurance companies are not included.
15 Except for one fund, the pension obligation of these funds has been placed with life insurance companies under supervision of the CBvS.

Besides these company funds, the Government established, in 1973, a special pension facility for civil servants, which is also supervised by the CBvS since 2005[16].

For the sake of sustainability and to meet new IFRS requirements (among other things the sponsor's need), there has been a noticeable shift towards CDC schemes. As a result, CDC schemes now dominate the domestic pension sector.

3.2 Performance of Private Company Pension Funds

3.2.1 Asset Composition of Pension Funds

Total assets of the pension funds have increased from SRD 1.21 billion (2010) to SRD 1.74 billion (2014), thus representing around 14 percent of total financial sector assets and 9 percent of GDP (Table III.31). Total pension assets as a percentage of GDP show a slight decline over the period 2011-2014 (Figure III.15).

3.2.2 Liabilities

The pension obligations as a percentage of total assets remained relatively stable over the four-year period 2011-2014 (Figure III.16). The liability is based on the funding method 'fully-funded schemes', which means that the pension funds must be able to make all the anticipated payments to pensioners.

3.2.3 Investments

Pension funds in Suriname invest in a wide range of local and foreign financial instruments. These instruments are governed by investment limits under guidelines issued by the CBvS. In 2014, pension funds placed 20 percent of their investment portfolio abroad (corresponding to 17 percent of total assets), while the remaining 80 percent was placed in local financial instruments (Figure III.17).

The downward trend in the ratio of foreign investments to total assets partly reflects the inability of pension funds to take advantage of foreign investments mainly due to:

- tighter conditions in the foreign exchange market;
- higher rates of return on local investments;
- uncertainty in the global financial environment.

Locally, pension funds have been mainly, based on the returns and the availability of investment opportunities, investing in mortgages, real estate and term deposits, while foreign investments are dominated by bonds. (Table III.32 and Figure III.18).

3.2.4 Pension Income

The pension contributions, determined by actuarial calculations, should together with the profits be applied to assets acquired, to meet the long-term pension liability on the basis of the chosen funding method. The pension includes retirement pension and, possibly, disability pension and dependents pension. The funding of pension funds comprises two distinct stages, namely (1) the deposit of contributions and (2) the investment of funds.

(1) The deposit of contributions. It is laid down in the Pension Act that pension funds must have a written agreement with the employer about the deposit of the contributions. The height of the contribution is usually related to the last earned salary, which means that the contributions changes with salary adjustments. This is in contrast with the benefits (Figure III.19), which are related to a pensionable salary, normally laid down in the pension rules and regulations and adjusted on the basis of a board decision. The decision for changes is mostly based on a positive net result during several years or on ad hoc basis.

Table III.30

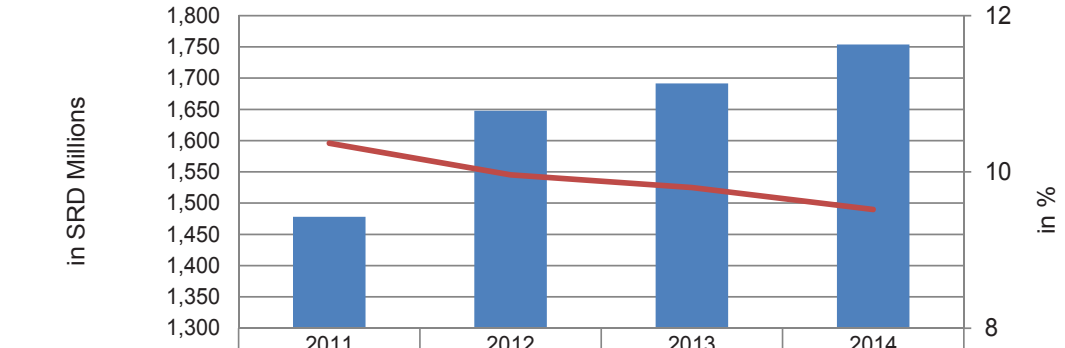
Structure of Private Company Pension Funds (2014)

Categories	Number	% of Total Pension Assets	% of Total Financial Sector Assets	% of Total GDP
Active				
Defined Benefit	1	0.9	0.1	0.1
Defined Contribution	2	0.3	0.0	0.0
Collective Defined Contribution	27	98.8	13.7	9.4
Non-Active				
Defined Benefit	0	0.0	0.0	0.0
Defined Contribution	0	0.0	0.0	0.0
Collective Defined Contribution	8	0.0	0.0	0.0
Total	**38**	**100.0**	**13.9**	**9.5**

Source: Central Bank of Suriname

16 The Civil Servant Pension Fund is supervised under the Pension Funds and Provident Fund Act 2005.

Figure III.15
Pension Fund Total Assets



	2011	2012	2013	2014
Total assets	1,478	1,648	1,692	1,754
Total assets/GDP	10.4	10.0	9.8	9.5

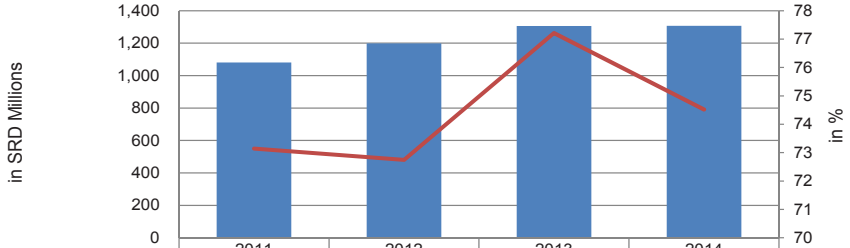
Source: Central Bank of Suriname

Table III.31
Pension Fund Balance Sheet Composition
(in SRD millions)

Description	2009		2014	
	Amount	In % of Total Assets	Amount	In % of Total Assets
Assets				
Total Investments:	926.3	86.5	1,486.7	84.8
- Foreign	264.8	24.7	275.7	15.7
- Local Government	46.2	4.3	79.5	4.5
- Local Private	615.3	57.5	1,131.5	64.5
Cash	47.6	4.4	84.0	4.8
Receivables	96.9	9.0	181.3	10.3
Other Assets	0.0	0.0	1.9	0.1
Total Assets	**1,070.9**	**100.0**	**1,753.9**	**100.0**
Liabilities				
Equity	204.0	19.0	408.3	23.3
Provision for Pension Commitments	839.4	78.4	1,307.0	74.5
Other	27.5	2.6	38.6	2.2
Total Liabilities	**1,070.9**	**100.0**	**1,753.9**	**100.0**

Source: Central Bank of Suriname
Note: The computations in this table are based on data of 29 active private pension funds.

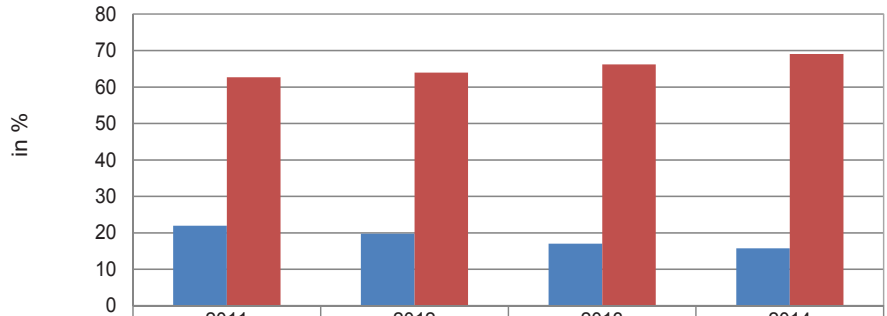
Figure III.16
Pension Obligations



	2011	2012	2013	2014
Provision for pension liabilities	1,081	1,199	1,306	1,307
Provision for pension liabilities/Total assets	73.1	72.7	77.2	74.5

Source: Central Bank of Suriname

Figure III.17
Pension Fund Investments in Percent of Total Assets



	2011	2012	2013	2014
Foreign investments	22.0	19.8	17.0	15.7
Local investments	62.7	64.0	66.2	69.0

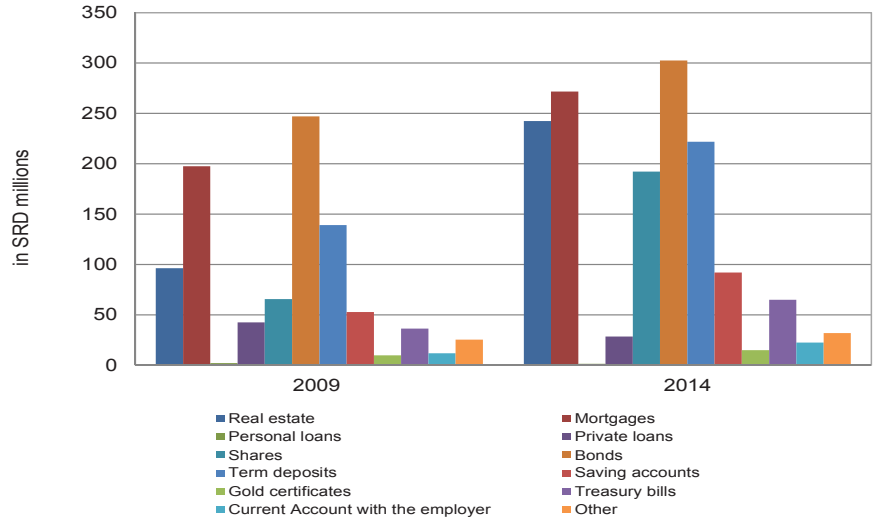
Source: Central Bank of Suriname

Table III.32
Structure of Pension Fund Investment Portfolio
(in SRD millions)

Investments	2009		2014	
	Amount	In % of Total Investments	Amount	In % of Total Investments
Real Estate	96.3	10.4	242.4	16.3
Mortgages	197.4	21.3	271.6	18.3
Personal Loans	2.1	0.2	1.4	0.1
Private Loans	42.5	4.6	28.4	1.9
Shares	65.6	7.1	192.3	12.9
Bonds	247.1	26.7	302.4	20.3
Term Deposits	139.2	15.0	221.7	14.9
Saving Accounts	52.8	5.7	92.0	6.2
Gold Certificates	9.8	1.1	15.0	1.0
Treasury Bills	36.4	3.9	65.0	4.4
Current Account with the Employer	11.8	1.3	22.5	1.5
Other	25.4	2.7	32.0	2.1
Total Investments	**926.3**	**100.0**	**1,486.7**	**100.0**

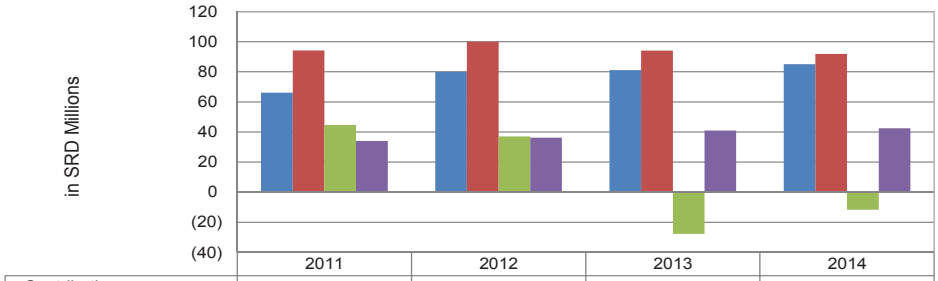
Source: Central Bank of Suriname

Figure III.18
Allocation of Pension Fund Investment Portfolio



Source: Central Bank of Suriname

Figure III.19
Pension Income vs Benefits



	2011	2012	2013	2014
Contributions	66.1	80.0	81.2	85.0
Direct investment income	94.2	99.9	94.1	91.9
Indirect investment income	44.7	37.1	-27.6	-11.6
Benefits	34.0	36.2	41.0	42.5

Source: Central Bank of Suriname

The level of benefits varies per institution while differences are mainly due to:
- level of the current pension salary;
- chosen scheme (conditional and/or unconditional commitments);
- chosen funding method;
- chosen investment strategy;
- financial position of the employer.

From 2009 till 2014 the contributions as a percentage of GDP were always 0.5 percent, while the benefits were 0.2 percent (Figure III.20).

(2) The investment of the funds. Even though bonds are the biggest investment instrument (Figure III.21), the revenue from mortgages generates, by far, the highest investment income followed by income from term deposits. In 2014, the unweighted average interest rate of mortgages and term deposits was 10.7 percent and 6.1 percent, respectively.

3.3 Key Pension Stability Indicators

3.3.1 Solvency

The solvency (or coverage) of a pension fund is determined by the investments minus financial resilience in percent of the provision for pension commitments. The financial resilience depends on the risk degree assigned to the committed investments.

The solvency also depends on the chosen pension scheme, due to the relationship of the weighted assets with the provision for pension commitments.
With the exception of 2009 and 2010, the coverage ratio of the pension funds as a whole (active pension funds excluding the Civil Servant Pension Fund) was above 100 percent (Table III.33) and showed increases.

On the one hand, the increased solvency can be attributed to better a composition of the investment portfolios. On the other hand, this can be attributed to the absence of the indexation of payments. Indeed, the effect of salary adjustments over the years has been limited. Some funds have periodically adjusted the pensionable salaries in consultation with an actuary, while other funds have not adjusted the pension allowance over time.
Based on the Pension Funds and the Provident Fund Act 2005, investment guidelines and regulations have been introduced, such as the solvency regulations (Table III.34). The investment guidelines aim to achieve a well-balanced spread in the investment portfolio of pension funds. Risk, liquidity and return on assets are decisive factors in the execution of a prudent investment policy. Considering the paramount importance of guaranteeing the pension benefits, pension funds must abstain from investments with a risk profile that could erode the pension assets.

Table III.33
Coverage Ratio of Pension Funds
(in percent)

2009	2010	2011	2012	2013	2014
98	98	104	104	105	106

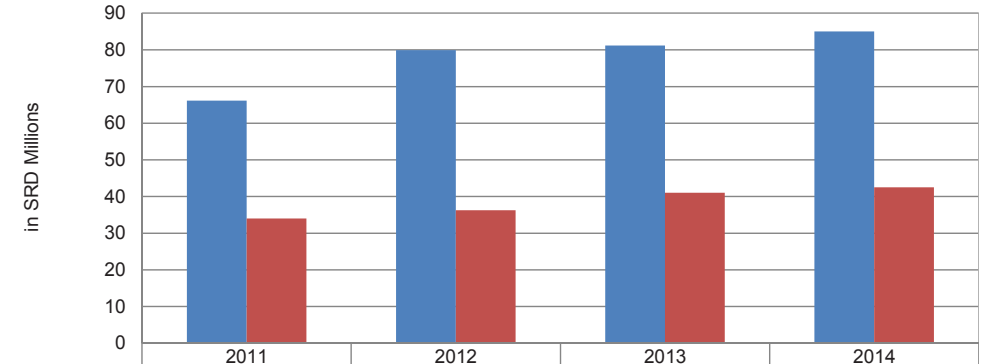
Source: Central Bank of Suriname

Table III.34
Civil Servant Pension Plan

Based on	Civil Servants Pension Act 1972
Established	January 1, 1973
Registered under the Supervision of the Bank	July 1, 2002
Pensioners	23,154 (2014)
Funding method	Pay as You Go (in practice) Partially funded (based on act)

Source: Central Bank of Suriname

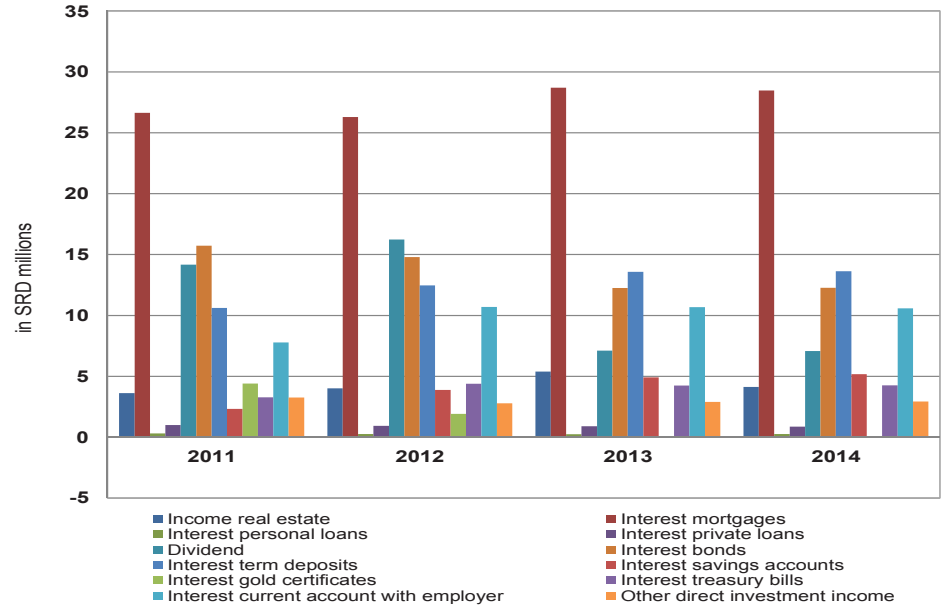
Figure III.20
Pension Contribution and Benefits



	2011	2012	2013	2014
Contributions	66.1	80.0	81.2	85.0
Benefits	34.0	36.2	41.0	42.5

Source: Central Bank of Suriname

Figure III.21
Components of Pension Fund Investment Income



Source: Central Bank of Suriname

4. Credit Unions

4.1 Introduction

Due to the shift of a largest credit union into the banking business, the data since 2010 are significantly different than in the years before. Furthermore, the data regard credit unions that cover 80 percent of the credit union market. The remaining credit unions are significantly smaller.

Credit unions are member-owned financial institutions. The main purpose is promoting thrift and providing credit at competitive rates to its members. Prior to 2011, the credit unions were supervised under the Banking and Credit System Supervision Act 1968, which was amended in 1986. In 2011, the CBvS renewed the legislation and the credit unions are since then classified as credit institutions that need a license to operate (Table III.35). Credit unions in Suriname are generally of two types, open-bond and closed-bond credit unions. Open-bond credit unions have an open charter and are thus open to anyone, while membership of closed-bond credit unions is restricted to employees of a company, a ministry or a certain organization.
The main products of the credit unions are:

1. Savings:
- Saving accounts or members' shares: the periodic savings of members.
- Deposit accounts: accounts from which the

member can withdraw funds at any moment. They can be compared with current accounts at commercial banks.
- Term-deposits: short-term deposits (≤ 1year) and long-term deposits (> 1 year).

2. Loans:
- Personal loans: short-term loans, e.g. for medical costs, cost of repair of transportation, funeral costs, the purchase of personal computers;
- Mortgage loans: loans granted for a longer period (10-15 years), usually for the purpose of buying real estate or renovating houses;
- Current account credit: loans suitable for members that have a business as they can be used to finance inventory or working capital;
- Micro-credit: part of microfinance utilized for small loans to people with low income, in particular to finance their small-scale enterprises. In most cases, these members do not have adequate collateral and because of the high risk exposure of the credit union, the amount of credit is limited, it carries a higher interest rate and it has a fixed term.

3. Other products:
Some credit unions are agents of insurance companies and sell insurance products, such as fire & damage insurance and vehicle insurance. In 2005, one credit union received a limited foreign currency license from the Foreign Exchange Commission and the CBvS. This means that the credit union is only allowed to grant loans and accept foreign currency (U.S. dollars and euro) from members with the purpose of saving or depositing.

4.2 Performance of Credit Unions

4.2.1 Assets

In the period 2010-2013, the asset portfolio of the open-bond credit unions showed a volatile development while the asset portfolio of the closed-bond credit unions showed a steady growth (Table III.36). The steady growth of the closed-bond credit unions was due to the agreement with the company they are restricted to, which mitigates the risk open-bond credit unions are normally exposed to. On average, the gross loans of closed-bond credit unions made up 49 percent of total assets while this share amounted to 20 percent for open-bond credit unions during 2010-2013. In 2014, the data regard only two credit unions, which is why the asset portfolio of credit unions appears to have decreased. Gross loans generally constitute the largest part of credit union assets while claims on banks and other financial institutions constitute the next largest component.

Loan portfolio performance

The Figure III.22 displays the destination of loans provided by the closed-bond credit unions during the period 2008-2014. The closed-bond credit unions only grant consumer loans, while open-bond credit unions grant consumer loans, mortgage

Table III.35
Number of Credit Unions

	2008	2009	2010	2011	2012	2013	2014
Open-bond credit unions	2	2	1	1	1	1	1
Closed-bond credit unions	26	26	25	21	21	21	21
Saving funds	1	1	1	1	1	1	1
Representative organization	1	1	1	1	1	1	1

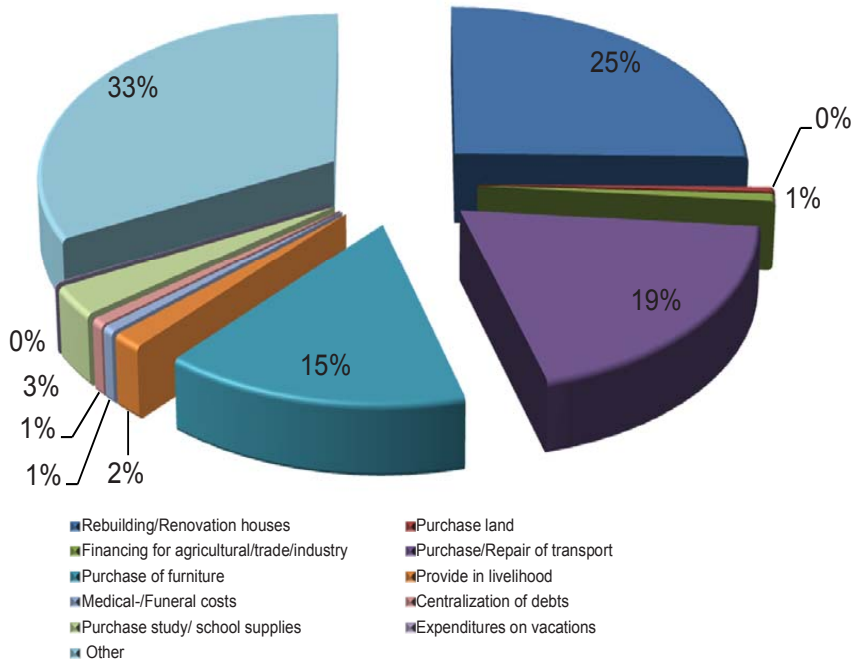
Source: Central Bank of Suriname

Table III.36
Assets of Credit Unions

	Assets	Year on Year Change (%)	Share in Total Assets (%)	Year on Year Change (%)	Share in Total Assets (%)	Year on Year Change (%)	Share in Total Assets (%)	Year on Year Change (%)	Share in Total Assets (%)	Year on Year Change (%)	Share in Total Assets (%)	Year on Year Change (%)	Share in Total Assets (%)
		2009		2010		2011		2012		2013		2014	
Closed Bond	A1*	16.3	5.8	10.5	52.1	2.0	47.3	12.4	48.8	15.1	48.1	-87.6	13.9
	A2**	74.4	1.4	-11.2	10.0	53.3	13.7	10.7	13.9	46.8	17.4	-73.9	10.6
	Other Assets	25.6	0.6	-42.1	2.9	-30.3	1.8	-30.0	1.2	131.8	2.3	-79.9	1.1
Open Bond	A1*	-13.8	53.1	-94.9	22.2	7.0	21.2	-3.0	18.8	14.4	18.5	-3.1	41.8
	A2**	134.6	28.9	-97.0	7.2	40.4	9.0	29.7	10.7	-13.7	7.9	-16.3	15.4
	Other Assets	54.6	10.3	-93.4	5.5	42.4	7.0	4.2	6.7	0.2	5.8	27.3	17.1
Total		**15.3**	**100.0**	**-87.8**	**100.0**	**12.3**	**100.0**	**9.1**	**100.0**	**16.7**	**100.0**	**-57.2**	**100.0**

Source: Central Bank of Suriname
* Claims on members (loans).
** Claims on banks and other financial institutions.

Figure III.22
Destination of Loans of Closed-Bond Credit Unions
2008 – 2014



Source: Central Bank of Suriname

loans and micro-credit. In the reporting period, most of the consumer loans (33%) were granted for other purposes, mostly personal needs.
Figure III.23 displays the destination of loans as provided by the open-bond credit unions during the period 2008-2014. As mentioned earlier, the open-bond credit unions provide consumer loans as well as mortgage loans and micro-credit. In the reporting period, the highest share within the loan portfolio (24%) was by mortgage-housing loans. The micro-credit loans were mainly given for financing activities in agriculture, trade or industry. Even though mortgage loans have the largest share in the total loans of the open-bond credit unions, it is consumer loans that are granted most frequently.

4.2.2 Liabilities

Due to the structure of the credit unions, these institutions rely significantly on their member savings as a source of funding for their loan activity. During the period 2009-2013, there was a steady growth in member savings of the closed-bond credit unions, while the member savings of the open-bond credit unions increased less than proportional during the period 2011-2014. Member savings generally constitute the largest part of credit union liabilities, with equity constituting the next largest component. On average, the member savings of closed-bond credit unions made up 42 percent of total assets while this share amounted to 27 percent for open-bond credit unions during 2008-2014 (Table III.37).

Interest rates

The interest rates on member savings vary between 3 percent and 6 percent while the interest rates on term deposits vary between 7 percent and 10 percent.

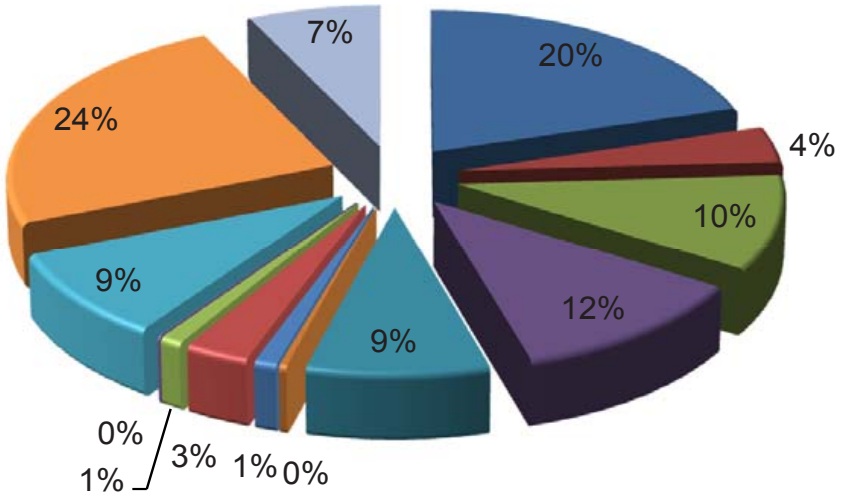
4.3 Financial Soundness and Stability Indicators

Given the small scale of the credit unions in the local financial landscape, this segment has no significant influence on the stability of the overall financial sector. Yet, considering that credit unions may develop further as deposit-taking institutions, it is necessary to monitor their key financial soundness indicators.

4.3.1 Solvency

Every credit union is required to maintain a total capital that is equal to a minimum of 7 percent of the total risk weighted assets. While during the period 2009-2013, the closed-bond credit unions were struggling to comply with the 7 percent solvency ratio, they met this requirement fully in 2014. On the other hand, open-bond credit unions comply with the solvency ratio during the same period with the exception of 2011 and 2012. The open-bond credit unions are more solvent as these credit unions have a larger working area, which results in higher equity. The non-compliance of the closed-bond credit unions is caused by the lack of equity, which primarily consists of profit. To address non-

Figure III.23
Destination of Loans of Open-Bond Credit Unions 2008 – 2014



Source: Central Bank of Suriname

Table III.37
Liabilities of Credit Unions

	Assets		Year on Year Change (%)	Share in Total Assets (%)	Year on Year Change (%)	Share in Total Assets (%)	Year on Year Change (%)	Share in Total Assets (%)	Year on Year Change (%)	Share in Total Assets (%)	Year on Year Change (%)	Share in Total Assets (%)	Year on Year Change (%)	Share in Total Assets (%)
			2009		2010		2011		2012		2013		2014	
Closed Bond	L1*	Deposits	13.4	0.4	28.3	4.4	17.3	4.6	38.4	5.9	-22.4	3.9	-100.0	0.0
		Member Savings	25.7	6.0	13.5	55.5	8.3	53.5	12.2	55.0	27.0	59.9	-82.9	23.9
		Term Deposits	5.2	0.7	-95.5	0.2	0.0	0.2	0.0	0.2	0.0	0.2	-100.0	0.0
	L2**		27.7	0.2	27.8	2.4	12.7	2.4	-25.4	1.7	18.4	1.7	-59.6	1.6
	Other Liabilities		54.7	0.5	-35.9	2.5	-7.2	2.1	-43.3	1.1	146.2	2.3	-97.6	0.1
Open Bond	L1*	Deposits	29.7	8.5	-86.3	9.5	18.3	10.0	-0.3	9.1	0.6	7.9	0.0	18.3
		Member Savings	13.4	62.6	-96.9	15.7	13.8	15.9	13.2	16.5	9.2	15.5	6.7	38.5
		Term Deposits	9.8	7.6	-99.0	0.6	2.4	0.6	-3.9	0.5	-24.4	0.3	39.8	1.0
	L2**		10.5	10.7	-95.7	3.7	27.0	4.2	2.2	4.0	-34.0	2.2	24.9	6.5
	Other Liabilities		30.8	2.9	-77.1	5.4	34.7	6.5	2.6	6.1	19.1	6.3	-31.8	10.0
Total			**15.3**	**100.0**	**-87.8**	**100.0**	**12.3**	**100.0**	**9.1**	**100.0**	**16.7**	**100.0**	**-57.2**	**100.0**

Source: Central Bank of Suriname
* Member shares.
** Equity.

compliance, the CBvS performs a more stringent supervision through more frequent correspondence with the credit unions. Furthermore, they are now required to submit a plan of action with regard to the enhancement of their equity.

4.3.2 Liquidity

To comply with the liquidity guidelines a credit union must have actual liquid assets that are equal to the required liquid assets (100%). If we exclude the loan portfolio, the closed-bond credit unions only complied with the minimum standard of 100 percent in 2009 and the open-bond credit unions only in 2014. This indicates that outstanding loans generally make up a large portion of the total assets.

4.3.3 Claims on members versus liabilities to members

The credit unions complied with the maximum of 80 percent as the average ratio was 78 percent during the period 2008-2014. With respect to the claims on members (loans) and the liabilities to members (deposits), it can be noted that both components decreased by 10 percent.

4.3.4 Equity to total assets

Every credit union is required to have a total equity that is equal to a minimum of 10 percent of the total assets. During the period 2008-2014, the closed-bond credit unions have not complied with the minimum standard, while the open-bond credit unions were compliant with the exception of 2013 and 2014. The minimum standard was not always met due to the low equity of credit unions, as mentioned earlier.

4.3.5 Return on assets (ROA)

This ratio measures how efficiently a credit union has managed its assets and has generated profit during certain period. Nonetheless, the main purpose of credit unions is promoting thrift and providing credit at competitive rates to its members. Since closed-bond credit unions have a restricted membership, during 2008-2014, their ROA was 2 percent on average, whereas that of the open-bond credit unions was 6 percent on average.

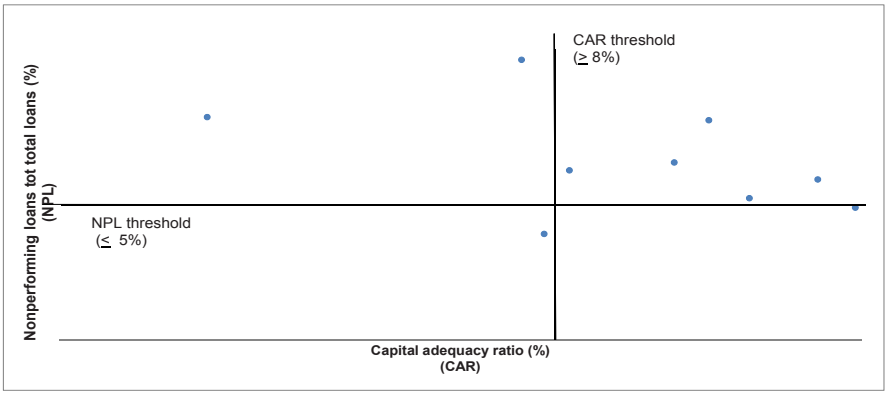
IV. STRESS TEST OF THE BANKING SYSTEM

1. Introduction

Stress test analysis is an important tool to assess the resilience of the banking system when facing adverse but plausible shocks in the credit portfolio as well as interest rate and exchange rate risks, which may occur from potentially unfavorable economic developments and changes in market conditions. Stress tests involve testing beyond normal operational capacity to observe the results. The shocks applied in this section range from 20 percent to 50 percent change, thus surpassing normal operating conditions.

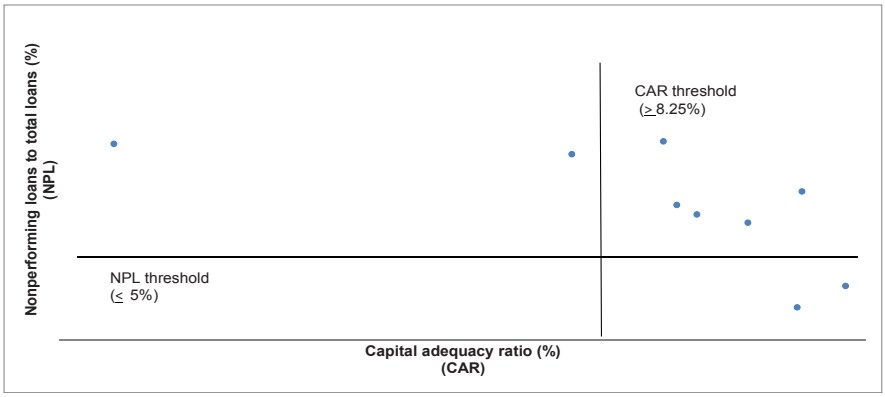
The following analyses assess the impact of mild and adverse shocks on the capital adequacy of the commercial banking system, as a whole, and of the individual nine banks. The results are based on banking system data from December 2014 and, for comparison purposes, also from December 2013. The stress tests focus on types of credit risk and foreign exchange risk in single and multi-factor settings. Before the actual stress tests were conducted, however, any shortfalls in provisioning were addressed since stress tests require data that do not reflect under-provisioning.

Figure IV.1
Bank Strength (2013)



Source: Central Bank of Suriname

Figure IV.2
Bank Strength (2014)



Source: Central Bank of Suriname

Compared to 2013, the majority of the commercial banks had a lower risk profile in 2014, in terms of non-performing loans (NPLs) and capital adequacy ratios (CARs). The maximum threshold for non-performing loans to total loans is 5 percent, whereas the minimum threshold for the capital adequacy ratio is 8 percent (2013) and 8.25 percent (2014), respectively. The improved risk profile of the commercial banks (Figures IV.1 and IV.2) is illustrated by the migration of most individual banks (represented by dots) away from the northwest quadrant (highest risk) toward or into the southeast quadrant (lowest risk) of the graph.

2. Appropriate Provisioning

Baseline: In adherence to the regulatory provisioning requirements, it was necessary to adjust some banks' reported capital for under-provisioning. The overall banking system remains above the regulatory minimum of 8.25 percent, after assigning the appropriate provisions for the different classes of NPLs (Table IV.1). As mentioned earlier, banks' provisioning improved in 2014. While the capital injection in 2013 would be SRD 48.3 million, this amount falls to SRD 26 million in 2014. Similarly, the adjusted CAR stood at 10.3 percent in 2013 but improves to 11.5 percent in 2014. These adjusted CAR and provisioning ratios, as well as the actual NPL ratio of 6.2 percent in 2014, serve as the basis for the following scenarios.

Methodology: The focus is on the amount of provisions for the different categories of NPLs and its effect on regulatory capital and risk-weighted assets. If current provisions are not up to regulatory provisioning standards, capital is used to make up for the deficiency. The next step is to confirm if the banks are still compliant with the current regulatory 8.25 percent CAR. If not, the amount of needed capital is calculated. As stated earlier, these adjustments are necessary as stress tests require data that do not reflect under-provisioning.

3. Single-Factor Stress Tests

3.1 Commodity Price Risk

Scenario: Changes in the international prices of Suriname's main exports (gold, oil and alumina) affect mining sector profitability. One transmission channel is through export revenues and their linkages with the level of economic activity of domestic sectors. Another channel is through tax receipts of the Government, which in turn affects other sectors' liquidity and thus their creditworthiness. Given the recent fall of international commodity prices, tests have been done using different percentages of NPLs to assess the sensitivity of the banking system to this type of credit risk.

Methodology: The first step is to calculate the increase in NPLs with two hypothetical percentages. An increase in NPLs implies that banks must undertake additional provisioning to manage the risk profile of their loan portfolio. This additionally required provisioning will result in a reduced CAR. Next, the necessary capital injection is determined.

Results: Despite the diminished CAR, the banking system can absorb an additional 50 percent of NPLs, without breaching the regulatory CAR of 8.25 percent (Table IV.1). This shock would make the NPL ratio move up to 9.3 percent. The capital injection in 2014 is SRD 52 million (0.3% of GDP). In 2013, the banking system would be much more affected, barely in adherence to the regulatory CAR, with a necessary capital injection of SRD 125 million (0.7% of GDP). The highest NPL ratio recorded in the last six years was 8 percent, whereas the Caribbean region registered an average NPL ratio of 10 percent.

3.2 Concentration Risk

Scenario: The stress test considers credit risk as a result of a possible default of the single largest borrower across banks as well as the possible default of the top 3 large borrowers. The risk stems from the fact that a relatively large portion of the loan portfolio is concentrated with a few top borrowers.

Methodology: Large borrower is defined as a borrower with a loan exceeding 10 percent of tier one capital, comprising common stock and retained earnings. However, not all banks have large borrowers. A couple of banks, representing 10 percent of total bank assets do not have large borrowers. This test thus encompasses only those banks having large borrowers. The default of these borrowers will require additional provisioning, which will be subtracted from the regulatory capital. The test aggregates the possible defaults of large borrowers and measures the impact on the aggregate CAR, by assuming 100 percent additional provisioning.

Results: In case of a default by the top 3 borrowers, the CAR of the aggregate banking system falls to 4.3 percent, thus below the regulatory minimum (Table V.1). The capital injection for the whole banking system in 2014 is SRD 331 million (1.8% of GDP), while the capital injection needed in 2013 would be SRD 295 million (1.7% of GDP).

3.3 Foreign Exchange Risk

Scenario: The objective of this stress test is to assess the impact of changes in the exchange rate on the CAR of banks. Given the high dollarization of bank deposits and loans, foreign exchange (FX) risk warrants special attention.The analysis is based on the current long open U.S. dollar position. This long open FX position of the banking system should result in profit in case of U.S. dollar depreciation, consequently improving their balance sheets. Losses would only arise when FX loans become non-performing due to the presence of unhedged borrowers in banks' credit portfolio.

Methodology: Exchange rate movements affect banks' balance sheets in the face of currency mismatches. The most recent change in the official exchange rate was an increase of 20 percent in 2011. Based on this historical fact, the chosen scenarios are depreciations of 20 and 50 percent, representing a mild and an adverse shock, respectively. Since export prices could go up again in the near future, the impact of a 20 percent appreciation is also considered. The net open position of banks, i.e. banks having net foreign liabilities (short) or net foreign assets (long), is the starting point for the calculation of the FX risks. To this end, the change in the exchange rate is multiplied by banks' existing short or long open positions.

Results: Banks benefit under the depreciation scenario but carry losses in case of appreciation, although their aggregate CAR remains above 8.25 percent (Table IV.1). The net long foreign exchange position of the banking system is more than sufficient to absorb the losses arising from NPLs due to unhedged FX borrowers. Moreover, these losses are mitigated considering that banks benefit from depreciation. The capital injection for the whole banking system in case of a combined shock of 50 percent depreciation and 50 percent FX-induced

Table IV.1
Commercial Banking System Stress Testing Results
(in percent)

				December 2013	December 2014
Pre-shock CAR				11.3	11.5
Pre-Shock CAR adjusted for Provisions				10.3	11.5
Minimum Regulatory CAR				8.0	8.25
Single-Factor Tests *					
				Post-Shock CAR	Post-Shock CAR
Credit Risk					
a. Commodity Price Risk	Overall NPLs ↑				
Mild shock	20%			9.5	10.9
Adverse shock	50%			8.2	9.9
b. Concentration Risk	Top Borrower Default				
Mild shock	Top 1			7.0	9.0
Adverse shock	Top 3			3.0	4.3
Foreign Exchange Risk (US$)	Depreciation(+) or Appreciation(-)				
a. Exchange Rate Risk					
Mild shock	+20%			10.7	12.0
Adverse shock	+50%			11.2	12.7
Mild shock	-20%			10.0	11.0
b. Exchange Rate Induced Credit Risk (US$)	US$ NPLs ↑				
Mild shock	20%			10.1	11.4
Adverse shock	50%			9.6	11.2
c. Depreciation and Exchange Rate Induced Credit Risk (US$)	Depreciation(+)	US$ NPLs ↑			
Mild shock	+20%	20%		10.4	11.9
Adverse shock	+50%	50%		10.6	12.5
Multi-Factor Test *					
	Overall NPLs ↑	US$ NPLs ↑	Depreciation(+)	Post-Shock CAR	Post-Shock CAR
Mild shock	20%	20%	+20%	9.6	11.3
Adverse shock	50%	50%	+30%	8.0	10.3

Source: Central Bank of Suriname
* All tests are conducted with 100 percent provisioning for additional non-performing loans.

credit loss is SRD 22 million (0.1% of GDP) in 2014. The same stress test in 2013 would require a capital injection of SRD 45 million (0.3% of GDP).

4. Multi-Factor Stress Test

Scenario: This scenario is comprised of some of the abovementioned single shocks - namely a 50 percent increase of total NPLs, an additional 50 percent FX induced credit loss and a 30 percent depreciation of the SRD.

Methodology: The multi-factor shock analysis is based on the experience that shocks rarely materialize in isolation. Several single shocks are thus aggregated into one multi-factor shock. The results of the various single factor stress tests are then added up under the assumption that the individual effects are linear and mutually exclusive. As before, losses required additional provisioning and therefore reduced the regulatory capital accordingly.

Results: The adverse multi-factor scenario results in a CAR of 10.3 percent for the banking system as a whole (Table IV.1). The depreciation of the SRD mitigates the other two shocks due to the aggregated long foreign exchange position of banks, which is profitable under a depreciation scenario. Also, the share of FX (US$) NPLs in total NPLs is relatively small (17.8%) and therefore does not affect the aggregated CAR of banks significantly. The capital injection in this combined scenario is SRD 49 million (0.3% of GDP) in 2014, whereas this would be SRD 58 million (0.3% of GDP) in 2013.

5. Conclusion

In testing for credit risk we found that while commodity price risk is under control, the focus should increase on concentration risk. Foreign exchange risk exposure to the U.S. dollar is contained as a result of the aggregate long position of banks. Provisioning practices improved remarkably, not only at the aggregate level, but also of all individual banks, while CARs follow a similar pattern. Overall, the banking system resilience is adequate. Based on the conducted stress tests and the improved risk profile of commercial banks, as evidenced by increasing CARs and decreasing NPLs, it can be concluded that the overall banking system in Suriname is financially stable. This development is a result of the ongoing stricter prudential framework of supervision.

V. SPECIAL TOPICS

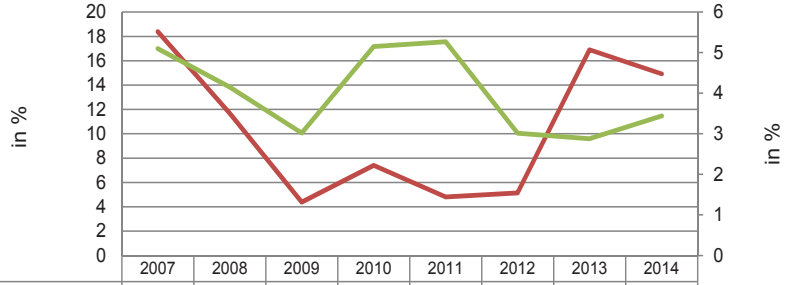
1. Investigating the Nexus between Domestic Credit and Economic Growth

The importance of credit is vital to the economy of every country. In general, the key categories of loan-takers, small and medium-sized enterprises (SMEs), large companies and the Government, benefit from a credit through increasing their investments and/or accommodating their operating expenses. Private individuals obtain credit to pay for different goods and services. It is argued that credit supports entrepreneurship which, in turn, leads to increased investment, thereby fostering economic growth. Research has suggested that for these advantages to materialize, finance has to occur in a healthy financial system, amongst others, implying a sturdy financial infrastructure, sound institutions and well-functioning financial markets.

Figure V.1, which depicts the relationship between growth in real economic activity and growth in real domestic credit for Suriname, reveals varying periods of co-movement and a marginally discernible correlation between the two variables over the period 2006 to 2014. An explanation for this 'minimal' nexus is partially provided through an examination of indicators of overall credit allocation.

The ratio of credit to Gross Domestic Product ratio has averaged 29 percent in the last 8 years, suggesting that the Suriname financial system is shallow and falls within what may be considered a minimally developed category (Figure V.2). The relatively low ratio is not surprising given Suriname's mineral dependency (90% of export revenues generated by the mining sector).

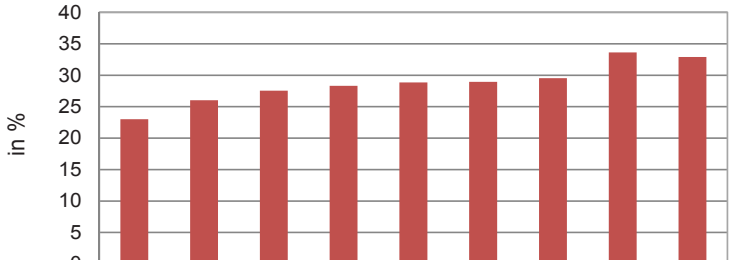
Figure V.1
Real Credit Growth and Economic Activity



	2007	2008	2009	2010	2011	2012	2013	2014
Real credit growth (LH)	18,4	11,7	4,4	7,4	4,8	5,1	16,9	14,9
Economic activity (RH)	5,1	4,1	3,0	5,1	5,3	3,0	2,9	3,4

Source: Central Bank of Suriname

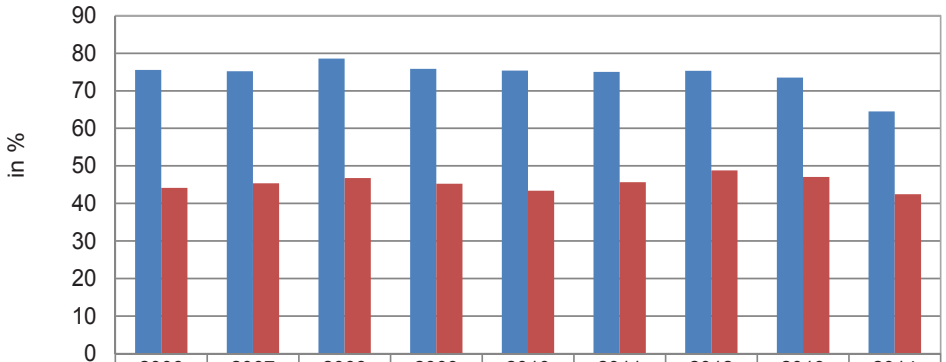
Figure V.2
Total Credit-to-GDP Ratio



	2006	2007	2008	2009	2010	2011	2012	2013	2014
Credit/GDP	23	26	28	28	29	29	30	34	33

Source: Central Bank of Suriname

Figure V.3
Growth-Contributing Sectors in Proportion to GDP and Total Credit



	2006	2007	2008	2009	2010	2011	2012	2013	2014
in % of GDP	76	75	79	76	75	75	75	74	64
in % of Total credit	44	45	47	45	43	46	49	47	42

Source: Central Bank of Suriname

The corollary is that the bulk of investments in the economy consist of foreign investment flows to the mining companies which are predominantly financed from the parent companies abroad. Thus, domestic commercial bank credit plays a limited role. This finding is reinforced when the allocation of domestic credit is considered.

During the period 2006-2014, economic growth in Suriname was generated principally within the following sectors: manufacturing (including mining processing), wholesale and retail trade, primary mining and quarrying, primary agriculture (including hunting, forestry and fisheries), construction and transport storage and communications. These main drivers of economic growth, which accounted for an average of 74 percent of economic activity over the period under consideration, received only 45 percent of credit from the commercial banking sector (Figure V.3). The majority of the credit went to finance consumption-related activities of which personal loans, housing and construction and government operations are some of the prominent ones. It is therefore not surprising that there is only a minimal connection between domestic credit and economic growth.

These findings corroborate research[1], which examined the overall financial sector development and economic growth in Suriname using three main financial indices (depth[2], efficiency[3] and stability[4]).

The research concluded that the impact of the financial sector on growth in Suriname has been limited due to the shallowness of the financial system and relative inefficiency of financial institutions in channeling resources.

As is the case with other developing countries, Suriname's financial system is underdeveloped, providing a small range of services and limited investment products. Moreover, commercial banks operate in a closed environment with little competition from outside, reducing overall competitiveness of the financial sector. Particularly for small private businesses these conditions give rise to a lack of alternative financing sources.

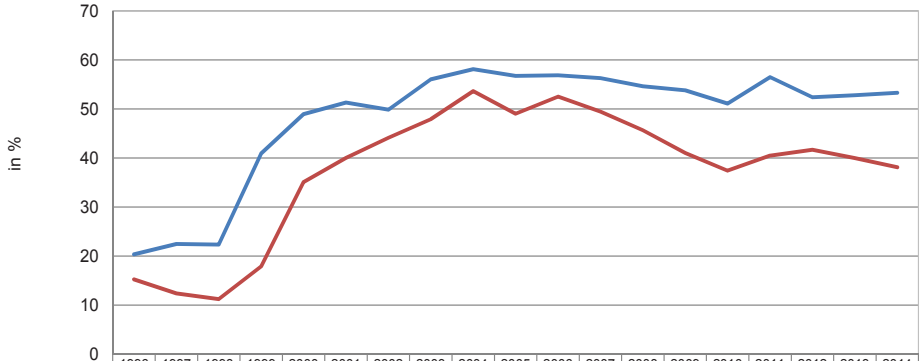
In line with the prevailing view that finance is an important prerequisite for economic growth, growth in Suriname will benefit from a deepening and improved efficiency of the domestic financial system. This calls for policies to, amongst other things, encourage commercial banks to adopt systems and procedures that would help lower the costs of intermediation and to improve loan monitoring systems.

2. Coping with Financial Dollarization

Suriname has experienced a considerable degree of financial dollarization, i.e. dollarized deposits and loans in the banking system, since the late 1990s. This dollarization was the combined result of macroeconomic imbalances and institutional factors, such as liberalization of the foreign exchange regime. The degree of dollarization is internationally expressed by way of ratios, where deposit dollarization equals foreign currency deposits as a percentage of total deposits, and credit dollarization equals foreign currency credit to the private sector as a percentage of total private sector credit.

1 Ong-A-Kwie N. & Boamah D. (2014). Financial development in Suriname and its impact on economic growth. Paramaribo: CBvS.
2 Private sector credit, M2 and total deposits as a share of GDP.
3 Includes the interest rate spread and loan-to-deposit ratio.
4 Capital adequacy ratio and liquid asset ratio.

Figure V.4 Financial Dollarization



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Deposit dollarization	20	22	22	41	49	51	50	56	58	57	57	56	55	54	51	57	52	53	53
Credit dollarization	15	12	11	18	35	40	44	48	54	49	53	49	46	41	37	40	42	40	38

Source: Central Bank of Suriname

In analyzing the trends it can be noted that in the period 1996-2003[5] the trend was upward whereas during 2004-2014 the trend was downward (Figure V.4). The year 2004 marked a turnaround in the country's monetary history due to the authorities' decision to replace the Suriname guilder by the Suriname dollar as part of a monetary reform. This restored confidence in the national currency and reduced dollarization although the levels remained high. In the ensuing years additional policies were developed to cope with the risks of dollarization, as will be explained further.

Suriname became highly financially dollarized (deposit or credit dollarization exceeding 40 percent) in 1999, when deposit dollarization rose to 41 percent. Financial dollarization deepened further in 2001, when credit dollarization reached 40 percent. Suriname has a de jure managed float exchange rate regime, although the rate quoted by the Central Bank of Suriname de facto behaves like an adjustable peg that is periodically moved upward when black market rates persist at much higher levels. As such, the rapid increases in dollarization ratios between 1998 and 2001 can almost entirely be attributed to successive devaluations, which constitute a price effect rather than a volume effect.

Since May 2002 volume effects kicked in due to institutional changes that heralded economic liberalization. Specifically, the long-existing foreign exchange surrender requirement was removed. This requirement, which implied the mandatory sale of foreign exchange to the CBvS, was replaced with a requirement to transfer export earnings directly to domestic private foreign currency accounts. The devaluation in 2011 caused a sharp increase in dollarization ratios due to the aforementioned price effect.

As of 2014, Suriname still qualifies as a financially highly dollarized country with deposit dollarization standing at 53 percent. Credit dollarization, however, has fallen from 40 percent to 38 percent in 2014. Macro-prudential policy covers a wide range of instruments that seek to prevent or manage risks in domestic financial systems. In the context of financial dollarization, the two fundamental risks on the balance sheet of the banking system are:

Liquidity risk: The CBvS is only lender of last resort in terms of the national currency, i.e. central banks are not able to provide financial support to dollarized banks in the event of large and unexpected foreign currency withdrawals. Such a bank run will therefore create liquidity problems in the area of foreign exchange.

Solvency risk: If foreign currency borrowers do not have an income in foreign currency they are exposed to a currency mismatch, i.e. risk of financial loss stemming from changes in the exchange rate. If this risk materializes and unhedged borrowers are no longer able to repay their foreign currency loans, the bank suffers losses resulting in a reduction of its solvency.

The CBvS is aware of the above risks and therefore, in addition to micro-prudential surveillance that manages risks of individual institutions, employs the following macro-prudential tools that specifically address system-wide risks:

Reserve requirements in foreign currency: These reserves have been introduced by the CBvS as a buffer in the event of a bank run in foreign currency. Partly due to the fact that Suriname does not yet have a deposit-guarantee scheme, the CBvS

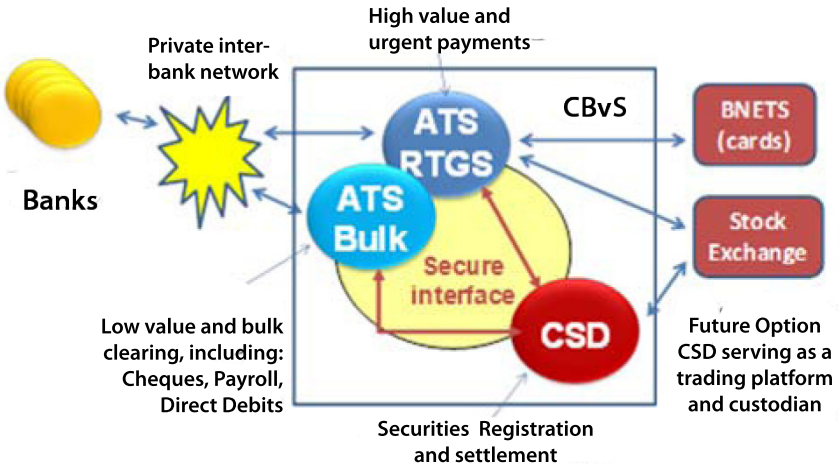
5 Foreign currency deposits were introduced in 1992 but reliable data are only available since 1996.

gradually increased this reserve requirement over the years, namely from 17.5 percent (2003) to 50.0 percent (2013).

Limits on foreign currency credit: Banks are only encouraged to provide foreign currency loans to clients with a cash flow in foreign currency. In 1995, the CBvS granted banks permission to extend loans in foreign currency. In 1997, banks were advised to provide foreign currency loans primarily to export or export-supporting companies. In 2011, this guideline was reaffirmed by the CBvS with the aim of preventing currency mismatches.

3. Modernization of the National Payment System

The Central Bank of Suriname, in consultation with all nine commercial banks and other relevant stakeholders, has embarked on a strategic project to modernize the Payment System of Suriname, with the objective of bringing it into line with international best practices.
The Suriname National Electronic Payment System (SNEPS) is an Automated Transfer System (ATS), which consists of the following main components: the Automated Clearing House (ACH), the Real Time Gross Settlement (RTGS) and the Central Securities Depository (CSD). The ATS is owned and managed by the CBvS. While the RTGS component of the ATS enables clearing and settlement of large-value payments, the ACH component of the ATS enables clearing and settlement of bulk low-value payment transfers.
Subsequently, the ATS provides ultimate settlement of all inter-bank transfers in Central Bank funds, using pre-funded settlement accounts. This contributes to the elimination of systemic settlement risk, the promotion of sound liquidity and credit risk management and simpler operations for all banks. Also, the ATS enables direct settlement of net positions generated in the BNETS card switch, potentially the Stock Exchange, and any other new net settlements in the future.
Connected to the ATS is a Central Securities Depository (CSD), for government securities, including registration and settlement facilities, which is intended to enable the growth of domestic capital markets. This connection provides an important platform for effecting final settlement of securities transactions, in conformity with the principles of Delivery versus Payment (DvP), and for supporting the provision by the CBvS of intraday liquidity to direct participants in the payments system.
The SNEPS project went live in August 2015. Subsequently, apart from daily operations, the Domestic Payments Department of the CBvS will be assigned the role of overseeing the payment system to ensure an adequate degree of cooperation among participants, satisfaction of user needs, compliance with rules and regulations, including risk and efficiency requirements, and collection and distribution of relevant statistical information on payment operations.



Source: Central Bank of Suriname

Also, to foster a high level of cooperation among all stakeholders, a National Payments Council (NPC) will be created in Suriname under the leadership of the CBvS.

4. Legal and Regulatory Framework for the Financial Sector

Aimed at further strengthening of the financial sector supervision, the Central Bank of Suriname undertook a comprehensive review of the regulatory framework for the financial sector in Suriname. Adopted in November 2011, the new Banking and Credit System Supervision Act gives the CBvS the sole authority with regard to licensing and supervising credit institutions. In the past, granting the license was a shared responsibility with the Ministry of Trade and Industry. The following is an overview of the legislation and regulations that apply or will shortly apply to the financial subsectors.

Commercial Banks			
Legislation	**Regulations**	**Regulations in the drafting stage**	**Guidance/ Policies**
Banking and Credit System Supervision Act 2011 (O.G. 2011 no. 155)	- Capital Adequacy - Classification of Loans and Provisioning - Large Exposure - Insider Lending - Fixed Assets - AML CFT Directive [1)] - Corporate Governance - Fit and Proper Management, Board Members - Integrity - Internal Audit - Internal Control - Liquidity Risk - Foreign Currency Risks - Interest Rate Risk	- Risk Management - Operational Risk Management - Country and Transfer Risk - Disclosure	License Criteria for a Credit Institution

1) Currently there is a revised draft AML directive based on the 40+9 recommendation of the Financial Action Task Force (FATF).

Insurance Companies			
Legislation	**Regulations**	**Regulations in the drafting stage**	**Guidance/ Policies**
The Banking and Credit System Supervision Act 1968 (G.D. 1968 no. 63 as last amended by O.G. 1986 no. 82). This act still applies to the insurance industry, while a new insurance act is being drafted.	- Guidelines on Statutes and Obtaining a Declaration of No Objection for Insurance Companies - Guidelines on Capital Adequacy - Guidelines on Assets Backing Liabilities - Instructions on Reporting Financial Statements - Instructions on Reporting Insurance Policies Denominated in Foreign Currencies (These regulations are now in the process of adaptation)	Directive Corporate Governance (Fit and proper directors and supervisor, approval requirements for strategic actions, operating approvals and related party transactions)	

Pension funds			
Legislation	**Regulations**	**Regulations in the drafting stage**	**Guidance/ Policies**
Pension Funds and Provident Funds Act (O.G. 2005 no. 75)	- Investment Guidelines for Pension Funds - Solvency Regulation for Pension Funds - Guideline for Registration by the Supervisory Authority and Obtaining a Declaration of No Objection for Pension Funds and Provident Funds	- Administration and Investment Fees Guideline for Individual Defined Contribution Pension Funds - Governance Guidelines for Pension Funds - Supplementary Investment Guideline for Individual Defined Contribution Pension Funds - Regulation Regarding Policy Formulation and the Assessment of Pension Funds	

Credit Unions			
Legislation	**Regulations**	**Regulations in the drafting stage**	**Guidance/ Policies**
- Banking and Credit System Supervision Act 2011 (O.G. 2011 no. 155) - Act on Credit Unions ((G.D. 1944 no. 93), as last amended by G.D. 1968 no 82, O.G.. 1981 no.23, O.G.1983 no.1, O.B. no. 93, O.G. 2004 no. 26).	- Regulation on Category Division - Regulation on Solvency - Regulation on Liquidity - AML CFT Directive	- Regulation Considering License Application	

STATISTICAL APPENDIX

Appendix 1
Suriname: Selected Macroeconomic Indicators

Production	2010	2011*	2012*	2013*	2014*
GDP market prices (mln SRD)	11,993.0	14,454.9	16,542.5	17,486.2	18,213.9
Real GDP growth (%)	5.1	5.3	3.0	2.8	1.8
GNI per capita (US$)	8,128.4	7,742.5	9,036.9	9,550.2	9,952.0
Government Finances**					
Revenue (mln SRD)	2,606.2	3,537.5	4,024.5	3,960.4	3,750.9
Expenditures (mln SRD)	2,955.3	3,551.1	4,410.6	4,728.4	4,564.4
Overall balance (mln SRD) [1]	-305.7	-284.7	-445.1	-1,027.1	-961.1
Overall balance in % of GDP	-2.5	-2.0	-2.7	-6.1	-5.6
Balance of Payments					
Merchandise exports (mln US$)	2,084.1	2,466.7	2,694.8	2,394.3	2,145.1
Merchandise imports (mln US$)	1,397.9	1,679.1	1,993.5	2,173.7	2,012.3
Trade balance (mln US$)	686.2	787.6	701.3	220.6	132.8
Net services, income and current transfers (mln US$)	-35.4	-536.5	-537.4	-418.2	-519.0
Current account balance (mln US$)	650.8	251.1	163.9	-197.6	-386.2
Overall balance (mln US$)	35.0	124.1	180.1	-148.8	-150.2
Gross international reserves (mln US$)	690.8	816.9	1,008.4	778.8	625.1
Import cover ratio (months) [2]	5.0	4.4	4.7	3.4	2.7
Financial Sector					
Money stock [M1] (mln SRD) [3]	3,003.8	3,546.5	4,305.3	4,466.5	4,650.4
Broad Money [M2] (mln SRD) [3]	5,525.2	6,710.0	8,128.5	9,028.1	9,520.2
Net Credit to the government (mln SRD)	191.4	-63.5	-9.4	525.5	1,291.5
Credit to the private sector (mln SRD)	3,052.0	3,660.1	4,228.9	4,983.8	5,407.4
Weighted average nominal SRD deposit rate (%)	6.2	6.6	7.0	7.2	7.4
Weighted average nominal SRD lending rate (%)	11.8	11.8	11.8	12.0	12.5
Exchange Rate and Inflation					
Official buying rate (SRD per US$)	2.71	3.22	3.25	3.25	3.25
Official selling rate (SRD per US$)	2.78	3.32	3.35	3.35	3.35
Annual average inflation (%)	6.9	17.7	5.0	1.9	3.4
End-of-period inflation (%)	10.3	15.3	4.3	0.6	3.9
Central Government Debt Ratios					
External debt (% of GDP) [4]	15.0	16.2	16.4	18.8	21.2
Domestic debt (% of GDP) [4]	12.5	10.6	10.7	15.7	12.5

Source: Central Bank of Suriname
* Preliminary Figures
** Data presentation according to international definition following the methodology as stipulated in the Government Finance Statistics Guide (IMF Manual).
1) Includes statistical discrepancies.
2) Based on imports of goods and services.
3) Includes foreign currency deposits.
4) Based on national definitions; see www.sdmo.org for debt ratios compiled in accordance with international definitions.

Appendix 2
Financial Soundness Indicators: Commercial Banks (in percent)

Indicators	2008		2009		2010		2011		2012		2013		2014	
	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Dec
Capital Adequacy														
Regulatory Capital/RWA	10.4	9.8	10.4	10.8	11.7	12.1	11.5	12.1	11.9	12.8	12.5	12.4	12.4	11.5
Regulatory Tier 1 Capital/RWA	8.9	8.4	9.0	9.5	10.3	10.7	10.2	10.9	10.8	11.6	11.4	11.2	11.2	11.4
Capital (net worth)/Assets	7.1	7.0	6.9	6.9	7.4	7.6	7.3	7.6	7.3	7.7	7.9	8.0	8.1	8.8
Asset Quality														
NPLs/Gross Loans	9.2	7.8	9.4	7.9	9.8	7.9	8.2	8.0	7.3	6.2	6.4	5.9	6.8	6.2
NPLs net of Provision/Capital	59.7	50.8	63.4	50.1	62.6	44.6	48.7	44.0	38.9	30.6	32.7	32.6	37.3	32.2
Earnings and profitability														
ROA	1.7	2.8	1.3	2.5	1.1	2.1	1.6	1.9	1.1	1.9	1.7	1.7	1.0	1.7
ROE	23.5	40.5	19.0	35.3	15.7	29.1	21.6	25.1	15.1	24.8	21.7	21.8	12.8	20.3
Liquidity														
Liquid Assets/Total Assets	32.9	32.6	29.7	29.8	28.1	29.2	27.2	26.4	31.6	28.4	26.7	29.3	32.4	30.9
Liquid Assets/Total Short-term Liabilities	57.1	56.3	51.1	50.1	51.0	52.2	49.8	48.8	57.0	53.4	52.9	57.4	65.8	63.0

Source: Central Bank of Suriname

Appendix 3A
Financial Soundness Indicators: Life Insurance Companies
(in percent)

Indicators		2008	2009	2010	2011	2012	2013	2014
Capital Adequacy	Net Premium/Capital (Life)	-96.7	-66.4	250.2	211.4	151.3	150.2	0.0
	Capital/Total Assets (Life)	-42.9	-33.3	9.0	10.0	11.1	11.3	0.0
	Capital/Technical Reserves (Life)	-32.2	-26.8	10.9	12.2	13.8	14.3	0.0
Asset Quality	(Real Estate + Unquoted Equities +Debtors) / Total Assets (Life)	13.8	15.3	16.7	16.9	19.3	17.7	0.0
	Non-performing Loans to Total Gross Loans (Life)	n.a	n.a	n.a	n.a	n.a	n.a	
Reinsurance and Actuarial Risk	Risk Retention ratio (Net Premium / Gross Premiums) - Life	98.6	97.3	96.5	96.8	97.0	97.0	0.0
	Net Technical Reserves/ Averages of Net Claims paid in last 3 years(Life)	1,716.6	1,759.7	1,048.8	1,570.8	1,747.5	2,475.5	0.0
Management Soundness	Gross Premiums / No. of Employees (Life)	n.a	n.a	n.a	n.a	n.a	n.a	n.a
	Total Assets / Number of Employees (Assets per Employee) - Life	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Earnings and Profitability	Loss ratio (Net Claims/Net Premiums) (Life)	255.8	62.6	84.5	-569.8	63.3	55.8	0.0
	Expense ratio (Expenses/Net Premiums) - Life	1,247.9	69.5	50.0	-1,259.8	103.1	93.9	0.0
	Combines Ratio (loss ratio + Expense ratio) (Life)	1,503.7	132.1	134.4	-1,829.6	166.3	149.7	0.0
	Return on Equity (Life)	120.9	-8.9	18.8	29.6	21.3	17.5	0.0
	Investment Income/Investment Assets (Life)	8.7	7.4	7.5	7.4	8.1	6.2	0.0
	Revisions to Technical Reserves / Technical Reserves (Life)	28.2	9.6	11.1	26.6	13.2	13.4	0.0
Liquidity	Liquid Assets / Current Liabilities (Life)	31.8	39.0	52.0	50.2	54.1	57.4	0.0
Sensitivity to Market Risk	Net Open Foreign Exchange Position to Capital (Life)	n.a	n.a	n.a	n.a	n.a	n.a	n.a

Source: Central Bank of Suriname

Appendix 3B
Financial Soundness Indicators: Non-Life Insurance Companies
(in percent)

Indicators		2008	2009	2010	2011	2012	2013
Capital Adequacy	Net Premium/Capital	164.4	143.3	134.2	130.8	106.9	154.5
	Capital/Total Assets	31.6	32.2	35.3	35.0	39.0	36.4
	Capital/Technical Reserves	84.7	80.7	94.0	116.5	143.2	100.4
Asset Quality	(Real Estate + Unquoted Equities + Debtors) / Total Assets	38.8	44.1	42.6	38.5	38.3	43.5
	Non-performing Loans to Total Gross Loans	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Reinsurance and Actuarial Risk	Risk Retention ratio (Net Premium / Gross Premiums)	87.6	82.9	84.3	87.8	87.6	92.3
	Net Technical Reserves/ Averages of Net Premiums Receivables in last 3 years	86.7	93.8	86.0	79.8	74.5	90.0
Management Soundness	Gross Premiums / No. of Employees	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total Assets / Number of Employees (Assets per Employee)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Earnings and Profitability	Loss ratio (Net Claims/Net Premiums earned)	59.3	62.0	58.0	58.2	54.4	60.6
	Expense ratio (Expenses incl. commissions/ Net Premiums earned)	35.9	35.4	39.1	40.8	35.0	26.5
	Combines Ratio (loss ratio + Expense ratio)	95.2	97.4	97.1	99.1	89.4	87.1
	Return on Equity	13.3	15.7	15.2	22.2	23.2	15.6
	Investment Income/Investment Assets	6.7	9.7	8.9	8.8	11.4	4.4
	Revisions to Technical Reserves / Technical Reserves	-1.7	-3.9	-6.0	-0.2	-1.3	27.6
Liquidity	Liquid Assets / Current Liabilities	89.2	97.7	105.9	97.6	108.4	111.8
Sensitivity to Market Risk	Net Open Foreign Exchange Position to Capital	n.a.	n.a.	n.a.	n.a.	n.a.	n.a

Source: Central Bank of Suriname

Appendix 4
Financial Soundness Indicators: Pension Funds
(in percent)

Indicators	2011	2012	2013	2014
Solvency Ratio (Coverage Ratio)	104.0	104.0	105.0	106.0
Return On Assets	9.4	8.3	3.9	4.6
Return on Equity	n.a	n.a	n.a	n.a
Liquidity Ratio	7.5	8.1	8.5	7.0
Pension Benefits Paid / Premiums	52.1	45.7	51.0	50.7
Income / Expenditure	160.5	147.5	83.0	106.6
Investment Income / Premiums	209.9	171.3	81.8	94.4
Investment Income / Total Invested Assets	11.1	9.9	4.7	5.4
Equity / Total Assets	24.8	25.1	20.8	23.3
Distribution of Income to Total Income				
-Premiums / Total Income	22.0	36.4	51.6	50.6
-Investment income / Total Income	46.2	62.3	42.2	47.7
-Other income / Total Income	31.9	1.4	6.2	1.7
Distribution of Expenditure to Total Expenditure				
-Pension benefits paid / Total Expenditure	18.2	23.9	21.6	27.0
-Other expenses / Total Expenditure	81.8	76.1	78.4	73.0
- Net result / Total Expenditure	60.5	47.5	-17.0	6.6
Distribution of Assets to Total Assets				
-Total investments / Total Assets	84.6	83.7	83.2	84.8
-Liquid assets / Total Assets	5.0	5.1	5.7	4.8
-Provision for pension commitments / Total assets	73.0	73.0	75.0	74.0
Distribution of Liabilities to Total Liabilities				
-Provision for pension commitments / Total Liabilities	97.3	97.3	97.5	97.1
-Other liabilities / Total Liabilities	2.7	2.7	2.5	2.9
Distribution of Investments to Total Investments				
-Real estate / Total Investments	15.2	12.9	14.4	16.3
-Mortgages / Total Investments	20.8	21.1	19.4	18.3
-Shares/ Total Investments	9.7	12.5	13.2	12.9
-Bonds/ Total Investments	28.3	25.9	21.4	20.3
-Private loans / Total Investments	2.8	2.1	2.0	1.9
-Time Deposits / Total Investments	11.4	11.9	14.5	14.9
-Saving Accounts / Total Investments	3.6	5.6	6.5	6.2
-Gold certificate / Total Investments	1.4	1.4	1.0	1.0
-Treasury bills / Total Investments	3.4	3.6	4.6	4.4
-Current account with the employer / Total Investments	1.0	0.8	0.7	1.5
-Personal loans / Total Investments	0.2	0.2	0.1	0.1
-Investments which the Bank has no objection/ Total Investments	0.0	0.0	0.0	0.0
-Mutual funds/ Total Investments	2.0	1.7	1.8	2.0
-Others/ Total Investments	0.2	0.2	0.2	0.2
Total assets to GDP	10.4	10.0	9.8	9.0
Return on Investments	11.1	9.9	4.7	0.1
Foreign investments / Total Investments	25.9	23.6	20.5	18.5
Government investment(local)/ Total investment	4.8	5.0	5.6	5.3
Private investment (local)/ Total investment	69.3	71.3	73.9	76.1
Foreign Investements/ Total assets	22.0	20.0	17.0	17.0
Local Investments/ Total assets	63.0	64.0	66.0	68.0

Source: Central Bank of Suriname

Appendix 5
Financial Soundness Indicators: Credit Unions
(in percent)

Indicators		2008	2009	2010	2011	2012	2013	2014
Liquidity ratio including loan portfolio	Closed bond	168.3	177.4	212.9	214.3	207.3	203.4	349.1
	Open bond	186.2	220.1	123.6	121.7	131.4	117.1	127.0
Liquidity ratio excluding loan portfolio	Closed bond	49.7	62.1	56.9	70.8	67.1	69.4	207.6
	Open bond	58.8	120.8	79.1	62.7	76.0	62.0	66.3
Solvency ratio	Closed bond	3.5	3.3	4.0	4.8	2.9	3.3	8.5
	Open bond	20.3	22.2	11.9	1.3	1.6	7.3	10.0
Claims on members/ liablities to members	Closed bond	86.1	81.7	86.6	81.1	79.9	75.3	58.1
	Open bond	89.7	67.5	86.3	80.1	72.1	78.1	72.2
Equity/ total assets	Closed bond	2.9	3.0	3.7	3.8	2.6	1.9	6.2
	Open bond	12.0	11.6	10.7	11.4	10.9	7.0	8.8
Return on assets	Closed bond	1.1	0.8	3.7	5.0	1.9	0.8	2.5
	Open bond	26.5	14.9	-0.6	0.4	0.3	-2.1	1.7

Source: Central Bank of Suriname

SAMENVATTING

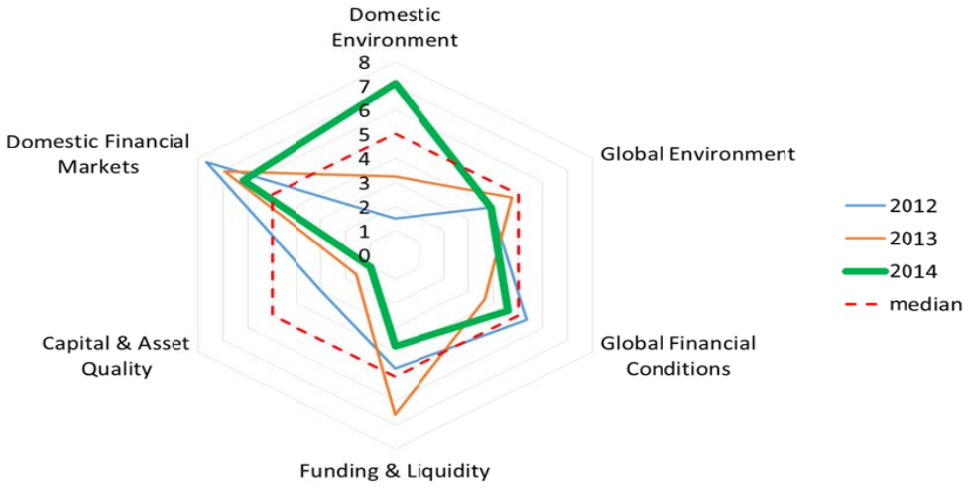
Dit inaugurele Financial Stability Report (FSR) van de Centrale Bank van Suriname (CBvS) is bedoeld om economische en financiële beleidsmakers maar ook belangstellenden te voorzien van een beoordeling van de prestaties en de veerkracht van de financiële sector van Suriname alsook om meer bekendheid te geven aan de diverse maatregelen die de CBvS heeft genomen om een stabiel en veilig financieel klimaat in Suriname te bevorderen. De Nederlandse versie van dit rapport zal kort na het verschijnen van de Engelse uitgave worden gepubliceerd via de website van de CBvS.

In de nasleep van de wereldwijde financiële crisis en haar effecten die in de gehele Caribische regio werden gevoeld, heeft de CBvS resoluut gehandeld door haar interne toezichtsregelingen te verbeteren voor het waarborgen van de solvabiliteit en de stabiliteit van de binnenlandse financiële sector.
Hoofdstuk I van dit verslag geeft een overzicht van de financiële sector in Suriname en vormt het institutioneel kader van het rapport. Het gaat hierbij met name om het wettelijk mandaat van de CBvS, de belangrijkste wetten die van toepassing zijn op de financiële sector en de institutionele samenstelling van deze sector.

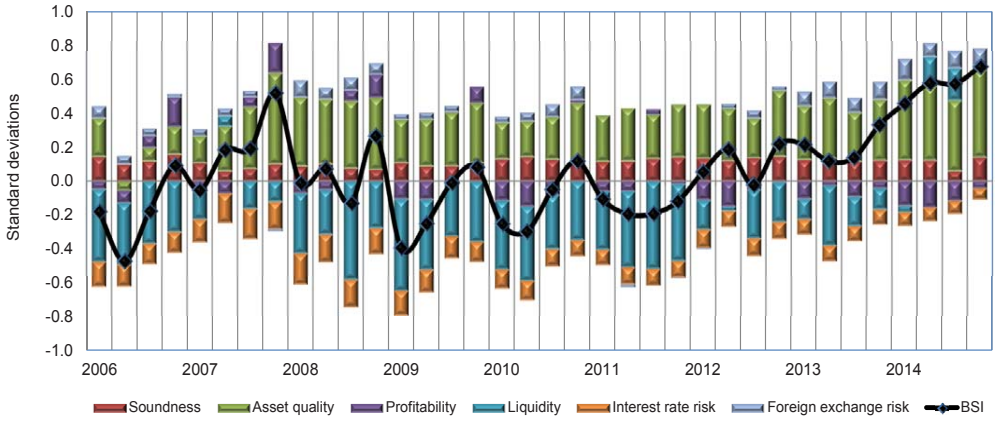
Hoofdstuk II identificeert de belangrijkste economische en financiële risico's die voortvloeien uit de mondiale en nationale omgeving, en analyseert de gevolgen daarvan voor de Surinaamse financiële sector en economie. Het radardiagram hieronder geeft een globaal overzicht van financiële stabiliteit in Suriname op grond van veranderingen (inwaartse beweging is verbetering; uitwaartse beweging is verslechtering) in de nationale en mondiale omgeving.
Hoofdstuk III beoordeelt de financiële resultaten, de risico's en de soliditeit van commerciële banken, verzekeringsmaatschappijen, pensioenfondsen en kredietcoöperaties die actief zijn in Suriname.

Commerciële banken
Sinds de wereldwijde financiële crisis is het Surinaamse bankwezen zeer veerkrachtig gebleven. Het bleef goed gekapitaliseerd, winstgevend, en met een voldoende mate van liquiditeit. In 2014, is de algehele stabiliteit van de bankensector aanzienlijk verbeterd, zoals wordt weergegeven door de bankstabiliteitsindex (BSI).

De solvabiliteitsratio (CAR) van het bankwezen aan het einde van 2008 was 9,8 procent; eind 2009 steeg die tot 10,8 procent en bleef boven 10 procent tot 2014 (11,5%). In 2014, waren de CARs van Surinaamse banken boven het regionale gemiddelde van 10 procent, met Suriname op de vijfde plaats van CARICOM-landen met een ratio hoger dan het vereiste minimum.
De niet-presterende leningen (NPL) ratio daalde van 7,8 procent (2008) naar 6,2 procent (2014), hetgeen redelijk is gegeven een norm van 5 procent. Het rendement op eigen vermogen (ROE) is afgenomen sinds 2008 (40,5%), hoewel de bankensector nog steeds winstgevend is in 2014 (20,3%).



Source: Central Bank of Suriname



Source: Central Bank of Suriname

De liquiditeitsratio van de commerciële banken is gestegen van 56,3 procent naar 63,0 procent in dezelfde periode.

Verzekeringsmaatschappijen

Levensverzekering: De solvabiliteitsratio is aanzienlijk verbeterd tussen 2008 (-42,9%) en 2013 (11,3%) als gevolg van toegenomen winstinhoudingen. In 2008 en 2009 daalde de solvabiliteit van de lokale verzekeringssector als gevolg van de impact van de wereldwijde financiële crisis op een aantal levensverzekeraars.

Schadeverzekering: De solvabiliteitsratio bleef schommelen tussen 30 procent en 40 procent in de periode 2008 (31,6%) tot 2013 (36,4%).

De 'insurance risk' ratio van zowel het levensverzekerings- als het schadeverzekeringssegment bleef onder het maximum van 300 procent, wat aangeeft dat verzekeringsmaatschappijen voldoende kapitaal hebben in relatie tot hun verzekeringsverplichtingen. Bovendien hebben de meeste verzekeraars ruimschoots voldaan aan de wettelijke kapitaalvereisten in de laatste twee rapportagejaren, met een kapitaaloverschot van meer dan 100 procent van het benodigde kapitaal. Het kapitaal bestond voornamelijk uit ingehouden winsten.

Pensioenfondsen

De solvabiliteit van een pensioenfonds wordt bepaald door de beleggingen minus het weerstandsvermogen in procenten van de voorziening voor pensioenverplichtingen. Het weerstandsvermogen is afhankelijk van de mate van risico toegewezen aan de gepleegde beleggingen. De solvabiliteit is afhankelijk van de gekozen pensioenregeling, vanwege de verhouding van de gewogen activa tot de voorziening voor pensioenverplichtingen. Met uitzondering van 2009 en 2010, was de dekkingsgraad van de pensioenfondsen als geheel (actieve pensioenfondsen excl. het ambtenaren pensioenfonds) ruim 100 procent. De laatste twee jaren is de dekking bovendien toegenomen. Enerzijds kan de verbeterde solvabiliteit worden toegeschreven aan een betere samenstelling van de beleggingsportefeuilles, maar anderzijds ook aan de afwezigheid van de indexering van betalingen.

Kredietcoöperaties

In 2014, voldeden zowel de gesloten als de open kredietcoöperaties aan de 7 procent solvabiliteitsratio. Toch, zijn de open kredietcoöperaties meer solvabel, omdat deze een groter werkgebied hebben, hetgeen resulteert in een groter vermogen. De CBvS houdt momenteel een meer gedetailleerd toezicht op de gesloten kredietcoöperaties, daar deze nog geen adequaat niveau van eigen vermogen hebben.

Hoofdstuk IV houdt rekening met toekomstgerichte risico's en bespreekt de resultaten van recente stresstests van de bankensector. De stresstests onderzochten de solvabiliteit van individuele banken en het bancaire systeem als geheel onder een aantal enkelvoudige stress test scenario's, waaronder de manifestatie van grondstoffenprijsrisico, concentratierisico en wisselkoersrisico. Combinaties van deze risico's werden ook getoetst in een meervoudig stress test scenario. Over het geheel genomen, is de veerkracht van het bankwezen adequaat. Op basis van de stresstests en het verbeterde risicoprofiel van de commerciële banken, zoals blijkt uit gestegen CARs en gedaalde NPLs, kan worden geconcludeerd dat het bancaire systeem in Suriname financieel stabiel is. De bankstabiliteitsindex (zie hierboven) bevestigt dit gegeven, wat een resultaat is van het strengere prudentiële toezichtskader.

Hoofdstuk V bevat initiatieven, betreffende macro-financieel onderzoek, macro-prudentieel beleid, financiële marktinfrastructuur en micro-prudentiële wet- en regelgeving, die door de CBvS zijn en worden ontplooid om risico's en kwetsbaarheden te verminderen teneinde financiële stabiliteit in Suriname te bevorderen.

De Statistische Appendix geeft, tot slot, informatie over de ontwikkeling van de belangrijkste macro-economische en financiële soliditeitsindicatoren (FSIs). De laatstgenoemde indicatoren hebben betrekking op alle subsectoren van de financiële sector in Suriname en gaan, voor vergelijkings-doeleinden, terug tot 2008, het jaar van de wereld-wijde financiële crisis.