

2017

ANNUAL REPORT



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GENERAL INFORMATION

PUBLICATION OBLIGATION

Pursuant to article 12, sub 2, of the Articles of Association of the Stichting Surinaamse Volkscredietbank (VCB), the bank has the obligation to publish a report annually, comprising of a Balance Sheet and Income Statement, together with the accompanying notes, approved by the Supervisory Committee.

MISSION

The VCB is a proactive social financial institution that, through a personal-oriented approach and assistance, is accessible to all, in which an optimal customer service is offered with tailored services and products.

As a bank, we strive to grow larger and to increasingly improve the professional services to our clients. Our ambition is to become the most client-oriented bank of Suriname. We feel strongly committed to our clients; if clients are doing well, then we are doing a good job.

VISION

We are determined to take in a dominant position within the financial sector, with empowered personnel who provide devoted attention to quality to our clients.

Central in our vision is the basic commitment of the VCB to increase its market share. The pursuit to provide devoted attention to quality to clients through professional and empowered personnel is one of the spearheads in becoming a quality organization. The direct effect is that the quality standards must be maintained in all operations.

CORE VALUES

The VCB defined the following core values which will lead to the realization of the strategic goals of our bank.

- Integrity;
- Professionalism;
- Flexibility;
- Innovation;
- Transparency.

These values are regarded as our ethical business concept and make evident what VCB stands for.

MULTI-ANNUAL FINANCIAL SUMMARY

BALANCE SHEET as at December 31 (x SRD 1,000)

	31-12-2017	31-12-2016	31-12-2015
	SRD	SRD	SRD
<u>ASSETS</u>			
Cash and cash equivalents	315.907	287.673	159.922
Due from credit institutions	83.117	112.595	51.168
Due from clients	379.391	369.896	286.854
Investments	428.037	244.843	38.294
Premises and equipment	55.833	47.146	23.499
Other assets	1.507	220	164
Prepayments and other receivables	2.322	641	2.476
	<u>1.266.114</u>	<u>1.063.014</u>	<u>562.377</u>
<u>LIABILITES</u>			
Due to credit institutions	10.393	23.637	9.930
Due to clients	1.037.383	905.595	457.232
Other liabilities	67.901	21.440	5.074
Accruals	35.081	37.389	42.312
Provisions	5.125	5.466	706
Loans	3.707	5.396	-
Equity capital	106.524	64.091	47.123
	<u>1.266.114</u>	<u>1.063.014</u>	<u>562.377</u>

INCOME STATEMENT (x SRD 1,000)

	2017	2016	2015
	SRD	SRD	SRD
REVENUES			
Interest margin	50,024	44,760	33,509
Other income	31,008	47,029	16,261
Total revenues	81,032	91,789	49,770
EXPENSES			
Personnel and administrative expenses	65,003	58,326	32,756
Depreciation	4,935	3,356	2,309
Addition to provision for receivables due from clients	5,730	24,563	5,390
Total expenses	75,668	86,245	40,455
Income before taxes	5,364	5,544	9,315
Income tax	-1,931	-1,984	-3,326
Net income	3,433	3,560	5,989

INDEX NUMBERS

	2017	2016	2015
BIS ratio	19.64	8.76	13.70
Debt ratio	91.59	93.97	92.62
Efficiency ratio	86.31	67.20	70.45
Return on equity	4.02	6.40	13.57
Return on assets	0.29	0.44	1.17
Non-performing loan ratio	16.00	12.00	4.00
Immobilias guideline	57.80	70.03	65.60
Loan to deposit ratio	72.23	68.33	71.11

SOLVENCY

Internationally, the BIS (Bank for International Settlement) ratio is regarded as an important measure in obtaining an indicator on the status of the bank's financial position i.e. solvency. The BIS ratio reflects the ratio between a bank's equity and its risk-weighted assets. A minimum ratio of 10% has been set by the "The Bank for International Settlement (BIS)".

The ratio in 2017 shows an increase of 10.88 points, from 8.76% to 19.64% compared to the previous year. The increase in the ratio is caused by a capital increase of SRD 39 million by the Government of Suriname.

DEBT RATIO

This ratio shows to which degree the bank's funding is financed with borrowed capital. The norm value for the debt ratio is 75. This index number is established by dividing the total borrowed capital by the total capital. In 2017, the ratio decreased by 2.38 points compared to 2016.

EFFICIENCY RATIO

This ratio shows the degree of the efficiency of the bank's business operations. The lower the ratio, the more efficient the business operations. The efficiency ratio increased by 19.11 points in 2017 compared to 2016. In the year 2017, total revenues decreased, while the total operating expenses increased by 13% compared to the previous year.

RETURN ON EQUITY (ROE)

This means the degree of profitability, thus the ratio between the net income realized by the company during a specific period, and the average equity capital through which the net income was generated. This is represented by a ratio indicating the realized profitability of the invested equity capital, after tax.

This ratio dropped in December 2017 with 2.38 percentage points, compared to 2016. The net income decreased with 4%, in comparison to the previous year and moreover the equity capital increased with 66% compared to previous year. The RoE decreased as a result of the large increase of the equity capital due to the capital injection by the Government of Suriname.

RETURN ON ASSETS (ROA)

The RoA is the ratio between the net profit and the average value of all assets (balance sheet total). This ratio decreased in 2017 with 0.154 percentage points, in comparison to 2016. The decrease of the RoA is primarily due to the revaluation of the foreign currency components as a result of the devaluation of the SRD and the capital injection of SRD 39 million by the government of Suriname due to the acquisition of the Landbouwbank N.V., which resulted in an increase of the balance sheet total.

NON-PERFORMING LOAN RATIO

With non-performing loans are meant loans which are not performing in accordance with the agreed terms. These loans indicate a delay in repayment. This ratio is calculated by dividing the total outstanding balance of the non-performing loans by the total loan portfolio. The ratio in 2017 is 12%. This ratio increased significantly in 2017 compared to 2016, from 12% to 16%. This increase is the result of the so-called infected loans that came along with the acquisition of the Landbouwbank N.V. and the deteriorated macro-economic situation in the country.

IMMOBILIA GUIDELINE

This guideline indicates the ratio between the investments in tangible fixed assets and the equity capital. The sum of such-like investments may not exceed 100% of the equity capital.

LOAN TO DEPOSIT RATIO

This ratio indicates the ratio between the collected funds and the invested funds. The norm set by VCB is established at 75%. The ratio increased in 2017 with 3.90 percentage points, compared to 2016.

ORGANIZATION CHART AS AT DECEMBER 31, 2017



ALFRED FORD

Deputy Director Operating & Financial



ROY SOECHIT

Deputy Director Commercial



SUPERVISORY COMMITTEE

From left to right: Mr. Edwin Heuvel (Deputy Chair), Mrs. drs. Georgetine Marapengopie-Tjalim (2nd Secretary), Mrs. Diana Görlitz-Abrahams (Secretary), Mr. Julius Pahalwankhan (Member), Mrs. Claudette Etnel (Member), Mrs. mr. Clarisse Pawironadi-Dasi (Chair), Mr. Robin Huiswoud (Member)



REPORT OF THE SUPERVISORY COMMITTEE

GENERAL

Hereby, the Supervisory Committee reports on its activities during the reporting year 2017. This includes the activities of the Audit Committee, Risk Committee, Compliance Committee and Remuneration Committee. As of January 1, 2017 responsible for the management of the bank are Mr. R.B. Soechit, Deputy Director Commercial and A.O. Ford, Deputy Director Operating & Financial (Executive Board).

During the reporting year, the bank continued to implement its strategic human resources policy, taking into consideration the acquisition of the Landbouwbank and the transformation of the personnel department to Human Resource Management. Within the VCB our center of attention are people, therefore we focus on offering quality services as well as having motivated employees. In order to provide optimal services, investments were made in the construction of a modern building in Lelydorp and a pawnshop at the Coronie branch. Despite the challenges, the bank was able to achieve its main goals in 2017.

DUTIES AND RESPONSIBILITIES OF THE SUPERVISORY COMMITTEE

The duty of the Supervisory Committee is to conduct supervision on the management's policy and on the general affairs of the bank, as well as that of its associated entities. This supervision includes, amongst other things, that the objectives of the bank must be realized and that the strategy and risks associated with banking activities must be closely monitored. The Supervisory Committee also ensures that the set-up and functioning of the internal risk management control systems take place in conformity with the guidelines and that the process of financial reporting as well as compliance with legislation and regulations are in line with the Corporate Governance Code.

During 2017, the Supervisory Committee had 45 meetings, both plenary and in committee. The following topics were discussed: Good Corporate Governance, the remuneration policy, internal risk management and internal control systems, the financial reporting process, compliance with laws and regulations, monitoring the BIS, efficiency and NPL ratio, the Strategic Business Plan 2016-2020, the follow-up to the acquisition of the Landbouwbank N.V., the transformation of personnel department to Human Resource Management and the reports of the Audit, Risk, Compliance and Remuneration Committees. Work visits were made to the Kwatta, Saramacca, Coronie and Nickerie branches.

The Executive Board has regularly informed the Supervisory Committee about important transactions, investments and developments within the bank. In the meeting of December 21, 2017, the Executive Board presented an evaluation 2017 and the plans for 2018.

Specific sub-tasks have been assigned to four committees in order to optimize the deployment of the members of the Supervisory Committee:

1. AUDIT COMMITTEES

The Audit Committee consists of the members R. Huiswoud (chairman), G. Marapengopie-Tjalim and Mr. C. Pawironadi-Dasi. The committee is scheduled to meet at least once every quarter, but in 2017 have met a total of 2 times. Topics discussed during the meetings included the functioning of the Internal Audit Department, audit reports, Audit Charter, internal control, IT audit, evaluation annual plan and composition of the next annual plan.

2. RISK COMMITTEE

The Risk Committee consists of the members G. Marapengopie-Tjalim MSc. (Chairman), R. Huiswoud and E. Hill. The committee is scheduled to meet at least once every quarter, but has met a total of 2 times in 2017. Regularly the risk reports and management information reports are discussed. Other topics discussed were

risk charter, ERM (Enterprise Risk Management), organizational structure of the risk department, risk appetite and risk tolerance. The members of the Supervisory Committee participated in an awareness COSO ERM (event identification, risk assessment & risk response) session.

3. COMPLIANCE COMMITTEE

The Compliance Committee consists of the members D. Görlitz-Abrahams (Chairman), C. Etnel and C. Pawironadi-Dasi LLM. The Committee meets at least once quarterly and has met a total of 3 times in 2017. Topics such as the functioning of the Compliance department, Good Corporate Governance, annual Compliance Report, compliance risks specifically Anti-Money Laundering (AML) and control risks were discussed during the meetings. The members of the Supervisory Committee participated in a training of Corporate Governance (Introduction to financial crime and introduction to financial forensics by Prof. Dr. Peter Diekman RA). The Compliance Committee attended a compliance presentation organized by the Banking Association.

4. REMUNERATION COMMITTEE

The Remuneration Committee consists of the members C. Etnel (Chairman), D. Görlitz-Abrahams and J. Pahalwankhan. The committee is scheduled to meet at least once every quarter, but has met a total of 2 times in 2017. In these meetings, the remuneration policy, the functioning of the various departments, the filling of positions and the motivation of staff were discussed.

ACKNOWLEDGEMENT

The Supervisory Committee want to express its gratitude to the Executive Board, management and all employees for their efforts and dedication and expresses its appreciation for the contribution they have made to the results achieved in 2017. We also thank our clients and other relations for the confidence and trust placed in us, as well as the Government as our shareholder.

Paramaribo, October 2020

Supervisory Committee

Mr. C. Pawironadi-Dasi	Chair
E. Heuvel	Vice Chair
D. Görlitz-Abrahams	Secretay
Drs. G. Marapengopie-Tjalim	2 nd Secretary
R. Huiswoud	Member
C. Etnel	Member
J. Pahalwankhan	Member

REPORT OF THE EXECUTIVE BOARD

GENERAL CONSIDERATIONS

Based on our corporate responsibility and our statutory obligations, we have the pleasure to present to you the annual report for the financial year 2017.

In contrast to the many complex changes in 2016, the past reporting year has been characterized by the necessary adjustments as a result of new processes and the handling of the expected “teething troubles” of the implementation of our new banking system.

Think of the connection between the different subsystems and the new banking system. In addition, the implementation of the new working procedures in practice has led to some adaptation difficulties.

The focus of the VCB in 2017 was successfully eliminating and resolving the expected pain points arising as a result of the aforementioned aspects.

Due to an abrupt change in our management team, the implementation of a smooth adjustment and normalization of our operations took more time and effort than initially foreseen, nevertheless we have succeeded to a large extent. However, the implementation of the strategic business plan drawn up in 2016 has been compromised and will be postponed. We have already obtained the funds for this purpose from our shareholder, which has led to an increase in the bank’s equity, resulting in an increase in our BIS ratio from 8.76% to 19.64%.

Another point of attention in 2017 was the tightening of our credit acceptance policy, including a more critical risk strategy, a more efficient debt collection policy and better credit management.

As a result of the above developments, our personnel and management costs increased by approximately SRD 6.7 million, or 11%, compared to the previous year. And our revenues fell from SRD 91.7 million to SRD 81 million or 12%. Our net income remained almost unchanged compared to the previous reporting year and in combination with an increased balance sheet total of SRD 203 million, we look back on the past reporting year with satisfaction.

MACRO ECONOMIC DEVELOPMENTS

INTERNATIONAL PERSPECTIVE

According to the International Monetary Fund (IMF), global output growth accelerated in 2017 by 0.5 points to 3.8%. A growth that came about due to a worldwide increase in consumer spending and international trade. Low interest rates and average low inflation rates were among the reasons.

This growth manifested itself mainly in the better developed countries such as the United States and Northern Europe. As a result, the Federal Reserve was forced to adjust its interest rates upwards by 0.25% in December 2017.

In Europe, it was mainly the Netherlands and Germany that benefited from the growing consumption and other expenditures fueled by the ECB since 2015 through the “quantitative easing” program, which included the purchase of government and corporate bonds.

The Indian and Chinese economies again showed growth of 7% while the Caribbean and Latin American regions grew by 1% on average. A growth that was fueled by the attraction of raw material prices including gold and petroleum.

NATIONAL PERSPECTIVE

After a 5.6% contraction of the Surinamese economy in 2016, according to the IMF, the year 2017 showed a growth of 1.7%. This growth was mainly due to the increase in the production and export of gold. This increase was due to the commissioning of the Merian gold mine of the multinational Newmont. In addition to increasing production and exports, the world price of gold rose from USD 1,150 per troy ounce at the end of December 2016 to USD 1,300 per troy ounce in December 2017.

Because of OPEC's agreement to limit oil production and geopolitical tensions around Korea and the Middle East, the international Brent crude oil price also went up from USD 55 per barrel in December 2016 to USD 66 per barrel in December 2017.

The effect on overall activity of increased activity in the export sector was however reduced by the continuing weakness of domestic markets.

Due to the loss in purchasing power of the population, the growth of consumer spending was not sustained. As a result, good imports remained at the 2016 level. As a consequence, international reserves increased by 11% and reached a level of USD 424 million at the end of 2017.

Due to export growth of approximately 40% accompanied by unchanged imports, the current account deficit realized in 2015 and 2016 reduced to USD 1.8 million in 2017 according to the Centrale Bank of Suriname.

The above developments, the non-implementation of new investment projects and the monetary policy measures taken had a dampening effect on foreign exchange demand. As a result, the depreciated exchange rate of SRD 7.50 for USD 1 in 2016 showed a stabilized character. This in turn led to a reduction in the inflation rate from 55% in 2016 to 22% in 2017 on an average annual basis and on a 12-month basis from 52% to 9%.

DEVELOPMENTS OF THE VCB

GENERAL

In the following paragraphs we have outlined our conducted policy in the reporting year on the key policy areas, particularly operational and commercial policies. An integrated overview is presented of the management of the bank, including the policy and implementation.

CORPORATE GOVERNANCE

Good Corporate Governance is of eminent importance for the VCB to guarantee the stability and integrity, the realization of strategic ambitions and maintaining the trust of all involved parties. At the consideration of these interests, the continuity and social environment in which the bank functions are always kept in mind. Priority is given to the managing the bank in accordance with the principles of a healthy and prudent management, in conformity with the applicable legal and administrative provisions.

For safeguarding of the Code, the Regulations of the Supervisory Committee and the Regulations of Management entered into force in April 2016. The Regulations of the Supervisory Committee comprise amongst others of the duties and working methods, composition and professionalism, conflicting interests, meetings and continuous development through training and education.

In the Management Regulations are stipulated the composition, the professionalism, responsibilities and competences of the Management.

The VCB maintains a general Code of Conduct which serves as a guideline for the internal and external actions of all personnel at the bank. The Regulations of the governing bodies, together with the general Code of Conduct, forms part of the Good Corporate Governance Handbook.

The VCB is aware that applying the principles is a continuous process and that disclosure and transparency are the cornerstones of good management.

OPERATIONAL MANAGEMENT

RISK MANAGEMENT

Risks associated with the daily operations are inevitable for the bank. For that Risk Management has an important function: "identification and presentation of relevant risks for the entire organization which will be reported and acknowledged to ensure that the relevant risks are adequately managed. In doing so, the bank achieves the established organizational goals.

The responsibility of managing the risks at our bank is based on the three lines of defense governance model which are:

1. The line management is the first line of defense and primarily responsible for identification, assessment and management of the risks associated with the corporate activities, in line with the established risk limits.
2. The second line of defense is formed by the independent risk management function consisting of the Risk Management Department (RMD) and the Compliance Department (CD).
3. The Internal Audit Department (IAD) forms the third line of defense and is dependent on the first and second line. The effectiveness of the internal control measures is assessed as well as the advising on possibilities for improvement.

RISK MANAGEMENT

During the reporting year, the VCB's risk management policy was revised on the basis of the "COSO Enterprise Risk Management principles". In this context, an active course of action has been taken, in which the aspects of COSO ERM were put into practice at VCB. The aim was to formulate targeted policies and integrate them into the bank's various business processes. Another aspect we have worked on is to report according to the COSO ERM model. This method of reporting focuses on the identified risks using the 4 main objectives of the COSO ERM model. Relevant risks (events) were then identified that may affect the bank's ability to achieve its vision, mission and objectives.

Taking into account a medium credit risk acceptance, special attention was paid to our loan portfolio in this context. In order to mitigate the probability and impact of credit risk to some extent, the different economic sectors have been analyzed in terms of risk level and value, in which the tolerance limits in terms of exposure per sector have been reassessed. Developments within the various economic sectors were therefore monitored extra closely, taking into account the concentration of risk and the Non Performing Loans.

When responding to market risks, the emphasis was placed on monitoring the effect of price fluctuations on lending, the bank's investments and equity, as well as the interrelationship between the aforementioned risks. As part of the review of the risk management policy, the focus was also on further addressing liquidity risk, solvency risk and operational risk.

By managing liquidity risks, we aim to achieve an efficient financing structure that responds in a timely manner to any shocks, losses or changes in the market. An important "Key Performance Indicator" to monitor liquidity risk is the Liquidity Coverage Ratio (LCR). This performance requirement was met during the reporting year.

A solvent position is important for our continuity. An important ratio for determining the solvency position of the bank is the BIS ratio, which in the year 2017 showed an acceptable level according to the guidelines of the Central Bank of Suriname and internal tolerance limits. In the interest of a proper monitoring, a breakdown of the BIS Ratio has been made in order to determine the important financial statement line items that are responsible for the composition of this ratio.

The fact that we strive for operational excellence means the bank has a low acceptance of IT- and Fraud risks. To prevent reputational damage, loss and sanctions, the bank will ensure that Administrative Organization and Internal Control Procedures, internal regulations regarding good corporate governance, compliance instructions (such as AML, CFT, Client Acceptance, PEP policy, etc.), information security procedures are clearly communicated within the overall organization. The bank's risk management policy aims to provide the best possible service, with quality of service being a key performance indicator.

COMPLIANCE

As a result of various on-site inspections of the Central Bank of Suriname and our international correspondent banks, as well as new global requirements and developments, the compliance department of the VCB has implemented the following aspects:

ANTI MONEY LAUNDERING & COMBATTING THE FINANCING OF TERRORISM POLICY

The policy in the context of the fight against money laundering and terrorist financing was further tightened in 2017. The aim herewith is that the bank's integrity and reputation shall not be affected by either internal or external factors resulting from money laundering and terrorist purposes in the broadest sense of the word. From this point of view, the following was further intensified:

- The tightening of laws and regulations, both national and international, as well as the guidelines of the supervisor;
- A more effective Compliance Program;
- Improved independent monitoring by, among others, the Internal Audit Department, of the effectiveness of this policy and compliance with relevant legal requirements
- A general code of conduct that will ensure that the integrity of the VCB is further safeguarded.

CLIENT ACCEPTANCE POLICY

The client acceptance policy has been further tightened at the same time as the AML & CFT Policy.

Integrity and reliability of its clients are of eminent importance to the VCB. This is provided for by a clearly formulated client acceptance policy. It provides a fixed and well-defined framework that allows verification of the identity and background of natural and legal persons, prior to the provision of a possible service. Important spearheads include the local and international tightened legislation and regulations, including guidelines for the financial sector, cross-border correspondent banking and international compliance developments.

COMPLIANCE CHARTER

The various sections in this charter are in accordance with, among other things, the principles set out in the Guidelines for Integrity Policy and Corporate Governance in Credit Institutions. The scope of compliance has been defined and special attention was given to the positioning of this function within the Risk Management Framework. It forms the basis for embedding compliance risk management at all levels within the bank.

The responsibilities of all parties involved in the VCB, in particular the Supervisory Committee, the Executive Board, the management and the employees, are laid down in order to guarantee the integrity of the business. Risk areas have been identified, tasks and responsibilities have been broadly defined, reporting lines have been established and the consultation structure has been co-determined. The independence of the compliance function is also guaranteed in the Charter.

AWARENESS SESSIONS

As part of the continuing education programme, awareness sessions were provided by a consultant, intended for the Supervisory Committee, the Executive Board and the management of the VCB.

The subjects are as follows:

1. The position and responsibilities of administrative bodies and the relationship with shareholders;
2. Shareholder versus stakeholder approach;
3. The theme 'integrity' in the financial world
 - i. A vision of the supervisors on integrity;
 - ii. The integrity of the financial system;
 - iii. Combatting abuse of the financial system (anti-money laundering, underground banking, terrorist financing).
4. COSO Enterprise Risk Management
5. The Lines of Defence model
6. The position and responsibility of the compliance function, also in relation to the Internal Audit function

FOREIGN ACCOUNT TAX COMPLIANCE (FATCA)

As in previous years, the VCB complied with the FATCA reporting obligation for the year 2017 to the U.S. tax authorities, the IRS.

CONFERENCE

The 17th Annual FIBA AML Compliance Conference organized by the Florida International Bankers Association (FIBA) was held in March 2017. The goal is to broaden the level of knowledge as well as to be able to respond in a timely manner to international developments. In the reporting year, our compliance officer obtained her FIBA AMLCA Certification.

INTERNAL AUDIT

The Internal Audit Department (IAD) is an independent department whose task it is to provide (additional) assurance to the Executive Board and the Supervisory Committee on the extent to which the risks that threaten the objectives of the VCB, are managed. The IAD is responsible for drawing up the Internal Audit Charter and the annual Audit Plan. The Internal Audit Charter was amended in January 2017 and was approved by the Executive Board and the Supervisory Committee. In addition, the annual Audit Plan was adjusted and approved by the Executive Board in February 2017 and by the Supervisory Committee in March 2017.

The Internal Audit Charter describes the mission, purpose and scope, independence and objectivity, responsibilities and authorizations of the Internal Audit function.

The mission of the IAD is to ensure that the activities of the VCB in all its segments are assessed in an objective and independent manner. The Internal Audit helps management achieve its objectives by evaluating and improving the effectiveness of governance processes, risk management and control.

The Internal Audit Department (IAD) provides added value by evaluating and testing the design, existence and effectiveness of the internal control system by means of audits. In addition, providing advice to improve the effectiveness of the business processes including the related set of risk management and control systems. The IAD operates on the basis of an Internal Audit Charter, annual Audit Plan and control programs approved by the Executive Board and the Supervisory Committee. The first meeting with the Audit Committee members took place on May 15, 2017, while the second meeting was held on October 31, 2017.

In 2017, the IAD made its contribution to projects, including:

- i. Updating of the Administrative Organization/Internal Control Manual of the VCB.
- ii. Monitoring cleaning up of credits loans.

The new department consisted of one officer. In December 2017 the department was reinforced with one more officer. In 2017, the compliance training on unusual transactions was followed by one officer.

INFORMATION & TECHNOLOGY

In 2017, the ICT department mainly focused on eliminating the “teething troubles” of the newly implemented Core Director banking system and implementing the POS system aimed at promoting cashless (giro) banking.

HUMAN RESOURCE DEPARTMENT

NUMBER OF EMPLOYEES

In the reporting year, the personnel was extended with 5 employees, to a total number of 281 employees as at end 2017.

Due to reaching the pensionable age, the following employees ended their employment at the bank:

R. Forster
V. Gordon
P. Ramkisoen-Lynch
D. Samoedj
S. Soerowirjo
T. Warsosemito
I. Woon

We are grateful to all these employees for the services rendered to our bank.

JUBILEES

The total number of jubilees in the reporting year was 22, varying between 20 - 35 years.

20 years

S. Wong Chung
R. Thomas
M. Blanck

30 years

S. Gummels-Samiran
A. Sastroredjo
K. Vroom
C. Boerleider

25 years

A. Heyns
S. Braaf
S. Banarsi
R. DJosemito-Wongsomenawi
L. Sluer-Hok
K. Strijdhaftig
R. Zweers
M. Roemer
N. van Ritter-Lieuw Choy
I. Wolff
S. Huiswoud-Saman

35 years

A. Bhoelan-Mohab Ali
K. Ramdhan-Gangaram Pandey
P. Kartopawiro

We are grateful to all these employees for the services rendered to our bank.

TRAINING & EDUCATION

As a result of the implementation of our banking package, the training courses in the reporting year were primarily focused at successfully putting the various functionalities into operation.

In addition, task-based financial courses of NIBE and Welten were successfully completed by a number of employees. Also, the English Communication Skills Training was conducted for the front office employees.

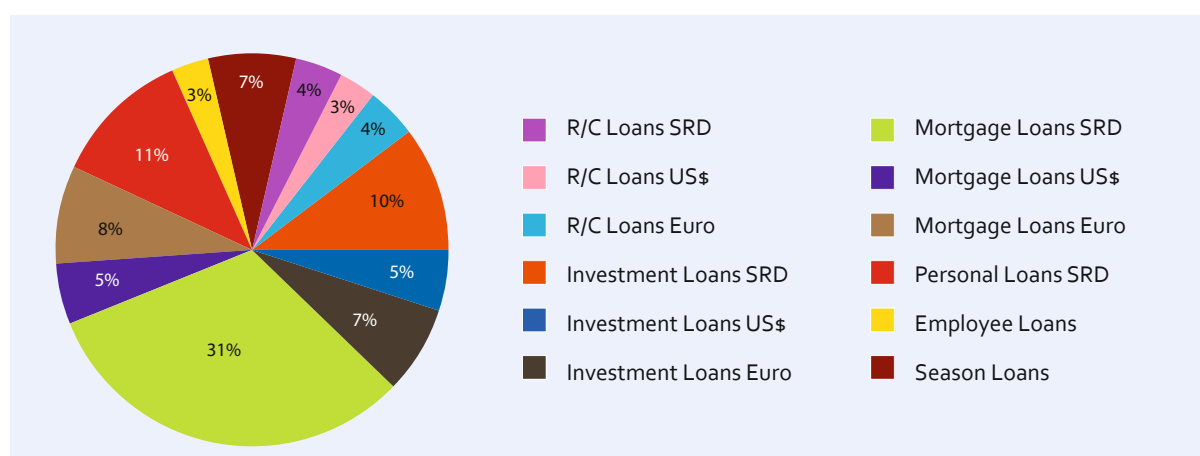
INVESTED FUNDS: CREDIT LOANS

As a result of the "efficiency document" delivered in March 2017, a start was made on a robust approach of the Non Performing Loans (NPL) ratio. At the same time, the main emphasis was placed on consolidation of the loan portfolio and increased monitoring of this portfolio in order to avoid new problem cases. In particular the high NPL ratio had to be reduced as a matter of priority. To this end, the amended collection procedure came into effect in mid-2017, with a number of far-reaching changes, the most significant of which was that notice letters no longer had to be delivered by a bailiff. This brought an enormous efficiency advantage, especially in terms of time and money. The new approach has proven its usefulness in practice. Problems that dragged on for years were solved structurally. Eligible loans were restructured, while some others started the exit procedure.

The credit intake policy was also severely tightened. In particular, the section "Financial analysis" was deepened. The submitted appraisals were also assessed with the necessary expertise. This working method also proved its usefulness. New problem cases could thus be prevented. A useful tool for this purpose was also the credit classification model introduced in the reporting year. This is a credit rating system, with a credit rating linked to it and a corresponding provisioning percentage. As a result, the risks and quality of an individual credit can be adequately assessed in advance. Despite the tighter intake combined with increasingly stringent compliance requirements, the loan portfolio increased from SRD 327,019,781 at the beginning of the year to SRD 334,555,061 at year-end.

In order to increase their level of knowledge and skills, the account managers have followed various training and education courses, such as: Corporate Lending, Cash Management and the Banking Sector Module. In addition, they have also worked on Compliance Awareness.

In terms of product distribution, the consolidated credit portfolio as at 31 December 2017 is as follows:



It should be noted that credit loans in SRD accounts for 66% of the total portfolio and our aim to minimize dollarization as much as possible has been achieved to a large extent.

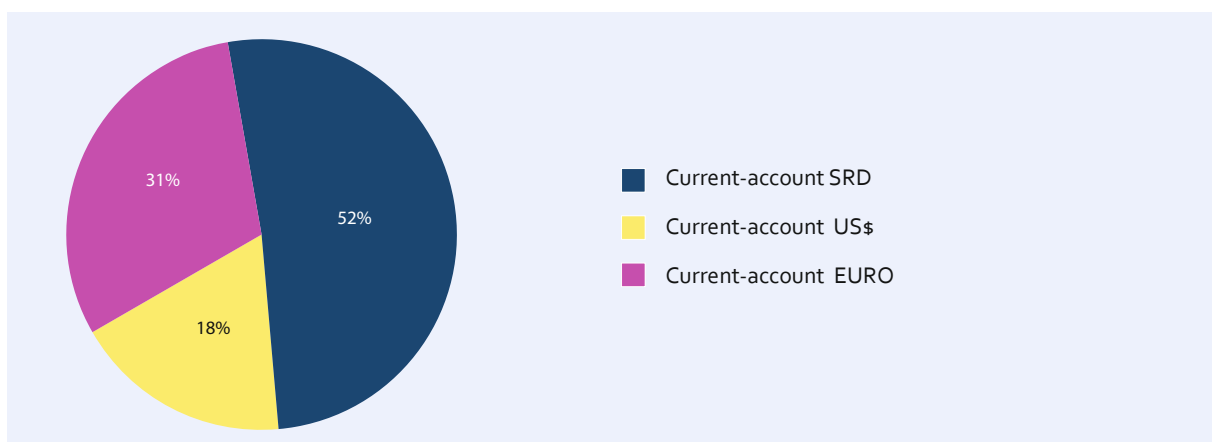
As the overview shows, the pawn loans that play a relevant role in our business operations are not included in the above overview. These credit loans are discussed in detail in the following paragraph.

ENTRUSTED FUNDS: DUE TO CLIENTS

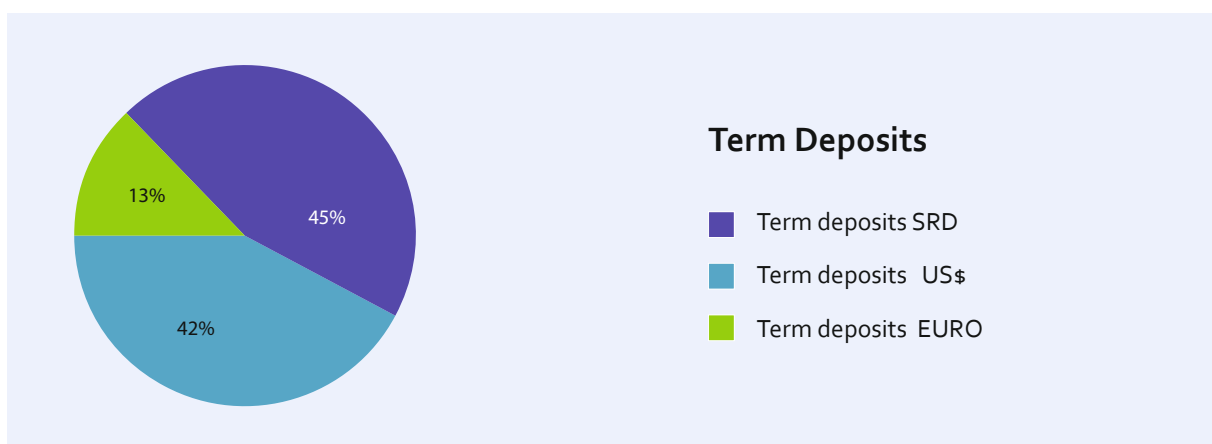
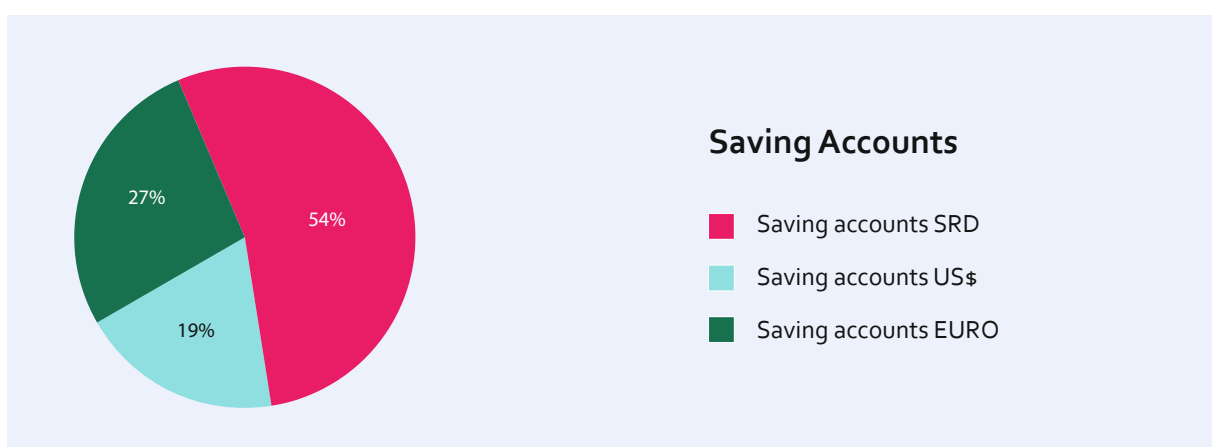
On the liabilities side of the balance sheet, "due to clients" increased by SRD 131.8 million, or 15%, to an amount of SRD 1,037.3 million. Relevant development is largely due to the well-developed acquisition policy.

This item consists of current accounts, savings and term deposits in SRD, EUROS and US dollars.

Current account balances increased by SRD 21 million to SRD 274.3 million or 8%, whereby the following breakdown by currency applies:

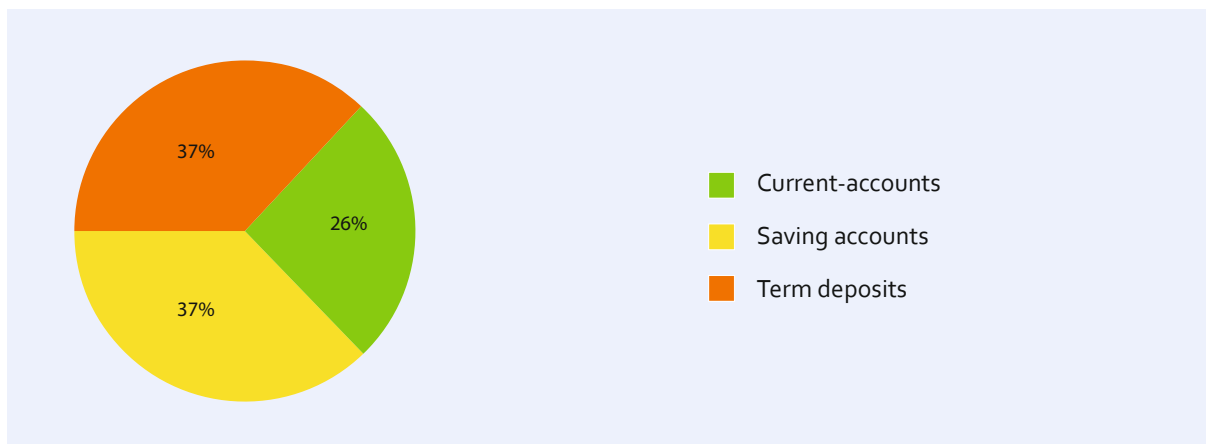


Savings increased by SRD 66.5 million to SRD 386.8 million or 21% and term deposits increased by SRD 44.2 million to an amount of SRD 376.1 million or 13%. The following breakdown by currency applies:



The composition of the funds raised indicates that our strategy to minimize dollarization as much as possible has been reasonably successful.

As of December 31, 2017, the consolidated composition of our funds raised is as follows:



Although our optimal funding mix of 50-30-20 has not yet been achieved, we have taken good steps and achieved results in order to ultimately achieve this.

TREASURY

Balance sheet management is the primary task of the Treasury department in which the management and coordination of outgoing and incoming cash flows is of eminent importance. Due to the changing nature of the cash flows involved and the associated risk management and profitability of financial positions resulting from business operations, the department operates throughout the bank. For the attention is paid to, among others, liquidity and solvency risk management.

In the reporting year the Asset & Liability Committee (ALCO) has also implemented the investment policy which was developed in 2015, whereby investments were made via established international brokers in foreign corporate and government bonds that contributed significantly to the bank's returns.

In addition to the above management actions, the buying and selling of foreign currencies is an important executive task. During the past reporting year, the exchange rate of the SRD against the USD and EUR exchange rates remained stable at SRD 7,396 and SRD 8,816 respectively.

PAWNSHOP

The pawn loans are of eminent importance to our banking institution due to the fact that they meet in the enormous need within society.

The pawnshop is responsible for the granting of pawn loans, the maintaining and monitoring of these provided pawn loans and the auctioning of non-repaid pawns.

In the year 2017 we decentralized and expanded our services by providing the branches of the acquired Landbouwbank N.V. with the necessary facilities.

In the reporting year we observed an increase of SRD 2 million, or 2%, of the amount invested. An increase that is largely due to the abovementioned decentralization of services, especially in Kwatta and Tamanredjo. On the basis of the developments observed, we can conclude that this strategy has been successful and shows good prospects.

We may also conclude that the repayment behavior of our clients has remained within our target ratio. The amount of the properties auctioned amounted to only 3% of the total amount put out.

Unfortunately, however, we have had to conclude that there was a decrease in the number of loans with 10,148 or 7% compared to 2016.

These developments are the result, among others, of the bank's ever-increasing unfair competition from in particular illegal pawnshops, the so-called "gold-purchase companies". The aforementioned companies operate outside the legal pawnshop ordinance and offer loans in foreign currency through purchase and sale agreements.

It is essential that the competent bodies and authorities intensify control mechanisms in order to create a level playing field. In addition, it is important that we continue to take our social responsibility and, through our awareness-raising campaign, continuously draw society's attention to the associated risks if pawns are pledged to companies that are not authorized to do so and, moreover, that do not have the required expertise.

SUMMARY FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31 DECEMBER 2017 (BEFORE PROFIT APPROPRIATION)

	Note	31-12-2017		31-12-2016	
		SRD	SRD	SRD	SRD
ASSETS					
CASH AND CASH EQUIVALENTS	6		315,906,511		287,672,716
DUE FROM CREDIT INSTITUTIONS	7		83,117,333		112,594,650
DUE FROM CLIENTS					
Loans	8	334,555,061		327,019,781	
Pawn loans	9	<u>44,836,441</u>		<u>42,875,868</u>	
			379,391,502		369,895,649
INVESTMENTS					
Treasury bills	10	321,229,743		184,138,061	
Shares	11	547,747		547,580	
Term deposits	12	25,028,015		14,708,000	
Bonds	13	79,187,858		43,680,319	
Stock purchased gold jewelry	14	<u>2,044,069</u>		<u>1,769,516</u>	
			428,037,432		244,843,476
PREMISES AND EQUIPMENT	15		55,832,588		47,145,824
OTHER ASSETS	16		1,506,597		220,619
PREPAYMENTS AND OTHER RECEIVABLES	17				
			<u>2,322,354</u>		<u>641,172</u>
			<u>1,266,114,317</u>		<u>1,063,014,106</u>

	Note	31-12-2017		31-12-2016	
		SRD	SRD	SRD	SRD
LIABILITIES AND EQUITY					
DUE TO CREDIT INSTITUTIONS	18		10,392,819		23,636,555
DUE TO CLIENTS					
Current accounts	19	274,374,716		253,323,087	
Savings	20	386,875,187		320,374,890	
Term deposits	21	<u>376,133,100</u>		<u>331,896,770</u>	
			1,037,383,003		905,594,747
OTHER LIABILITIES					
Old age provision fund for employees	22	6,972		690,084	
Special funds Government	23	45,002,903		2,898	
Other short-term liabilities	24	<u>22,891,636</u>		<u>20,747,165</u>	
			67,901,511		21,440,147
ACCRUALS					
Interest	25	13,748,566		11,140,306	
Accruals	26	<u>21,332,871</u>		<u>26,248,972</u>	
			35,081,437		37,389,278
PROVISIONS	27		5,124,570		5,466,022
LOANS	28		3,707,041		5,396,276
EQUITY CAPITAL					
Foundation capital	29	69,101,700		30,101,700	
Revaluation reserve		18,955,678		19,562,704	
General reserve		14,830,130		10,662,617	
Fund for general bank risks		203,573		203,573	
Net income		<u>3,432,855</u>		<u>3,560,487</u>	
			106,523,936		64,091,081
			<u>1,266,114,317</u>		<u>1,063,014,106</u>

INCOME STATEMENT OVER 2017

	Note	2017		2016	
		SRD	SRD	SRD	SRD
REVENUES					
Interest income		99,563,146		80,282,196	
Interest expenses		<u>49,538,754</u>		<u>35,521,976</u>	
Interest margin	31		50,024,392		44,760,220
Commission income		6,230,443		5,030,876	
Result financial transactions		4,012,658		28,199,926	
Other gains		<u>20,764,385</u>		<u>13,797,789</u>	
Other income	32		<u>31,007,486</u>		<u>47,028,591</u>
Total revenues			<u>81,031,878</u>		<u>91,788,811</u>
EXPENSES					
Personnel expenses	33	46,772,501		42,036,562	
Administrative expenses	34	18,230,584		16,289,071	
Depreciation	35	<u>4,935,301</u>		<u>3,355,759</u>	
Operational expenses			<u>69,938,386</u>		<u>61,681,392</u>
			11,093,492		30,107,419
Change in provision for receivables due from clients	36		<u>-5,729,750</u>		<u>-24,563,046</u>
INCOME BEFORE TAXES			<u>5,363,742</u>		<u>5,544,373</u>
Income tax	37		<u>1,930,887</u>		<u>1,983,886</u>
NET INCOME			<u><u>3,432,855</u></u>		<u><u>3,560,487</u></u>

CASH FLOW STATEMENT OVER 2017

	Note	2017		2016	
		SRD	SRD	SRD	SRD
Cash flow from operational activities					
Net income			3,432,855		3,560,487
Depreciation	35	4,935,301		3,355,759	
Change in provision for receivables due from clients	36	5,729,750		24,563,046	
			10,665,051		27,918,805
<u>Changes in reserves:</u>					
Addition deferred tax liabilities Landbouwbank N.V.		-		5,201,225	
Addition revaluation reserve Landbouwbank N.V.		-		9,069,201	
General reserve Landbouwbank N.V.		-		-25,761,234	
Capital Landbouwbank N.V.		39,000,000		30,100,000	
			39,000,000		18,609,192
<u>Changes in provisions:</u>					
Release provisions deferred tax liabilities			-341,452		-441,250
			52,756,454		49,647,234
<u>Changes in:</u>					
Invested funds (due from clients)		-15,225,603		-107,604,975	
Other assets		-1,285,978		-57,436	
Prepayments and other receivables		-1,681,182		1,835,042	
Due to credit institutions		-13,243,736		13,706,210	
Entrusted funds (due to clients)		131,788,256		448,363,024	
Other liabilities		44,507,298		16,365,830	
Accruals		-2,307,842		-4,922,259	
Loan Government		264,852		5,396,276	
			142,816,065		373,081,712
			195,572,519		422,728,946
Cash flow from investment activities					
Real estate LBB				-17,621,334	
Additions tangible fixed assets		-14,236,009		-9,582,751	
Disposals tangible fixed assets		1,278,095		204,786	
Investments		-183,193,956		-206,549,201	
Depreciation related to disposals of tangible fixed assets		-664,171		-2,970	
			-196,816,041		-233,551,470
Cash flow balance (carry forward)			<u>-1,243,522</u>		<u>189,177,476</u>

	Note	2017		2016	
		SRD	SRD	SRD	SRD
Cash flow balance (carried forward)			-1,243,522		189,177,476
Beginning balance cash and bank			400,267,366		211,089,890
Ending balance cash and bank			399,023,844		400,267,366

The cash and bank consists of:

Cash and cash equivalents	6	315,906,511	287,672,716
Due from credit institutions	7	83,117,333	112,594,650
		399,023,844	400,267,366

MOVEMENT SUMMARY OF EQUITY CAPITAL

	Capital	Revaluation reserve	General reserve	Fund for general bank risks	Result	Total
	SRD	SRD	SRD	SRD	SRD	SRD
Balance as at January 1, 2017	30,101,700	19,562,704	10,662,617	203,573	3,560,487	64,091,081
Movement in the equity capital for the year:						
Transfer of result 2016 to the general reserve	-	-	3,560,487	-	-3,560,487	-
Capital strengthening	39,000,000	-	-	-	-	39,000,000
Release to the general reserve	-	-607,026	607,026	-	-	-
Net income for the year	-	-	-	-	3,432,855	3,432,855
Balance as at December 31, 2017	69,101,700	18,955,678	14,830,130	203,573	3,432,855	106,523,936

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

GENERAL

Activities

The activities of the Stichting Surinaamse Volkscredietbank (VCB) primarily comprise of the granting of credits and obtaining the thereto required funds, and to function as a foreign currency bank.

The Stichting Surinaamse Volkscredietbank is situated at Waterkant 104, in Paramaribo. These summary financial statements are prepared in final draft by the Management on January 7, 2020.

Acquisition of Landbouwbank N.V.

On December 14, 2015, all shares of the Landbouwbank N.V. (LBB) owned by the Government of Suriname were transferred to VCB. At the acquisition of the shares, the financial position and the solvency of acquired company were taken into account. Between the parties, namely the Government of Suriname, the Central Bank of Suriname and the VCB, it is agreed that this acquisition should have no negative impact on the solvency position of the VCB. The shares were acquired for SRD 1. Simultaneously, the VCB in return received an amount of SRD 30 million from the Government of Suriname as a capital injection, with the objective that the solvency position of the VCB, after the acquisition and the financial integration, will be maintained at the same level as before the acquisition.

Although the acquisition formally took place as a share acquisition transaction as at December 14, 2015, economically, the acquisition, which was executed in March 2016, was in fact an assets/liabilities transaction. Also the stipulations and orders of the Central Bank of Suriname indicate a compulsory integration of the two banks following the acquisition. This will lead to passing on of all assets and liabilities to the VCB, through which LBB will be left as an empty company.

In 2017 a second capital injection has taken place by the Government of Suriname for a total of SRD 39 million, which has been accounted for in the equity capital.

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

BASIS OF PREPARATION

The summary financial statements and the accompanying notes are an extract of the annual financial statements for the year ended December 31, 2017. The annual financial statements for the year ended December 31, 2017 have been prepared in accordance with the generally accepted accounting principles.

FUNCTIONAL AND PRESENTATION CURRENCY

The items in the summary financial statements are converted at the exchange rate of the primary economic environment in which the bank operates ('the functional currency exchange rate'). The summary financial statements are presented in Surinamese Dollars (SRD) which is both the functional and the presentation currency of the bank.

TRANSACTIONS, RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCY

Transactions in foreign currency are converted to the functional exchange rate on the date of transaction. Monetary assets and liabilities in foreign currencies are converted at the functional exchange rate as at the balance sheet date. The exchange rate differences resulting from translation of financial transactions and from the valuation of monetary assets and liabilities in foreign currencies are recognized in the income statement under 'Results from financial transactions'.

ACCOUNTING PRINCIPLES FOR THE BALANCE SHEET AND INCOME STATEMENT

CASH AND CASH EQUIVALENTS

This regards cash funds and receivables from banks and the Central Bank of Suriname. The cash funds and receivables are valued at the nominal value.

RECEIVABLES DUE FROM CLIENTS

The receivables due from clients are recognized at the nominal value, at deduction of a possible provision for uncollectable debts. The receivables due to clients can be subdivided as follows:

- **Credit loans**
Unearned interest and a provision for debtor risk are deducted from the granted loans.
- **Pawn loans**
The pawn loans amount to maximally 75% of the internal appraised value.
- **Provision loans and pawnshop**
The provision 'loans pawnshop' is formed for coverage of counterfeit gold jewelry. In 2017, this was 5% of the total pawn loans, including unearned interest as at December 31, 2017.

INVESTMENTS

Shares

The shares are recognized at the current value. Differences between the historic and the current value are accounted for in the income statement

Treasury bills

Treasury bills are issued by the Central Bank of Suriname and are valued at the acquisition cost including interest.

Stock of purchased gold jewelry

The investment in gold jewelry is valued at the acquisition cost.

REAL ESTATE AND OTHER TANGIBLE FIXED ASSETS

The valuation of premises and buildings is at the current value which is determined based on the appraisal conducted on June 5, 2012. The buildings are stated at their current value after deduction of depreciation.

The difference between the current value and the acquisition cost, is processed in the equity capital under the revaluation reserve, after deduction of a provision for contingent tax liabilities, with exception of the revaluation reserve on land.

The other assets are valued at the historic value after deduction of the accumulated depreciation and any extraordinary depreciation.

There is no depreciation on land. Depreciation expenses on other tangible fixed assets is calculated based on the linear depreciation method, on the acquisition cost of the assets after deduction of residual value over the estimated economic useful life.

The expected economic useful life is as follows:

Buildings:	25 years	4%
Installations:	3-5 years	20%-33 1/3%
Other corporate means:	3-5 years	20%-33 1/3%

Transport means:	3-5 years	20%-33 1/3%
Inventory:	3-5 years	20%-33 1/3%

The residual values of the tangible fixed assets, economic useful life and depreciation method are assessed and prospectively adapted where necessary, if there is indication of a significant change compared to the last reporting date.

The book value of a tangible fixed asset is immediately devaluated to the estimated realizable value if the fixed asset is larger than the estimated realizable value. Gains and losses on disposal of tangible fixed assets are calculated by comparing the revenue with the carrying amount and are included in other (income) / expense net in the income statement.

IMPAIRMENT OF REAL ESTATE AND OTHER TANGIBLE FIXED ASSETS

The depreciated tangible fixed assets are assessed on the reporting date to establish whether there are indications of extraordinary depreciations. If such indications exist, the book value of the asset is assessed on the extraordinary depreciation. A loss from impairment is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount.

DUE TO CLIENTS

This includes balances due to clients on current and savings accounts and deposits.

PROVISION FOR CONTINGENT TAX LIABILITIES

This relates to a provision made for the contingent tax liabilities resulting from the revaluation of land and buildings in use by the bank. This provision indicates the tax liability on the unrealized portion of the revaluation reserve.

LOANS

Under this item are included, the long-term loans granted by the government of Suriname and the special funds from the government.

TERM DEPOSITS

These are valued at the current value. Term deposits in foreign currency are valued at the exchange rate of the Central Bank of Suriname per balance date. The interest due at year end is entered under the item "Accrued liabilities".

EQUITY CAPITAL

The Surinaamse Volkscredietbank is a foundation which performs activities in Paramaribo (Centre and Latour) and districts Nickerie, Saramacca and Wanica (Lelydorp). In the year 2014, a branch was opened in district Para. The core duties include the granting of various types of loans and obtaining of the necessary funds, as well as to function as a foreign currency bank. The VCB is in the process of transforming its legal status from a foundation to a N.V (limited liability company). The acquisition of the Landbouwbank by the VCB has in the meantime taken place in 2015. Simultaneously with this acquisition VCB received SRD 30,000,000 from the Government of Suriname for capital strengthening. In 2017, a second capital injection of SRD 39,000,000 was received from the Government of Suriname.

REVALUTION RESERVE

The revaluation reserve results from the revaluation of a part of the real estate. A provision for contingent tax liabilities is deducted from the revaluation reserve (36%), with exception of the revaluation on land. Annually, the portion realized through depreciation is released and added to the general reserve.

FUND FOR GENERAL BANK RISKS

A fund is maintained for general bank risks (FAR) for the purpose of caution, in order to cover the general risks of the banking business.

The level of this fund and the addition of this fund are based on the expected developments of the current and future risks. Allocations are accounted for in the income statement under the item "Addition to provision for receivables due from clients".

OTHER ASSETS AND LIABILITIES

Unless indicated otherwise, the other assets and liabilities are value at face value.

REVENUE DETERMINATION

Determination of results

The revenue is recognized in the year the services are rendered and expenses are allocated to the year they relate to. The result is determined by the difference between earned interest and the interest expenses and other charges over the year. The interest over the non-performing loans is recognized as a receivable, but is not accounted for as a gain in the income statement.

Interest margin

Interest income and interest charges are accounted for in the income statement whereby allocation takes place in the year to which the interest received and interest charges are related based on calculations in which the agreed relevant interest percentages for the related year are used.

The interest related to non-performing loans is included as receivable but is not accounted for in the income statement as income.

Commission income

This item primarily regards commissions from loans and insurances and amounts are based on agreed percentages for the relevant loans and/or insurances.

Result from financial transactions

This primarily regards the foreign currency differences from the conversion of monetary assets and liabilities in foreign currency as at balance sheet date. In this item are also included the exchange rate results arising in the course of the year.

Other income

These regard amongst others, allocated expenses related to the granted credit loans and pawn loans.

Exchange rate differences

The functional and presentation currency

The items in the summary financial statements are valued at the currency of the economic environment in which the bank primarily performs its business activities (the functional currency).

The summary financial statements are prepared in Surinamese Dollars (SRD), which is both the functional and presentation currency of the bank.

Conversion of foreign currency

Monetary assets and liabilities expressed in foreign currency are converted at the exchange rate as listed by the Central Bank of Suriname as at balance sheet date.

The foreign currency differences resulting from the conversion are included in the income statement, under the item "Result from financial transactions". Transactions in foreign currency during the reporting year are processed at the exchange rate used at the transaction.

The exchange rates for the most occurring foreign currencies were:

	31-12-2017	31-12-2016
	SRD	SRD
US\$ 1	7.396	7.354
Euro 1	8.816	7.687

Income tax

General

Income tax is calculated over the income before taxes in the income statement, taking into consideration the tax deductible losses and the tax-exempted components.

In addition, the mutations in the deferred tax liabilities at the effective tax percentage are also taken into account.

Current and contingent income tax obligations

The tax liability consists of current and contingent tax liability. The different taxes are recognized in the income statement unless the change is related to a financial statements line item, recognized in shareholders' equity (other comprehensive income item), whereby the change is also recognized directly in equity. Contingent tax liabilities are recognized at current tax rates at the balance sheet date.

For calculation of the income tax, the result from securities and received dividend is also taken into account. This is deducted from the net income before taxes.

ACCOUNTING POLICIES OF THE CASH FLOW STATEMENT

The statement of cash flow is prepared using the indirect method. Cash and bank consist of current bank accounts and cash on hand. Taxes, interest and similar income and interest and similar expenses are included in cash flows from operating activities.

SOLVENCY AND CAPITAL MANAGEMENT OF THE SURINAAMSE VOLKSCREDIETBANK

Under this item, the ratios of the Surinaamse Volkscredietbank (VCB) are included. The VCB, as a bank, pursues to have an adequate solvency position. The bank herewith focuses on a number of solvency ratios. The most important are the core tier 1-ratio and the tier 1-ratio (the capital ratio and the equity capital ratio).

In 2017, the solvency ratio of the VCB was above the minimum requirement by the Central Bank of Suriname, which is established at minimally 10%. Per 31 December 2017, the solvency ratio of the VCB is 19.64%. The increase of the solvency ratio is caused by the capital injection of SRD 39 million by the Government of Suriname to bring the solvency back above the minimum requirement.

The VCB strives to have a distinguishing position in comparison to other financial institutions.

The management of the solvency position occurs based on policy documents. The VCB must meet a number of legally determined minimum solvency positions. The solvency position is determined on the basis of ratios. These ratios compare the regulatory capital (capital ratio) and the core capital (tier 1-ratio) of the bank with the total of the risk-weighted assets. The determination of the risk-weighted assets is based on separate approaches for credit risk, operational risk and market risk. The determination of the risk-weighted assets for credit risk is based on a large number of sub-approaches.

For most assets, the risk-weighting is determined based on internally established ratings and a number of specific characteristics of the relevant assets. For off-balance sheet items, a balance equivalent is first determined based on internally established conversion factors.

The resulting equivalent amounts are subsequently weighed based on the risk. The amount related to the risk-weighted assets for operational risk is determined based on the so-called Advanced Measurement Approach model. The market risk approach covers the general market risk, as well as the risk of open positions in currency, liabilities, equity capital instruments and goods. The ratios presented here are based on CRD III.

Note to the Tier 1 ratio and the solvency ratio of the VCB

Tier 1 capital

The Tier 1 capital comprises of the equity capital and the accrued profit after-tax. These consist of the two capital elements that banks in all countries have in common and which give the best indication on the degree in which banks are able to cover risks.

Tier 2 capital

Comprises of other elements that can be included in the capital base. In this case, however, the national supervisory authorities make decisions in this regard. It is thus possible that there will be national differences. The Tier 2 capital includes for example, the hidden reserves, revaluation reserve, general provisions and subordinated loans. The Tier 2 capital amounts may in no case exceed those of Tier 1.

RISICOPOSITIE UIT HOOFDE VAN FINANCIËLE INSTRUMENTEN

Onderstaand de verdeling van de deviezenpositie per 31 december 2016

Description	Position entry (including foreign currency residents accounts)	
	US\$	EUR
1. Nostro Balance	5,287,202	2,766,077
2. Foreign instruments of payment	3,239,899	1,865,670
3. Foreign investments	6,428,050	1,922,622
Sub-total	14,955,151	6,554,369
4. Receivables from CBvS	7,271,471	2,581,946
5. Receivables from local banks	3,840,804	2,832,695
6. Debtors	5,301,539	6,957,871
7. Other debit items	1,987,039	
8. Term deposits (non-residents)	20,146,462	5,176,659
	43,600	519,760
9. Savings accounts (non-residents)	8,866,526	11,131,520
	111,199	989,268
10. Creditors (non-residents)	6,615,310	9,557,996
	307,525	1,328,351
11. Other Liabilities	-	
12. Liabilities to CBvS		
13. Liabilities to local banks	2,555,702	1,836,998
14. Other credit items	157,993	47,844
Foreign currency position	-4,985,989	-8,824,135
SWAP	5,470,215	9,651,381
Net foreign currency position	484,226	827,246

NOTE TO THE BALANCE SHEET AS AT 31 DECEMBER 2017

ASSETS

6. CASH AND CASH EQUIVALENTS

Under this category are included the stock of cash and cash equivalents in Surinamese currency and foreign currency and the current account relation with the Central Bank of Suriname.

31-12-2017	31-12-2016
SRD	SRD
315,906,511	287,672,716

7. DUE FROM CREDIT INSTITUTIONS

This regards current account receivables at domestic and foreign banks.

31-12-2017	31-12-2016
SRD	SRD
83,117,333	112,594,650

DUE FROM CLIENTS

8. Credit loans

The specification is as follows:

	31-12-2017	31-12-2016
	SRD	SRD
Total credit loan portfolio	368,411,718	376,646,882
Less: interest future installments	9,568,756	-2,288,916
Plus: interest receivable	5,108,559	2,932,174
Nominal value	383,089,033	377,290,140
Less: Interest non-performing loans	-2,721,040	-3,689,559
	380,367,993	373,600,581
Less: Provision for non-performing loans	-45,812,932	-46,580,800
	334,555,061	327,019,781

Total credit loan portfolio

The total credit loan portfolio comprises of both performing and non-performing loans.

Interest future installments

This regards the upfront calculated interest on credit loan. The total interest over the loans is calculated upfront. The earned interest is transferred annually to the income statement and the remaining portion is deducted from the receivable.

Interest receivable

Interest receivable regarding the financial year.

Interest non-performing loans

The interest on non-performing loans is deducted from the earned interest revenues and the outstanding receivables.

Provision for non-performing loans

The provision on the non-performing loans is determined based on the percentages specified by the Central Bank of Suriname and the established credit classifications.

Credit loans specified by type of currency

	31-12-2017		31-12-2016		In (de) crease	
	SRD	%	SRD	%	SRD	%
Current account loans SRD	12,455,993	4	15,853,281	5	-3,397,288	-21
Current account loans US\$	10,850,428	3	12,570,899	4	-1,720,471	-14
Current account loans Euro	14,839,327	5	13,081,725	4	1,757,602	13
Investment loans SRD	33,056,947	10	33,650,314	10	-593,367	-2
Investment loans US\$	17,437,923	5	18,333,152	6	-895,229	-5
Investment loans Euro	22,774,163	7	25,216,526	8	-2,442,363	-10
Mortgages SRD	104,227,558	31	109,370,630	33	-5,143,072	-5
Mortgages US\$	18,248,603	6	14,406,556	4	3,842,047	27
Mortgages Euro	28,329,853	8	19,821,540	6	8,508,313	43
Personal loans SRD	36,903,354	11	35,418,595	11	1,484,758	4
Personnel loans SRD	10,804,459	3	7,249,790	2	3,554,669	49
Loans for rice farmers	24,626,453	7	22,046,773	7	2,579,680	12
	<u>334,555,061</u>	<u>100</u>	<u>327,019,781</u>	<u>100</u>	<u>7,535,280</u>	<u>2</u>

9. Pawn loans

The pawn loans regard granted funds with primarily gold jewelry as security.

The balance stated in the balance sheet is compiled as follows:

	31-12-2017	31-12-2016
	SRD	SRD
Nominal	47,196,253	45,132,492
Provisions pawn loans	-2,359,812	-2,256,624
	<u>44,836,441</u>	<u>42,875,868</u>

Provision loans pawnshop

The provision in 2017 is formed to cover the risk of possible counterfeit gold jewelry.

	2017	2016
	SRD	SRD
Beginning balance per 1 January	2,256,624	2,006,740
Addition	103,188	249,884
Ending Balance per 31 December	<u>2,359,812</u>	<u>2,256,624</u>

INVESTMENTS

10. Treasury bills

This item regards the investment in treasury bills issued by the Government of Suriname and is stated at the nominal value and increased with the already earned interest.

11. Shares

This item regards the investment in shares of N.V. Surinaamse Assurantie Maatschappij "Self Reliance". These investments can be specified as follows:

	31-12-2017	31-12-2016
	SRD	SRD
N.V. Surinaamse Assurantie Maatschappij "Self Reliance"	<u>547,747</u>	<u>547,580</u>

12. Term deposits

In connection with the new treasury policy, the bank has invested in term deposits in the year 2017, at the Finabank. The term deposits each have a value of US\$ 1,000,000 and EUR 2000,000 with a total equivalent value of SRD 25,028,014.

13. Bonds

In connection with the new treasury policy, the bank has invested in bonds from abroad. The new bonds have a value of US\$ 2,500,000 with a total equivalent value of SRD 18,490,000. These foreign bonds are interest-bearing and are listed on the stock exchange.

14. Stock purchased gold jewelry

This item regards gold jewelry procured at auctions valued in conformity with the acquisition price of SRD 2,044,069 total. These are maintained as an investment.

15. PREMISES AND EQUIPMENT

Below we present a summary of the mutations in premises and equipment in the financial year:

	Land	Building and installations	Other corporate means	Works in progress	Real estate from obtained foreclosures	Total
	SRD	SRD	SRD	SRD	SRD	SRD
1 January 2017						
Purchase value or current value	12,157,284	45,912,828	17,275,520	2,220,017	2,403,806	79,969,455
Depreciation	-	-19,405,273	-13,418,358	-	-	-32,823,631
Book value	12,157,284	26,507,555	3,857,162	2,220,017	2,403,806	47,145,824
Mutations in 2017						
Additions	-	581,987	4,160,829	9,493,194	-	14,236,010
Disposals	-	-178,256	-527,618	-	-572,221	-1,278,095
Depreciation	-	-3,249,474	-1,688,489	-	-	-4,937,963
Depreciation related to disposals	-	178,256	488,558	-	-	666,814
	-	-2,667,487	2,433,280	9,493,194	-572,221	8,686,767
31 December 2017						
Purchase value or current value	12,157,284	46,316,560	20,908,731	11,713,211	1,831,586	92,927,372
Depreciation	-	-22,476,495	-14,618,289	-	-	-37,094,784
Book value	12,157,284	23,840,065	6,290,442	11,713,211	1,831,586	55,832,588

Except for the real estate assets obtained from foreclosures, the premises are intended for own use. Real estate assets obtained from foreclosures are reserved for sale, and therefore no depreciation is calculated.

16. OTHER ASSETS

We present the following summary on the other assets:

	31-12-2017	31-12-2016
	SRD	SRD
Stock of jewelry	38	-
Personnel advances	413,698	26,499
Stock of test material	13,468	7,837
Stock ATM cards	148,471	136,471
Other	930,923	49,812
	<u>1,506,597</u>	<u>220,619</u>

17. PREPAYMENTS AND OTHER RECEIVABLES

The specification is as follows:

	31-12-2017	31-12-2016
	SRD	SRD
Prepaid expenses	1,674,075	274,827
Medical advances	9,243	11,367
Salaries	11,974	105,117
Pending payments	146,542	146,542
Cash differences	388,521	-
Auction proceeds	63,930	67,758
Other	28,069	35,561
	<u>2,322,354</u>	<u>641,172</u>

LIABILITIES

18. DUE TO CREDIT INSTITUTIONS

Below are the obligations due to local banks.

	31-12-2017	31-12-2016
	SRD	SRD
	<u>10,392,819</u>	<u>23,636,555</u>

DUE TO CLIENTS

19. Current accounts

We present the following specification:

	31-12-2017	31-12-2016
	SRD	SRD
Current accounts SRD	141,429,472	134,735,069
Current accounts in US\$	48,923,993	44,539,274
Current accounts in EUR	84,021,251	74,048,744
	<u>274,374,716</u>	<u>253,323,087</u>

20. Savings

We present the following specification:

	31-12-2017	31-12-2016
	SRD	SRD
Savings account SRD	207,518,287	193,693,285
Savings account in US\$	74,605,016	51,557,460
Savings account in EUR	104,751,884	75,124,145
	<u>386,875,187</u>	<u>320,374,890</u>

The interest percentages of the SRD savings account vary between 6% and 7.75%, depending on the type of savings account. The interest percentages of the foreign currency savings account vary between 0.45% and 2%.

21. Term deposits

We present the following specification:

	31-12-2017	31-12-2016
	SRD	SRD
Term deposits < 1 year SRD	66,255,194	32,943,680
Term deposits > 1 year SRD	103,433,249	105,951,519
Term deposits in US\$	156,399,234	143,167,436
Term deposits in EUR	50,045,423	49,834,135
	<u>376,133,100</u>	<u>331,896,770</u>

The term deposits in SRD have an interest percentage varying between 8.75% and 17%.

The interest percentages of the foreign currency term deposits vary between 0.75% and 7%, depending on the term and the currency.

OTHER LIABILITIES

22. Old age provision fund for employees

The old age provision fund for employees is based on a defined contribution pension scheme of the VCB for employees who entered into employment up and until 1982. Employees who entered into employment after 1982, participate in the VCB Bank Pension Fund Foundation which also includes a defined contribution pension scheme for employees. This fund solely regards personnel who are not members of the pension fund.

The movement schedule is as follows:

	2017		2016	
	SRD	SRD	SRD	SRD
Balance as at January 1		690,084		587,372
Plus: contribution bank	13,365		34,196	
contribution personnel	5,346		13,678	
settlement	-1,968		-	
interest	15,715		54,838	
resigned members	-715,571		-	
		-683,112		102,712
Balance as at 31 December		6,972		690,084

The interest amounts to 9% over the outstanding balance at the beginning of the year, plus the interest over the monthly contributions.

23. Special funds Government

Special funds government regards a short term loan of 2 months with the Central Bank of Suriname. In 2017 the VCB has invested in treasury bills for an amount of SRD 50 million. To strengthen the liquidity position of the Bank, the VCB negotiated a loan with a low interest rate. Of this loan a total amount of SRD 5 million has already been repaid in 2017.

24. Other current liabilities

This item is comprised as follows:

	31-12-2017	31-12-2016
	SRD	SRD
Current portion long-term loan Government (note 28)	1,954,088	1,954,088
Deposits	11,430	43,429
Liability for surplus proceeds on foreclosure jewelry	1,140,984	1,036,358
Ministry of Finance regarding surplus proceeds on foreclosed jewelry	678,327	154,494
Expired term deposits	247,210	382,410
Income tax liability	1,067,363	190,598
Deposit safe-deposit boxes	827,867	747,087
Stamp duty	3,908,157	3,133,721
Payable available resources for investment	12,932,737	12,861,091
Notary expenses	34,743	13,468
Insurance companies	-	4,781
Other	88,730	225,640
	22,891,636	20,747,165

Ministry of Finance regarding surplus proceeds auctioned jewelry

The surplus on foreclosed jewelry is made available for the borrower. If this surplus is not claimed within a year by the borrower, the amounts are then made available to the Government.

Payable available resources for investment

This amount is made available by the Tax Authorities for investment in treasury bills.

ACCRUED LIABILITIES

25. Payable interest

The specification is as follows:

	31-12-2017	31-12-2016
	SRD	SRD
Depositors and savers	13,747,406	11.139.146
Special funds Ministry of Finance	1,160	1.160
	<u>13,748,566</u>	<u>11.140.306</u>

26. Accruals

The specification is as follows:

	31-12-2017	31-12-2016
	SRD	SRD
Charged CRV premium	2,127,092	1,541,275
Clearing B-nets	293,734	88,206
Due income tax and AOV premium	-180,465	1,679,672
Payable expenses	3,966,558	6,070,073
Received fire insurance	125,048	86,501
Pension fund VCB	1,082,543	1,356,642
Provision tax closing loan	134	26,816
Provision personnel benefits	3,994,681	5,717,218
Provision LBB personnel	-	777,463
AKF settlement	9,655,175	8,534,388
Other debtors LBB	24,980	24,980
Cash differences	-	124,839
Other	243,390	220,899
	<u>21,332,871</u>	<u>26,248,972</u>

Provision personnel benefits

This account regards a provision on future personnel expenditures such as gratifications, bonuses and lump sum schemes.

AKF settlement

This item regards repayments as well as grants of AKF loans.

27. PROVISIONS

Provision deferred taxation liabilities

The provision for deferred taxation liabilities are accounted for temporary tax differences between the maintained accounting principles of the tangible fixed assets in the fiscal financial statements and the accounting principles of these assets in the commercial financial statements.

The specification is as follows:

	2017	2016
	SRD	SRD
Balance as at January 1	5,466,022	706,046
Add: provision deferred taxation liability LBB	-	5,201,226
	5,466,022	5,907,272
Less: Release due to realization through depreciations	-341,452	-441,250
Balance as at 31 December	5,124,570	5,466,022

28. LOANS

	31-12-2017	31-12-2016
	SRD	SRD
Long-term loan at the Government	5,661,129	7,350,364
Current portion under current liabilities (note 24)	-1,954,088	-1,954,088
	3,707,041	5,396,276

Long-term loan at the Government

The Landbouwbank N.V. has a long-term loan at the Government with a start sum total of SRD 19,783,439.84. This loan has a term of 13 years and commenced on January 1, 2008. The monthly repayment amounts to SRD 162,840.69.

29. EQUITY CAPITAL

Progress overview of the equity capital (amounts in SRD)

The movement in the components and in the equity capital are entered in the movement summary of the equity capital on page 29.

Capital

The foundation capital of the VCB amounts to SRD 69,101,700. This amount is compiled as follows:

	SRD
Balance as at January 1, 2017	30,101,700
Capital strengthening by the Government of Suriname	39,000,000
Balance as at December 31, 2017	69,101,700

Revaluation reserve

The movement of this item is as follows:

	2017	2016
	SRD	SRD
Balance as at January 1	19,562,704	11,277,950
Addition of LBB revaluation reserve due to acquisition	-	9,069,201
Transfer to the general reserve	-607,026	-784,447
Balance as at December 31	<u>18,955,678</u>	<u>19,562,704</u>

General reserve

The movement of this item is as follows:

	2017	2016
	SRD	SRD
Balance as at January 1	10,662,617	29,650,065
Addition of net income previous financial year VCB	3,560,487	5,989,339
Release to the benefit of the general reserve	607,026	784,447
Addition of LBB general reserve due to acquisition	-	-25,761,234
Balance as at December 31	<u>14,830,130</u>	<u>10,662,617</u>

30. CURRENT LAWSUITS

The bank, through intervention of its external attorneys, has various ongoing lawsuits under settlement that are in proceedings on the substance and or appeals. These legal cases are of a diverse nature whereby the dispute by debtors includes, amongst other things, the followed procedures of the bank, these debtors claim to hold the bank liable, on formal grounds, for suffered damage, or otherwise the annulment of the execution thereof.

Below is a summary of the various ongoing lawsuits:

1. Following the demise of a client who held a credit facility at the bank, for which private premises were given as security, the successor failed to comply with the provisions of the loan agreement. The agreement was restructured in the name of the successor but none the less failed to comply with this restructuring agreement. Inevitably the bank had to auction the real estate, in which the successor several times filed lawsuits against the bank. The bank has collected her receivable from the auction, the remaining amount has been written off according to law and regulations. As indicated above, the receivables are diverse so that no amount can be indicated due to the diverse nature of the cases. The previous period shows that the bank, through its adequate execution of the judicial proceedings, has managed so far, to settle the cases to its advantage;
2. Client disputes the auction and claims to rectify the auction at the cantonal judge. The process is ongoing and the bank is awaiting further developments. The bank has collected her receivable from the auction, the remaining amount has been written off according to law and regulations.

Through its external lawyers, the bank performs legal defense and does not expect any negative financial impact from the settlement of these lawsuits. Therefore management expects no adverse consequences for the bank in these cases. In the opinion of the external lawyers of the bank the chances that the lawsuits will be settled in favor of the bank are very high.

NOTES TO THE INCOME STATEMENT OVER 2017

31. INTEREST MARGIN

This item comprises of the beneficial difference between the interest income from credit loans, pawn loans and other investments on the one hand, and the interest charges of the entrusted funds on the other hand.

2017	2016
SRD	SRD
<u>50,024,392</u>	<u>44,760,220</u>

32. OTHER INCOME

Commission income

This item primarily regards provision earned from lending and insurances.

2017	2016
SRD	SRD
<u>6,230,443</u>	<u>5,030,876</u>

Result from financial transactions

2017	2016
SRD	SRD
<u>4,012,658</u>	<u>28,199,926</u>

Regards foreign exchange rate results

Other gains

This item includes amongst others, the passed on expenses in relation to granted loans.

2017	2016
SRD	SRD
<u>20,764,385</u>	<u>13,797,789</u>

EXPENSES

33. Personnel expenses

In addition to wages, social charges and suchlike, this item also includes a contribution by the bank to the old age provision fund and the pension fund for personnel.

2017	2016
SRD	SRD
<u>46,772,501</u>	<u>42,036,562</u>

34. Administrative expenses

This item includes, amongst others, the general expenses, administration and office expenses, publication expenses and housing expenses.

	2017	2016
	SRD	SRD
Total managerial expenses	18,230,584	16,289,071

35. Depreciation

	2017	2016
	SRD	SRD
Office equipment	821,052	771,573
Buildings and installations	3,250,485	1,802,215
Euro Net	655,613	586,202
Vehicles	208,151	195,769
	4,935,301	3,355,759

36. Change in provision for receivables due from clients

	2017	2016
	SRD	SRD
Change in provision due from clients	-5,626,562	-24,313,161
Change provision pawn loans	-103,188	-249,885
	-5,729,750	-24,563,046

37. Income tax

	2017	2016
	SRD	SRD
Release provision deferred income tax	-341,452	-441,250
Payable income tax	2,272,339	2,425,136
	1,930,887	1,983,886

OTHER INFORMATION

PROPOSED PROFIT APPROPRIATION

In accordance with the profit appropriation proposed by the Executive Board, the total net income for the financial year 2017, amounting to SRD 3,432,855 is added to the general reserve.

EVENTS AFTER THE BALANCE SHEET DATE

As of December 2019, the treasury bills of the Ministry of Finance that expired in the year 2019 and the SWAP contracts with the Central Bank of Suriname, have been settled.

In the year 2020, some activities took place within the Central Bank of Suriname, which showed that the cash reserve balances of the Surinamese banks at the Parent bank were used. The bankers' association is currently in discussions with the Central Bank of Suriname about the used cash reserve funds of the banks that will be repaid by means of a loan over a period of 8 years. Furthermore, discussions are ongoing between the bankers' association and the Central Bank of Suriname to ringfence the remaining part of the cash reserve funds, on the understanding that these funds are not at the free disposal of the Central Bank of Suriname.

INDEPENDENT AUDITOR'S REPORT



certified member firm of



Stichting Surinaamse Volkscredietbank

REPORT OF THE INDEPENDENT AUDITOR

To: The Supervisory Board of Stichting Surinaamse Volkscredietbank

Our opinion

The summary financial statements 2017 (hereafter: 'the summary financial statements') of Stichting Surinaamse Volkscredietbank, established in Paramaribo, which are stated on the pages 25 till 47 of this report, are derived from the audited financial statements 2017 of Stichting Surinaamse Volkscredietbank.

In our opinion the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements 2017 of Stichting Surinaamse Volkscredietbank, on the basis described in the related explanatory notes.

Summary financial statements

The summary financial statements do not contain all the disclosures required by generally accepted financial reporting standards. Reading the summary financial statements and our report thereon, therefore, is not a substitute for reading the audited financial statements of Stichting Surinaamse Volkscredietbank and our auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our auditor's report on those financial statements of March 24, 2020.

The audited financial statements and our auditor's report thereon

We expressed an unqualified audit opinion on the audited financial statements 2017 of Stichting Surinaamse Volkscredietbank in our auditor's report of March 24, 2020.

Responsibility of the Executive Board and the Supervisory Board for the summary financial statements

The Executive board is responsible for the preparation of the summary financial statements on the basis as described in the related explanatory notes.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which we conducted in accordance with International Standard on Auditing 810 'Engagements to report on summary financial statements'.

Paramaribo, March 17, 2021

Tjong A Hung Accountants N.V.

M.S.A. Tjong A Hung RA MSc CA
Partner