

INTERIM FINANCIAL REPORT FINABANK N.V.

As per June 30, 2024 (Unaudited)



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FINABANK N.V.

Finabank N.V., established in 1991, is a privately-owned commercial bank in Suriname and one of the country's four systemically important banks. We are recognized for our leadership in governance, risk management, profitability, and strong banking ratios. As of June 30, 2024, we hold assets totaling SRD 17 billion. Finabank is also the only financial institution in Suriname with a CariCris credit risk rating of A+/A.

Our bank operates under a two-tier governance structure. The Executive Board is responsible for management of the bank, while the Supervisory Board provides guidance and oversight. This governance framework ensures the highest standards of management and strategic direction.

We empower our customers' success and create excellent personal experiences by understanding our customers' needs and providing tailored financial solutions through innovative digital and personal channels. Embedded within our bank are our core values trust, partnership, agility, innovation and expertise, serving as the foundation of our culture.

Our approach is built on a superior risk-based assessment and our committed team is the core of our success. Our target markets are the Business, Mass Retail and High-end Retail Market, Government and Financial Institutions in Suriname, Latin America and the Caribbean.

Our headquarter is located in the Centre of Paramaribo and our five branches are in the Centre of Paramaribo, Paramaribo North and Paramaribo South, the district of Wanica and the district of Nickerie.

Statement of the Executive Board



Eblein G. Frangie, Chief Executive Officer

Economic environment

In 2024, Suriname is navigating a unique blend of opportunities and challenges. The economy has shown moderate growth, largely driven by the government's commitment to fiscal and monetary reforms. The International Monetary Fund (IMF) program has played a critical role in stabilizing the economy, contributing to a steady decline in inflation and a reduction in the public debt-to-GDP ratio, from 92.9% at the end of 2023 to a projected 87.4% by December 31, 2024. However, the government budget remains a key concern. Inflation has decreased from 32.6% at the end of 2023 to 16.2% by June 2024. While foreign currency stabilized during the first half of the year, volatility persists, which has impacted the credit market, leading to a 6% contraction as of June 30, 2024, compared to December 31, 2023. The financial sector continues to face vulnerabilities, particularly in terms of non-performing, asset quality and the undercapitalization of banks, both of which are being addressed. Additionally, the sector's Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) framework has been strengthened with the implementation of a risk-based supervision model. However, the country's overall National Risk Assessment (NRA) still requires further improvement to fully mitigate these risks.

In 2024, interest rates across Latin America and the Caribbean have generally declined, as central banks have reduced policy rates from their historic highs in 2023. The European Central Bank (ECB) has already lowered its key interest rates by 25 basis points to stimulate economic growth and control inflation. Similarly, the Federal Reserve (FED) is anticipated to reduce its key rates by 50 basis points. These actions are expected to moderate economic outcomes for 2024, contributing to a more tempered financial environment across the regions.

Financial results

Finabank's half-year results for 2024 remain satisfactory, with a profit of SRD 95 million for the period ending June 30, 2024. The net result is lower than the restated figures for 2023, primarily due to the inflation adjustment, foreign exchange (FX) decreases and FX translation losses. These losses were caused by the appreciation of the Surinamese Dollar (SRD) against the Euro and USD. The SRD/USD exchange rate fell from SRD 36.291 on December 31, 2023, to SRD 30.585 by June 30, 2024.

As previously noted, the value of the bank's foreign currency-denominated assets and revenue diminished after adjusting for inflation and converting them back to SRD, the bank's reporting currency. This resulted in the bank's total assets reduction to SRD 17 billion as of June 30, 2024, compared to the restated balance from December 30, 2023. The lending portfolio declined by 13% compared to December 31, 2023, despite a 13% real-term growth in the portfolio. Total funding also decreased from SRD 13.7 to SRD 13.4 billion due to FX fluctuations, despite a 20% growth in real terms.

As of June 30, 2024, Finabank's off-balance sheet items, including funds under management, letters of credit, and guarantees, amounted to SRD 778 million. The bank's net interest income is SRD 132 million, 46%, lower compared to inflation adjusted balance of June 30, 2023. This decrease is attributed to the restatement of 2023 balances, which resulted in SRD 58.5 million in inflation adjustments, SRD 30.2 million in FX impacts, and a reduction in interest income of SRD 43 million due to lower Open Market Operation rates for the first half of 2024.

Operating expenses for 2024 have increased compared to 2023, driven by salary uplift and higher ICT costs. Despite these challenges, Finabank has demonstrated resilience, maintaining a strong capital adequacy ratio of 21%, well above the regulatory requirement of 10%, a cost-income ratio of 52%, loan-to deposit ratio of 48% and non-performing loan (NPL) ratio of less than 1%, significantly below the sector's 5% target.

Outlook second half 2024

Looking ahead, Finabank remains moderately optimistic for 2024. While there are opportunities to grow in the banking sector, economic volatility and currency fluctuations needs to be managed through diversification of portfolio and financial oversight.

The bank will focus on its strategic priorities for the remainder of the year, which are: people and culture, customer satisfaction, market share and sustainability.

The Final Investment Decision (FID) in the oil and gas sector is expected to be made towards the end of 2024. This presents opportunities in the future. Such investments have the potential to boost growth and employment, raise living standards, increase exports and fiscal revenues, strengthen balance of payment and improve debt dynamics.



Eblein G. Frangie
Chief Executive Officer

SUMMARY OF KEY FIGURES

(in thousands of SRD)	June 30, 2024 SRD	December 31, 2023 SRD
KEY RATIOS		
Return on equity	16	29
Return on assets	1	2
Loans & overdraft Expected Credit Loss ratio	2	2
Non performing ratio (according to accounting standards)	1	1
Loan to deposit ratio	48	51
Cost income ratio	52	29
Profit ratio	48	71
Capital ratio (shareholders' equity / total assets *100)	7	7
Solvency ratio	22	20
Number of employees at a full time equivalent basis	261	243

(in thousands of SRD)	June 30, 2024 SRD	June 30, 2023 SRD
Results		
Net interest result	287,339	419,575
Net commission and fee income	105,248	82,134
Other Income	95,651	12,682
Net FX income	(33,771)	193,630
Total income	454,468	708,021
Expenses		
Expected Credit Loss	10,512	(5,391)
Profit before tax	205,806	508,666
Profit	95,108	168,727

*Amounts at the beginning of the calendar year were adjusted in accordance to note 2.6.12 Foreign Currency and Inflation

INTERIM STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2024

(in thousands of SRD)	June 30, 2024 Unaudited SRD	December 31, 2023 Unaudited* SRD
ASSETS		
Cash and cash equivalents	432,292,725	435,021,593
Amounts due from BNETS	32,832,570	22,412,861
Amounts due from banks	1,902,435,387	2,266,664,912
Financial assets at fair value through profit and loss	39,250	39,250
Investments	5,789,904,572	5,356,068,725
Loans and advances to customers	6,517,210,306	7,039,359,337
Loans and advances to Government	597,611,837	878,446,943
Purchased Originated Credit Impaired financial assets	452,317,436	639,323,186
Property, plant and equipment	403,402,598	304,297,663
Intangible assets	153,138,069	159,745,654
Right of use (assets)	140,320,291	118,891,394
Deferred tax assets	23,999,124	16,365,195
Other assets	720,354,937	248,678,368
TOTAL ASSETS	17,165,859,102	17,485,315,081
Liabilities		
Amounts due to banks	543,098,303	925,154,010
Customers' current, savings and deposit accounts	13,464,917,725	13,721,367,710
Current tax liabilities	381,333,211	243,508,448
Deferred tax liabilities	187,639,887	305,042,148
Net defined benefit liabilities	2,790,178	2,992,652
Payable to employees for pensions	35,899,944	26,367,525
Provision for anniversary payments	16,035,660	17,199,317
Lease liability	66,664,233	45,458,876
Bonds Payable	315,460,000	410,176,373
Other liabilities	905,694,093	589,583,603
TOTAL LIABILITIES	15,919,533,234	16,286,850,662
Shareholders' equity		
Share capital	55,767,086	55,767,086
Share premium	437,040,656	437,040,656
Reserves and retained earnings	658,409,697	454,244,165
Profit for the period	95,108,429	251,412,512
Total shareholders' equity	1,246,325,868	1,198,464,419
Total shareholders' equity and liabilities	17,165,859,102	17,485,315,081

*Amounts at the beginning of the calendar year were adjusted in accordance to note 2 Foreign Currency and Inflation, in accordance to IAS 29 Accounting for Hyperinflation

INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2024

(in thousands of SRD)	Notes	June 30, 2024 Unaudited SRD	June 30, 2023 Unaudited* SRD
Interest income		619,855,205	848,097,434
Interest expense		(332,516,646)	(428,522,507)
Net interest result		287,338,559	419,574,927
Net Investment income	3	95,651,417	12,681,658
Commission and fee income		114,636,846	119,257,852
Commission expense		(9,388,543)	(37,124,047)
Net commission and fee income		105,248,303	82,133,805
Other (expense) / income, net		(33,770,540)	193,630,441
Total income		454,467,739	708,020,831
Expected Credit Loss on financial assets		10,512,146	(5,390,766)
Personnel expenses		121,258,351	113,759,741
Other operating expenses	4	116,891,612	90,985,865
Total expenses		248,662,109	199,354,840
Profit before tax and loss on monetary position		205,805,630	508,665,991
Income tax expenses		52,006,377	178,299,458
Loss on Monetary Position		58,690,823	161,639,978
Profit for the period		95,108,429	168,726,555
Earnings per share		426.35	756.36

*Amounts at the beginning of the calendar year were adjusted in accordance to note 2 Foreign Currency and Inflation, in accordance to IAS 29 Accounting for Hyperinflation

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024

1. BASIS OF PREPARATION

The Interim Condensed Financial Statements for the six months ended June 30, 2024, have been prepared in accordance with IAS 29 Accounting for Hyperinflation. The bank has prepared the Financial Statements on the basis that it will operate as a going concern. Management considered that there are no material uncertainties that may cast significant doubt over this assumption. 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. 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, impairment of financial assets and the going concern assumption.

The Interim Condensed Financial Statements do not include all the information and disclosures required in the Annual Financial Statements and should be read in conjunction with the Bank's Annual Financial Statement as of December 31, 2023.

2. FOREIGN CURRENCY AND INFLATION

Finabank N.V.'s financial statements are presented in Suriname Dollar, which is also the Bank's functional currency. Transactions in foreign currencies are initially recorded at the spot exchange rate at the date the transaction first qualifies for recognition. 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	June 30, 2024	December 31, 2023	June 30, 2023
1 USD	30.585	36.291	37.44
1 EUR	32.507	40.194	40.39

As can be observed from above, there is a moderate appreciation in currency from December 31, 2023 to June 30, 2024

Official closing exchange rates	June 30, 2024	December 31, 2023	June 30, 2023
CPI	814.4	759.3	700.8
3 Year Inflation	180%	205%	369%

The consumer price index published by Suriname Bureau of Statistics indicate an increasing CPI from 2021 to 2024. Suriname remains a hyperinflationary country during 2024. As a result, the accounting figures are restated by applying a general price index so that the comparative figures in the financial statements are presented in terms of measuring unit currently existing at the end of the reporting period. The restatement was applied as if the economy has always been hyperinflationary, using a general price index that reflects the changes in general purchasing power. To apply restatement, a series of indexes were used, as prepared, and published monthly by the Central Bank of Suriname and General Bureau of Statistics.

3. INVESTMENT INCOME

Starting 2023, the USD cash reserve previously held at the Central Bank of Suriname (CBoS) was returned to the banks for their own investment. As of June 30, 2024, these amounts to the equivalent of SRD 2.94 billion. Finabank's excess liquidity are also invested to high-quality short-term investments. This is the primary driver for the increase in investment income for June 30, 2024, compared to June 30, 2023.

	June 30, 2024 Audited	June 30, 2023 Unaudited*
Investment income	95,651,417	12,681,658

*Amounts at the beginning of the calendar year were adjusted in accordance to note 2 Foreign Currency and Inflation

4. OPERATING EXPENSE

The operating expense for June 30, 2024, is higher compared to June 2023 due to higher automation and other ICT expenses which are included in the office expenses. Automation costs relate to investment in ICT to optimize performance of the core banking system, while the ICT expenses pertain to ICT maintenance and subscription and license fees.

Other operating expenses can be specified as follows:	June 30, 2024 Audited	June 30, 2023 Unaudited*
	SRD	SRD
Office expenses	44,116,325	17,948,370
Housing expenses	6,885,282	6,413,480
Transportation expenses	1,908,424	970,746
General expenses	25,908,371	23,911,033
Depreciation expenses Right of Use	8,090,011	12,465,238
Depreciation expenses PP&E and Intangible assets	29,983,199	29,276,995
Total Other operating expenses	116,891,611	90,985,864

*Amounts at the beginning of the calendar year were adjusted in accordance to note 2 Foreign Currency and Inflation, in accordance to IAS 29 Accounting for Hyperinflation

5. SIGNIFICANT EVENTS AND TRANSACTIONS

On January 22, 2024, Finabank obtained an approval to issue a USD 15 Million 7% bond for 5 years. The proceeds of the bond will be used for the bank's diversification strategies. The bond is expected to further strengthen the bank's liquidity and solvency position. The bond is expected to be issued starting November 1, 2024.

6. SUBSEQUENT EVENTS

On June 25, 2024, the case filed by the local banks to the Dutch government was heard. The case concerns the return of the confiscated cash that was shipped by CBVS on behalf of the local banks. The case was previously decided in favor of the banks, but an appeal was made to the Court of Appeals of the Hague.

On August 06, 2024, the Court of Appeals of the Hague found no merit to the complaint by the banks. The banks will appeal in the case. Finabank still maintains that we have a strong defensible position with regards to the recoverability of the confiscated cash.

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