SUMMARY ANNUAL REPORT 2019 FINABANK N.V.

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FinaBank

Table of contents

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 Bank, while Supervisory Board members are not.

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 it with advice. Finabank operates under the laws and regulations of Suriname and is under supervision of the Central Bank of Suriname (Central Bank of Suriname). As of December 31, 2019, the Bank's assets amounted to SRD 2,386 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 its head office is in the center of Paramaribo. The four other offices are in Paramaribo North, Paramaribo South, one in the district of Wanica and one in the district of Nickerie.

A main objective towards 2024 is a 17% market share in the national private sector loan portfolio. In 2020, the bank launched project Hermes detailing this objective in terms of strengthening and optimizing internal processes.

VISION, MISSION AND CORE VALUES

Vision
We are the number one financial solutions provider.

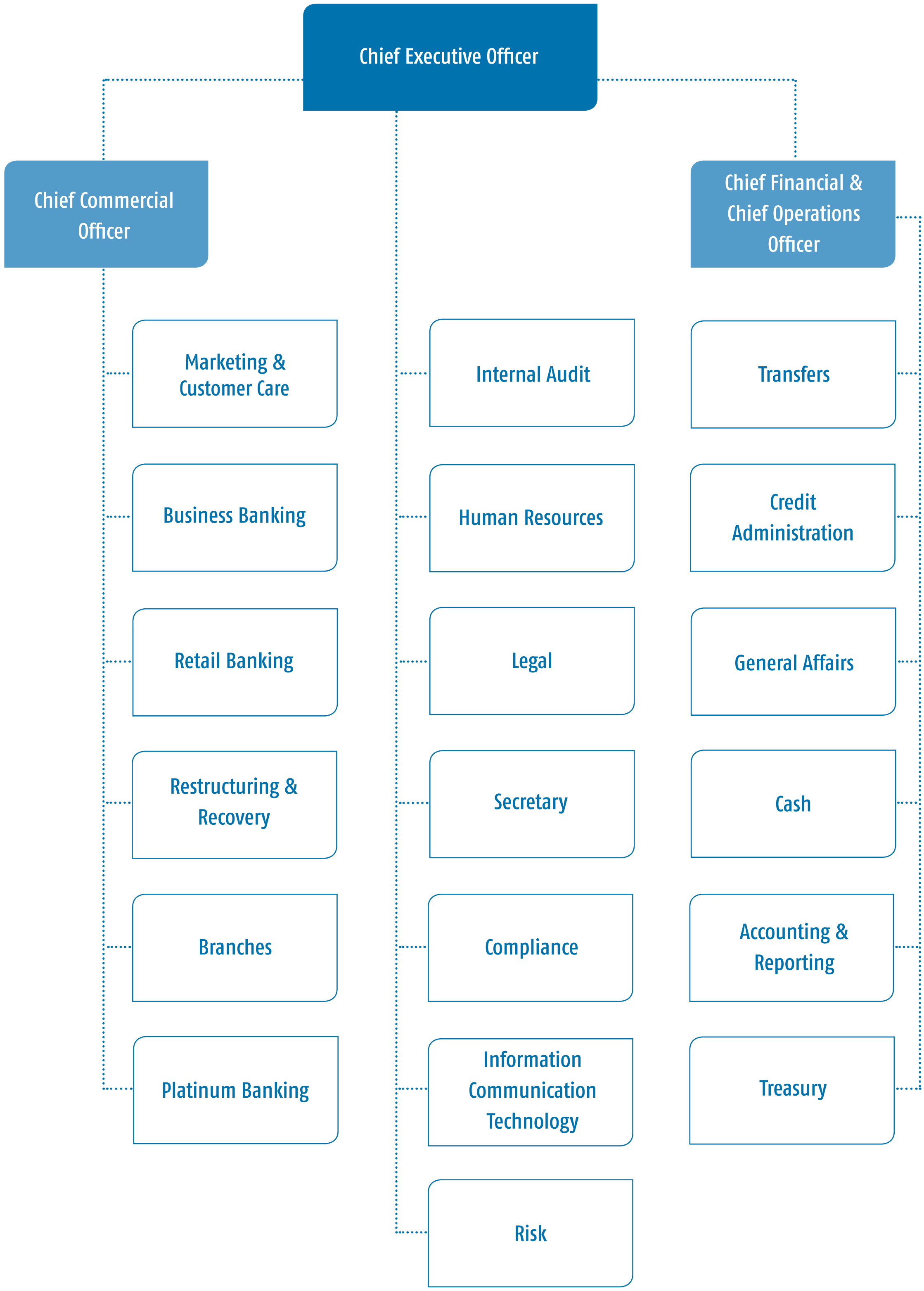
Mission
With our dedicated and caring professionals, we successfully enable your ambitions financially.

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

Strategy statement
Our strategy is to obtain a 17% market share in terms of private sector loan portfolio in 2024, by having our committed team provide the best tailored financial solutions based on superior risk assessment through innovative digital and personal channels, to our customers within the Business, Retail and High-End Retail market. For this, growth must be achieved at lower cost at a cost to income (C/I) level of 65-70%, reflecting a scalable organization with lower variable costs, while maintaining a target capital ratio of 15% to ensure trust and lending capacity.

ORGANIZATIONAL CHART



STATEMENT OF THE EXECUTIVE AND SUPERVISORY BOARDS

Chief Executive Officer
Eblein G. Frangie

Statement of the Executive Board

Introduction

At Finabank, we delivered strong commercial and strong financial operational results for 2019 followed by the adverse impact of the downgrade of Suriname's credit rating to CCC (according to Fitch with equivalent ratings by Standard & Poor's (S&P) and Moody's) for which we had to set aside provisions for potential future losses. This has led to disappointing results, even after the cost cutting and risk measures that have been taken, for the first time in the history of Finabank. Finabank is well positioned to address potential unfortunate further economic decline. Our intensive and strict liquidity management during the economic crisis (and the early 2020 COVID-19 crisis) resulted in a strong liquidity position both in foreign currency as well as in SRD. During 2019 and 2020 to date we managed to expand our client base and accelerated the implementation of our digital strategy to respond to the COVID-19 crisis in which over 50% of our work force works from home.

The financials of 2019 include the provisions for potential future losses that we had to set aside in the first half of 2020 as a result of the downgrading of the credit rating of Suriname to CCC according to our accounting standard IFRS. This has primarily led to a net result of SRD 5.8 million, a decrease of 52% compared to 2018. However, profit before tax excluding expected credit losses increased with 110% from SRD 19.2 million in 2018 to SRD 40.3 million in 2019. Total assets have increased with 19% compared to 2018 to SRD 2,386 million.

The world around us

The global economy grew with 2.9% in 2019, according to the IMF. This is a decrease of 0.7 percentage point compared to 2018. The global economy last year was characterized by growing trade tensions between the two largest economies the USA and China. This resulted in a lower global industrial production and rising uncertainty in international trade, geopolitical tension in the world (for example Brexit), macroeconomic stress in several major emerging economies like India, the ASEAN countries, Russia and Brazil. Lower growth rates and a growing debt for these countries was the result. The IMF's commodity (fuel and non-fuel) price index, in general world market prices of commodities declined last year. The average gold price however increased by 9.7% to USD 1,392.9 per troy ounce. The average oil price strongly fluctuated in 2019 and declined by 10.1% to USD 61.4 per barrel.

The economy of the region Latin America and the Caribbean grew by only 0.1% last year. The growth rate for the Caribbean is estimated at 1.4% in 2019. The Surinamese economy continues to grow in 2019. After an economic growth of 2.6% in 2018, the growth rate for 2019 is lower compared to 2018 and is estimated to be around 2%. This growth can mainly be attributed to an increase in production of the local (non-mineral) economy and a marginal increase of production in the oil industry. The growth of the local economy is a result of an increase in domestic demand for goods and services, which is reflected in the increase of the USD value of imports of consumer and investments goods in the past year of approximately 28.4% and 4.4%. In 2019, the total gold production decreased marginally by about 2.7%.

This decrease is the result of a lower gold production for the multinational companies. For example, the production of Rosebel Gold Mines N.V. decreased last year by 12.5%, due to the forced discontinuation of its activities for 1.5 months in the middle of the year and a lower gold content in the mined gold ore. Production activities ceased for 1.5 months due to illegal activities of porknokkers in the concession area of the company.

The trade balance (goods and services) in 2019 indicates an increase in exports of about 3.1%, while imports increased by 15.3% compared to 2018. The total export value of USD 2.4 billion increased mostly due to rising export earnings from the gold sector and of other goods excluding oil, shrimp, and banana. The export value of oil, shrimp and banana sharply decreased by 16.8%, 30.2% and 53.2%, respectively in 2019. Imports of USD 2.5 billion were slightly higher than exports in 2019. The current account of the balance of payments was negative and amounted to an estimated – 10.7% of GDP. In addition to a negative trade balance, transfers of profits from foreign companies and interest payments on external Government and private sector debt, contributed to the negative current account balance. The balance of the capital and financial account of approximately 20.2% of GDP, more than offset the negative balance of the current account. Capital inflows of approximately USD 770 million are the result of USD 380 million transfer of foreign exchange reserves from banks to the international reserve, USD 260 million of net capital inflows from Government debt and about USD 120 million capital inflow due to a net decrease in the foreign currency reserves of the monetary authorities abroad and of the mining companies with foreign banks. The international reserve increased by USD 67.9 million to USD 648.6 million at the end of 2019.

The broad money base (M2) rose marginally in 2019 by 5.7% compared to 2018. This increase is mainly attributed to liquidity creation for the Government from loans and advances provided by the general banks and the Central Bank of Suriname (CBoS). The estimated liquidity ratio (M2 / GDP) in 2019 decreased by approximately 4.0 percentage points and is estimated at 70.4% compared to 2018. The monetary authorities have tried to keep the exchange rate stable through tight monetary policies, various measures to discourage foreign exchange demand and currency interventions. Keeping the exchange rate stable was somewhat successful in 2019, bringing domestic average inflation to 4.4%. In the banking sector, bank deposits rose marginally by 2.8% up to SRD 18.1 billion. Domestic investment through lending from the banking sector did not increase significantly. The total credit portfolio (in SRD and foreign currencies) of the banking sector increased in nominal terms by only 1.6%, while growth in real terms decreased by approximately 2.5% compared to 2018. At the end of 2019, foreign currency loans accounted for 48% of the total loans granted. Financial soundness indicators of the banking sector for July 2019, published by the IMF in the 2019 Article 4 Mission Report, shows an improvement in the solvency, liquidity and profitability indicators compared to the end of 2018. The central bank capital adequacy ratio (CAR) of 10% was achieved for the total banking sector at that time.

The developments in Government finance are still a major concern for the very fragile economy. The high overall deficits are starting to become more of a structural problem for the Government and have led to a rising Government debt and debt service payments. The deficit of overall balance in 2018 was about 11.5% of GDP. Based on available Government finance statistics until October 2019, the deficit until then is estimated at 8.8% of GDP. At the end of 2019, the total Government debt was USD 3 billion (SRD 22.4 billion) of which USD 458 million was owned to local banks. The effective debt-GDP ratio at the end of the year was about 78%, 5 percentage points higher than in 2018. Total Government debt service payments amounted to USD 233.1 million in 2019.

FINANCIAL SUMMARY AND KEY FINANCIAL INDICATORS 2017-2019

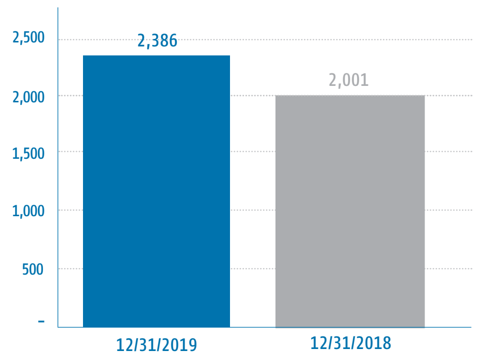
(in thousands of SRD)	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
		Restated	Restated
RESULTS			
Net interest result	94,545	84,314	66,350
Investment income	1	(13)	14
Net commission and fee income	26,375	21,777	16,194
Other Income (Expense), Net	11,460	(7,208)	10,248
Total income	**132,381**	**98,870**	**92,806**
Expenses	92,082	79,687	61,604
Expected Credit Loss	31,224	458	10,728
Profit before tax	9,075	18,725	20,474
Profit	**5,808**	**11,984**	**13,103**
BALANCE SHEET			
Assets			
Cash and cash equivalents	135,201	81,956	166,790
Amounts due from banks	893,306	708,701	558,028
Loans and advances to customers	910,656	747,639	628,025
Other assets	446,627	462,507	383,245
Total assets	**2,385,790**	**2,000,803**	**1,736,088**
Shareholders' equity and liabilities			
Amounts due to banks	62,105	112,586	100,474
Customers' current, savings and deposit accounts	2,032,266	1,610,285	1,454,607
Other liabilities	169,416	157,281	93,444
Shareholders' equity	122,003	120,651	87,563
Total shareholders' equity and liabilities	**2,385,790**	**2,000,803**	**1,736,088**
KEY RATIOS (IN %)			
Return on equity (annualized)	4.79	11.51	14.72
Return on assets (annualized)	0.26	0.64	0.90
Loans & overdraft Expected Credit Loss ratio	1.24	2.46	4.30
Non performing ratio (by Central Bank of Suriname definition)	0.54	2.14	2.60
Non performing ratio (according to accounting standards)	0.42	1.54	2.70
Loan to deposit ratio	45.37	47.60	45.30
Operational efficiency ratio	69.56	80.60	66.38
Profit ratio	30.44	19.40	33.62
Capital ratio (shareholders' equity / total assets *100)	5.11	6.03	5.04
Solvency ratio (by Central Bank of Suriname definition)	11.68	11.30	11.80
Capital Adequacy Ratio (acccording to accounting standards)	10.37	11.98	11.33
Pay-out ratio	-	15.93	14.47
Number of employees at a full time equivalent basis	203	184	169

The financial policy and analysis of the bank

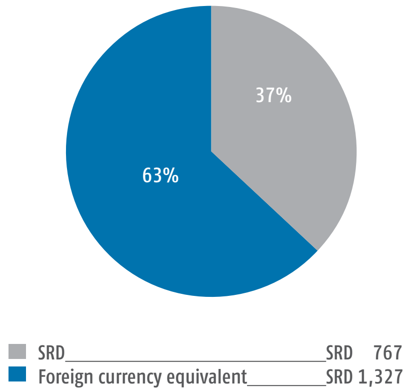
In 2019, the Bank's total assets increased by 19% from SRD 2,001 million to SRD 2,386 million. Net profit amounted to SRD 5.8 million; a decrease of 52% compared to 2018. Management is content with this result since the macroeconomic conditions were less favorable.

The growth of the total assets of Finabank 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 market given the competitive conditions. The increasing digitalization combined with the changing customer expectations rapidly changes the way banks operate.

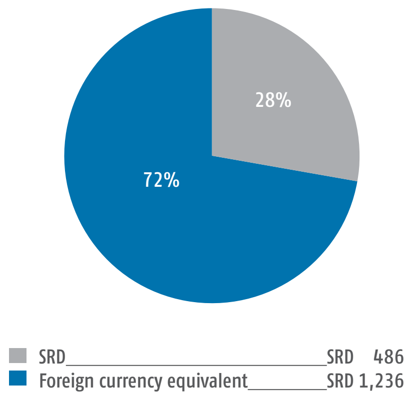
Total assets as at 31 december
(x SRD 1 million)



Composition of funds entrusted in SRD and foreign currency as at December 31, 2019 (x SRD 1 million)

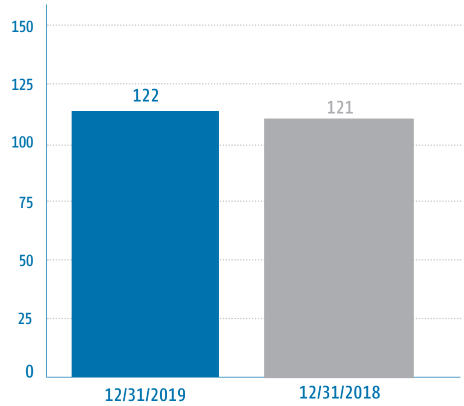


Composition of funds entrusted in SRD and foreign currency as at December 31, 2018 (x SRD 1 million)

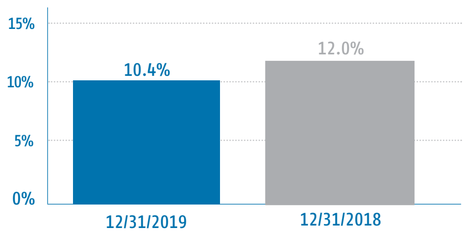


Shareholders' equity increased with 1% from SRD 121 million to SRD 122 million. Finabank has a solid solvency ratio of 11.7% and according to the standards of the Central Bank of Suriname, it is highly liquid, and has a strong governance structure. Moreover, we offer all digital channels (Online- and Mobile Banking) and a good customer centricity. We are continuously improving our operational processes and are creating an integrated digital platform to service our customers' financial needs and to provide new and relevant products and services.

Shareholders' equity as at December 31
(x SRD 1 million)

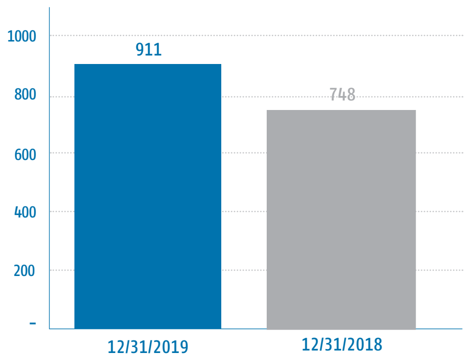


Capital Adequacy Ratio as at December 31

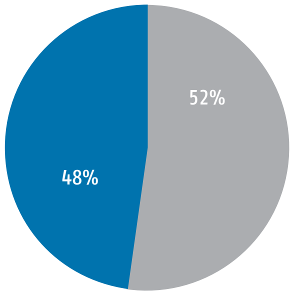


On the asset side of the balance sheet, there was an increase in cash and cash equivalents by 65%. This was caused by a faster increase in the funding portfolio compared to the increase in the loan portfolio. The net credit portfolio increased by 22% from SRD 748 million to SRD 911 million, mainly reflecting the growth in business lending. Growth in the retail market increased by 35% in 2019 compared with 2018. The dollarization of the total of the Statement of financial position amounted to 62% for 2019 (2018: 55%).

Net Loans and advances to customers as at December 31
(x SRD 1 million)



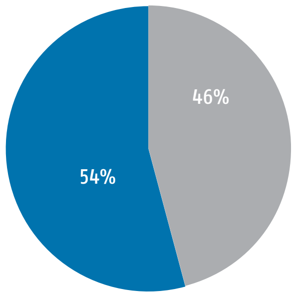
Composition of net loans and advances to customers in SRD and foreign currency as at December 31, 2019 (x SRD 1 million)



SRD	SRD 474
Foreign currency equivalent	SRD 437

Total loans and advances to customers SRD 911

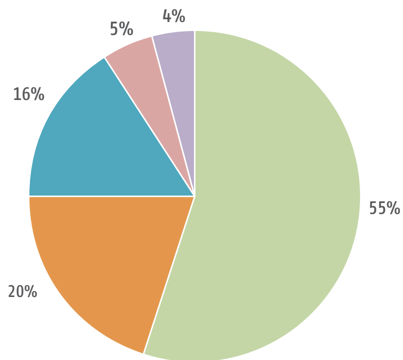
Composition of net loans and advances to customers in SRD and foreign currency as at December 31, 2018 (x SRD 1 million)



SRD	SRD 341
Foreign currency equivalent	SRD 407

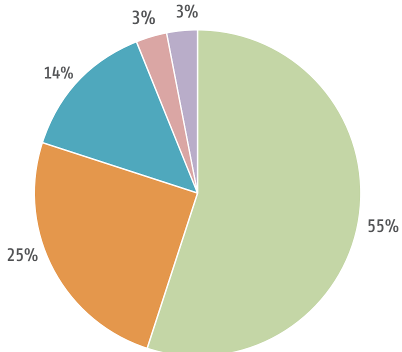
Total loans and advances to customers SRD 748

Net credit portfolio as at December 31, 2019 (x SRD 1 million)



Business Market	SRD	671
Government	SRD	245
Mass Retail Market	SRD	187
Financial Institutions	SRD	57
High-end Retail Market	SRD	53
Total net credit portfolio	**SRD**	**1,213**

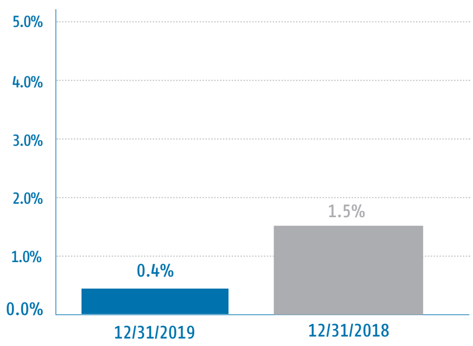
Net credit portfolio as at December 31, 2018 (x SRD 1 million)



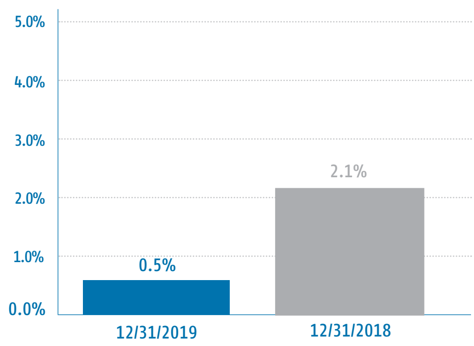
Business Market	SRD	570
Government	SRD	258
Mass Retail Market	SRD	141
Financial Institutions	SRD	33
High-end Retail Market	SRD	37
Total net credit portfolio	**SRD**	**1,039**

The non-performing ratio (according to the Central Bank of Suriname) decreased from 2.1 % to 0.5%. While the non-performing ratio according to the accounting standards applied decreased from 1.5% to 0.4%, Management is content that despite the macro-economic conditions the non-performing ratio is low.

Non performing ratio
(According accounting standards) as at December 31

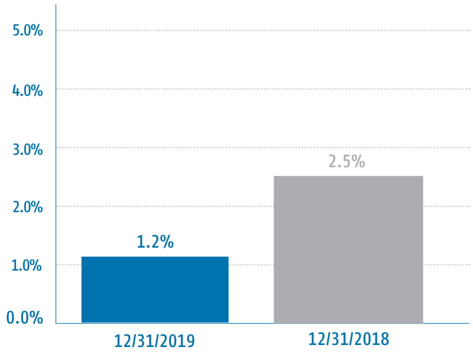


Non performing ratio
(Central Bank of Suriname) as at December 31



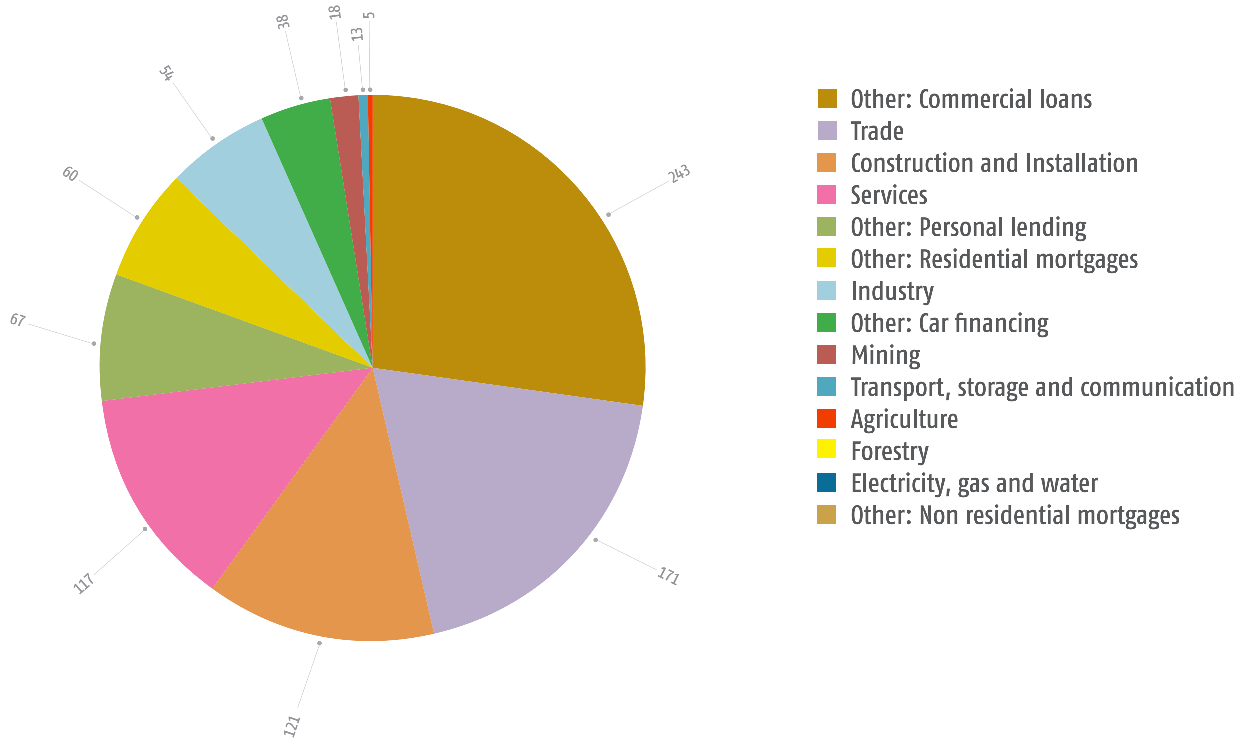
The Loans and overdraft Expected Credit Loss (ECL) ratio decreased from 2.5% to 1.2% due to execution of significant stage 3 non-performing loans.

ECL ratio as at December 31



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

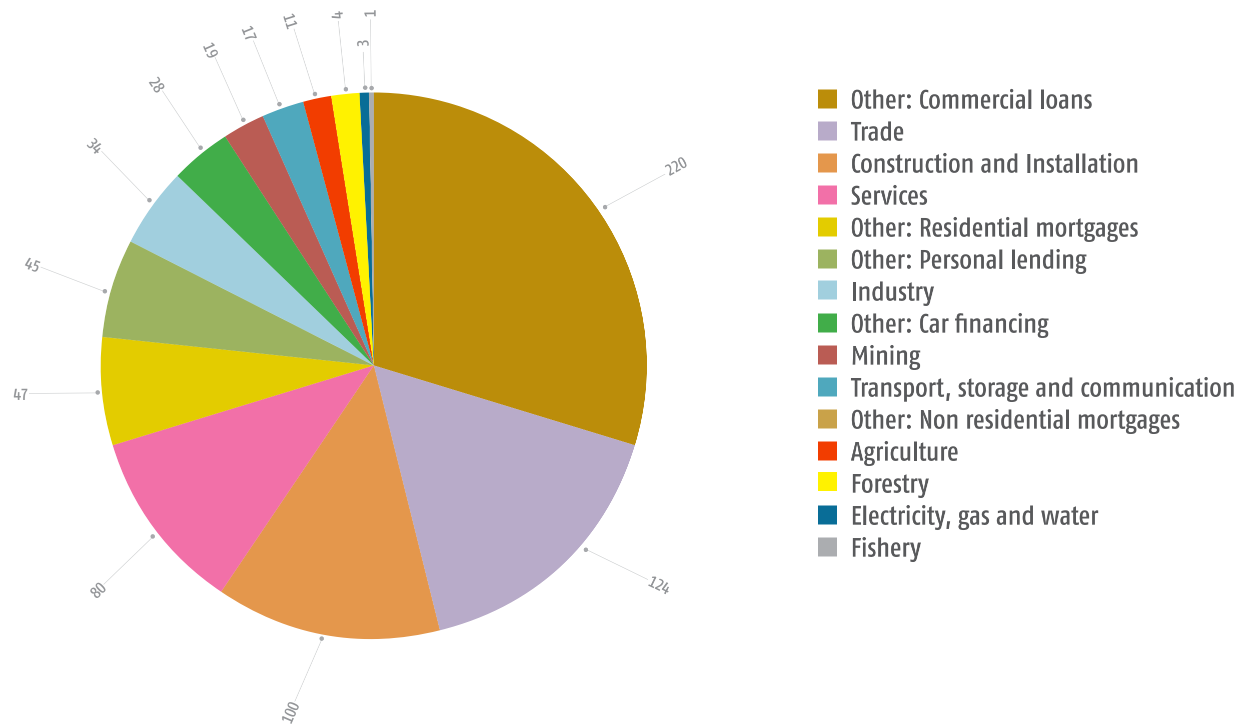
Net loans and advances to customers (exclusive interest) by sector as at December 31, 2019 (x SRD 1 million)



The four largest sectors in our loan portfolio are:

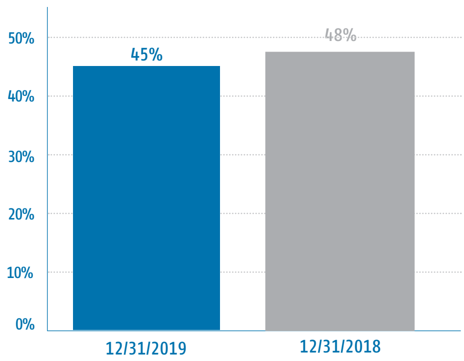
- Other Commercial loans (SRD 243 mln);
- Trade (SRD 171 mln);
- Construction and installation (SRD 121 mln);
- Services (SRD 118 mln).

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



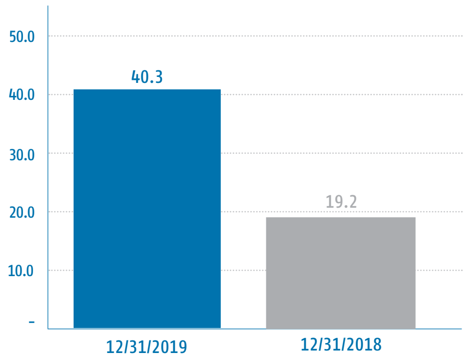
Our loan to deposit ratio decreased from 48% to 45% since the Bank's funding portfolio increased faster than the loan portfolio.

Loan to deposit ratio as at December 31



The net result of the Bank decreased with SRD 6.2 million (52%) from SRD 12.0 million to SRD 5.8 million. As a result, hereof earnings per share decreased by 52% from SRD 53.72 to SRD 26.03. However, profit before tax excluding expected credit losses increased with 110% from SRD 19.2 million in 2018 to SRD 40.3 million in 2019.

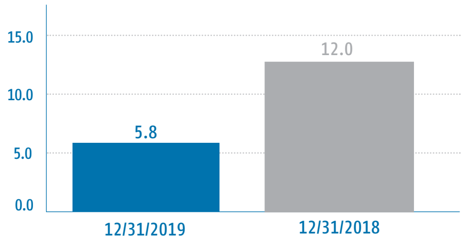
Profit before tax excluding expected credit losses as at December 31 (x SRD 1 million)



Total income of SRD 132.4 million is 34 million (34%) higher compared to previous year. The net interest result has contributed positively to this flux with SRD 10.2 million, while net commission and fee income added another SRD 4.6 million to the improvement. Other income shows an increase of SRD 18.7 million compared to previous year which is mostly due to positive foreign exchange trading results and the fact that the settlement of the derivatives in previous year had a significant negative foreign exchange result.

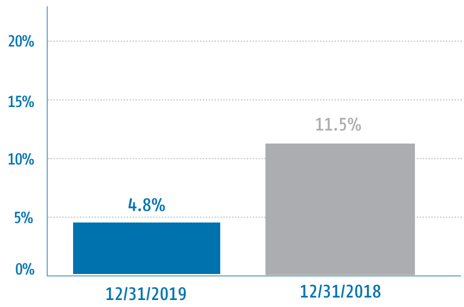
Total expenses increased by SRD 43.2 million (54%) to SRD 123.3 million from 80.1 million. Important cost drivers were the increase in number of personnel from 184 FTE to 203 FTE including an increase in salaries and in other long-term employee benefits. Expected Credit Loss on financial assets resulted in additional expenses of SRD 30.8 million in 2019 mostly due to the downgrading of the credit rating of Suriname to a CCC rating.

Net profit for the year ended December 31
(x SRD 1 million)

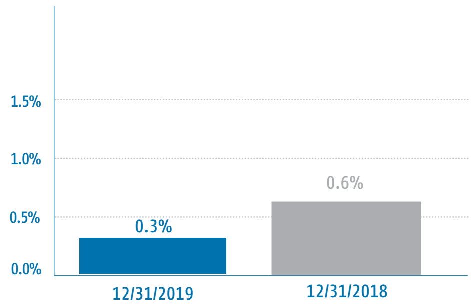


The return on equity of the Bank decreased from 11.5% to 4.8%.
Return on assets decreased from 0.6% to 0.3% because of the decrease in profit compared to growth of the total assets.

Return on equity as at December 31
(annualized)



Return on assets as at December 31
(annualized)



Review of our corporate strategy 2017-2019

Our three-year strategic period 2017-2019 ended and I am proud to share with you the achievements of Finabank for this period. Our market position has grown from 10% in 2017 to 11% in 2019. We have built a strong corporate governance structure with effective internal policies and regulations. We were the first bank in Suriname offering a full service 'mobile app' to great satisfaction of our clients. In the fast-growing district Wanica we opened a new branch where clients enjoy an optimized service delivery in a modern atmosphere. We managed, as first Surinamese bank, to fully implement the accounting standard IFRS 9, which is an advantage when exploring international opportunities. Although the market for foreign exchange was very limited due to the economic crisis, our foreign exchange trading was adequate in 2019 and we managed to provide in the foreign currency needs of our clients. We have strengthened our relationship with the Inter-American Development Bank ("IADB") by implementing a trade facility in which our clients can establish international debt relations with their suppliers and clients. In addition to the trade facility, we have access to a credit line at IADB for foreign currency short term liquidity purposes, although we have never used the credit line as our liquidity position is strong. To strengthen our capital base, we issued a perpetual bond of USD 2 million which was successfully received by the market and was overwritten. We have institutionalized continuous learning for our employees by partnering with Welten International, the well-recognized financial learning center in the Netherlands, to develop a tailor-made financial education program. As a result of our efforts through the Surinamese Banker's Association, Welten International and FHR Institute for Higher Education the whole financial sector can now benefit from these educational opportunities.

Our corporate strategy 2020-2024

We have completed our strategic period 2017-2019 with the formulation of a new strategy for 2020-2024 and were assisted by Eden McCallum, an international top-tier consulting firm. The strategy of 2020 focuses on:

- Strengthening lending capacity and operations
- Simplifying & automating workflow processes
- Strengthening risk & compliance foundations
- Optimizing income mix
- Organizing for successful implementation

Our commercial strategy

Confidence of our clients and of the market in Finabank increased in 2019 and was reflected by the increase in the funds entrusted by 26% from SRD 1,610 million in 2018 to SRD 2,032 million in 2019. The credit portfolio has grown to SRD 1,213 million in 2019 with 17% from SRD 1,039 million in 2018 due to our excellent service level and attractive product conditions. We are content with the growth of the funds entrusted and credit portfolio due to our increase in market share from 10% in 2018 to 11% in 2019 terms of the credit portfolio. The non-performing ratio is 0.54% which is far below the Central Bank of Suriname's limit of 5% and a remarkable result given the economic crisis. Our commercial strategy is focused on maintaining strong relations with our clients and providing services to our clients increasingly digitally through mobile and web-based channels.

Our human capital

We are proud of our employees. Finabank continually invests in education through skills training, offline and online-courses and learning on the job. Our employees quickly adapted to the new way of working during the COVID-19 crisis. Protocols and procedures were put in place to adhere to national policies of implementing social distancing and included working from home.

Our IT environment

In March 2020, we finalized the implementation of our new core banking system T24 which we acquired from Temenos, the world's number one banking software provider. T24 provides a foundation for our banking activities and enables us to develop and implement a full digital service portfolio for our clients. The completion of the project is a milestone in the history of Finabank as it involved an investment of USD 6.5 million with 20% of our employees working full-time on the project.

Seizement of money shipment

In 2019, we won the complaint against the Dutch Public Prosecution Service regarding the seizure of the money shipment facilitated by the Central Bank of Suriname. The Dutch Public Prosecution Service currently prepares for a cassation procedure. The courts of cassation will interpret the correct application of the relevant laws but will not re-examine the facts of the case.

Shortfall of Bank's cash reserves at the Central Bank of Suriname

In January 2020, Finabank and the other three largest banks were informed by the Government of the Republic of Suriname and the Central Bank of Suriname about a shortfall of the coverage of the foreign cash reserves held at the Central Bank of Suriname amounting to approximately USD 100 million. After months of discussion and negotiations, Finabank reached an agreement in May 2020 with the Central Bank of Suriname, for the Central Bank of Suriname to repay Finabank's part of the foreign cash reserves held at the Central Bank of Suriname amounting to USD 29 million. The repayment amount of USD 29 million by the Central Bank of Suriname includes a repayment by Finabank of EUR 4.5 million to the Central Bank of Suriname which was the share of Finabank in the money shipment that was pre-paid by the Central Bank of Suriname soon after the seizure of the money shipment .

Integrity framework

We fully revised our integrity manual and transformed our Compliance Department into an Institution of Integrity to emphasize the role of the department to implement – together with the full organization – policies, procedures and behavior that ensures outstanding integrity. To counter money laundering and terrorism financing and transactions with doubtful integrity, we implemented a Financial Crime Module within our core banking system that automatically filters such transactions for further review. We also increased our efforts to update our customer files which is an ongoing process.

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

Disclaimer: *The COVID-19 protocol was strictly followed during the photo shoot. All pictures were taken individually and separately and were combined afterwards.*

Regulations

In May 2019, the Central Bank issued a guideline requiring 50% of the Bank's USD cash reserves and 100% of the Bank's EUR cash reserves to be held at foreign accounts at the Central Bank of Suriname. The guideline contained a provision that required the Central Bank of Suriname to establish a Strategic Investment Committee that would safeguard the cash reserves according to an investment policy. A large part of the Bank's cash reserves was already at accounts of the Central Bank. These funds included the foreign currency repayments by the Central Bank of Suriname of the swaps issued in 2014, foreign currency cash reserves of banks without corresponding relationships and foreign currency cash reserves that banks held at the Central Bank of Suriname to optimize solvency. The Suriname Banking Association supported the guideline because the funds that were already at the Central Bank of Suriname would be secured and a separate investment committee would be established with representatives of the Suriname Banking Association. After the cash reserves were misallocated by the Central Bank of Suriname, the guideline was revised in January 2020 to lower the share of foreign currency cash reserves to be held at the Central Bank of Suriname to 40% for USD and 70% for EUR amongst other changes to further secure the foreign currency cash reserves held at the Central Bank of Suriname. On March 6, 2020 the investment policy was signed; it includes a clause that 1 member of the Central Bank of Suriname and 2 members of the Suriname Banking Association need to approve any and every transaction relating to the foreign currency cash reserves held at bank accounts and investment accounts of the Central Bank of Suriname at (foreign) banks.

Our corporate social responsibility

In 2019, Finabank, once again financially supported the 10-minute Children's News, the only news program for children in Suriname. We also donated computers to different schools, to help support the development of digital learning. Furthermore, we sponsored the Finabank TWIN, a two-day walk in Nickerie. Internally, we created awareness for the environment, by providing all employees with durable Finabank drinkware. All plastic table and drinkware have been replaced by eco-friendly products. We have also started the road to digitalization by creating the opportunity to work from home to help reduce our energy and paper waste.

COVID-19 crisis

As of mid-March 2020, the impact of COVID-19 became part of our lives in Suriname. As in other parts of the world, social distancing and lock-down measures were taken by Finabank, by other companies, institutions, and the Government. We had to change our opening hours to protect our employees from the hazards of potential spreading of COVID-19. At the same time, we changed our service delivery model to assist our clients electronically. We were the first bank in Suriname that offered clients that were hit by the effects of COVID-19 to delay repayments of loans for them to survive the crisis. Approximately 150 clients of the Bank made use of this facility. In addition, the Central Bank of Suriname issued a facility by lowering the SRD cash reserve requirement to provide COVID-19 short term loans to clients at a low interest rate of 7.5% annually.

Outlook for 2020

The global economy has halted in the first months of 2020 because of the adverse effects of the COVID-19 pandemic. The IMF suspects that there will be a severe recession in 2020, the worst one since the great depression of 1929. The global economy is expected to contract by 3.0 percent this year compared to prior year. The economic growth for Latin America and the Caribbean is projected at -5.2% and for Suriname at -4.9%.

Due to the misallocation of cash reserves by the Central Bank of Suriname, the confidence in the Government is greatly damaged. This was partly mitigated by the appointment of a new government and new coalition as a result of the election outcome. We expect a further contraction of the local economy, high inflation, increase in unemployment rate and scarcity of foreign currency availability in 2020 due to the economic crisis and the pandemic. The IMF projected the average inflation for Suriname in 2020 at 27.9%, while the year-end inflation is set at approximately 50 percent.

The general parliamentary elections were held on May 25, 2020. The final results were released on June 16, 2020 and were declared binding by the Independent Electoral Office on June 19, 2020. The election outcome resulted in a change of government in which the political parties VHP, ABOP, PL and NPS formed a coalition. President Chandrikapersad Santokhi was elected as President on July 13, 2020 and was installed as President of the Republic of Suriname on July 16, 2020.

Fitch downgraded Suriname on July 2, 2020 from CCC to C and further down to Restricted Default (RD) on July 13, 2020 due to non-performance and payment restructuring of specific international bonds. After the installation of the new government and after an agreement was reached between the new government and bondholders, Fitch upgraded Surname's rating to CC on July 16, 2020.

Thank you

As 2019 and 2020 to date was and still is a challenging period primarily due to the economic and COVID-19 crisis, we thank our clients for their continued feedback and trust in us and we thank our employees for their flexibility and commitment.

Paramaribo, August 14, 2020

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 five 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 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 from 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.

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)
Member of the Supervisory Board Finatrust, De Trustbank N.V.

Mr. Feroz Ishaak (1966)
Member reappointment in 2016 (Initially 2010)
Director Ishaak Law firm

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.

Mr. Alvin Venetiaan (1969)
Member appointed in 2018
Senior Manufacturing and Operations Manager of Fernandes Bottling Company N.V.

Mr. Kurt van Essen (1972)
Member appointed in 2019
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, 2019.

Paramaribo, August 14, 2020

Eblein G. Frangie
Chief Executive Officer

Chairman
Cornelis Dilweg

Statement of the Supervisory Board

The Supervisory Board of Finabank is content with the performance of the Bank in 2019 given the circumstances of the downgrading of the credit rating of Suriname, the economic crisis, and the COVID-19 crisis. Although there were challenges in the economic environment and international requirements and regulations on banks were (and still are) becoming stricter at a rapid pace, the Bank managed to increase its asset base with 19% from SRD 2,001 million to SRD 2,386 million. The solvency position of the Bank is adequate, 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.

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.

Supervisory Board Meetings

The full Supervisory Board met 14 times in 2019 of which all were regular meetings. On average, 99% of the Supervisory Board members were 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 regarding 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 Supervisory 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 Supervisory Board regarding risks and mitigating measures taken. The Supervisory 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 and the Compliance Department simultaneously report to both 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. Kurt van Essen – Member

The Audit Committee met 6 times in 2019. On average 100% of the committee members were 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 Bank's 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. Alvin Venetiaan– Member

The Risk Committee met 4 times in 2019. 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 oversees 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

The Selection and Remuneration Committee met 3 times in 2019. 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 2019 the Supervisory Board together with Management and senior staff evaluated the strategy and concluded that the Bank has executed this strategy. In 2019 the new strategy 'Strategy Hermes' was defined for the period 2020 – 2024 by the Supervisory Board, Management, and senior staff.

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. Regarding 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 regarding 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 is based on the International Financial Reporting Standards and 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, 2019. 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 given the economic circumstances in which the bank had to operate. The statement of financial position total of the Bank increased by SRD 385 million (19%) to SRD 2,386 million compared to December 31, 2018 and the net result of the Bank decreased with 52% to SRD 5.8 million compared to December 31, 2018. The non-performing ratio decreased from 2.14 % on December 31, 2018 to 0.54% per December 31, 2019.

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

Disclaimer: *The COVID-19 protocol was strictly followed during the photo shoot. All pictures were taken individually and separately and were combined afterwards.*

The Supervisory Board will inform the shareholders upon advice of Management, considering the results of the Bank given the downgrading of Suriname's credit rating, the economic crisis and the COVID-19 crisis not to pay-out dividend in order to remain strong for further upcoming challenges.

Personal note

We are pleased to express our appreciation and gratitude the way Management and staff have performed during the financial year given the challenging economic conditions. Their efforts have contributed to the current position of Finabank N.V. in the market.

Paramaribo, August 14, 2020

Cornelis A. Dilweg

On behalf of the Supervisory Board
Cornelis A. Dilweg
Chairman

SUMMARY ANNUAL FINANCIAL STATEMENTS 2019

SUMMARY STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

	December 31, 2019	December 31, 2018 Restated	December 31, 2017 Restated
	SRD	SRD	SRD
ASSETS			
Cash and cash equivalents	135,201,164	81,955,987	166,789,740
Amounts due from banks	893,306,152	708,700,654	558,028,254
Financial assets designated at fair value through profit and loss	38,058	38,058	52,390
Investments	302,038,017	289,356,623	294,313,662
Derivatives	-	-	16,709,963
Loans and advances to customers	910,656,104	747,639,485	628,025,007
Property, plant and equipment	40,750,114	42,549,302	35,847,563
Intangible assets	29,149,045	18,697,257	2,992,598
Right of use (assets)	23,709,589	19,243,769	13,046,823
Deferred tax assets	8,975,143	7,314,340	4,965,662
Other assets	41,966,842	85,307,355	15,316,022
Total assets	**2,385,790,228**	**2,000,802,830**	**1,736,087,684**
LIABILITIES			
Amounts due to banks	62,104,956	112,586,434	100,473,734
Customers' current, savings and deposit accounts	2,032,265,855	1,610,285,396	1,454,607,049
Current tax liabilities	-	8,186,400	3,964,953
Deferred tax liabilities	12,521,344	11,798,051	8,140,365
Net defined benefit liabilities	5,328,938	4,608,628	10,382,401
Payable to employees for pensions	4,097,063	2,448,497	1,201,707
Provision for anniversary payments	2,325,394	1,817,822	2,496,192
Lease liability	24,930,952	20,317,608	13,793,505
Other liabilities	120,212,643	108,103,344	53,464,509
Total liabilities	**2,263,787,145**	**1,880,152,180**	**1,648,524,415**
SHAREHOLDERS' EQUITY			
Share capital	2,230,770	2,230,770	2,230,770
Share premium	33,527,575	33,527,575	33,527,575
Reserves and retained earnings	65,644,986	58,116,248	38,701,656
Perpetual bond	14,792,000	14,792,000	-
Profit for the period	5,807,752	11,984,057	13,103,268
Total shareholders' equity	**122,003,083**	**120,650,650**	**87,563,269**
Total shareholders' equity and liabilities	**2,385,790,228**	**2,000,802,830**	**1,736,087,684**

SUMMARY STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2019

	December 31, 2019	December 31, 2018 Restated
	SRD	SRD
Interest income	146,556,257	126,351,584
Interest expense	52,011,472	42,037,087
Net interest result	**94,544,785**	**84,314,497**
Investment income /(expense)	**1,000**	**(13,332)**
Commission and fee income	29,088,950	24,426,060
Commission expense	2,713,928	2,648,760
Net commission and fee income	**26,375,022**	**21,777,300**
Other income (expense), net	**11,459,770**	**(7,208,222)**
Total income	**132,380,577**	**98,870,243**
Expected Credit Loss on financial assets	31,223,634	457,856
Personnel expenses	42,568,988	38,563,677
Other operating expenses	49,513,342	41,123,621
Total expenses	**123,305,964**	**80,145,154**
Profit before tax	**9,074,613**	**18,725,089**
Income tax expenses	3,266,861	6,741,032
Profit for the period	**5,807,752**	**11,984,057**
Earnings per share	**26.03**	**53.74**

SUMMARY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

	December 31, 2019	December 31, 2018 Restated
	SRD	SRD
Profit attributable to shareholders of the Bank	5,807,752	11,984,057
Other comprehensive income:		
Actuarial (losses) and gains on defined benefit obligation	(2,089,108)	7,006,895
	(2,089,108)	7,006,895
Income tax expenses on other comprehensive income	**(752,079)**	**2,522,482**
Other comprehensive (loss)/ income (net of taxes)	**(1,337,029)**	**4,484,413**
Total comprehensive income	**4,470,723**	**16,468,470**

SUMMARY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT DECEMBER 31, 2019

	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 as previouly reported at December 31, 2017	**2,230,770**	**33,527,575**	**-**	**43,948,696**	**-**	**13,103,268**	**92,810,309**
Adjustment payable to employees for pensions	-	-	-	(769,092)	-	-	(769,092)
Other comprehensive income adjustment IAS 19	-	-	-	(2,327,149)	-	-	(2,327,149)
Adjustment net defined benefit liability	-	-	-	89,580	-	-	89,580
Adjustments IFRS 16	-	-	-	(847,799)	-	-	(847,799)
Correction interest receivable	-	-	-	(1,392,580)	-	-	(1,392,580)
Restated closing balance at December 31, 2017	**2,230,770**	**33,527,575**	**-**	**38,701,656**	**-**	**13,103,268**	**87,563,269**
Appropriation of profit 2017	-	-	-	13,103,268	-	(13,103,268)	-
Profit of 2018	-	-	-	-	-	11,984,057	11,984,057
Other comprehensive income	-	-	-	4,484,413	-	-	4,484,413
Dividends 2017	-	-	-	(1,896,155)	-	-	(1,896,155)
Perpetual bond (principal)	-	-	14,792,000	-	-	-	14,792,000
Perpetual bond (interest)	-	-	-	(733,042)	-	-	(733,042)
Addition revaluation of PP&E 2018	-	-	-	-	4,456,108	-	4,456,108
Restated closing balance at December 31, 2018	**2,230,770**	**33,527,575**	**14,792,000**	**53,660,140**	**4,456,108**	**11,984,057**	**120,650,650**
Appropriation of profit 2018	-	-	-	11,984,057	-	(11,984,057)	-
Profit of 2019	-	-	-	-	-	5,807,752	5,807,752
Other comprehensive income	-	-	-	(1,337,029)	-	-	(1,337,029)
Dividends 2018	-	-	-	(2,230,770)	-	-	(2,230,770)
Depreciation revaluation	-	-	-	566,623	(566,623)	-	-
Perpetual bond (interest)	-	-	-	(887,520)	-	-	(887,520)
Closing balance at December 31, 2019	**2,230,770**	**33,527,575**	**14,792,000**	**61,755,501**	**3,889,485**	**5,807,752**	**122,003,083**

SUMMARY CASHFLOW STATEMENT

	December 31, 2019	December 31, 2018 Restated
	SRD	SRD
Cash flows from operating activities		
Profit for the period	5,807,752	11,984,057
Adjusted for: – Depreciation	13,751,250	13,254,625
– Changes through equity (excl. tax and OCI)	(2,089,108)	7,006,895
– Fair value adjustments on derivative assets	-	16,709,963
– Tax expenses	3,266,861	6,741,032
– Net impairment losses on loans and advances, net of recoveries	(2,160,035)	(3,220,127)
– Net impairment losses on financial assets	-	-
– Net interest income	(94,544,785)	(84,314,497)
Changes in: – Gross advances to customers	(160,856,584)	(116,394,351)
– Other assets	43,340,513	(69,991,333)
– Customers' current, savings and deposit accounts	421,980,459	155,678,347
– Net defined benefit liabilities	1,227,882	(6,452,143)
– Payable to employee for pensions	1,648,566	1,246,790
– Other liabilities	12,340,690	54,668,145
Income tax paid	(11,870,086)	(6,264,948)
Interest received on loans and advances	103,756,617	88,601,659
Interest received on investments	42,766,545	37,731,405
Interest received from banks	33,095	18,520
Interest paid on bank deposits	(687,999)	(602,433)
Interest paid on lease liability	(2,847,446)	(1,824,417)
Interest paid on customer deposits	(48,476,027)	(39,610,237)
Net cash flow from/(used in) operating activities	**326,388,160**	**64,966,952**
Cash flows from investing activities		
Movement investment in property and equipment	(5,862,947)	(8,187,557)
Movement investments in investments designated at FVTPL	-	14,332
Movement investments in intangibles	(11,188,745)	(16,397,095)
Movement right of use	(9,817,975)	(10,314,632)
Movement investments	(12,681,394)	4,957,039
Net cash flow from/(used in) investing activities	**(39,551,061)**	**(29,927,913)**
Cash flows from financing activities		
Perpetual bond	-	14,792,000
Lease payments	4,613,344	6,524,105
Perpetual bond payments	(887,520)	(733,042)
Dividend paid	(2,230,770)	(1,896,155)
Net cash flow from/(used in) financing activities	**1,495,054**	**18,686,908**
Net cash flow	**288,332,153**	**53,725,947**
Cash and banks at beginning of reporting period		
- Cash and cash equivalents	81,955,987	166,789,740
- Amounts due from banks	708,700,654	558,028,254
- Amounts due to banks	(112,586,434)	(100,473,734)
	678,070,207	**624,344,260**
Cash and banks at end of reporting period	**966,402,360**	**678,070,207**
Cash and banks at end of reporting period is represented by:		
- Cash and cash equivalents	135,201,164	81,955,987
- Amounts due from banks	893,306,152	708,700,654
- Amounts due to banks	(62,104,956)	(112,586,434)
	966,402,360	**678,070,207**

NOTES TO THE SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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. are located at Dr. Sophie Redmondstraat 59-61 in Paramaribo, Suriname. Finabank N.V. has four branches, two located in Paramaribo, one located in Wanica 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, 2019 were approved by the Supervisory Board on August 14, 2020.

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 in a challenging macroeconomic climate. The stability of the economy has become even more fragile due to persistent high overall balance deficits, debt levels, debt service payments, the credit rating downgrade, a shortfall of the coverage of the foreign cash reserves held at the Central Bank of Suriname and the COVID-19 pandemic. These events caused the financial sector to face increased liquidity and solvency risk. The banking sector was confronted with a capital flight in the first two months of 2020, presumably due to the damaged confidence of the public in the Government. The upcoming devaluation will expectedly have a negative impact on the Banks' Risk Weighted Assets (RWA) and ultimately its solvency position. The credit down grade will result in higher provisions which will cause a further deterioration of the Bank's solvency. A weakening of the economy will also put further pressure on the solvency of Finabank.

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

To maintain the Bank's solvency ratio at an appropriate level Management decided to maintain a long-term open currency position in both USD and EURO.

As of December 31, 2019, the solvency ratio of the Bank according to Central Bank of Suriname regulations is at 11.70%, which is well above the benchmark of the Central Bank of Suriname of 10%. According to IFRS the solvency ratio of the Bank as of December 31, 2019, is 10.37%.

Due to the further weakening of the economic position, the downgrade of the credit rating and the COVID-19 pandemic the Bank is faced with several challenges that could have a considerable impact on the solvency ratio. These challenges will also affect the other banks, which can lead to defaults. To mitigate this several actions were undertaken in 2020 to strengthen the solvency and the liquidity:

- deferment of payment for clients
- decrease of the SRD cash reserve from 35% to 27.50%
- offer SRD loans with lower interest rates of 7.5% for clients who are affected due to COVID-19

Liquidity risk and risk of default

Management has addressed the liquidity risk in detail and how this is managed on a structural basis within Finabank N.V. based on the current macroeconomic and microeconomic situation. Management has addressed further how system risk could affect the liquidity position of the Bank if one of the key players in the system would default or the liquidity risk that the Bank would incur if there would be a bank run on the several currencies.

Important fact is that due to the economic crisis and the COVID-19 pandemic Finabank performs intensive and strict liquidity management. Stress testing is executed monthly by the Treasury department and the results of the stress tests are presented to the Assets and Liability Committee (ALCO).

The latest stress test of December 2019 concluded that Finabank N.V. can meet its USD and EUR liquidity requirements but there was a liquidity shortage in SRD. In order to meet the demand in SRD, ultimately foreign currency could be converted to SRD.

Foreign Exchange and currency risk

Almost 62% of the statement of financial position is dollarized while equity is denominated in Surinamese Dollars. To mitigate the risk of an increase of the exchange rate, Finabank N.V. has a long open currency position.
Finabank N.V. has a very small mismatch in currency because 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.

Furthermore, Management is of the opinion that the Central Bank of Suriname is the lender of last resort for the commercial banks in Suriname. The Central Bank of Suriname designed a resolution framework and emergency liquidity assistance framework which consists of three loan facilities to provide emergency liquidity assistance to illiquid but solvent banks against good collateral and at penalty interest rates. Finally, contingency planning would allow the authorities to prepare for negative outcomes, strengthen inter-agency cooperation, and help identify gaps in the crisis prevention and management toolkit.

Central Bank of Suriname
Finabank N.V. has three types of exposures at the Central Bank of Suriname:
- Statutory reserves
- Unrestricted demand accounts
- Investments.

Statutory reserves
Management's assessment is that with respect to the SRD, the Central Bank of Suriname can 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 by Management.

There is a higher risk for the USD and EURO regulatory reserves kept at the Central Bank of Suriname. Therefore, due to a shortfall of the coverage of the foreign cash reserves held at the Central Bank of Suriname remaining reserves are now ringfenced by an investment policy where one member of the Central Bank of Suriname and two members of the Suriname Banking Association need to approve any transaction relating to the foreign currency cash reserves held at foreign bank accounts of the Central Bank of Suriname.

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

Government of Suriname
In January 2020, Fitch downgraded Suriname's credit rating to CCC, S&P and Moody's subsequently followed with equivalent ratings. The downgrading is due to the financial management of the Government and the current debt position of the Government. After Fitch and S&P's rating, Moody's Investors Service also changed the long-term issuer and senior unsecured rating of the Government of Suriname from B2 negative to B3 negative. Fitch downgraded Suriname on July 2, 2020 from CCC to C and further down to Restricted Default (RD) on July 13, 2020 due to non-performance and payment restructuring of specific international bonds. After the negotiations between the new Government and bondholders an agreement was reached, and Fitch upgraded Surname's rating to CC on July 16, 2020. Moody's followed with a downgrade to Caa3 and S&P to CCC.

As per reporting date Finabank N.V. has an exposure of approximately SRD 251 million, on the Government of Suriname (treasury bills). In 2017 Finabank N.V. negotiated with the Government to provide collateral for additional treasury bills. The Government agreed to give the royalties of Newmont Suriname, LLC as collateral for the treasury bills and the lifetime of the goldmine is 10 years. Monthly the average royalties' income amounts to USD 4 million which Finabank can partially claim if necessary.

Correspondent Banking
Management is aware of the risk of losing correspondent bank relations. The Bank has 3 correspondent banks now, which ensures international payments of USD and EUR for our customers. As from 2017, Finabank N.V. is a partner bank in the Inter-American Development Bank (IADB) program.

Credit risk
In 2019 the total loans and advances portfolio of Finabank N.V. increased by SRD 163 million to SRD 911 million. The non-performing ratio amounts to 0.42% compared to 1.54% as per year end of December 2018.

Due to the economic environment and the COVID-19 pandemic, the loan portfolio of Finabank is under constant review. To minimize the defaults, clients affected by COVID-19 are offered deferral of payment for 3 to 6 months and if necessary, clients can apply for a 7.5% loan.

Management position
Taking into consideration the above, Finabank N.V.'s Management determined that the identified risks are proactively managed by the Bank and therefore Management has prepared the financial statements on a going concern assumption.

3. ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

The financial statements cover the period January 1, 2019 until December 31, 2019 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).

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

Application of new and revised standards
Below a summary of the new and revised IFRS standards effective for the reporting period ending December 31, 2019 and adopted by Management of the Finabank N.V. with an assessment of the impact on the Bank.

<u>IFRS 16 Leases</u>
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 except for short-term leases and leases of low-value assets. Finabank N.V. has chosen to early adopt IFRS 16 per January 1, 2018 and restated comparative information for 2017.

<u>IFRIC 23 Interpretation Uncertainty over Income Tax Treatments</u>
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax. The Interpretation specifically addresses (i)Whether an entity considers uncertain tax treatments separately (ii)The assumptions an entity makes about the examination of tax treatments by taxation authorities (iii) How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates (iv) How an entity considers changes in facts and circumstances. An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. Applying the Interpretation could be challenging for entities, particularly those that operate in more complex multinational tax environments. Entities may also need to evaluate whether they have established appropriate processes and procedures to obtain information on a timely basis that is necessary to apply the requirements in the Interpretation and make the required disclosures. The Bank is currently assessing the potential effect of these amendments.

Amendments to IAS 12 Income Taxes
Income tax consequences of payments on financial instruments classified as equity. The clarification is in line with how the Bank currently recognizes the income tax consequences of dividends and, therefore, expects no impact on its financial statements.

IAS 19: Plan Amendment, Curtailment or Settlement
The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset)

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment, or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted.
These amendments will apply only to any future plan amendments, curtailments, or settlements of the Bank.

Amendments to IFRS 9: Prepayment Features with Negative Compensation
Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification.

The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments have no impact on the financial statements of the Bank.

Standards in issue not yet effective
Amendments to IFRS 3 Business Combinations
The amendments to the definition of a business in IFRS 3 is to help entities determine whether an acquired set of activities and assets is a business or not. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Bank will not be affected by these amendments on the date of transition.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting policies, Changes in Accounting Estimates and Errors
In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Bank's financial statements.

Change in Estimate

In 2019 Finabank assessed the useful life and the related depreciation percentages of the various items of compartments of the buildings and furniture & fittings and concluded that these should be updated. The following changes are implemented in 2019:

Items	Useful lifetime (old)	Useful lifetime (new)
Buildings- Interior	5 years	8 years
Buildings – Installations	5 years	8 years
Furniture & Fittings	3 years	5 years

3.3 COMPARATIVE AMOUNTS

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

Items	Closing balance as previously reported in 2017	"Restatements Balance sheet impact"	"Restatements Equity impact"	Closing balance restated as at December 31, 2017	Closing balance as previouly reported in 2018	Balance sheet restatements 2017	"Restatements/ relassifications Balance sheet/ OCI impact"	"Restatements P&L impact"	Closing balance as restated as at December 31, 2018
Loans and advances to customers	630,200,913	-	(2,175,906)	628,025,007	747,639,485	-	-	-	747,639,485
Right of use (assets)	8,978,755	4,068,068	-	13,046,823	14,588,445	4,068,068	1,562,045	(974,789)	19,243,769
Deferred tax assets	4,593,049	372,613	-	4,965,662	-	372,613	6,941,727	-	7,314,340
Net defined benefit liability	(6,886,200)	-	(3,496,201)	(10,382,401)	(433,590)	(3,496,201)	(721,715)	42,878	(4,608,628)
Payable to employee for pensions	-	-	(1,201,707)	(1,201,707)	-	(1,201,707)	-	(1,246,790)	(2,448,497)
Lease liability	(8,400,751)	(4,068,068)	(1,324,686)	(13,793,505)	(12,387,456)	(5,392,754)	(1,562,045)	(975,353)	(20,317,608)
Current tax liabilities	6,927,151	(2,962,198)	-	3,964,953	11,367,786	(2,962,198)	(1,354,648)	1,135,460	8,186,400
Deferred tax liabilities	7,757,014	383,351	-	8,140,365	5,732,573	383,351	5,682,127	-	11,798,051

	"Restatements Equity impact at gross"	Tax effect (36%)	Closing impact on retained earnings
Loans and advances to customers	(2,175,906)	(783,326)	(1,392,580)
Net defined benefit liability	(3,496,201)	(1,258,632)	(2,237,569)
Payable to employee for pensions	(1,201,706)	(432,614)	(769,092)
Lease liability	(1,324,686)	(476,887)	(847,799)

	AFS 2018	IFRS 16 Leases adjustment	IAS 19 Employee benefits adjustment	Payable to employees for pensions	Restated balances 2018
	December 31, 2018	**December 31, 2018**	**December 31, 2018**	**December 31, 2018**	**December 31, 2018**
Interest expense	41,503,462	533,625	-	-	42,037,087
Personnel expenses	37,359,765	-	(42,878)	1,246,790	38,563,677
Other operating expenses	39,707,104	1,416,517	-	-	41,123,621
Income tax expenses	7,876,491	(702,051)	15,436	(448,844)	6,741,032
Profit for the period	**14,002,652**	**(1,248,091)**	**27,442**	**(797,946)**	**11,984,057**
Other comprehensive income:					
Actuarial gains and (losses) on defined benefit obligation	7,728,610	-	(721,715)	-	7,006,895
Income tax expenses on other comprehensive income	2,782,300	-	(259,817)	-	2,522,482
Other comprehensive income	**4,946,310**	**-**	**(461,898)**	**-**	**4,484,413**

IFRS16 Leases

In 2019 based on further review of the IFRS 16 computation, the Bank noted that there were errors in the computation that required adjustment. This adjustment was applied retrospectively and had an impact on both the 2017 and 2018 financial statements as noted in the tables above.

IAS 19 Employee benefits

In 2019 after consultation with the Bank's actuary it was identified that the fair value of the pension plan assets was incorrectly computed and has been adjusted to conform with IAS 19. The impact of this adjustment in 2017 was an increase in net pension liability of SRD 3.5 million with a reduction tax liability and retained earnings of SRD 1.3 million and SRD 2.2 million, respectively. In 2018 the impact of the adjustment resulted in an increase in pension liability of SRD 1 million with an increase in OCI of SRD 0.7 million and pension expense of SRD 0.3 million.

Payable to employees for pensions

In addition, the Bank also noted that for the period 2015 to 2018 total pension contributions (employer and employee contributions) were more than the premiums paid for the pension plan. These excess contributions were inadvertently reversed through the statement of profit or loss in the prior years and therefore needed to be corrected. This adjustment has been applied retrospectively resulting in a reduction to the retained earnings of 2017 of SRD 0.8 million with a corresponding increase in liabilities. Further, the adjustment relating 2018 amounted to an increase in personnel expenses of SRD 1.2 million, reduction in tax of SRD 0.4 million and increase in liabilities of SRD 2.4 million.

Interest receivable

In 2017 based on further review of the interest receivable specifications on investment loans the Bank noted that there were errors that required adjustment. This adjustment was applied retrospectively and had an impact on the 2017 financial statements as noted in the table above.

Taxes
In addition to the tax adjustments noted above the Bank made some reclassification adjustments between current and deferred tax for presentation purposes. These adjustments had no impact on the profit for the period and total comprehensive income.

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 (FVTPL) are subsequently measured at FVTPL
- Land and buildings are measured at FVTPL minus depreciation, last valuation date was December 2018
- The defined benefit liability is measured at the present value of the defined benefit obligation, less unrecognized past service cost and unrecognized actuarial losses plus the net total of the plan's assets and unrecognized 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

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 must 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 recognized in the period in which the estimates are revised and in any future periods affected. The process of setting assumptions considers 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 marketplace. 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

Finabank N.V. classifies all 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 3.7.3
- FVTPL

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

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.
Finabank N.V. only measures due from banks, loans and advances to customers and other financial investments a 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 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 FVTPL.

3.7.3 Financial assets

3.7.3.1 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 FVTPL under IFRS 9. Management only designates an instrument at FVTPL 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 FVTPL are recorded in the statement of financial position at fair value. Changes in the fair value are recorded in profit or loss.

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

3.7.3.2 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.

3.7.4 Financial Guarantees

The Bank issues financial guarantees and loan commitments. Financial guarantees are initially recognized in the financial statements at fair value though profit or loss, 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 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, 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.

3.7.5 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 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 purchased or originated credit impaired (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 asset 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 expire.

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 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

3.7.10 Identification and measurement of impairment

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 FVTPL, 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 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 include 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 below:

- For the business portfolio, a loss rate model is used, taking into account the actual losses of the business portfolio in the years 2015 – 2019
- For the retail portfolio, a loss rate model is used, taking into account the actual impairments of the retail portfolio in the years 2015 – 2019

- 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 relationship 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 reporting 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 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 level 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 investments 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. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECL's. 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 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 statement of financial position.

Write-offs

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 translated 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 translated using the spot exchange rates as at the date of recognition. Foreign currency gains or losses arising on translation or settlement of monetary items are recognized in profit or loss as 'Foreign currency translation 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, 2019	December 31, 2018	December 31, 2017	December 31, 2016
	SRD	SRD	SRD	SRD
1 USD	7.40	7.40	7.40	7.35
1 EUR	8.28	8.46	8.82	7.69

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.
A lessee determines whether the right- of-use asset is impaired at the end of the reporting period and where there is an indication that the financial asset may have been impaired and accounts for any impairment loss identified.

3.7.13 *Cash and cash equivalents*

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the Central Bank of Suriname 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 amortized cost in the statement of financial position.

3.7.14 Property, plant, and equipment

Land and buildings are stated at fair value and for buildings less accumulated depreciation at respective reporting dates. Land has an infinite useful life 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. For buildings, depending on the component, the useful life is between 5 years and 30 years. When parts of buildings have different useful lives, 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 lives, which are generally 3-5 years for fixtures and fittings, data processing equipment and other equipment.

Expenditure incurred on maintenance and repairs is recognized in the statement of profit or loss as incurred. Expenditure incurred on major improvements is capitalized and depreciated.

Disposals

Net gains and losses on the disposal of items of 'Property, plant 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 recognized 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 recognized at cost less accumulated amortization and accumulated impairment losses over the useful lives. Amortization is recognized on a straight-line basis over the estimated remaining useful life, normally between 5-10 years from initial recognition. On each reporting date the remaining useful life 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 recognized 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 payable or receivable

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 recognized 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 recognized 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 realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized 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 deferred tax differences on property, plant and equipment, leases, and derivatives.
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, 2019 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 recognized within 'net defined liabilities" in the statement of financial position.

Remeasurements of the net defined benefit liability (asset), which comprise actuarial gains and losses, the return on plan assets (excluding interest) are recognized 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 recognized 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. 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 used for the defined benefit pension plan.

3.7.19 Income recognition

The effective interest rate method
Interest income is recorded using the effective interest Rate (EIR) method for all financial instruments measured at amortized cost and financial instruments designated at FVTPL. 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 statement of financial position 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 cost of the POCI assets.

Investment income
Investment income relates to financial assets designated at fair value through profit or loss. It includes all realized and unrealized fair value changes and dividends. Dividend income is recognized 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 recognized 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 recognized 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 recognized 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, plant and equipment and with intangible assets, expenses are recognized 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 amortization. Expenses are recognized 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 recognized 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

4. SUBSEQUENT EVENTS

The global economy has been in lockdown in the first months of 2020 because of the Covid-19 pandemic. The IMF suspects that there will a severe recession in 2020, the worst one since the great depression of 1929. The global economy is expected to contract by 3.0 percent this year. The economic growth for Latin America and the Caribbean is projected at -5.2% and for Suriname at -4.9%.

In January 2020, local banks were informed by Government and central bank authorities that part of their deposited cash reserves and term deposits at the Central Bank of Suriname (USD 197 million) was used in 2019 without their consent. This was taken into consideration when computing the ECL provision. This matter greatly damaged the confidence of the public in the Government. There is an indication that this leads to a foreign currency capital flight in the first two months of 2020. About USD 125 million foreign currency deposits with the banks decreased in this period. The scarcity of foreign currency inflow due to the pandemic and the adoption of the Act on Currency Control and Transaction Offices in March 2020, resulted in the emergence of a black market for foreign currencies and a significant increase of the exchange rates. The foreign currency crisis and expected contraction of the local economy, will lead to high inflation and an increase in the unemployment rate in 2020. The IMF projected the average inflation for Suriname in 2020 at 27.9%, while the year-end inflation is set at approximately 50 percent. The Bank expects that these recent developments will significantly impact it's financial performance in 2020.

The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, lowered equity market valuations, created significant volatility and disruption in financial markets and increased unemployment. In addition, the pandemic has resulted in temporary closures of many businesses and the institution of social distancing and the sheltering in place requirements in many states and communities.

The extent to which the COVID-19 pandemic impacts our business, results of operations, and financial condition, as well as our regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by government authorities and other third parties in response to the pandemic.

The general parliamentary elections were held at May 25, 2020 of which the final results were released on June 16, 2020 and were declared binding by the Independent Electoral Office at June 19, 2020. The election outcome resulted in a change of government in which the political parties VHP, ABOP and NPS formed a coalition. President Chandrikapersad Santokhi was elected as President at July 7, 2020.

Fitch downgraded Suriname at July 2, 2020 from CCC to C and further down to RD at July 13, 2020 due to non-performance and payment restructuring of specific international bonds. After the negotiations between the new government and bond holders an agreement was reached, and Fitch upgraded Surname's rating to CC at July 16, 2020. These downgrade were taken into consideration when computing the ECL provision.

At this time, the Bank has the ability to meet its current and future obligations and does not expect a scenario which would impair the Banks' ability to operate as a going concern.

INDEPENDENT AUDITOR'S REPORT

Building a better working world

To: The shareholders and management of Finabank N.V.

REPORT ON THE SUMMARY FINANCIAL STATEMENTS

Opinion

The summary financial statements, which compromise of the summary statement of financial position as at December 31, 2019, the summary statement of profit or loss, summary statement of comprehensive income, summary statement of changes in shareholders' equity, and summary 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, 2019.

In our opinion the accompanying summary financial statements are consistent, in all material respect with the audited financial statements 2019, in accordance with International Financial Reporting Standards "IFRS".

In addition to the summary financial statements and our auditor's report thereon, the summary financial statements contains other information that consists of management report.

Our opinion on the summary financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so consider whether the other information is materially inconsistent with the summary financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by IFRS. Reading the summary 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 17 August 2020,in accordance with IFRS. The audited financial statements and the summary 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 Summary Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS.

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

Yours sincerely

Andrew Tom
Partner for and behalf of
Ernst & Young Suriname

Paramaribo, 17 August 2020
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