CONDENSED ANNUAL REPORT 2018 FINABANK N.V.

FinaBank

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PROFILE OF FINABANK N.V.

Composition of the Executive Board and Supervisory Board

Finabank N.V. ("the Bank" or "Finabank") has a two-Tier governance system, consisting of an Executive Board (Management) and a Supervisory Board (SB). The latter advises and supervises the former. Executive Board members are employees of the company, while Supervisory Board members are not employees of the company.

Profile of Finabank N.V.

Finabank N.V. is a Suriname-based commercial bank established in 1991. It is 100% privately owned. The Executive Board is responsible for day-to-day management, while the Supervisory Board is responsible for the supervision of the Management's policy and provides Management with advice. Finabank operates under the laws and regulations of Suriname and is under supervision of the Central Bank of Suriname (CBoS). As of December 31, 2018, the Bank's assets amounted to SRD 1,989 million.

The Bank focusses on five sectors: Business Market, Mass Retail Market, High-end Retail Market, Government and Financial Institutions. It offers a wide range of financial products and services. Currently, the Bank has a headquarter in the centre of Paramaribo and three branches; one in Paramaribo North, one in Paramaribo South and one in the district of Nickerie. In July 2019, Finabank will open a fourth branch in the district of Wanica.

Finabank aims at having a market share of 15% based on balance sheet total. In 2017, the Bank launched its strategic plan, named 'Strategy Force' for the period 2017 - 2019, containing its objectives with respect to increasing the pace of innovation, developing new services and enhancing customer centricity in order to achieve its target market share. This strategy is based on its core values and corporate responsibility, which are reflected in the following four fundamental principles, the Bank's organizational structure and business model:

- Strong corporate governance;
- Best in class AML/CFT compliance program;
- Customer centricity; and
- Robust risk management.

VISION, MISSION AND CORE VALUES

Vision
We are the number one financial solutions provider.

Mission
Enabling your ambitions through tailored financial solutions.

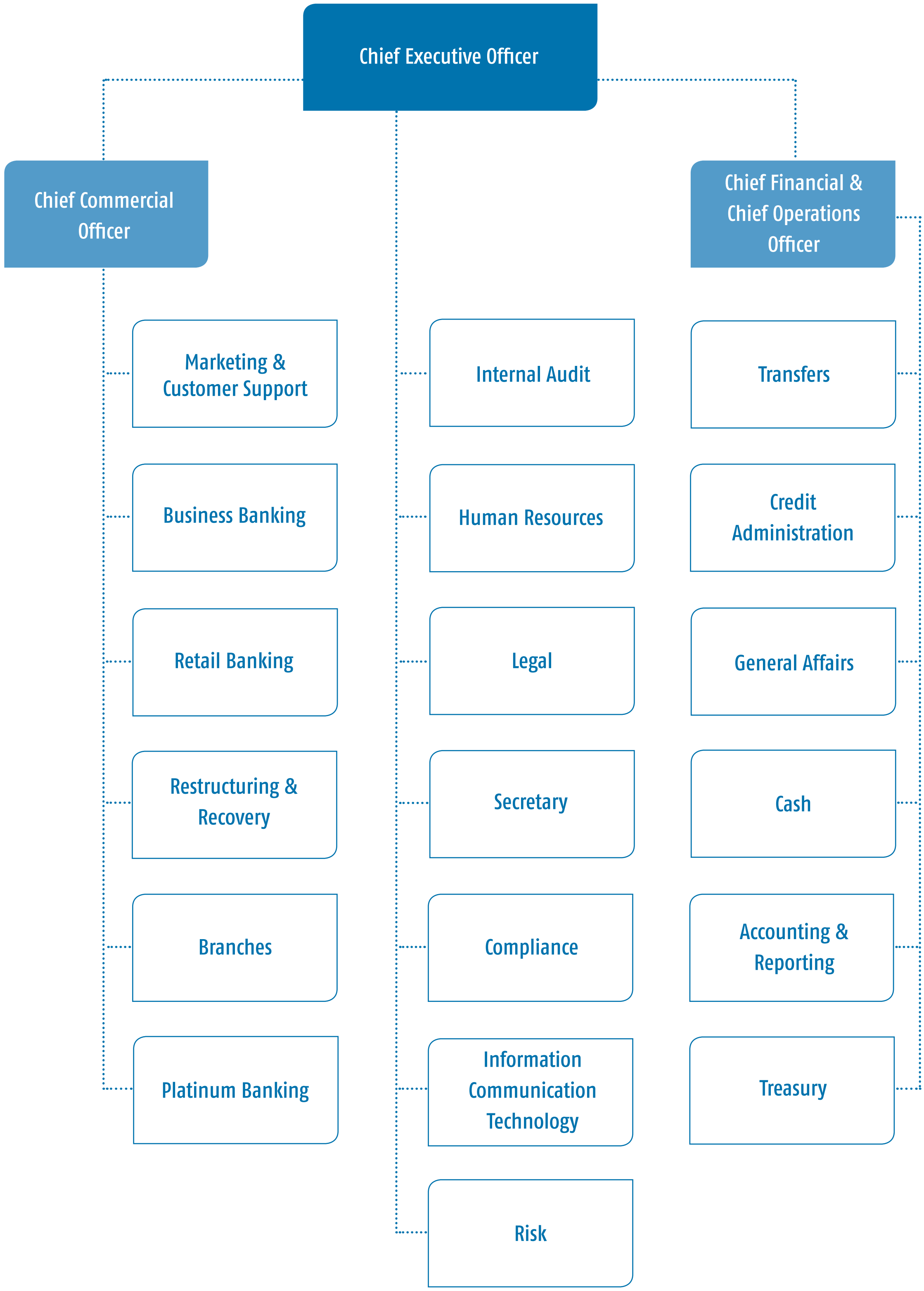
Core values
- Trust : We act responsible
- Partnership : We work as one team
- Agility : We go the extra mile
- Innovation : We improve continuously
- Expertise : We are the best in class

Objective
We aim to be best in class in terms of governance, risk management and compliance. Through this best in class position we realize a sustainable growth, at increasing the market share of our bank and at a balanced protection of the interests of all stakeholders.

Strategy
Our strategy is based on adapting international best practices in banking thereby strictly adhering to the highest standards. People, information technology and marketing will enable us to realize our objectives.

Stakeholders
We appreciate the active involvement of all stakeholders in the performance of the bank; we conduct a transparent policy and are open to feedback on our business operations.

ORGANIZATIONAL CHART



STATEMENT OF THE EXECUTIVE AND SUPERVISORY BOARDS

Chief Executive Officer
Eblein G. Frangie

Statement of the Executive Board

Introduction

Finabank has achieved strong financial results in 2018 while strengthening our internal organization with a strong focus on automation and integrity. The year 2018 covers the second year of our 'Strategy-Force' program which is effective for the period 2017-2019. We continued to implement our new strategy and again achieved strong growth in customer numbers, and funding and lending operations. The implementation of International Financial Reporting Standard (IFRS) 9 was challenging but the Bank succeeded to implement the new standard.

A remarkable milestone for Finabank in 2018 was the successful issuance of a deeply subordinated perpetual loan, which amounted to United States Dollar (USD) 2 million.

A less remarkable moment in 2018 was the seizing of a money shipment based on typologies of Euro 19.5 million of the Central Bank of Suriname by the Dutch Authorities. Finabank's share in the shipment amounted to Euro 4.5 million. The Bank is involved in legal discussions but currently there are no suspects in this specific case.

Moreover, at year end 2018 all currency swap contracts with the CBoS matured and were not prolonged by the Bank.
As a result, the significant receivable position with the CBoS and the leverage of the Bank per year end 2018, did not show an improvement compared to previous year.

The world around us

The world economy in 2018 grew at an estimated 3.7%, the same rate as 2017 according to the International Monetary Fund (IMF). The major global economic developments in the past year were trade tensions between the major economies, significant financial market volatility, a strong US-dollar and rising interest rates in the United States of America, rising commodity prices, policy uncertainty in both developed and emerging market economies and geopolitical tension. In general, all commodity prices increased in 2018 due to a number of factors including commodity-specific supply disruptions. This is also the case for the prices of the major export commodities of Suriname namely oil and gold. The average world market price for brand oil increased by 29.4 % up to USD 68 per barrel in 2018 as a result of a continuous fall in oil production in Venezuela and the concern of a significant impact of the reintroduction of sanctions of the US government against Iran on the global oil supply. The gold price was also very volatile in 2018 but increased on average marginally by 0.9% up to USD 1,269 per troy ounce.

In 2018 the Surinamese economy grew steadily at an estimated 1.9 % according to the National Planning Office, after a recession in 2014-2016 and a slight recovery of the growth in 2017 of 1.7%. The growth in 2018 was the result of a production increase in the mineral sectors (refined oil and gold), but also a modest recovery of the growth of the non-mineral sectors (excluding public sector) was noticeable due to the stable exchange rate and low inflation for two consecutive years. Although economic growth recovered in the past two years, the stability of the economy is still very

fragile and sensitive to external and domestic risks and shocks.
Total exports increased by approximately 4.6% due to rising commodity prices in 2018. Mineral exports increased by 2.8%, but non-mineral exports also increased significantly by approximately 17.7 % last year. The non-mineral exports mainly concern rice, wood and wood products and food. In the same year imports increased by 15.8% because of an increase in investment goods (43%) and a marginal increase in consumption goods (4%). The increase in consumption good imports that started in the second quarter, might be a careful indication of a slight recovery of domestic demand last year. Because of the stronger growth of imports compared to exports, the current account of the balance of payments ended in a deficit of USD 188.8 million in 2018. The deficit was significantly higher than the almost non-existing deficit of USD 1.8 million in 2017. The financial account of the balance of payments was positive because of capital inflow from foreign direct investment and foreign borrowing by the Government and private sector namely Staatsolie Suriname N.V. (Staatsolie). As a result, the overall balance of payments closed with a mere deficit of USD 8.4 million last year. As a result, the overall balance of the balance of payments closed with a surplus of USD 147.9 million in 2018.

The international reserve grew by 36.8 % to USD 580.7 million and the increase was mostly the result of the early repayment of an on-lend loan of USD 261.5 million given by the Government to Staatsolie, from the proceeds of the international capital market bond of USD 550 million in 2016. The increased international reserve and confidence in the local currency contributed to the stable exchange rate of the SRD vis-à-vis the USD and a decreasing end of the year inflation rate of 5.4% compared to the 9.2% in 2017.

In the banking sector, bank deposits rose by 8.6% to SRD 17.6 billion. However, the total amount of loans given by the banking sector decreased by 0.7% in nominal terms. The decrease of credit to the trade sector for the financing of imports is very evident. This is an indication that domestic demand has not yet significantly recovered to pre-recession levels. Entrepreneurs are still worried about stagnant sales volume. At the end of 2018 the provision for doubtful debtors was approximately 6.5% of the total credit portfolio of the banks, while the share of non-performing loans in gross lending at the end of June 2018 was around 12% according to the IMF, thus leading to continued vulnerabilities of the banking sector and the financial sector as a whole.

The developments in government finance are also a major concern for the fragile economic stability, due to persistent high overall balance deficits, debt levels and debt service payments. In 2017 the overall balance decreased to 8.7% of GDP from approximately 11% in 2015-2016. Government financial statistics for the first half of 2018 indicated an increase in revenues in the past year. The estimated overall balance for the first half of 2018 was about 4.0% of GDP. The deficit is still mostly financed by foreign borrowing. The effective debt-GDP ratio at the end of 2018 was around 74%.

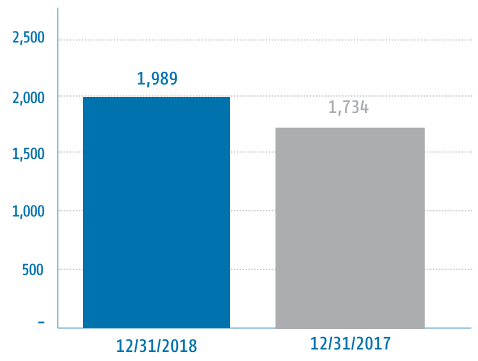
FINANCIAL SUMMARY AND KEY FINANCIAL INDICATORS 2017-2018

(in thousands of SRD)	December 31, 2018	December 31, 2017 Restated
RESULTS		
Net interest result	84,848	66,350
Investment income	(13)	14
Net commission and fee income	21,777	16,194
Other income (Expense), Net	(7,208)	10,248
Total income	99,404	92,806
Expenses	77,067	61,604
Expected Credit Loss	458	10,728
Profit before tax	21,879	20,474
Profit	14,003	13,103
BALANCE SHEET		
Assets		
Cash and cash equivalents	81,956	166,790
Amounts due from banks	708,701	558,028
Loans and advances to customers	747,639	630,201
Other assets	450,537	378,804
TOTAL ASSETS	**1,988,833**	**1,733,823**
Shareholders' equity and liabilities		
Amounts due to banks	112,586	100,474
Customers' current, savings and deposit accounts	1,610,285	1,454,607
Other liabilities	139,843	85,932
Shareholders' equity	126,119	92,810
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,988,833**	**1,733,823**
KEY RATIOS (IN %)		
Return on equity (annualized)	12.79	14.30
Return on assets (annualized)	0.75	0.90
Loan loss provision ratio	2.46	4.30
Non performing ratio (by Central Bank of Suriname definition)	2.14	2.60
Non performing ratio (according to accounting standards)	1.54	2.70
Loan to deposit ratio	47.60	45.30
Operational efficiency ratio	77.53	66.40
Profit ratio	22.47	33.60
Capital ratio (shareholders' equity / total assets *100)	6.34	5.30
Solvency ratio (by Central Bank of Suriname definition)	11.30	11.80
Solvency ratio (acccording to accounting standards)	12.22	11.90
Pay-out ratio	15.93	14.47
Number of employees at a full time equivalent basis	184	169

The financial policy and analysis of the bank

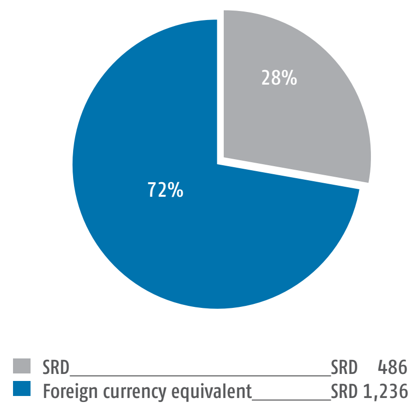
In 2018, the Bank' s total assets increased by 15% from SRD 1,734 million to SRD 1,989 million. Net profit amounted to SRD 14.0 million; an increase of 7% compared to 2017. Management is content with this result since the macroeconomic conditions were less favorable. The Bank's market share increased from 9% to 10%, which brings us somewhat closer to our target market share of 15%.

Total assets

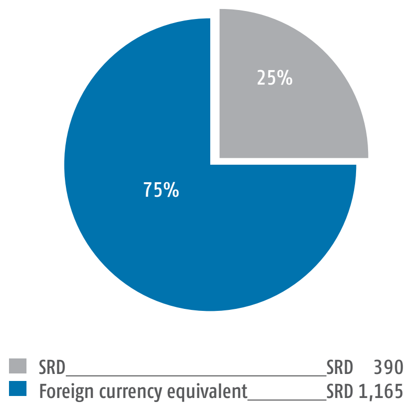


The growth of Finabank's total assets was mainly due to an increase of the entrusted funds. This reflects the increasing confidence customers have in the Bank. We also adjusted our policy to the changes in our playing field and in the competitive conditions. Due to the increasing pace of digitalization, and the changing customer expectations, the ways banks operate are also rapidly changing.

Composition of funds entrusted in SRD and foreign currency as at December 31, 2018 (x SRD 1 million)

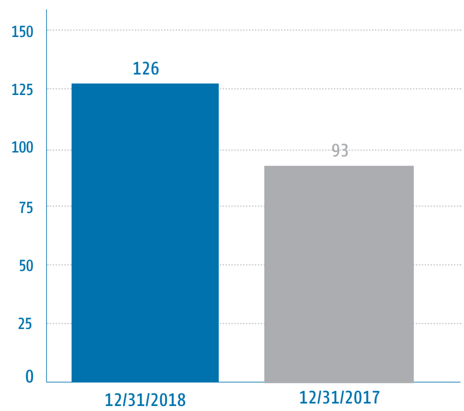


Composition of funds entrusted in SRD and foreign currency as at December 31, 2017 (x SRD 1 million)

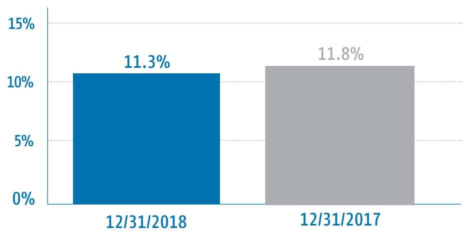


Shareholders' equity increased with 36% from SRD 93 million to SRD 126 million. Equity was negatively affected in 2017 by the adoption of IFRS 9 per January 1, 2018. To meet the ensuing challenges, Finabank has a solid solvency ratio of 11.3% year end and according to the standards of the Central Bank of Suriname, it is highly liquid, with a strong governance structure. Moreover, we offer all digital channels (Online-and Mobile Banking) and a good customer centricity. We are continuously enhancing our transformation process and creating an integrated digital platform to service our customers' financial needs and to provide new and relevant products and services.

Shareholders' equity
(x SRD 1 million)

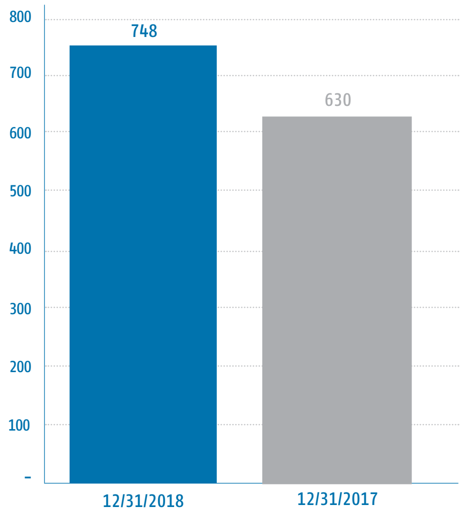


Solvency ratio by definition of the Central Bank of Suriname (revaluation reserves excluded from equity)

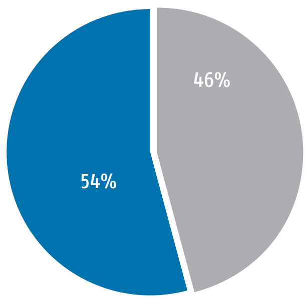


On the asset side of the balance sheet, there was a decrease in cash and cash equivalents by 51%, due to the fact that the loan portfolio increased faster than the increase in funding which was already substantial. The net credit portfolio increased by 19% from SRD 630 million to SRD 748 million, mainly reflecting the growth in Business lending. Growth in the Retail Market increased by 10% in 2018 compared to 2017. The dollarization in the credit portfolio was 55% for 2018.

Net Loans and advances to customers
(x SRD 1 million)



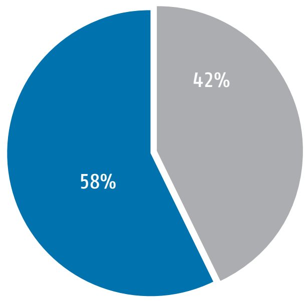
Composition of net loans and advances to customers in SRD and foreign currency as at December 31, 2018 (x SRD 1 million)



SRD	SRD 341
Foreign currency equivalent	SRD 407

Total loans and advances to customers_SRD 748

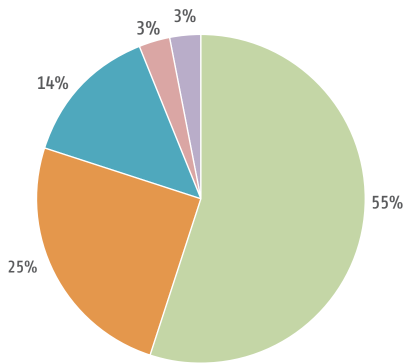
Composition of net loans and advances to customers in SRD and foreign currency as at December 31, 2017 (x SRD 1 million)



SRD	SRD 265
Foreign currency equivalent	SRD 365

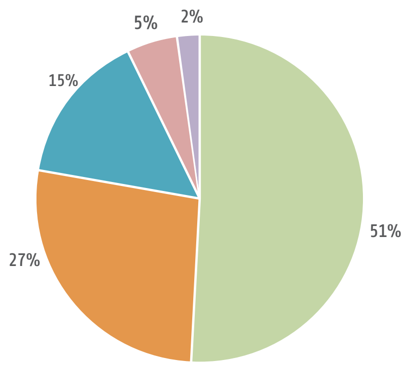
Total loans and advances to customers_SRD 630

Net credit portfolio as at December 31, 2018 (x SRD 1 million)



Business Market	SRD	570
Government	SRD	258
Mass Retail Market	SRD	141
Financial Institutions	SRD	31
High-end Retail Market	SRD	37
Total net credit portfolio	**SRD**	**1,037**

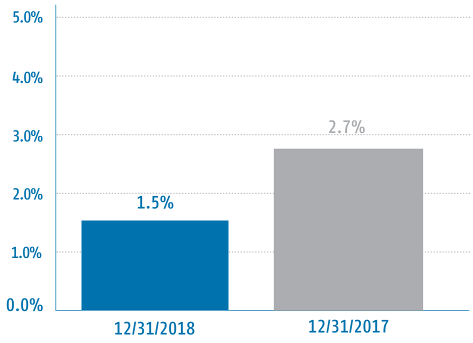
Net credit portfolio as at December 31, 2017 (x SRD 1 million)



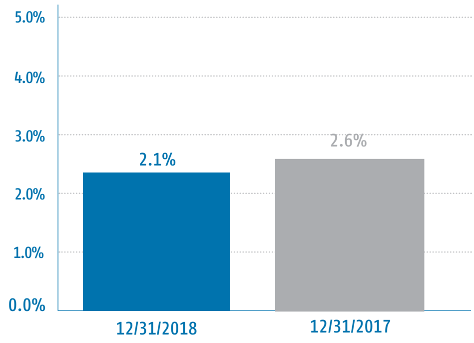
Business Market	SRD	469
Government	SRD	247
Mass Retail Market	SRD	144
Financial Institutions	SRD	47
High-end Retail Market	SRD	18
Total net credit portfolio	**SRD**	**925**

The non-performing ratio according to the accounting standards applied decreased from 2.7% to 1.5%. While the non-performing ratio (according to the CBoS) decreased from 2.6 % to 2.1%. Management is content that despite the economic situation the non-performing ratio is low.

Non performing ratio
(According accounting standards)

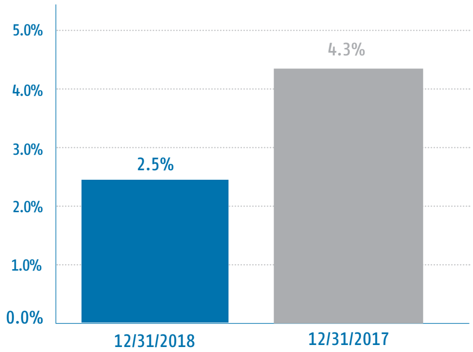


Non performing ratio
(Central Bank of Suriname)



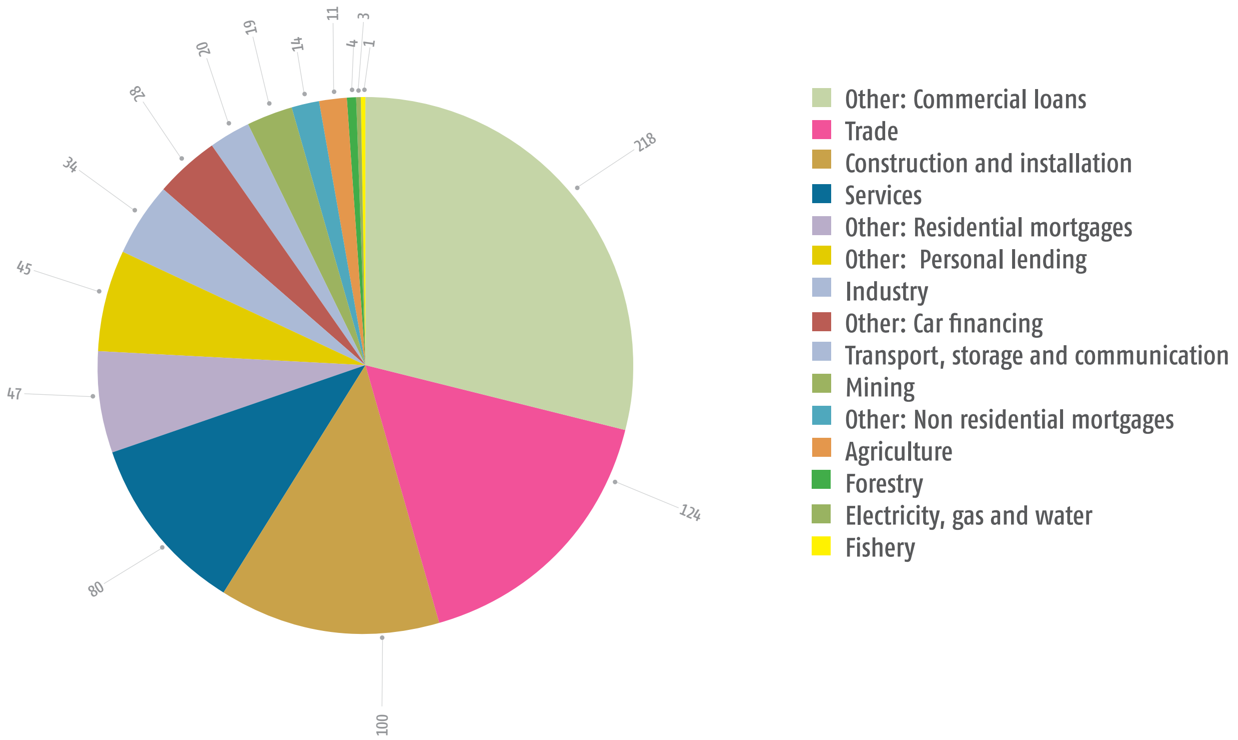
The Expected Credit Loss (ECL) ratio decreased from 4.3% to 2.5%.

ECL ratio



The net loans and advances to customers split by sector is as follows:

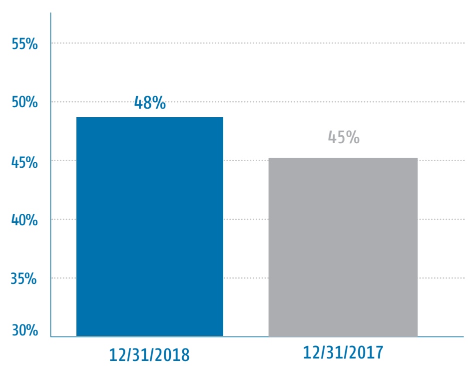
Net loans and advances to customers by sector as at December 31, 2018 (x SRD 1 million)



The four largest sectors in our loan portfolio are:
- Other: Commercial loans (SRD 218 million);
- Trade (SRD 124 million);
- Construction and Installation (SRD 100 million);
- Services (80 million).

Our loan to deposit ratio increased from 45% to 48% since the Bank's loan portfolio increased faster than the funding portfolio which was already substantial.

Loan to deposit ratio



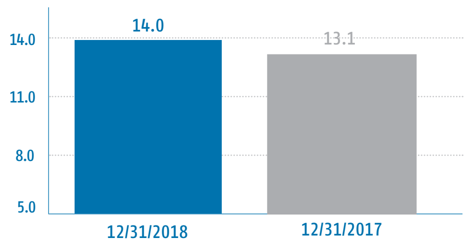
The net result of the Bank increased with SRD 0.9 million (7%) from SRD 13.1 million to SRD 14.0 million. As a result, earnings per share increased by 7% from SRD 58.74 to SRD 62.77.

The total income of SRD 99.4 million is SRD 6.6 million (7%) higher as compared to the previous year. The net interest result contributed positively to this flux with SRD 18.5 million, while net commission and fee income added another SRD 5.6 million to the improvement. However, the settlement of the derivatives had a significant negative foreign exchange result which contributed to the decrease of other income with SRD 18.4 million compared to the previous year.

Total expense increased by SRD 5.2 million (7%) to SRD 77.5 million from SRD 72.3 million. Important cost drivers were the increase in number of personnel from 169 FTE to 184 FTE including a competitive inflation correction. Expected Credit Loss on financial assets resulted in additional expenses of SRD 0.5 million in 2018 mostly due to constant improvement the Bank makes in improving their loan portfolio. Other general expenses were:

- Automation;
- Safety and security;
- Marketing;
- Telephone and internet;
- Depreciations.

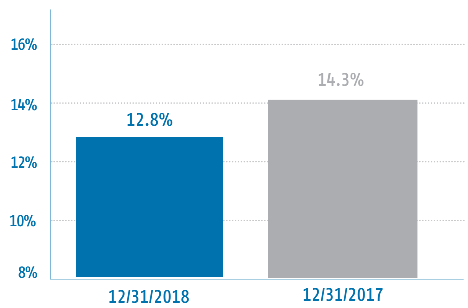
Net profit for the year
(x SRD 1 million)



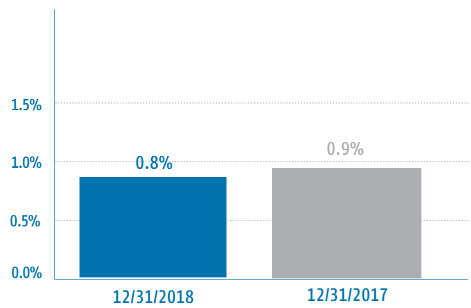
The return on equity of the Bank decreased slightly with 1.5% from 14.3% to 12.8%.

Return on assets decreased from 0.9% to 0.8% because the total assets grew faster (in %) compared to net profit.

Return on equity adjusted
(annualized)



Return on assets
(annualized)



Our corporate strategy

Our new corporate strategy for the period 2017-2019 started successfully in 2017. It is ambitious and therefore requires a lot of effort to stay in sustainable control of the challenging banking environment and to satisfy changing customer expectations. The focus of this strategy lies within three areas:

1. Optimizing the use of our capital base to support regulatory requirements and growth;
2. Further strengthening our Human Capital to increase our organizational capacity;
3. IT optimization in order to transform the Bank into a digital customer centric organization.

Our commercial strategy

The net loan portfolio increased by 19% in 2018 to SRD 748 million from SRD 630 million in 2017. The growth of the loan portfolio was driven by both the Business and Retail Market. The Business segment grew by 22% while the Retail Market grew by 10% in 2018. Despite the less favorable economic situation, the non-performing ratio was 1.5%. The funding portfolio increased by 11% in 2018 to SRD 1,610 million from SRD 1,455 million in 2017. The growth of the funding portfolio was mainly driven by the Business Market segment that grew by 16% while the Retail Market segment grew by 4%.

The rationale behind our sustainable growth of both the lending and the funding portfolio is by adding value to the products and services Finabank delivers and the increased dollarization combined with the depreciation of the Suriname Dollar since year end 2015.

Finabank's goal is to be actively involved in satisfying the needs of our customers' and offer tailor made financial products and services to create a sustainable partnership.

Our solvency

In 2016, Finabank prepared to issue a subordinated bond of USD 2 million with a yearly distribution fee of 6%. The rationale behind the issue of this Tier 1 product was to increase the capital of the Bank and to reduce the leverage in the event of a possible increase in foreign exchange withdrawals. In 2017, the Central Bank of Suriname approved this request and in the first quarter of 2018 the bond was successfully issued. The buyers of the bond are all institutional investors.

Our human capital

In 2016 we started a process to evaluate the primary and secondary reward policy and our Human Resource Management policy to hire, retain and develop the best employees. The reward policy and the Human Resource Management policy were modernized and implemented. We are convinced that they fully support the corporate strategy of the Bank to hire, retain and develop the best employees despite the challenging labor market conditions in Suriname.

Our IT environment

We are currently in the phase of implementing our new core banking system, Online and Mobile Banking system, financial crime module and reporting system of Temenos, T24. We acquired the new banking system with all its modules in 2017. Together with our own project team which consists of experts in the Bank, Sofgen, EY India and Mi Sabi are implementing the banking system to migrate from Highgate to T24 in mid-2019. It is a tremendously challenging project, but we are convinced to have a successful migration on target date.

To make the sustainability of the Bank more robust after the implementation of T24, we also decided to build a new IT environment. The infrastructure project consists of three phases of which phase 1 was implemented in 2018. Phase 2 and 3 will be executed in 2019.

Data is a strategic asset of the Bank. We have implemented a new sub department within the IT department to set up dashboards for the whole Bank, in order to make the Bank more data driven. In 2018 the most important departments and strategic areas have data dashboards on which decisions are made and the Bank is managed.

Finabank has robust IT infrastructures in place to cope with cyber security risks. We are very cautious and continuously educate our employees on this matter.

Seizing of money shipment

In April 2018 a money shipment of Euro 19.5 million which was shipped by the Central Bank of Suriname, was seized by the Dutch Authorities. Finabank's stake is Euro 4.5 million. The seizing was based on typologies in the context of a phenomenon investigation. Through a legal assistance request between Suriname and the Netherlands, Finabank shared all documentation of all concerning transactions with the Public Prosecution Service of Suriname. To date, there are no suspects and the investigation is ongoing.

Integrity framework

One of the biggest threats of Caribbean banks is de-risking. Banks across the Caribbean have lost their correspondent banking relationships. To decrease our institutional risk, we have revised our entire Anti-Money Laundering/ Combatting the Finance of Terrorism (AML/CFT) framework and built an Integrity framework based on international standards. In conjunction with a Dutch consultant we first executed a Systematic Integrity Risk Analysis for the Bank in which we identified the high integrity risk areas. Based upon these areas we build a sound integrity framework. We also increased the number of compliance employees and implemented robust control measures in the first and second line of the Bank.

Regulations

In 2018 the law for composing financial statements was passed. Depending on their size entities are now required to compose financial statements either in accordance with the Surinamese tax base (small entities), IFRS for Small and Medium size Entities (medium entities) or IFRS (public interest entities and large entities). The Bank is classified as a public interest entity and accordingly composes its financial statements in accordance with IFRS.
Further the EU General Data Protection Regulation (GDPR) was enforced per May 25, 2018 and is the most important change in data privacy regulation in 20 years. The aim of the GDPR is to protect all EU citizens from privacy and data breaches in today's data-driven world. GDPR applies to all companies processing the personal data of data subjects residing in the European Union, regardless of the company's location. The Bank has taken appropriate measures to ensure compliance with GDPR.

Corporate Social Responsibility

Our Corporate Social Responsibility (CSR) company policy refers to our responsibility towards our community and the environment. Finabank recognizes that the CSR policy is of increasing importance to its employees as well as its clients and is of great importance to the continued success of the business.
Finabank strives to support the local community by encouraging the development of young talent within education and sports. We have committed ourselves to the 10-Minutes Children's News, which contributes positively to the development of children. The Bank sponsors the basketball association 'Finabank Koi Carper' which helps to keep disadvantaged youth off the street by providing them with the opportunity to play basketball. Furthermore, in 2017 we partnered with the Sportvereniging TWiNick in Nickerie to organize the 'Finabank TWiNick', a two day walk in Nickerie, to promote a healthy lifestyle which has proven to be a great success.

The future

We are modest about 2019. We are concerned about the limited progress that has been made in the National Risk Assessment (NRA) of Suriname which is mandated from Suriname's membership of the Caribbean Financial Action Task Force (CFATF). An unsuccessful completion of the NRA can result in a black listing of the country which can result in losing correspondent banking relationships. Therefore, it is of utmost importance that stakeholders work seriously and focus on a successful completion of the NRA.

The current budget deficits of the Government are also of great concern to management. The year 2020 is an election year and we don't expect unpopular measures to be taken by the Government to decrease the budget deficit sustainably. We strongly advocate that the Government manages the budget deficit.

A stable and predictable external environment is beneficial for the financial system and stability of the system. In 2019, we will focus on the migration to our new core banking system, further strengthening of the organization and redefining our new corporate strategy. Our aim is to transform the Bank into a digital organization. We will also focus on finding sustainable commercial opportunities to increase our market share.

The Executive Board:
From left to right:
Almar Giesberts, *Chief Commercial Officer*
Eblein Frangie, *Chief Executive Officer*

Management and employees of Finabank N.V. work diligently on further strengthening our execution capacity in order to enable us to provide even better financial products and services to our customers and thus contribute to the welfare of our population.

Thank you

We thank our customers for the continuing trust they have placed in us, as well as our employees for their efforts. We also thank the Supervisory Board for their supervision and advice.

Paramaribo, April 26, 2019

Eblein G. Frangie
Chief Executive Officer

Corporate governance

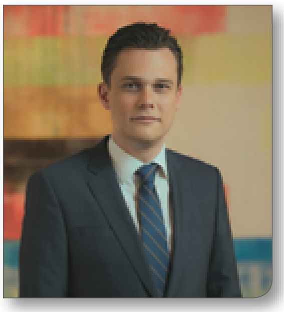
Composition of the Executive Board

The Executive Board and its members are responsible for the integrity, compliance and execution of the strategy of the Bank. Each member of the Executive Board has its own responsibilities while the Chief Executive Officer is the ultimate responsible person of the Board. The Executive Board is currently composed of two members:

Mr. Eblein G. Frangie
Chief Executive Officer

Last three positions:

2011: *Chief Executive Officer (Finabank N.V., Suriname);*
2011: *Director Business Banking (Finabank N.V., Suriname);*
2006: *Account Manager Corporate Credits (Hakrinbank N.V., Suriname).*



Mr. Almar Giesberts
Chief Commercial Officer

Last three positions:

2014: *Chief Commercial Officer (Finabank N.V., Suriname);*
2012: *Senior Manager (KPMG Corporate Finance, Suriname);*
2009: *Manager Mergers and Acquisitions (KPMG, Corporate Finance, The Netherlands).*

Composition of the Supervisory board

The Supervisory Board and its members are responsible for the supervision, with integrity, of Finabank N.V.'s corporate social responsibility. The Board is bound by existing and future regulations based on law and legislation regarding integrity. It is also bound by the policy determined with Management, with respect to the integrity of business operations and ensuring the good reputation of the Bank as defined in its General Code of Conduct.
The Board is composed of seven members. In deciding the composition of the Board, the following was considered:

1. The nature and scope of the bank;
2. The size and nature of banking risks in the short, medium and long terms;
3. The expertise and background required of board members

Every member of the Board needs to be able to assess, in headlines, the total policy of the Bank. The Board is composed in such a way that members can operate critically and independently of each other, Management and any special interest. In this report the Board asserts that it safeguards the independence of the individual members as well as the Board as a whole.

During the Annual General Shareholders Meeting in 2018, Mr. Alvin Venetiaan and Mr. Kurt van Essen were appointed as members of the Supervisory Board. Mr. Venetiaan and Mr. van Essen filled in the positions that were vacant as of 2017. Mr. Venetiaan was appointed because of his international, strategic and management experience. Mr. van Essen was appointed because of his strategic, management and financial experience. The Supervisory Board of 2018:

Mr. Cornelis Dilweg (1949)
Chairman reappointment in 2017 (Initially 2007)
Chief Executive Officer Randoe N.V.

Mr. Sonny Kertoidjojo (1966)
Member reappointment in 2018 (Initially 2002)
Chairman of the Board State Health Foundation
Member of the Supervisory Board Trustbank Amanah

Mr. Feroz Ishaak (1966)
Member reappointment in 2016 (Initially 2010)
Director Ishaak Law firm
Member of the Supervisory Board Trustbank Amanah

Mrs. Djaienti Hindori (1958)
Member appointed in 2016
Member of the Advisory Council of Newmont Suriname, LLC
Vice Chairman Stichting Staatsolie Foundation for Community Development

Mr. Vishal Jadnanansing (1977)
Member appointed in 2017
Chief Financial Officer of C. Kersten en Co. N.V.
Chairman of the Supervisory Board GOw2 Energy Suriname N.V.

Mr. Alvin Venetiaan (1969)
Member appointed in 2018
Procurement Manager Suralco Paranam
Chairman of Stichting Pensioenfonds van de N.V. Alcoa Minerals of Suriname

Mr. Kurt van Essen (1972)
Member appointed in 2018
Chief Executive Officer Fernandes Bakkerij N.V.
Member of the Management Team of the Holding of Fernandes Group

Composition of the Shareholders

According to the regulations of the Central Bank of Suriname, Finabank N.V. complies with the regulation that no individual shareholder has more than 20% ownership. The owners with shares greater than 10% are:

- C. Kersten en Co N.V. 20%
- Stichting Pensioenfonds van de N.V. Alcoa Minerals of Suriname 20%

Conformity statement

The Executive Board is required to prepare the Annual Report of Finabank N.V. for each financial year in accordance with Suriname law. The Executive Board is responsible for maintaining proper accounting records, for safeguarding assets and for taking reasonable steps to prevent and detect fraud and other irregularities. It is responsible for selecting suitable accounting policies and applying them on a consistent basis, making judgement and estimates that are prudent and reasonable. The Executive Board is also responsible for establishing and maintaining internal procedures which ensure that all major financial information is known to the Supervisory Board, so that the timeliness, completeness and correctness of the external financial reporting is assured.
The signatory hereby confirms that to the best of his knowledge:

The Finabank N.V. statement of financial position and the statement of profit or loss give a true and fair view as per December 31, 2018.

Paramaribo, April 26, 2019

Eblein G. Frangie
Chief Executive Officer

Chairman
Cornelis Dilweg

Report of the Supervisory Board

The Supervisory Board of Finabank is content with the performance of in the Bank in 2018. Although there were challenges in the economic environment and international requirements and regulations on banks were (and still are) becoming stricter in a rapid pace, the Bank managed to increase its asset base with 15% from SRD 1,734 million to SRD 1,989 million and its net profit with 7% from SRD 13.1 million to SRD 14.0 million. The solvency and the liquidity position of the Bank remained strong. We are confident that the Bank's financial and market position is robust enough to face the challenges ahead.

Mr. Bart de Bruijn was hired as the Interim Financial Executive but left the Bank on his request. The position of Chief Financial and Chief Operations Officer is currently vacant. During our strategic sessions we will determine how the governance structure of the Bank can be strengthened given the challenging labor market in Suriname.

We are proud that we are one of the few Surinamese banks that has implemented the IFRS 9 standards.

Supervisory Board Meetings

The full Supervisory Board met 13 times in 2018 of which all were regular meetings. On average, 99% of the Supervisory Board members was present at the meetings. This attendance illustrates the engagement of the members in Finabank N.V. The Executive Board was present at all meetings. During the regular Supervisory Board meetings, the following topics were discussed:

a) The measure in which the objectives of the Bank were achieved;
b) The strategy, risk management and appetite with regard to the banking activities;
c) The set-up and methodology of the internal risk management and control system;
d) The financial reporting process;
e) The remuneration policy;
f) Compliance with law and legislation;
g) The relationship with the shareholders;
h) The performance of the independent auditor;
i) The social aspects of banking.

The Board periodically assesses the entire organizational structure and the functioning of the risk management and control systems set up by Management. The Supervisory Board authorizes changes and adjustments to these systems. In this respect the Internal Audit, Risk and Compliance departments report quarterly to the Board regarding risks and mitigating measures taken. The Board, together with Management, is responsible for the corporate governance structure of the Bank and for compliance with the respective code. In this respect, it reports to the General Shareholders' Meeting.

According to the Corporate Governance structure of Finabank N.V., the Internal Audit Department reports simultaneously to both the Chief Executive Officer and the Audit Committee of the Supervisory Board. The Risk Department, Compliance Department and the Credit Committee simultaneously report to the Chief Executive Officer and the Risk Committee of the Supervisory Board. Management and Management affairs are discussed within the Selection and Remuneration Committee. The committee chair reports to all members of the Supervisory Board.

Audit Committee

The Audit Committee is responsible for advising the Board on matters of financial strategy and performance. Other fields of attention are the appointment of the external auditor, accounting and financial reporting systems and standards, internal controls and internal auditing.
This committee consists of the following members:

- Mr. Vishal Jadnanansing – Chair
- Mr. Feroz Ishaak – Member
- Mr. Alvin Venetiaan – Member (appointed in 2018)

The Audit Committee met 4 times in 2018. On average 100% of the committee members was present at the meetings. The Audit Committee meets quarterly with the Internal Audit Department to discuss the audit results based on the year plan. During these meetings the independent external auditor is also present to discuss the audit results, the management letter and the latest developments of IFRS and audit strategies.

Risk Committee

The Risk Committee is responsible for advising the Board on matters of risk management and risk audit. It prepares the Board's position on these subjects. The Risk Committee has the lead when it comes to authorizing the risk policy of the Bank and monitoring the risk profile. It has the supervision over the proper functioning of the risk management functions, risk mitigating structures and controls. It also oversees the banks solidity, liquidity, funding, as well as legal and compliance affairs.
This committee consists of the following members:

- Mr. Feroz Ishaak – Chair
- Mr. Vishal Jadnanansing – Member
- Mr. Kurt van Essen – Member (appointed in 2018)

The Risk Committee met 4 times in 2018. On average 100% of the committee members was present at the meetings. The risk committee meets quarterly with the Risk and the Compliance Department to discuss the risk and compliance results based on the year plan. During the meetings held with the Risk Department the Enterprise Risk Framework, which is fully updated quarterly, is discussed. Also, the controls that need to be in place are discussed.

Selection and Remuneration Committee

This Committee is responsible for the preparation of the selection and/or re-appointment of members of the Executive Board and Supervisory Board. It drafts the selection criteria, re-appointment schedules and is in charge of legacy planning for both Boards. The Selection and Remuneration Committee gives advice with respect to salaries and fringe benefits of members of the Executive Board, senior management and high-ranking executives responsible for risk management and compliance management.
This committee consists of the following members:

- Mrs. Djaienti Hindori – Chair
- Mr. Sonny Kertoidjojo – Member
- Mr. Alvin Venetiaan – Member (appointed in 2018)

The Selection and Remuneration Committee met 4 times in 2018. On average 100% of the committee members was present at the meetings. The committee members had their regular performance meetings three times with the Executive Board members.

Furthermore, the committee members discussed the remuneration of the Executive and Supervisory Board and the Human Resource policy regarding all employees of the Bank. A consultant was hired to advise the committee members regarding the remuneration of the Executive Board and all other employees of the Bank.

Continuous Education

Educational sessions on corporate governance and International Financial Reporting Standards were organized for the Supervisory Board.

Corporate Strategy

The Supervisory Board together with Management and senior staff defined the new strategy 'Strategy Force' for the period 2017-2019 in 2016. In 2018 the Supervisory Board together with Management and senior staff evaluated the strategy and concluded that the Bank is still on the right path of executing this strategy.

External auditor, risk and compliance

The Supervisory Board nominates the external auditor, after being advised by Management and the manager of the Internal Audit Department. With regard to the supervision of risk management, the Supervisory Board discusses with Management the strategy, the policy, long-term plans and the risks involved in the Bank's activities. At strategic level, the Supervisory Board assesses whether the capital allocation and the liquidity impact are in accordance with the authorized risk appetite. In this respect the Supervisory Board approves the strategic plan, the annual operational policy, the general budget, including the investment budget, the Internal Audit plan, the Compliance plan, the Risk Charter, Risk Test plan and Risk policy. The Board supervises compliance with the internal procedures set up by Management for drafting and publishing the annual report and possible other periodical and incidental publications. In addition, the Board supervises the set-up and maintenance of internal control systems with regard to financial reporting, while considering the Internal Audit plan. These systems are designed to ensure that all key financial information is known to the Supervisory Board and Management and to ensure the timeliness, completeness and accuracy of the internal and external financial reporting. In this respect, the Internal Audit Department fulfills an independent, objective assurance position. The respective manager of the department informs the Chairman of the Board of the findings, if necessary, through a direct line of reporting.

Financial Reporting and results

The application of the Accounting Standards described by Management in the notes which are materially based on the International Financial Reporting Standards, with the exception of IAS 29, is rooted in the ambition of the Bank to increase transparency towards our shareholders, customers and other stakeholders. It is also an important part of strengthening our corporate governance structure both internally and externally driven by the increasing globalization and the environment wherein the Bank operates.

In order to comply with the provisions of article 30, paragraph 3 of the articles of association of Finabank N.V., we report that we have engaged our Internal Audit Department to provide assurance of Finabank N.V.'s year accounts over the period ending December 31, 2018. We propose to the shareholders to adopt the financial statements. This adoption will discharge Management from its management responsibility and the Supervisory Board from its supervisory responsibility. The Supervisory Board is satisfied with the financial results obtained. The balance sheet total of the Bank increased by SRD 255 million (15%) to SRD 1,989 million compared to December 31, 2017 and the net result of the Bank increased by 7% to SRD 14.0 million compared to December 31, 2017. The non-performing ratio decreased from 2.7% in December 31, 2017 to 1.5 % per December 31, 2018.

The Supervisory Board will advise the shareholders upon advice of Management, considering the fragile economic situation, the growth of the Bank and the robust investment program of the Bank, to pay out dividend SRD 10.00 per share with a nominal value of SRD 10.00. This is an increase of 18% compared to 2017.

Supervisory Board:
From left to right (standing):
Sonny Kertoidjojo, *Member*
Vishal Jadnanansing, *Member*
Cornelis Dilweg, *Chairman*
Feroz Ishaak, *Member*
Djaienti Hindori, *Member*
Alvin Venetiaan, *Member*
Kurt van Essen, *Member*

Personal note

We are pleased to express our appreciation and gratitude for the manner in which Management and staff have performed during the financial year. Their efforts have contributed to the current position of Finabank N.V. in the market.

Paramaribo, April 26, 2019

Cornelis A. Dilweg

On behalf of the Supervisory Board
Cornelis A. Dilweg
Chairman

CONDENSED ANNUAL FINANCIAL STATEMENTS 2018

STATEMENT OF FINANCIAL POSITION

	December 31, 2018	December 31, 2017 Restated
	SRD	SRD
ASSETS		
Cash and cash equivalents	81,955,987	166,789,740
Amounts due from banks	708,700,654	558,028,254
Financial assets designated at fair value through profit and loss	38,058	52,390
Investments	289,356,623	294,313,662
Derivatives	-	16,709,963
Loans and advances to customers	747,639,485	630,200,913
Property and equipment	42,549,302	35,847,563
Intangible assets	18,697,257	2,992,598
Right of use (assets)	14,588,445	8,978,755
Deferred tax assets	-	4,593,049
Other assets	85,307,353	15,316,022
Total assets	**1,988,833,164**	**1,733,822,909**
LIABILITIES		
Amounts due to banks	112,586,434	100,473,734
Customers' current, savings and deposit accounts	1,610,285,396	1,454,607,049
Current tax liabilities	11,367,786	6,927,151
Deferred tax liabilities	5,732,573	7,757,014
Net defined benefit liabilities	433,590	6,886,200
Provision for anniversary payments	1,817,822	2,496,192
Lease liabilities	12,387,456	8,400,751
Other liabilities	108,103,343	53,464,509
Total liabilities	**1,862,714,399**	**1,641,012,600**
SHAREHOLDERS' EQUITY		
Share capital	2,230,770	2,230,770
Share premium	33,527,575	33,527,575
Perpetual bond	14,792,000	-
Reserves and retained earnings	61,565,768	43,948,696
Profit for the period	14,002,652	13,103,268
Total shareholders' equity	**126,118,765**	**92,810,309**
Total shareholders' equity and liabilities	**1,988,833,164**	**1,733,822,909**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS

	December 31, 2018	December 31, 2017 Restated
	SRD	SRD
Interest income	126,351,584	102,758,109
Interest expense	41,503,462	36,408,547
Net interest result	**84,848,122**	**66,349,562**
Investment income	**(13,332)**	**13,915**
Commission and fee income	24,426,060	17,983,830
Commission expense	2,648,760	1,789,875
Net commission and fee income	**21,777,300**	**16,193,955**
Other Income (Expense), Net	**(7,208,222)**	**10,248,121**
Total income	**99,403,868**	**92,805,553**
Net Impairments losses on loans and advances	-	10,727,656
Expected Credit Loss on loans and advances	(3,220,127)	-
Expected Credit Loss on bank guarantees	1,483,433	-
Expected Credit loss on Central bank working acc	(83,293)	-
Expected Credit Loss other financial assets	2,277,843	-
Personnel expenses	37,359,765	24,002,198
Other operating expenses	39,707,104	37,601,843
Total expenses	**77,524,725**	**72,331,697**
Profit before tax	**21,879,143**	**20,473,856**
Income tax expenses	7,876,491	7,370,588
Profit for the period	**14,002,652**	**13,103,268**
Earnings per share	**62.77**	**58.74**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	December 31, 2018	December 31, 2017 Restated
	SRD	SRD
Profit attributable to shareholders of the Bank	14,002,652	13,103,268
Other comprehensive income:		
Actuarial gains and (losses) on net defined benefit liabilities	7,728,610	(1,649,606)
	7,728,610	(1,649,606)
Income tax expenses on other comprehensive income	**2,782,300**	**(593,858)**
Other comprehensive income net of taxes	**4,946,310**	**(1,055,748)**
Total comprehensive income	**18,948,962**	**12,047,520**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Perpetual bond	Reserves and retained earnings	Revaluation reserve	Profit for the period	Total equity
	SRD	SRD	SRD	SRD	SRD	SRD	SRD
Closing balance at December 31, 2016	**2,230,770**	**33,527,575**	**-**	**44,150,398**	**-**	**10,602,738**	**90,511,481**
Appropriation of profit 2016	-	-	-	10,602,738	-	(10,602,738)	-
Profit of 2017	-	-	-	-	-	13,103,268	13,103,268
Error restatement on PP&E	-	-	-	(865,192)	-	-	(865,192)
Restatement provision anniversary payments	-	-	-	(1,088,000)	-	-	(1,088,000)
Other comprehensive income 2017	-	-	-	(1,055,748)	-	-	(1,055,748)
Closing balance before adoption IFRS 9 & 16	2,230,770	33,527,575	-	51,744,196	-	13,103,268	100,605,809
Impact of early adoption IFRS 16	-	-	-	369,921	-	-	369,921
Impact of adopting IFRS 9	-	-	-	(8,165,421)	-	-	(8,165,421)
Restated closing balance at December 31, 2017	**2,230,770**	**33,527,575**	**-**	**43,948,696**	**-**	**13,103,268**	**92,810,309**
Appropriation of profit 2017	-	-	-	13,103,268	-	(13,103,268)	-
Profit of 2018	-	-	-	-	-	14,002,652	14,002,652
Other comprehensive income 2018	-	-	-	4,946,310	-	-	4,946,310
Dividends 2017	-	-	-	(1,896,155)	-	-	(1,896,155)
Error correction prior year deferred taxes	-	-	-	(866,838)	-	-	(866,838)
Other adjustments	-	-	-	(1,392,580)	-	-	(1,392,580)
Perpetual bond (principal)	-	-	14,792,000	-	-	-	14,792,000
Perpetual bond (Distribution fee)	-	-	-	(733,042)	-	-	(733,042)
Addition revaluation of PPE 2018	-	-	-	-	4,456,108	-	4,456,108
Closing balance at December 31, 2018	**2,230,770**	**33,527,575**	**14,792,000**	**57,109,660**	**4,456,108**	**14,002,652**	**126,118,765**

The accompanying notes are an integral part of these financial statements.

CONDENSED STATEMENT OF CASHFLOW

	December 31, 2018	December 31, 2017 Restated
	SRD	**SRD**
Cash flows from operating activities		
Profit for the period	14,002,652	13,103,268
Adjusted for: – Depreciation	12,282,390	8,994,358
– Changes through equity (excl. tax and OCI)	(62,585)	(9,748,692)
– Lease payments	6,055,237	-
– Fair value adjustments on derivative assets	16,709,963	497,000
– Tax expenses	7,876,491	7,370,588
– Net impairment losses on loans and advances, net of recoveries	(3,220,127)	7,346,252
– Net impairment losses on financial assets	3,677,983	-
– Net interest income	(84,848,122)	(66,349,562)
Changes in: – Gross advances to customers	(114,218,445)	(80,933,255)
– Leases	1,622,985	(578,004)
– Other assets	(69,991,331)	32,404,993
– Customers' current, savings and deposit accounts	155,678,347	489,338,895
– Net defined benefit liabilities	(9,913,280)	5,828,838
– Other liabilities	54,701,013	12,557,902
Income tax paid	(6,264,948)	(5,770,102)
Interest received on loans and advances	88,601,659	82,253,787
Interest received on held-to-maturity investments	37,731,405	20,478,581
Interest received from banks	18,520	25,741
Interest paid on bank deposits	(602,433)	(186,486)
Interest paid on right of use	(1,290,792)	-
Interest paid on customer deposits	(39,610,237)	(36,222,061)
Net cash flow from/(used in) operating activities	**68,936,345**	**480,412,041**
Cash flows from investing activities		
Movement investment in property and equipment	(8,387,828)	(9,693,587)
Movement investments in investments designated at FVTPL	14,332	8,015,382
Movement investments in intangibles	(16,636,981)	(2,462,622)
Movement investments	4,957,039	(176,818,300)
Proceeds from disposals in property and equipment	-	-
Net cash flow from/(used in) investing activities	**(20,053,438)**	**(180,959,127)**
Cash flows from financing activities		
Perpetual bond	14,792,000	-
Lease payments	(6,055,237)	(4,084,121)
Perpetual bond payments	(272,492)	-
Dividend 2017 paid	(1,896,155)	-
Net cash flow from/(used in) financing activities	**6,568,116**	**(4,084,121)**
Net cash flow	**55,451,023**	**295,368,793**
Cash and banks at beginning of reporting period		
– Cash and cash equivalents	166,916,372	67,607,536
– Amounts due from banks	561,686,172	311,332,984
– Amounts due to banks	(100,473,734)	(46,180,503)
	628,128,810	**332,760,017**
Cash and banks at end of reporting period	**683,579,833**	**628,128,810**
Cash and banks at end of reporting period is represented by:		
– Cash and cash equivalents	81,999,326	166,916,372
– Amounts due from banks	714,166,941	561,686,172
– Amounts due to banks	(112,586,434)	(100,473,734)
	683,579,833	**628,128,810**

The accompanying notes are an integral part of these financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

1. REPORTING ENTITY

Finabank N.V., established on April 24, 1991 and located in Paramaribo, Suriname, is a limited liability company and is registered at the Chamber of Commerce in Suriname. The headquarters of Finabank N.V. is located at Dr. Sophie Redmondstraat 59-61 in Paramaribo, Suriname. Finabank N.V. has three branches, two located in Paramaribo and one located in Nickerie.
The main activities of Finabank N.V. are:

1. Executing general banking business in the broadest sense including:
   a. Accepting deposits from the public on current accounts or savings;
   b. Attracting funding through loans, by accepting deposits and by issuing bonds, debt securities, deposit securities and other securities under whatever name and in whatever form;
   c. Providing loans and discounting bills of exchanges, whether insured;
   d. Trading in foreign currencies;
   e. Providing services for national and international payments and/or capital traffic;
   f. Performing all other financial activities that may be related to the banking business in a general sense;
   g. Providing various securities on behalf of third parties;
2. Obtaining, owning, selling, managing, exchanging, transferring, trading and disposing of all types of assets and values such as but not limited to shares, bonds, funds, orders, bills of exchange, debt securities;
3. Establishing, co-establishing, representing, managing and administering as well as participating, in any shape or form, in other companies and institutions of any nature whatsoever;
4. Performing all that is directly or indirectly related to the above or which may promote the above.

The financial statements as per December 31, 2018 were approved by the Supervisory Board on April 26, 2019.

2. GOING CONCERN, BANKING SYSTEM, RISK AND FINANCIAL POSITION OF THE BANK

Introduction
The accompanying financial statements have been prepared on a going concern basis. Management's assessment of the risks associated with asset and liability management by means of an internally developed risk model shows an increased risk exposure.

Finabank operates within a challenging macroeconomic climate. Although economic growth recovered in the past two years, the stability of the economy is still very fragile due to persistent high overall balance deficits, debt levels and debt service payments. Since next year is election year it is not the expectation that the Government will take unpopular measures to decrease the budget deficit substantially.

The weak performance of the economy resulted in a decrease of credit to the trade sector for the financing of imports. Further, increased credit risk compared to the past exists, which puts the profitability and solvency of the Bank under further pressure.

Management has undertaken several initiatives and has a reasonable expectation that these initiatives will have a positive impact on the risk exposure of the Bank. Management decided to continue adopting the going concern basis of accounting for these financial statements. Refer to the paragraphs below for the Bank's outlook.

- **Solvency risk and capital management:** Finabank N.V. successfully launched a subordinated bond of USD 2 million in the first quarter of 2018, to strengthen the solvency ratio. To limit foreign exchange losses, (decline in Tier 1 capital), Management decided to maintain a long-term open currency position in both USD and EURO. Even though the bank faced several challenges that impacted the solvency ratio, Finabank has a solvency ratio of 11.30% which is well above the guidelines of the Central of Bank of Suriname of 10%. Management and the Board of Supervisors advised the shareholders during the Annual General Shareholders Meeting to pay out a dividend (SRD 8.50 per share) to the shareholders over the fiscal year 2017.
- **Liquidity risk and risk of default:** Finabank has a liquidity surplus and is still able to meets its liquidity requirements, if 30% of all liquidity is demanded by the depositors within one day. Monthly stress testing takes place and if needed corrective measures are executed. The results are presented to the Assets and Liability Committee by the Treasury Department.
- **Foreign Exchange and currency risk:** Finabank N.V. has a long open position and issued a Tier 1 bond in United States Dollars to make Finabank less volatile for currency revaluation. Finabank N.V. has a very small mismatch in currency due to the fact that funding in a specific currency is almost always used for loans in that specific currency. The Bank does not exchange funding currency in another currency.
- **System risk:**

  Commercial banks

  In order to mitigate the risk of default and liquidity risk:

  Management keeps minimum foreign currency balances ("nostro accounts") at other local banks in order to facilitate customer to customer transfers. As the other major banks have part of their regulatory reserves invested abroad according to the Central Bank of Suriname requirements, Management assessed the risk related to these exposures as low as these exposures could be cleared with the regulatory reserves if a collapse would occur. Management is of the opinion that the Central Bank of Suriname (CBoS) is the lender of last resort for the commercial banks in Suriname especially for SRD. Although the Central Bank of Suriname is capable of providing such assistance, we are not aware of a formalized resolution framework and emergency liquidity assistance framework.

  Central Bank of Suriname

  Regarding the CBoS, it should be noted that Finabank N.V. has three types of exposures at the Central Bank of Suriname. The exposures are as follow:

  - Statutory reserves;
  - Unrestricted demand accounts;
  - Financial instruments with the CBoS with regards to the foreign exchange of USD and EURO.

  Statutory reserves

  Management's assessment is that with respect to the SRD, the CBoS is able to fully exercise under all circumstances as "lender of last resort". The default risk on the Finabank N.V. SRD regulatory reserve position is considered low. There is a higher risk for the USD and EURO regulatory reserves. Finabank N.V. is allowed to invest these funds abroad but the funds are kept at the CBoS.

Unrestricted demand deposits

As lender of last resort Management assessed that the CBoS will be able to fully exercise under critical circumstances in its role as "lender of last resort" and will find ways to avoid default on its SRD commitments to the banking sector.

Financial instruments

As per year end 2018 the foreign exchange derivatives with the CBoS all matured but settlement has not yet taken place. Therefore the Bank is exposed to the risk of default arising in this context, however the Bank assessed that the CBoS will be able to avoid default on its commitments.

- Government of Suriname: Moody's Investors Service has recently changed the long-term issuer and senior unsecured rating of the Government of Suriname to B2 stable from negative. The change was driven by Moody's assessment that the liquidity pressure in 2018 has decreased and an easing of the financing pressure is expected in 2019 and 2020 due to more domestic and foreign financing options.
- Correspondent Banking: Finabank currently has 3 correspondent banks. As from 2017, Finabank N.V. is a partner bank in the International Development Bank (IDB) program.
- Credit risk: Finabank has a low non-performing ratio, which indicates Finabank has a healthy loan portfolio. The non-performing ratio is 1.5%, compared to 2.7 % as per year end of December 2017.

Management position

Taking all of the above into consideration, Finabank N.V.'s Management assessed if there is a basis for preparation of the financial statements on a going concern assumption. The conclusion is that compared to 2017, there is still a system and country risk but that these risks are proactively managed by Finabank N.V.

Based on the facts and circumstances mentioned above, Management has prepared the financial statements on the going concern assumption.

3. ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

The financial statements cover the period January 1, 2018 until December 31, 2018 and have been prepared on a going concern basis in accordance with International Financial Reporting Standard (IFRS) as issued by the International Accounting Standards Board (IASB) except for the corresponding figures which was not in compliance with IAS 29.

In accordance with IAS 29, Financial Reporting in Hyperinflationary Economies has been determined to be a hyperinflationary economy for the year 2017. The 2017 financial statements do not fully comply with IFRS, as IAS 29 was not applied. Had IAS 29 been applied, several elements in the accompanying financial statements would have been materially affected. Except for IAS 29 the Bank has applied IFRS's in all other aspect in these financial statements.

As per December 31, 2018, it was concluded that Suriname is not a hyperinflationary economy anymore. As a result, the 2018 financial statements are in compliance with IFRS except for the corresponding figures as described above.

3.2 APPLICATION OF NEW, REVISED, EFFECTIVE AND NOT YET EFFECTIVE IFRS

Application of new and revised standards

In the current year Finabank implemented IFRS 9 Financial Instruments, and IFRS 15 Revenue from contracts with Customers and early adopted IFRS 16 Leases. Below is a summary of the IFRS standards adopted by Management of Finabank N.V. in 2018 and their impact on the Bank.

IFRS 9 Financial Instruments
IFRS 9 replaces IAS 39 Financial Instruments Recognition and Measurement. Finabank N.V. implemented this standard per January 1, 2018 and restated comparative information for 2017.

IFRS 7R Financial Instruments Disclosures Revised
Finabank N.V. adopted this standard and updated the relevant disclosures.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreement for the Construction of Real Estate and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. Finabank N.V. adopted this standard per January 1, 2018. Based on assessment this standard does not have a material impact on the Bank.

IFRIC 22 Foreign Currency Transactions and Advance Considerations
The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. Based on assessment this standard does not have a material impact on the Bank.

IFRS 16 Leases
IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to financial leases under IAS 17 Leases. Finabank N.V. has chosen to early adopt IFRS 16 per January 1, 2018 and restated comparative information for 2017.

Standards in issue not yet effective

IFRIC 23 Uncertainty over Income Tax Treatments (effective January 1, 2019)
The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes.
IAS 19 Employment Benefits (effective January 1, 2019)
The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.
IFRS 3 Business combinations – Previously held interest in a joint operation (effective January 1, 2019)
IFRS 11 Joint Arrangements – Previously held interest in a joint operation (effective January 1, 2019)
IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity (effective January 1, 2019)
IAS 23 Borrowing Costs – Borrowing costs eligible for capitalization (effective January 1, 2019)

In 2017 two accounting policies have been restated:

1. In 2017 Finabank assessed the useful life and the according depreciation percentages of the various compartments of the buildings and concluded that these should be updated.

Compartment	Useful lifetime (old)	Useful lifetime (new)
Interior	25 years	5 years
Installations	25 years	5 years
Other	25 years	10 years

The impact of the abovementioned changes for the current year, are reflected in the depreciation costs of 2017. The understated depreciation in 2016 and previous years are corrected through equity in 2017.

2. As from 2017 Finabank calculates the costs and the liabilities for Anniversary payments on actuarial basis. Employees of Finabank are entitled to anniversary bonuses. This anniversary bonuses are paid out, based on the service period. The expected costs of these anniversary bonuses are accrued over the period of employment using an accounting methodology similar to that for defined benefit pensions plans. The basis for this calculation is an actuarial report provided by Active Consultancy N.V. Because the calculations involve actuarial calculations and significant assumptions, it was impractical to correct the prior period error retrospectively.

In 2018, the following accounting policies have been restated:

1. Interest receivables amounting to SRD 0.9 million related to loans that were paid off in previous years, have been corrected through equity.

2. After thorough review of the tax position, it was decided that the deferred tax liabilities did not calculate for deferred tax on valuation differences of land. This omission has been adjusted through equity as it regards to previous years.

3.2.1 IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 for annual periods on or after January 1, 2018. The Bank has restated comparative information for 2017 for financial instruments in the scope of IFRS 9. This was done without the use of hindsight. The restated prior period reflects all of the requirements in IFRS 9. Differences arising from the adoption of IFRS 9 have been recognized in retained earnings as of December 31, 2017 and are disclosed in the transition disclosure of changes in equity under IFRS 9 as of December 31, 2017.

Details of the Bank's impairment method are disclosed in note 3.7.10. The quantative impact of applying IFRS 9 as at January 1, 2018.

3.2.1.1 Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), held to maturity and amortized cost have been replaced by:

- Debt instruments at amortized cost;
- Financial assets at fair value through profit & loss (FVPL).

The Bank's classification of its financial assets and liabilities is explained in the transition disclosure of the financial statements, the quantitative impact of applying IFRS 9 as at January 1, 2018 is disclosed in the transition disclosure of changes in equity under IFRS 9 as of January 1, 2018.

3.2.1.2 Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with an expected credit loss (ECL) approach. IFRS 9 requires the Bank to record an allowance for ECL's for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case the allowance is based on the 12 months expected credit loss (12m ECL). If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECL over the life of the assets.

3.3 COMPARATIVE AMOUNTS

Comparative amounts in the statement of financial position and profit or loss and OCI have been reclassified or re-presented.

3.4 FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are measured using the currency of the primary economic environment in which Finabank N.V. operates ('the functional currency'). The financial statements are presented in Suriname Dollar (hereafter also abbreviated: "SRD"), which is Finabank N.V.'s functional and presentation currency.

3.5 BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost basis except for the following items in the statement of financial position:

- Financial assets designated at fair value through profit or loss are subsequently measured at fair value;
- Land and buildings are measured at fair value minus depreciation, last valuation date was December 2018;
- The defined benefit liability is measured at the present value of the defined benefit obligation, less unrecognised past service cost and unrecognised actuarial losses plus the net total of the plans assets and unrecognised actuarial gains. The expected costs relating to anniversary payments are accrued over the period of employment using an accounting methodology similar to that used for the defined benefit liability;
- Derivatives are measured at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.
In addition, for financial reporting purposes, fair value measurements are categorized into level 1, 2, or 3 based on the degree to which the inputs of the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety.

3.6 USE OF ESTIMATES AND ASSUMPTIONS

In preparation of the financial statements Management has to make judgements, estimates and assumptions regarding the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the year. The actual outcome may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The process of setting assumptions takes into account internal and external studies, industry developments, environmental factors and trends, regulatory requirements and experience judgement of Management. Management made significant estimates, based on solid assessments, regarding the valuation of financial instruments and the going concern assumption.

3.7 SIGNIFICANT ACCOUNTING POLICIES

3.7.1 Recognition of financial assets and liabilities

Financial assets and liabilities, except for loans and advances to customers and balances due to customers, are initially recognized at trade date, i.e. the date that the Bank becomes a party of the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial -assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognized when funds are transferred to the customers' account. The Bank recognizes balances due to customers when funds are transferred to the Bank.

3.7.2 Classification of financial assets and liabilities

From January 1, 2018, Finabank N.V. classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost, as explained in note 3.7.4.;
- FVPL.

The Bank classifies and measures its derivative and trading portfolio at FVTPL. Finabank N.V. may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Before January 1, 2018, Finabank N.V. classified its financial assets as loans and receivables (amortized cost), financial assets designated at fair value through profit or loss (FVPL), derivatives (FVPL) and held to maturity investments (amortized cost).
Financial liabilities are measured at amortized cost.

Financial assets

Due from banks, loans and advances to customers and financial investments are measured at amortized cost.
From January 1, 2018, Finabank N.V. only measures due from banks, loans and advances to customers and other financial investments at amortized cost if both of the following conditions are met:

A. The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
B. The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest (SSPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Ad. A Business Model assessment

Finabank N.V. determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and in particular, the ways those risks are managed.

The business model assessment is based on reasonably expected scenarios without taking worst case or stress case scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Ad. B The SPPI test

As a second step of its classification process, Finabank N.V. assesses the contractual terms of financial assets whether they meet the SPPI test.

Principal for the purpose of this is defined as the fair value of the financial asset at initial recognition and may change over the life expectancy of the financial asset (for example, if there are any repayments of principal or amortization of the premium / discount).
The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, Finabank N.V. applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

In contrast, contractual terms that introduce more than "de minimis" exposure to risk or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases the financial asset is required to be measured at FVPL.

3.7.3 Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided that, in the case of a non-financial variable it is not specific to a party or to the contract (the underlying);
- It requires no initial net investment or an initial net investment that is smaller than required for other types of contracts expected to have a similar response to changes in market factors;
- It is settled in the future.

Finabank N.V. entered into derivative transactions with 4 counterparties. The transactions only include currency swaps. Derivatives are recorded at fair value and carried on as assets when their value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed separately in note 8. Changes in the fair value of derivatives are included in other income.

3.7.4 Financial assets

3.7.4.1 Financial assets at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis.

Financial assets at FVPL are recorded in the statement of financial position at fair value. Changes in the fair value are recorded in profit or loss.

Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as investment income when the right to the payment has been established.

3.7.4.2 Investments

Investments are non-derivative assets with a fixed or determinable payments and fixed maturity dates that are solely held to collect contractual cash flows consisting of payment of principals and interest. As the Bank does not apply for the fair value option to eliminate an accounting mismatch, investments are valued at amortized cost.

3.7.5 Financial Guarantees

The Bank issues financial guarantees and loan commitments. Financial guarantees are initially recognized in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the statement of profit or loss, and - under IAS 39 – the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee, or - under IFRS 9 – an ECL provision.

The premium received is recognized in the statement of profit or loss in fees and commission income on a straight-line basis over the life of the guarantee. Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, under IAS 39, a provision was made if they were onerous contracts but from January 1, 2018 these contracts are in the scope of the ECL requirements.

Regarding the nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is based on market terms, these are not recorded in the statement of financial position. The nominal values of these instruments together with the corresponding ECL's.

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost. The Bank does not carry financial liabilities at fair value through profit or loss.

3.7.6 Derecognition of financial assets and liabilities

Financial assets

Derecognition due to substantial modification of terms and conditions

The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

When assessing whether to derecognize a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of a loan;
- Introduction of equity feature;
- Change in counterparty;
- If the modification results in the fact that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized, when the rights to receive cash flows from the financial asset have expired. The Bank also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if either:
- The Bank has transferred its contractual rights to receive cash flows from the financial asset;
- Or it retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the original asset), but assumes a contractual obligation to pay those cash flows to one or more entities (the eventual recipients), when all of the following three conditions are met:
- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent, plus accrued interest at market rates;
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients;
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for the investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:
- The Bank has transferred substantially all the risks and rewards of the asset;

Or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and can exercise that ability unilaterally and without imposing addition restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Bank's continuing involvement, in which case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

Financial liabilities
The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

3.7.7 Offsetting
Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position, if and only when, the Bank has a legally enforceable right to offset the recognized amounts and intends to either settle on a net basis or to realize the asset and settle the liability simultaneously.
Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

3.7.8 Amortized cost measurement
The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

3.7.9 Fair value measurement
The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. If there is no quoted price in an active market, the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments;
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data;
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments. Valuation techniques include net present value and discounted cash flow models and comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The derivatives are measured at fair value using level 3 inputs since there is no active market for derivatives of Suriname.

3.7.10 Identification and measurement of impairment
As described, the adoption of IFRS 9 by Finabank N.V. has fundamentally changed the Bank's loan loss impairment method by replacing IAS 39's incurred loss approach with a (forward-looking) ECL approach. From January 1, 2018, Finabank N.V. has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitment and financial guarantee contracts, in this section all referred to as financial instruments. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case the allowance is based on the 12 months expected credit loss (12m ECL).

Finabank N.V. identifies whether there has been a significant increase in credit risk in the following manner:

- For the Business portfolio, the increase in credit risk is based on Finabanks' Credit Risk Scorecard (CRSC), for the Retail portfolio, the increase in credit risk is based on days past due and for the other financial instruments the significant increase in credit risk is based on external ratings provided by Moody's;
- The 12m ECL is the portion of LTECL's that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after reporting date. Both LTECLs and 12m ECLs are calculated individually for the Business portfolio and collectively for the Retail portfolio.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life expectancy of the financial instrument.

1. Stage 1: When a loan is first recognized, the Bank recognizes an allowance based on 12mECL's. Stage 1 loans also includes facilities where the credit risk has improved, and the loan has been reclassified from stage 2;
2. Stage 2: When a loan has shown a significant increase in credit risk since origination, Finabank N.V. records an allowance for LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from stage 3;
3. Stage 3: Loans considered credit impaired, the Bank records an impairment: impairments taken on the Retail portfolio are equal to the outstanding amount at reporting date if in default above 90 days, impairments taken on the Business portfolio are calculated on an individual basis (based on the IAS 39 principle).

The calculation of ECL's

Finabank N.V. calculates ECL's on a several manners dependent on the portfolio, below a high-level outline is given:

- For the Business portfolio, a loss rate model is used, taking into account the actual losses of the Business portfolio in the years 2015 – 2017;
- For the Retail portfolio, a loss rate model is used, taking into account the actual impairments of the Retail portfolio in the years 2015 – 2017;
- For the other financial instruments, a Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) is used. In this approach the PD and LGD are based on transition tables of Moody's rating.

Finabank N.V. made an analysis of the forward-looking information to be taken into account, when calculating the ECL and concluded that there is no relation between the macroeconomic factors in Suriname and the amount of write offs in a certain year.

The calculation of the impairment of stage 3 loans, under IFRS 9 has not changed compared to the calculation under IAS 39 and is as follows:

The Bank assesses periodically and at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is "impaired" when objective evidence demonstrates a 'loss event' and that the loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes, but is not limited to:

- The borrower has sought or has been placed in bankruptcy or similar protection and this avoids or delays repayment of the financial asset;

- The disappearance of an active market for a security;
- The borrower has failed in the repayment of principle, interest or fees and the payment failure has remained unsolved for a certain period;
- The borrower has evidenced significant financial difficulty, to the extent that it will have a negative impact on the future cash flows of the financial asset;
- The credit obligation has been restructured for non-commercial reasons. The Bank has granted concessions, for economic or legal reasons relating to the borrower's financial difficulty, the effect of which is a reduction in the expected future cash flows of the financial asset;
- Observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group;
- Economic conditions that correlate with defaults in the group.

Finabank N.V. considers evidence of impairment for loans and advances and investments held at amortized cost at both a specific asset and a collective level. All individually significant loans and advances and investments held at amortized cost are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and investment held at amortized cost that are not individually significant are collectively assessed for impairment by grouping together loans and advances and investment held at amortized cost with similar risk characteristics.

In assessing collective impairment, the Bank uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortized cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and the new financial asset is recognized at fair value. The impairment loss before an expected restructuring is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset;
- If the expected restructuring will result in derecognition of the existing asset, the gain or loss of that existing asset would be recognized as the difference between the fair value of the restructured asset and the carrying amount of the original liability.

Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and receivables or investment securities. Interest on the impaired assets continues to be recognized through the unwinding of the discount. If an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

Credit cards

The Bank's product offering includes credit cards facilities, in which the Bank has the right to cancel/or reduce the facilities with a short period's notice. The Bank does not limit its exposure to the contractual notice period, but instead calculates ECL over a period that reflects the Bank's expectation of customer behavior, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities.

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same as it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on independent valuations or other data by third parties.

Collateral repossessed

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date, in line with the Bank's policy. In its normal course of business, the Bank does not physically repossess properties or other assets in its Retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

Write-offs

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

3.7.11 Foreign currency and inflation

Finabank N.V.'s financial statements are presented in Suriname Dollar, which is also the Bank's functional currency as described in note 3.4.

Transactions in foreign currencies are initially recorded at the spot exchange rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are exchanged into Suriname Dollar at the spot rate ruling at the reporting date. Non–monetary items that are measured at historical cost in a foreign currency are exchanged using the spot exchange rates as at the date of recognition. Foreign currency gains or losses arising on exchange or settlement of monetary items are recognised in profit or loss as 'Foreign currency exchange results' or 'Net foreign currency transaction results' under the heading of 'Other income'.

The official closing exchange rates as published by the Central Bank of Suriname for the United States Dollar and the Euro are as follows:

OFFICIAL CLOSING EXCHANGE RATES

	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
	SRD	SRD	SRD	SRD
1 USD	7.40	7.40	7.35	3.96
1 EUR	8.46	8.82	7.69	4.33

As can be observed from the above-mentioned table there has been a significant devaluation of the exchange rate (SRD as functional currency) since 2015.The aforementioned devaluation also affected the inflation in Suriname negatively and the cumulative inflation based on the CPI index over a period of 3 years amounted to more than 100% as per December 31, 2017. Accordance to IFRS (IAS 29) determining whether an economy is hyperinflationary requires judgement and does not depend solely on the level of cumulative inflation over a certain period of time.

The cumulative inflation is a key factor in the identification whether an economy has reached and or is in a stage of hyperinflation. When economies are in a state of hyperinflation the financial statements need to be “restated” for the effects of changes in general purchasing power using a general price index. It is preferable that all entities that report in the currency of the same hyperinflationary economy should apply the standard.

Management concluded based on their assessment of the facts and circumstances that as per December 31, 2017 (“reporting date”) the Surinamese economy was in a status of hyperinflation in accordance with IAS 29. A cumulative inflation rate over three years which approaches, or exceeds, 100% is a key factor in identifying a hyperinflationary economy. Based on the fact that from the regulatory perspective hyperinflation is not recognized and constantly not permitted. Management did not apply the standard.

Per December 31, 2018 the cumulative inflation amounted to 75.5%. Based hereon Management concluded that as per December 31, 2018 Suriname is not a hyperinflationary economy anymore.

3.7.12 Leasing

Under IFRS 16 a lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for a consideration.
On the commencement date of a lease contract the Bank recognizes a right of use and lease liability at fair value. The right of use is depreciated on a straight-line basis over the depreciable amount and the duration of the contract. The lease liability is measured at the present value of the lease payments to be made over the lease term.
Depreciation expenses and interest are expensed in the statement of profit or loss.

3.7.13 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the CBoS and highly liquid financial assets with original maturities of three months or less from the date of acquisition, that are subject to an insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.7.14 Property and equipment

Land and buildings are stated at fair value and for buildings less accumulated depreciation at respective balance sheet dates. Land has an infinite useful life expectancy and is therefore not depreciated. The last valuation of the fixed assets was conducted in December 2018.

Depreciation is calculated on a straight-line basis over the depreciable amount and the estimated useful life expectancy. For buildings, depending on the component, the useful life expectancy is between 5 years and 30 years. When the life expectancy of parts of buildings have differ, they are accounted for as separate major components.

Equipment

Equipment is stated at cost less accumulated depreciation and any impairment losses. Included in equipment is the software necessary for proper functioning of the hardware, such as machine specific processing software and drivers. The cost of the assets and the related software is depreciated on a straight-line basis over the estimated useful life expectancy, which is generally between 3-5 years for fixtures and fittings, data processing equipment and other equipment.

Expenditure incurred on maintenance and repairs is recognised in the profit or loss account as incurred. Expenditure incurred on major improvements is capitalised and depreciated.

Disposals

Net gains and losses on the disposal of items of ‘Property and equipment’ are determined by comparing the proceeds from the disposal with the carrying amount of the disposed asset. The net gains and losses are recognised as ‘Other income”.

3.7.15 Intangible assets

Intangible assets comprise of computer software products licensed for use by Finabank N.V. Intangible assets are recognised at cost less accumulated amortisation and accumulated impairment losses over the useful life expectancy. Amortisation is recognised on a straight-line basis over the estimated remaining useful life expectancy, normally between 5-10 years from initial recognition. On each reporting date the remaining useful life expectancy of each intangible asset is assessed and also tested for impairment. The impairment is calculated as the difference between the net present value of expected cash inflows and/or cost reductions, attributable to that intangible asset and the carrying amount. Impairment adjustments are recognised through profit or loss.

3.7.16 Taxation

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in OCI.

Current tax liabilities

Current tax liabilities comprise the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met as defined in IFRS.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.
Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.
Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.
Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax liability is a result of temporary differences between the accounting and tax carrying values, the anticipated and enacted income tax rate, and estimated taxes payable for the current year.
The deferred taxes mainly consist of unrealised result on derivatives and revaluation reserves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.
Deferred tax assets and liabilities are offset only if certain criteria are met, as defined in IFRS.

3.7.17 Other assets

The balance of other assets consists primarily of prepaid expenses, accrued interest receivable and other receivables not related to loans and advances. These other assets have a short-term nature.

3.7.18 Defined benefit plan

Pension plan
Finabank N.V. maintains a defined benefit plan, which is insured at N.V. Self Reliance in Suriname. Annual contributions are paid to N.V. Self Reliance at a rate necessary to adequately finance the accrued liabilities of the plan calculated in accordance with the terms of the plan and the local legal requirements. The most recent (actuarial) valuations of the fair value of plan assets and defined benefit obligation were carried out as at December 31, 2018 by a registered actuary. The fair value of the defined benefit obligation, and the related current service cost and the past service cost, were determined using the projected unit credit method.

The net defined benefit liability, calculated as the defined benefit obligations less the fair value of the plan assets, is recognised within 'net defined liabilities" in the statement of financial position.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) are recognised immediately in OCI. The Bank determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.
Finabank N.V. does not cover the medical expenses of staff after retirement. From age 60 and up, retirees are eligible for medical care provided by the Government.

Anniversary bonus
Employees of Finabank N.V. are entitled to anniversary bonuses. The anniversary bonuses are paid out, based on the service period. The expected costs of the anniversary bonuses are accrued over the period of employment using an accounting methodology similar to that used for the defined benefit pensions plans.

3.7.19 Income recognition

The effective interest rate method

Under both IFRS 9 and IAS 39, interest income is recorded using the effective interest Rate (EIR) method for all financial instruments measured at amortized cost and financial instruments designated at FVPL. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortized through interest and similar income in the statement of profit or loss.

Interest and similar income

The Bank calculates interest income by applying the EIR to the gross carrying amount of the financial assets other than credit-impaired assets.
When a financial asset becomes credit impaired and is, therefore, regarded as "stage 3" the Bank calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired the Bank reverts to calculating interest income on a gross basis. For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortized cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortized costs of the POCI assets.

Investment income

Investment income relates to financial assets designated at fair value through profit or loss. It includes all realised and unrealised fair value changes and dividends. Dividend income is recognised when the right to receive income is established.

Commission, fee income and expenses
Commission, fee income and expenses that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission income – including account servicing fees, closing fees and early redemption fees – are recognised as the related services are performed.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are rendered.

3.7.20 Expense

Expenses are recognised in the statement of profit or loss as incurred or when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognised on the basis of the matching principle, on the basis of a direct association between the costs incurred and the revenues of specific items of income. When the economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined, such as is the case with property and equipment and with intangible assets, expenses are recognised in the statement of profit or loss on the basis of systematic and rational allocation procedures. In such cases the expenses are referred to as depreciation or amortisation. Expenses are recognised immediately in the statement of profit or loss when an expenditure produces no future economic benefits or ceases to qualify in the statement of financial position as an asset. An expense is also recognised in the statement of profit or loss when a liability is incurred without the recognition of an asset.

3.7.21 Earnings per share

Earnings per share is calculated from profit for the period on the basis of the number of ordinary shares outstanding. There are no holders of equity in Finabank N.V. other than ordinary shareholders. Also, no new shares have been emitted, nor have any stock options been granted to any party during the reporting period or during comparative periods. There is no dilution effect on the earnings per share.

3.7.22 Statement of cash flows

The statement of cash flows is prepared in accordance with the indirect method, classifying cash flows as cash flows from operating, investing and financing activities. Profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income and expense associated with investing or financing cash flows.

For the purpose of the statement of cash flows, cash consist of cash at hand (including Automated Teller Machines (ATM's)) and on unrestricted current account balances at the CBoS. Cash and cash equivalents include investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of three months or less from the date of acquisition. Consideration is also given to the credit risk of cash and cash equivalents irrespective the length to maturity. Interest income and expenses are presented as part of cash flows of operating activities.

3.7.23 Related parties

A related party is a natural person, dependents or entity that is related to the Bank.
An entity or a natural person is related to the Bank if this entity or natural person, or close relative of the natural person:

1. Has control or joint control of the Bank;
2. Has significant influence on the Bank; or
3. Is one of the managers at a key position within the Bank.

Transactions with related parties are reported specifically under Note 33 'Related parties.'

OTHER INFORMATION: INDEPENDENT AUDITOR'S REPORT

To: The shareholders and management of
Finabank N.V.
Dr. Sophie Redmondstraat 59-61.
Paramaribo, Suriname

REPORT OF THE INDEPENDENT AUDITOR ON THE GLOSSY FINANCIAL STATEMENTS

Opinion

The glossy financial statements, which comprise of the statement of financial position as at December 31, 2018, the statements of income, comprehensive income, changes in shareholders' equity, and cashflow statement for the year then ended and related notes are derived from the complete audited financial statements of FinaBank N.V. ("the Bank") for the year ended December 31, 2018.

In our opinion the accompanying glossy financial statements are consistent, in all material respect with the audited financial statements 2018, in accordance with accounting standards selected and disclosed by the Bank on Note 3.1.

Glossy Financial Statements

The glossy financial statements do not contain all the disclosures required by International Financial Reporting Standards ("IFRSs"). Reading the glossy financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

The Audited Financial Statements and Our Report Theron

We expressed an unmodified audit opinion on the financial statements in our report dated 26 April 2019, in accordance with accounting standards selected and disclosed by the Bank on Note 3.1.
The audited financial statements and the glossy financial statements do not reflect the effects of events that occurred subsequent to the date of our auditor's report on the audited financial statements.

Responsibilities of Management for the Glossy Financial Statements

Management is responsible for the preparation of the glossy financial statements in accordance with accounting standards selected and disclosed by the Bank on Note 3.1

Auditor's Responsibilities for the Audit of the Glossy Financial Statements

Our responsibility is to express an opinion on whether the glossy financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Curaçao, April 26, 2019
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For Ernst & Young Accountants | F. de Windt-Ferreira CPA

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