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## PROFILE OF FINABANK N.V.

### Composition of the Executive Board and Supervisory Board

Finabank N.V. (Finabank N.V. or the bank) has a two-tier governance structure, consisting of an Executive Board that operates under supervision of a Supervisory Board. The Executive Board members are employees of the company, while the members of the Supervisory Board are not. The Executive Board (Management) is responsible for day-to-day management. The Supervisory Board (SB) is responsible for the supervision of the Management's policy and provides advice to the Management.

### Company profile

Finabank N.V. is a commercial bank which was established in 1991. The bank is 100% privately owned. As a commercial bank, Finabank operates under the laws and regulations of Suriname and is under supervision of the Central Bank of Suriname. At December 31, 2016 Finabank N.V.'s assets amounted to SRD 1,162 million.

The bank is active in several areas within the Business, Retail and Platinum banking sector in Suriname and offers a wide range of financial products and services. Currently Finabank N.V. has three branches besides its headquarters in Paramaribo. A branch in Paramaribo north, Paramaribo south and Nickerie.

Finabank N.V.'s strategy aims at achieving an acceptable share of the financial market in Suriname. Basic principles in this respect are the bank's core values and corporate responsibility. In achieving its strategic objectives Finabank N.V. has defined four strategic, fundamental pillars:

- Strong corporate governance;
- Best in class compliance policy;
- Client centricity;
- Robust risk management.

The above mentioned pillars are embedded in the organization and have enabled the bank to achieve its strategic objectives as set in the Strategic Business Plan 2014–2016 Operation Falcon. These fundamentals will remain important during the bank's newly defined Strategy Force, for the period 2017–2019. Strategy Force was launched in January 2017 and guides the organization in everything that it does. Within Strategy Force the bank has stated that although the macro economic environment is challenging, the bank will continue to invest in its people, information technology and marketing, in order to improve serving its customers and emphasize customer intimacy.

## VISION, MISSION AND CORE VALUES

### Vision

We are the number one financial solutions provider.

### Mission

Enabling your ambitions through tailored financial solutions.

### Core values

- |                 |                           |
|-----------------|---------------------------|
| • Trust :       | We act responsibly;       |
| • Partnership : | We work as one team;      |
| • Agility :     | We go the extra mile;     |
| • Innovation :  | We improve continuously;  |
| • Expertise :   | We are the best in class. |

### Objective

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

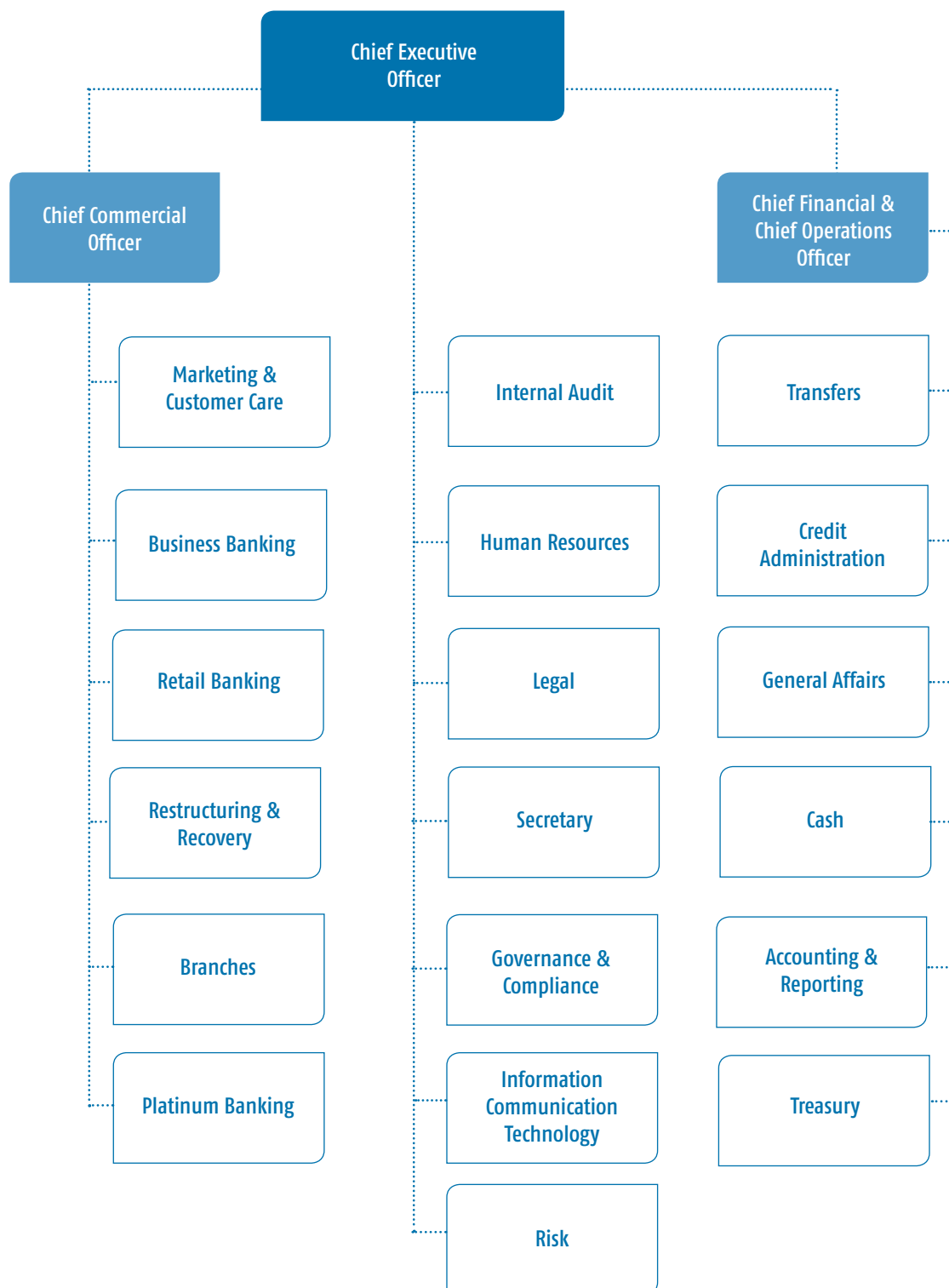
### Strategy

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

### Stakeholders

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

## ORGANIZATIONAL CHART



## REPORTS OF THE EXECUTIVE AND SUPERVISORY BOARDS



**Chief Executive Officer**  
Eblein Frangie MSc.

## Report of the Executive Board

### Introduction

The Supervisory Board and with the Executive Board of Finabank N.V. are pleased to present this annual report to you, which is prepared in accordance with the accounting standards as applied by Management and described in the notes, which are materially based International Financial Reporting Standards (IFRS) with the except of the application of IAS 29. This publication is a result of our ambition to further improve our corporate governance and reporting standards.

### Macroeconomic environment

The recession in the economy of Suriname, which erupted in the course of 2015, deepened during the year under review. This adverse development was, initially, brought about by an external shock associated with a significant downward correction in the global prices of our main export products, i.e., gold and oil, after these prices reached historical heights around 2013. Moreover, low prices induced Suralco to eventually end its bauxite exploitation and alumina refining. These factors caused a strong drop in export revenue denominated in US dollars.

The ensuing recession was accentuated by a lack of buffers in both the public and private sectors to compensate for the effects of the external shock, as well as by insufficient actions to reduce the financial deficit of the Government and its recourse to domestic money creation in the years 2013–2015. The Government launched an ambitious Recovery and Stabilization Plan to deal with the adverse socio-economic developments, but the intended policy measures were realized too slowly or even postponed.

Consequently, during the reporting year, Suriname was confronted with a much larger economic setback, steeper exchange rate depreciation, faster accelerating inflation and a weaker public finance position than other commodity exporters. Monetary financing eventually facilitated the emergence of these adverse developments. It is therefore encouraging that in April 2016 the Minister of Finance and the Governor of the Centrale Bank signed an agreement to henceforth ban the granting of Central Bank credit to the Government.

World commodity price developments remained subdued in 2016, despite some signs of recovery during the first half and a tendency towards stabilization during the remainder of the year. Following declines in the previous three years, the average annual gold price on the London Metal Exchange rebounded in 2016 by about 14% to USD 1,249 per troy ounce. This increase reflected movements in the US dollar exchange and in real interest rates, as well as geopolitical tensions. The price of Brent oil continued to fluctuate, and on balance fell by 14% to USD 44 per barrel, due to a relative large supply. The prices of both products were quite below their 2013 level.

Effective demand for commodities was weak, as global economic growth remained subdued. It again amounted to a modest 3%. Growth in the advanced economies even declined to 1.6%, down from 2.1% in 2015, mainly as a result of volatile movements on the financial market associated with political and social uncertainties, including the Brexit vote, as well as



with the decelerating growth in export demand from emerging market countries. The situation in the various country groups was quite different. Activities in the United States expanded steadily towards full employment, while in a number of other countries, particularly in the euro-area and Japan, actual output remained below potential.

The fiscal policy stance in the advanced economies was mixed, reflecting different levels of available fiscal space in individual countries. Monetary easing in the Euro area was proceeding slowly, while the US Federal Open Market Committee very cautiously started tightening their policy. Core inflation rates remained well below the 2% objective.

The emerging market economies were again the fastest growing region of the world, mainly thanks to the performances of China and India, which realized growth rates of around 6.5%. India is making progress in transforming from a merchandise export and investment economy to a more consumption and service oriented economy. Other countries recorded much lower growth rates, or were confronted by persistent and self-reinforcing recessionary conditions. In Latin America and the Caribbean, economic activities declined on average by almost one percent for the second year on the row.

The recession in Latin America was mainly caused by a 3.5% contraction in the Brazilian economy. This country had to cope with depressed export demand, a weak fiscal position, and a sequence of political crises. These factors undermined the public's confidence. In the region, inflation rates varied widely from modest in countries conducting cautious macroeconomic policies to excessive in countries where fiscal discipline was lacking and which took recourse to excessive monetary financing. Even so, wage increases remained manageable, putting pressure on the living standards of the people.

In Suriname, economic activities shrank much more. According to preliminary estimates of the General Bureau of Statistics, real gross domestic product crumbled by 7.5% in 2016, after a 2.7% decline in 2015. Measured in US dollars merchandise exports, traditionally the motor of our economy, shrank by 23% in 2015 and subsequently by 12% in 2016. The ensuing radiation effects of the smaller export earnings on the rest of the economy contributed to the notably weak overall performance.

Merchandise imports declined by a 39% in the year under review, due to lower imports for the construction of the Merian gold mine and the new oil refinery. In addition, household demand fell as a result of both the decline in the real gross domestic product and the loss in purchasing power associated with an 85% depreciation of the Suriname dollar after the Central Bank decided to adopt a floating exchange rate in March 2016. The movements in exports and imports resulted in a turnaround in the trade balance from a deficit of USD 375 million to a surplus of USD 202 million.

The balance of payments closed with a total surplus of USD 79 million, after an USD 266 million deficit was recorded in 2015. International reserves of the Central Bank increased by 15% to USD 381 million at the end of September 2016; an equivalent of about 2.6 months of imports of goods and services. Confidence in the stability in the value of the national currency remained weak, which contributed to the depreciation of the exchange rate mentioned earlier and subsequently to a notable acceleration of the increase in the annual average consumer price index to almost 56% in 2016 up from 7% in 2015. The depreciation of the national currency had a distortive effect on the statistics denominated in Suriname dollars. As a result of this depreciation, government income on a cash basis, which is partly linked to the US dollar, was limited to a mere one percent, compared to 2015. Expenditure increased by 4 percent. As a result, the financing deficit also increased by 4 percent to almost SRD 1.8 billion. In terms of the inflated nominal gross domestic product, the deficit fell by 3 percentage points to 7%. To cover the financing and repay part of the outstanding debts, the Government borrowed a net amount of SRD 3.8 billion abroad, an equivalent of almost 16% of gross domestic product. In the preceding three years mainly recourse was taken to domestic money creation. A first payment of US\$ 81 million was received as part of a Stand-By Arrangement with the International Monetary Fund in May 2016. USD 550 million global bond was issued in October, of which about 70% was allocated for financing debts of the state-owned oil and electricity companies. Consequently, total gross government debt continued to increase rapidly.

The unfavorable macroeconomic environment also adversely affected business activities in the banking sector in real terms, and contributed to an increase in the non-performing loan ratio, as well as to a decline in the solvency ratio. Total lending by general banks to private sector residents increased by 27% to SRD 7.6 billion, but the increase reflected the higher valuation of lending denominated in foreign currencies. Thus, dollarization rose to 52% up from 38% at the end of 2015. Approximately one fifth of total loans were provided to the primary sectors of the economy. The other part was mainly used to finance

consumptive and trade oriented spending. Lending to the government increased by 79% to SRD 1.2 billion, due to the larger share of foreign currency loans in the total.

Total deposits amounted to SRD 14.9 billion; an increase of 56%. Here dollarization rose by 12 percentage points to 70%. Banks must hold a monetary cash reserve of 35% and a liquidity buffer for clearing purposes of 5% for deposits in Suriname dollars at the Central Bank. The reserve requirement for foreign currency deposits amounts to 50%. Thus, the ratio of lending to deposits is low. At the end of 2016, this ratio was 51% down from 62% a year earlier. Due to the sharp rise in inflation, average real interest rates turned negative.

The above analysis indicates that, from a macroeconomic viewpoint, developments in Suriname during the past two years were quite disappointing. This is a cause for concern, the more so because the near term outlook remains challenging, albeit that the expansion in the production of the oil refinery and the Merian gold mine will have a positive effect on the balance of payment and is expected to reverse the trend in the decline in GDP. A growth rate of about 2% is projected for 2017. It is clear, that much more actions should be taken by both the public and the private sectors to compensate for the loss in welfare, and to realize sustainable, inclusive growth and financial stability.

## FINANCIAL SUMMARY AND KEY FINANCIAL INDICATORS 2015-2016

(in thousands of SRD)	December 31, 2016	December 31, 2015
<b>RESULTS</b>		
Net interest result	47,333	38,009
Investment income	5,408	107
Net commission and fee income	12,076	7,471
Other income	71	357
Total income	64,887	45,944
Expenses	44,663	22,987
Net impairment losses on loans and advances	3,658	7,917
Profit before tax	16,568	15,040
Profit	10,603	9,626
<b>BALANCE SHEET</b>		
<b>Assets</b>		
Cash and cash equivalents	67,608	29,804
Amounts due from banks	311,333	174,669
Loans and advances to customers	556,614	365,281
Other assets	226,208	130,305
<b>Total assets</b>	<b>1,161,763</b>	<b>700,059</b>
<b>Shareholders' equity and liabilities</b>		
Amounts due to banks	46,181	27,619
Customers' current, savings and deposit accounts	965,268	550,883
Other liabilities	59,803	38,577
Shareholders' equity	90,511	82,980
<b>Total shareholders' equity and liabilities</b>	<b>1,161,763</b>	<b>700,059</b>
<b>KEY RATIOS (IN %)</b>		
Return on equity (annualized)	12.2	12.4
Return on assets (annualized)	1.1	1.6
Loan loss provision ratio	1.8	3.5
Non performing ratio (Central Bank of Suriname)	3.0	1.5
Non performing ratio (According accounting standards)	3.0	1.4
Loan to deposit ratio	58.7	68.7
Operational ratio	68.8	50.0
Profit ratio	31.2	50.0
Capital ratio	7.8	11.9
Solvency ratio (Central Bank of Suriname)	10.9	17.1
Solvency ratio (According accounting standards)	12.8	19.4
<b>Number of employees</b>	<b>135</b>	<b>120</b>

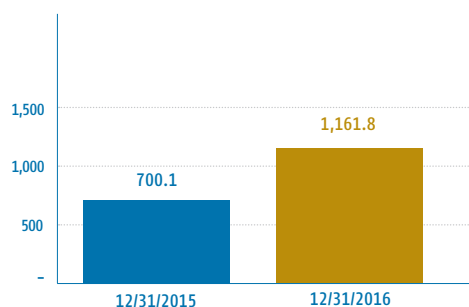
## Financial and other key developments Finabank N.V.

### The financial policy and analysis of the bank

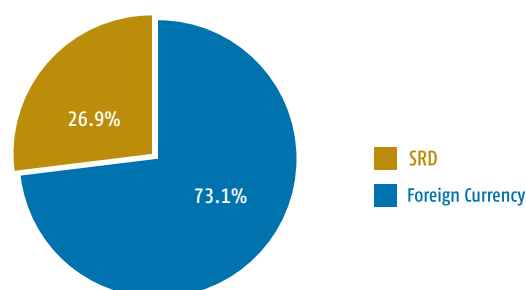
Our financial statements are prepared in accordance with the accounting standards as applied by management and described in the notes which are materially based International Financial Reporting Standards ("IFRS") with the exception of the application of IAS 29. The effect of inflation in the Surinamese economy is not considered in the following analysis. For the possible effect of IAS 29 would have been applied, management refers to the notes in the condensed financial statements.

In 2016 Finabank N.V. had a relatively strong performance given the economic developments in Suriname. Compared to December 31, 2015 the balance sheet total of the bank grew with SRD 462 million (66%) from SRD 700 million to SRD 1,162 million. The growth of the balance sheet total was, mainly driven by an increase in Customers' current, savings and deposit accounts, with SRD 414 million (75%) from SRD 551 million to SRD 965 million. Paramount to this development is the increased dollarization in funds entrusted by customers by 6 percent points to 73% from 66% (year-end 2015), combined with a depreciation of the Suriname dollar since year-end 2015. Amounts due to banks also contributed to the balance sheet increase by SRD 18 million (64%) from SRD 28 million to SRD 46 million. The remainder of the growth was caused by the total of all other liabilities, with a combined increase of SRD 10 million (32%) from SRD 31 million to SRD 41 million.

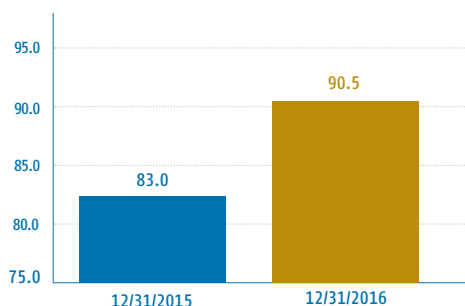
Total assets (x SRD 1 million)



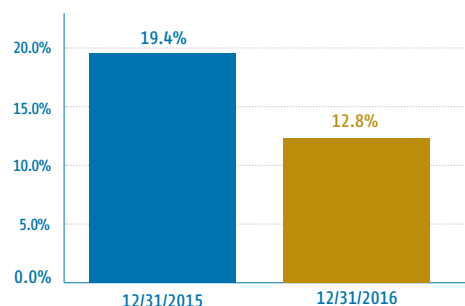
Composition of funds entrusted in SRD and foreign currency as at December 31, 2016



Equity (x SRD 1 million)

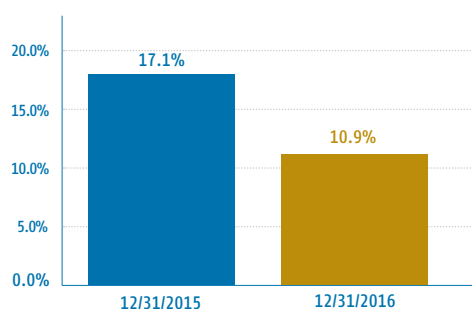


Solvency-ratio CAR



The equity of the bank increased with 10% from SRD 83 million to SRD 91 million, due to the addition of net profit of the reporting period and a deduction due to pay-out of dividends 2015.

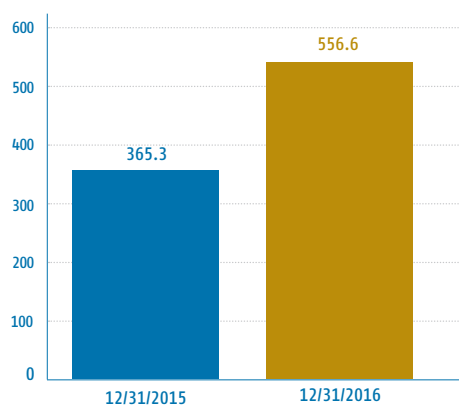
Solvency-ratio by definition of the  
Central Bank of Suriname  
(revaluation reserves are excluded from equity)



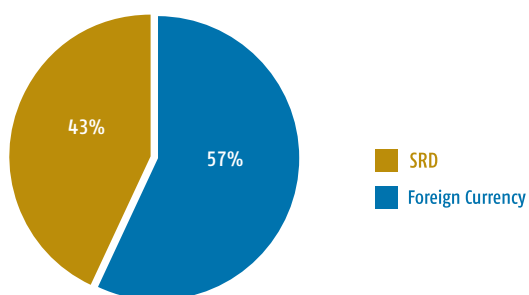
Solvency (by definition of Central Bank of Suriname) stands at 10.9%, this is below the bank's internal benchmark of 15%, but above the 10% norm as required by the Central Bank of Suriname. The decline in solvency to 10.9% (December 2015: 17.1%) is largely driven by the adverse impact on equity as a result of an increase of the foreign exchange rate, which impacts the risk weighed assets nominated in foreign currency and as a result of the pay-out of dividends 2015.

On the asset side of the balance sheet, there was an increase in Cash and cash equivalents by 127%, due to the devaluation of the SRD but also due to the tight liquidity market. Due to the economic situation, Finabank N.V. experienced a lower demand on credit facilities and therefore the bank invested 28% more in term deposits at local banks. The bank's net credit portfolio increased by 53% from SRD 365 million to SRD 557 million, mainly reflecting the growth in business lending. Growth in the retail market increased with 13% in 2016 compared with 2015. The dollarization in our credit portfolio increased from 43% to 57%. The Non-performing ratio increased from 1.4% to 3%. Management is content that despite the economic situation the Non-performing ratio is low and well below the Central Bank of Suriname's limit of 5%.

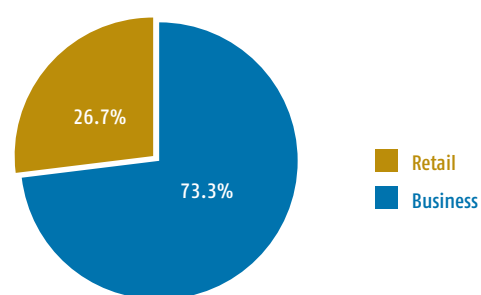
Loans and advances (x SRD 1 million)



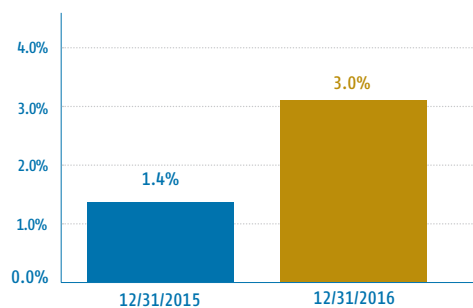
Composition of loans and advances in SRD and foreign currency as at December 31, 2016



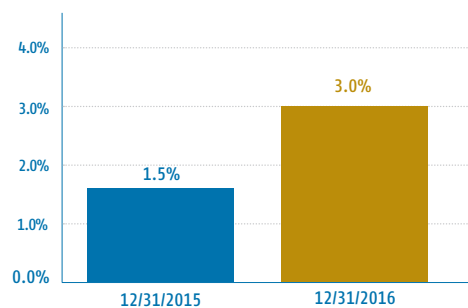
Composition of loans and advances Business versus Retail as at December 31, 2016



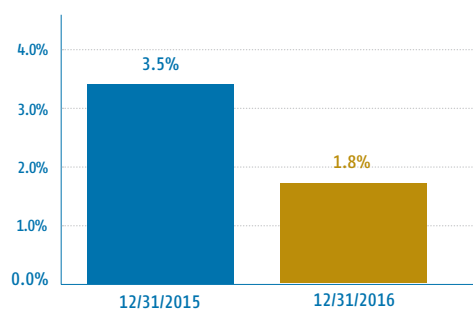
Non performing ratio



Non performing ratio Central Bank of Suriname

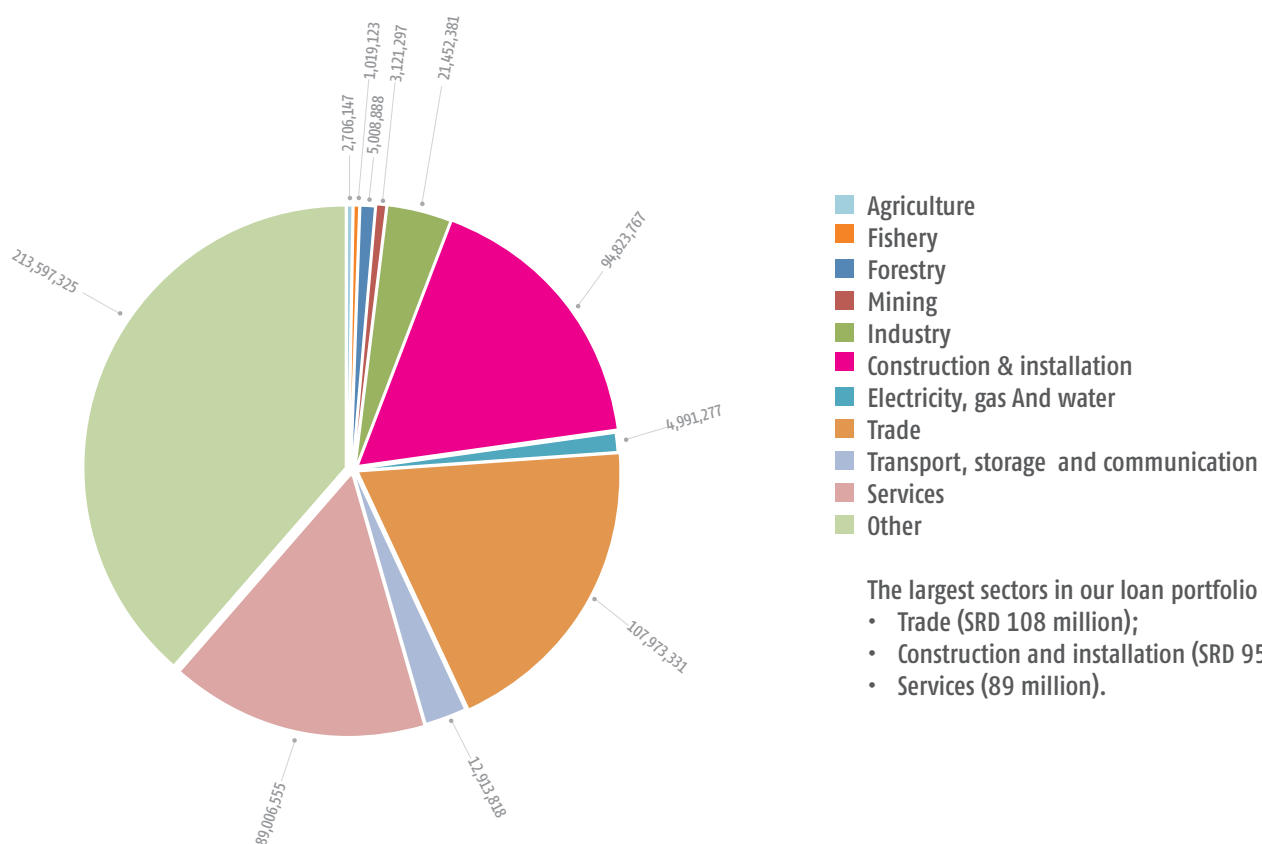


Loan loss provision ratio

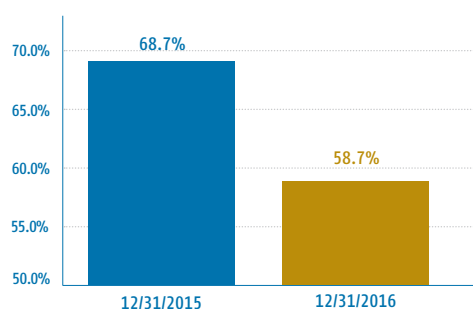


## Report of the Executive Board

Loan portfolio by sector as at December 31, 2016

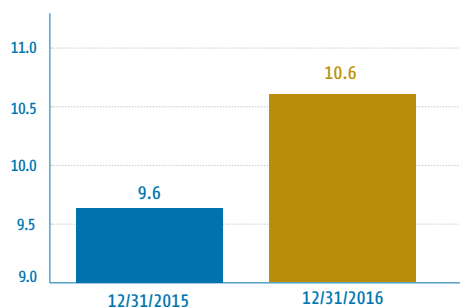


Loan to deposit ratio



Amounts due from banks increased by SRD 136 million (78%) to SRD 311 million from SRD 175 million.

Net profit (x SRD 1 million)

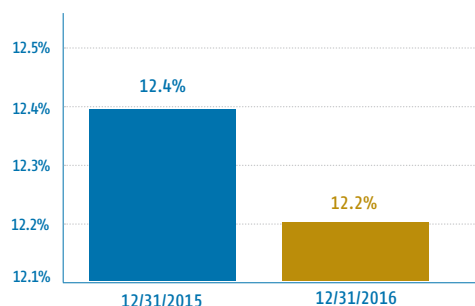


The net result of the bank increased with SRD 1 million (10%) to SRD 10.6 million compared to SRD 9.6 million in 2015. As a consequence of the increase in the net results, earnings per share increased by 12% from SRD 43 to SRD 48.

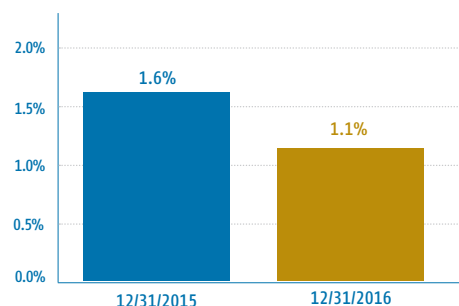
Total income of SRD 65 million is SRD 19 million (41%) higher as compared to the previous year. Net interest result has contributed positively to this flux with SRD 9 million, while net commission and fee income added another SRD 5 million to the increase. Other income, included investment income improved with SRD 7 million.

Total expenses rose with SRD 17 million (55%) to SRD 48 million from SRD 31 million. Important cost drivers were the increase in personnel costs mainly fueled by a 15% salary increase, increase personnel, pension costs and automation and professional fees expenses (mostly foreign currency nominated) that have been inflated by the strong depreciation of the Surinamese dollar. Intensive marketing and rebranding campaigns increased marketing expenses by SRD 2 million. Depreciation expenses increased with SRD 2.8 million from SRD 1.2 million to SRD 4.0 million. This increase is related to a higher depreciable amount due to the opening of Branch North in January 2016 and the effect of the revaluation of Land and buildings of our Nickerie branch and new building headquarters, of which the latter opened in April 2015.

Return on equity annualized



Return on assets annualized







**The Executive Board:**

From left to right:

Almar Giesberts, *Chief Commercial Officer*

Eblein Frangie, *Chief Executive Officer*

## Other key developments of the bank

### Corporate strategy

2016 marked the end of our strategic period 2014–2016. This strategy consisted of three stages in which we focused on:

- 2014 full compliance with national and international regulations and strengthening of the governance structure;
- 2014–2015 further strengthening of the organization structure;
- 2016 a market growth strategy.

Management is content to report that it achieved its strategic objectives within this strategic period. Finabank N.V. is in compliance with national and international regulations, the governance and organizational structure is robust and we increased our market position to approximately 7% (based on the total loan market).

In 2016, Management together with the Supervisory Board and senior staff members, defined the new strategy 2017–2019. The core of Finabank N.V.'s new strategy focuses on three areas:

1. Optimizing our capital base for regulatory purposes and growth;
2. Further strengthening of our human capital base to increase organizational capacity;
3. IT optimization in order to transform the bank into a digital customer centric organization.

The new strategy 2017–2019 is ambitious, but is required to sustainably control Finabank in the challenging banking environment while keeping customers satisfied.

### Commercial strategy

The net loan portfolio increased by 53% to SRD 557 million in 2016 compared with 2015. The growth of the loan portfolio was driven by both the business and retail market. The business segment grew with 72% while the retail market grew with 16% in 2016 compared with 2015. Despite the fragile economic situation, the non-performing ratio was 3%. The funding portfolio increased by 75% to SRD 965 million in 2016 compared with 2015. The growth of the bank's funding portfolio was mainly driven by the business market, which grew with 84% while the retail market grew by 72%.

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

Finabank N.V.'s mission is to be actively involved with our customers' needs and offer tailor made financial products and services in order to create a sustainable partnership.

In 2016, Finabank N.V. opened its new branch in the north of Paramaribo. With the opening of Finabank N.V. North the total of branches, amounted to four including headquarters in the city center enter of Paramaribo. The branch is open from 07.00 A.M. until 20.00 P.M. to provide services to our customers. The commercial success is notable given the increase of Finabank N.V.'s customer base in the area Paramaribo north.

Management also reconstructed the existing branch in Paramaribo south. The re-construction was done in only six months. In October 2016 the Branch South was re-opened. This branch is also servicing our customers from 07.00 A.M. until 20.00 P.M. All Paramaribo branches are designed now in the same, recognizable Finabank N.V. architecture in order to improve our customer's exquisite Finabank experience.

## Report of the Executive Board

### Human Capital

One of the key resources we have are our people because they make the difference for our customers and the result of the bank. In 2015 we developed our own development plan 'FinAcademy' which will develop technical and competences for staff members. Implementation started in 2016. The basis of the development plan is Finabank N.V.'s own introduction and refreshment banking training FinCorp which was developed in conjunction with a Dutch educational institute, specialized in banking, Welten B.V.

### Information technology

Information technology (IT) is key to the operations of the bank. Without IT the bank can't service its clients. Therefore, after implementation of its new infrastructure, Management choose to bring in place its IT governance by implementing the COBIT 5 framework (Control Objectives for Information and Related Technology) because it is widely used by banks. In July 2017, all COBIT 5 procedures will be in place. The bank's objective is to reach level 4 of the COBIT 5 framework in 2019.

### Regulations

Finabank N.V. complies with all regulations of the Central Bank of Suriname. No adjusted policy is applicable for Finabank N.V.

### Corporate social responsibility

The bank has provided financial support for a number of community projects, predominately in the area of youth and education. It has committed to sponsor the 10-Minutes Children's News since this educational news program contributes positively to the development Surinamese children. The bank donated an amount to the basketball association "Finabank N.V. Koi Carpers" who promote awareness for breast cancer and helps keeping disadvantaged youth from the streets through basketball. Furthermore, we sponsored the "Finabank N.V. VLOSS sports tournament" in Nickerie which was successful. In December 2016, we also celebrated our Finabank N.V. children's day with three homes for children with disabilities.

### The future

Again, a slow growth of the global economy is forecasted resulting in a faint forecasted commodities market in 2016. Due to the faint forecasted commodity market, it is expected that pressure will remain on state finances. The Government will need to implement unorthodox fiscal policy in accordance with the IMF agreement to reform the economy and strengthening the level of international reserves. This will be the only way to for the economy to achieve sustainable growth and financial stability on a long run. We expect that these measures will affect the economic growth of Suriname and the growth and financial position of the bank. Therefore, Finabank N.V.'s focus areas in 2017 will be capital planning, further strengthening of the organizational structure to support the strategy and further upgrading of our information technology to transform into a digital organization.

Management and employees of Finabank N.V. work diligently on further strengthening the execution capacity of the bank, which will allow us to provide even better financial services to our customers and thus contribute to a sustainable increase in the wealth of the population.

### Thank you

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

Paramaribo, June 30, 2017

Eblein G. Frangie

Chief Executive Officer

## Corporate governance

### 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 within the Board. In December 2016 Mr. Coenraad Valk stepped down as member of the Executive Board in agreement with the Supervisory Board. The Executive Board is currently composed of two members:



#### Eblein Frangie (1977)

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).



#### Almar Giesberts (1977)

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).

### The Supervisory Board

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

The Board is composed of seven members. In determining 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 required expertise and background 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 such that members can operate critically and independently of each other, of Management and without leveraging for special interests. In this report the Board asserts that it safeguards the independence of the individual members and the Board as a whole.

During the Annual General Shareholders Meeting 2016 Mr. Sven Sjauw Koen Fa stepped down as a member of the Supervisory Board due to his ambition to strive for other challenges. In his place was appointed Mrs. Djaienti Hindori. Mrs. Djaienti Hindori has Board experience and experience in the fields of banking, strategy and management. In January 2017, Mr. Maikel Muringen stepped down as member of the Supervisory Board due to his ambition to strive for other challenges.



#### Cornelis Dilweg (1949)

Chairman, reappointed in 2014 (Initially 2007)  
Chief Executive Officer Randoe N.V.



#### Sonny Kertoidjojo (1966)

Member, reappointed in 2015 (Initially 2002)  
Chairman of the Board State Health Foundation  
Member of the Supervisory Board Trustbank N.V.





**Feroz Ishaak (1966)**

Member, reappointed 2016 (Initially 2010)

Director Ishaak Law firm

Member of the Supervisory Board Trustbank N.V.



**Shirley Sowma-Sumter (1956)**

Member, appointed in 2014

Retired Chief Executive Officer C. Kersten en Co N.V.



**Ferdinand Welzijn (1960)**

Member, appointed in 2014

Director Fersan Consultancy N.V.



**Djaianti Hindori (1958)**

Member, appointed in 2016

Chairman of the Supervisory Board Houttuyn Wellness River Resort

Chairman of the Board of Openlucht Museum te Fort Nieuw Amsterdam

#### COMPOSITION OF SHAREHOLDERS

According to the regulations of the Central Bank of Suriname, Finabank N.V. complies to the regulation that no individual shareholder has more than 20% ownership in a financial institute. The owners of shares of Finabank Share Capital amounting to over 10% are:

Institutional investors (combined majority)

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

No individual shareholder has a stake in the bank's capital above 20%. The institutional investors group combined has the majority of the voting rights.

#### Conformity statement

The Executive Board is required to prepare the financial statements of Finabank N.V. for each financial year in accordance to 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 are assured.

Each of the signatories hereby confirms that to the best of his knowledge:

The Finabank N.V. 2016 financial statements are prepared, in all material respect, in accordance with the accounting policies selected and disclosed by the Bank, as set out in note 2.

Paramaribo, June 30, 2017

Eblein G. Frangie

Chief Executive Officer



**Chairman**  
Cornelis Dilweg

## Report of the Supervisory Board

### Introduction

2016 was challenging for Finabank N.V. The economic environment was volatile and effected the financial position of the bank. Although the economic situation was challenging, the bank managed to increase its market share and keep its financial position strong. The Supervisory Board and Executive Board worked close together with senior staff to keep the banks strategy on track. In December 2016, Mr. Coenraad Valk stepped down as Member of the Executive Board in agreement with the Supervisory Board. We wish him success with his further career.

### Supervisory Board Meetings

The Supervisory Board met 16 times in 2016 of which all were regular meetings. On average 84% of the Supervisory Board Members were present at the meetings. This attendance illustrates amongst others the engagement of the members in Finabank N.V. The Executive Board was present at all meetings. During the regular Supervisory Board meetings the following topics were discussed:

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

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

According to the corporate governance structure of Finabank N.V. the Internal Audit Department reports both to the Chief Executive Officer and the Audit Committee of the Supervisory Board simultaneously. The Risk and Compliance Department and the Credit Committee report to the Chief Executive Officer and the Risk Committee of the Supervisory Board simultaneously. Management and management affairs are discussed within the Selection and Remuneration Committee. The committee chairs report to all Members of the Supervisory Board.



### Audit Committee

The Audit Committee is in charge of 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 persons:

- Mrs. Shirley Sowma-Sumter – Chair;
- Mr. Feroz Ishaak – Member;
- Mr. Ferdinand Welzijn – Member.

### 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 Committee has the lead when it comes to authorizing the risk policy of the bank and monitoring the risk profile. It has the supervision over the proper functioning of the risk management functions, risk mitigating structures and controls. It also oversees the banks solidity, liquidity, funding, as well as legal and compliance affairs.

This Committee consists of the following persons:

- Mr. Feroz Ishaak – Chair;
- Mrs. Shirley Sowma-Sumter – Member;
- Mrs. Djaianti Hindori – Member.

### Selection and Remuneration Committee

This Committee is responsible for the preparation of the selection and/or re-appointment of members of the Executive Board and Supervisory Board. It drafts the selection criteria, re-appointment schedules and is in charge of legacy planning for both Boards. The 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 functions.

This committee consists of the following persons:

- Mr. Ferdinand Welzijn – Chair;
- Mr. Sonny Kertoidjojo – Member;
- Mrs. Djaianti Hindori – Member.

### Continuous education

Educational sessions on topics compliance, strategy, international banking developments and International Financial Reporting Standards were organized for the Supervisory Board.

### Corporate strategy

Supervisory Board together with Management and senior staff defined the new strategy 'Strategy Force' for the period 2017-2019. We are convinced that the new strategy will further strengthen the organization and its market position.

### External auditor, risk and compliance

The Supervisory Board nominates the external auditor to the General Shareholders' Meeting, after being advised by Management and the manager of the Internal Audit Department.

With regard to the supervision of risk management, the Supervisory Board discusses with Management the strategy, the policy, long-term plans and the risks involved with 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 Business 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



**Supervisory Board:**

From left to right:

Feroz Ishaak, *Member*

Sonny Kertoidjojo, *Member*

Djaienti Hindori, *Member*

Cornelis Dilweg, *Chairman*

Absent in this photo:

Shirley Sowma-Sumter, *Member*

Ferdinand Welzijn, *Member*

maintenance of internal control systems with regard to financial reporting, while considering the Internal Audit plan. These systems are designed to ensure that all key financial information is known to the Supervisory Board and Management and to ensure the timeliness, completeness and accuracy of the internal and external financial reporting. In this respect, the Internal Audit Department fulfils an independent, objective assurance position. The respective manager of the department informs the Chairman of the Board of his findings, if necessary through a direct line of reporting.

#### Financial reporting and results

The application of the accounting standards described by Management in the notes which are materially based International Financial Reporting Standards (IFRS), with the exception of the application of IAS 29, is rooted in the ambition of the bank to increase transparency towards our shareholders, customers and other stakeholders. It is also an important part of the strengthening of our corporate governance structure both internally driven as well as externally 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 an independent external audit firm to provide assurance on Finabank N.V.'s financial statements over the period ending December 31, 2016. The Supervisory Board is satisfied with the financial result obtained. The Balance sheet total of the bank increased by SRD 461 million (66%) to SRD 1,161 million and the net result of the bank increased by 8% to SRD 10.4 million. The Non-performing ratio increased from 1.4% in 2015 to 3.0% in 2016.

The Supervisory Board will advise the Shareholders upon advice of Management to withhold dividend payment to strengthen the solvency of the bank. Due to high inflation and the revaluation of the Suriname dollar vis-a-vis the United States dollar the solvency of the bank decreased.

#### Personal note

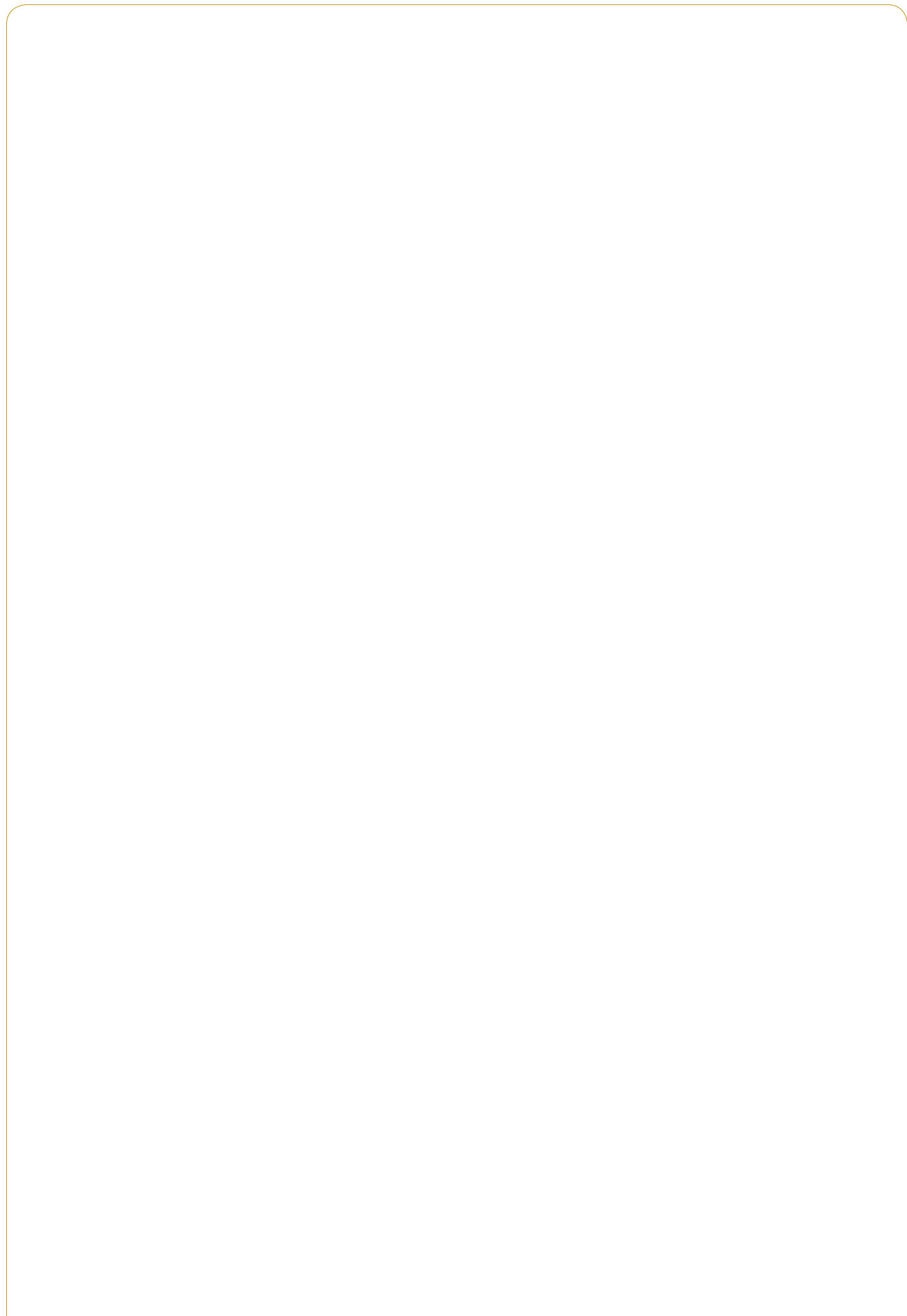
We are pleased to express our appreciation and gratitude for the manner in which Management and staff have performed during the financial year. Their efforts have brought Finabank N.V. where it is today.

Paramaribo, June 30, 2017

On behalf of the Supervisory Board

Cornelis A. Dilweg

Chairman



## ANNUAL CONDENSED FINANCIAL STATEMENTS 2016

## CONDENSED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016

	December 31, 2016	December 31, 2015	December 31, 2014
	SRD	SRD	SRD
<b>ASSETS</b>			
Cash and cash equivalents	67,607,536	29,803,615	34,485,989
Amounts due from banks	311,332,984	174,668,877	111,361,696
Financial assets designated at fair value through profit and loss	8,067,772	39,250	167,073
Held-to-maturity investments	118,848,228	90,025,353	65,487,080
Derivatives	17,206,963	4,638,739	1,449,197
Loans and advances to customers	556,613,910	365,280,507	314,611,067
Property and equipment	33,255,847	28,615,695	21,896,862
Intangible assets	835,119	134,295	-
Deferred tax assets	-	1,066,274	950,955
Other assets	47,994,845	5,786,699	11,526,621
<b>Total assets</b>	<b>1,161,763,204</b>	<b>700,059,304</b>	<b>561,936,540</b>
<b>LIABILITIES</b>			
Amounts due to banks	46,180,503	27,619,401	26,362,193
Customers' current, savings and deposit accounts	965,268,155	550,882,746	428,738,508
Derivatives	-	-	534,347
Current tax liabilities	1,176,822	258,238	4,169,853
Deferred tax liabilities	13,302,136	12,184,442	7,195,426
Net defined benefit liabilities	4,328,315	2,849,450	-
Other liabilities	40,995,793	23,285,250	22,046,408
<b>Total liabilities</b>	<b>1,071,251,724</b>	<b>617,079,527</b>	<b>489,046,735</b>
<b>SHAREHOLDERS' EQUITY</b>			
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	44,150,397	37,595,822	26,981,849
Profit for the period	10,602,738	9,625,610	10,149,611
<b>Total shareholders' equity</b>	<b>90,511,480</b>	<b>82,979,777</b>	<b>72,889,805</b>
<b>Total Liabilities and Equity</b>	<b>1,161,763,204</b>	<b>700,059,304</b>	<b>561,936,540</b>

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



## CONDENSED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2016

	December 31, 2016	December 31, 2015
	SRD	SRD
Interest income	75,763,737	55,490,682
Interest expense	28,430,452	17,481,756
<b>Net interest result</b>	<b>47,333,285</b>	<b>38,008,926</b>
<b>Investment income</b>	<b>5,407,575</b>	<b>106,635</b>
Commission and fee income	13,457,505	8,759,441
Commission expense	1,381,124	1,288,447
<b>Net commission and fee income</b>	<b>12,076,381</b>	<b>7,470,994</b>
<b>Other income</b>	<b>70,946</b>	<b>357,354</b>
<b>Total income</b>	<b>64,888,187</b>	<b>45,943,910</b>
Net impairment losses on loans and advances	3,658,006	7,917,044
Personnel expenses	17,228,354	10,833,744
Other operating expenses	27,435,049	12,153,106
<b>Total expenses</b>	<b>48,321,409</b>	<b>30,903,894</b>
<b>Profit before tax</b>	<b>16,566,778</b>	<b>15,040,016</b>
<b>Income tax expenses</b>	<b>5,964,040</b>	<b>5,414,406</b>
<b>Profit for the period</b>	<b>10,602,738</b>	<b>9,625,610</b>
<b>Earnings per share</b>	<b>47.53</b>	<b>43.15</b>

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2016

	December 31, 2016	December 31, 2015
	SRD	SRD
Profit attributable to shareholders of the bank	10,602,738	9,625,610
<b>Other comprehensive income</b>		
Actuarial gains and (losses) on defined benefit obligation	(459,738)	222,135
Income tax expenses on other comprehensive income	(165,506)	79,969
<b>Other comprehensive income net of taxes</b>	<b>(294,232)</b>	<b>142,166</b>
<b>Total comprehensive income</b>	<b>10,308,506</b>	<b>9,767,776</b>

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

## CONDENSED STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2016

	December 31, 2016	December 31, 2015
	SRD	SRD
<b>Cash flow from operating activities</b>		
Profit for the period	10,602,738	9,625,610
Adjusted for:		
- Depreciation	4,046,728	1,245,777
- Fair value adjustments on derivative assets	(12,568,224)	(3,189,542)
- Fair value adjustments on derivative liabilities	-	(534,347)
- Tax expenses	5,964,040	5,414,407
- Net impairment losses on loans and advances, net of recoveries	3,658,006	7,917,044
- Net interest income	(47,333,285)	(38,008,926)
Changes in:		
- Gross Advances to customers	(194,991,408)	(58,586,484)
- Other assets	(42,208,146)	5,739,922
- Customers' current, savings and deposit accounts	414,385,409	122,144,238
- Net defined benefit liabilities	1,478,865	2,849,450
- Other liabilities	17,710,543	1,238,842
Income tax paid	(2,651,904)	(4,220,044)
Interest received on loans and advances	67,349,566	48,342,858
Interest received on held-to-maturity investments	7,681,960	6,677,242
Interest received from banks	272,380	136,270
Interest paid on bank deposits	(574,000)	(422,523)
Interest paid on customer deposits	(27,856,451)	(17,059,233)
<b>Net cash flow from/(used in) operating activities</b>	<b>204,966,814</b>	<b>89,310,561</b>
<b>Cash flow from investing activities</b>		
Net investment in property and equipment	(8,808,436)	(7,398,215)
Net investments in investments designated at FVTPL	(8,028,522)	127,823
Net investments in intangibles	(700,824)	(134,295)
Net investments in held-to-maturity investments	(28,822,875)	(24,538,273)
Proceeds from disposals in property and equipment	-	-
<b>Net cash flow from/(used in) investing activities</b>	<b>(46,360,657)</b>	<b>(31,942,962)</b>
<b>Cash flow from financing activities</b>		
Dividend 2016 paid	(2,699,232)	-
<b>Net cash flow from/(used in) financing activities</b>	<b>(2,699,232)</b>	<b>-</b>
<b>Net cash flow</b>	<b>155,906,925</b>	<b>57,367,599</b>
Cash and banks at beginning of reporting period		
- Cash and cash equivalents	29,803,615	34,485,989
- Amounts due from banks	174,668,877	111,361,696
- Amounts due to banks	(27,619,401)	(26,362,193)
<b>Cash and banks at end of reporting period</b>	<b>332,760,016</b>	<b>176,853,091</b>
Cash and banks at end of reporting period is represented by:		
- Cash and cash equivalents	67,607,536	29,803,616
- Amounts due from banks	311,332,984	174,668,877
- Amounts due to banks	(46,180,503)	(27,619,401)
	332,760,016	176,853,091

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



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

### 1. REPORTING ENTITY

Finabank N.V. (hereafter Finabank N.V. or the bank), established on April 24, 1991 and located in Paramaribo, Suriname, is a limited liability company and is registered at the Chamber of Commerce in Suriname. The headquarters of Finabank N.V. is located at 59-61 Dr. Sophie Redmondstraat in Paramaribo, Suriname. Finabank N.V. also has three branches; one in the Nickerie district of Suriname, at 72 Doerga Sawhstraat, Nickerie, a second one at 49 Mr. Jagernath Lachmonstraat, Paramaribo and a third branch in Paramaribo North at the corner of the Kristalstraat and Jozef Israelstraat. The principal activities consist of commercial banking, mortgage and consumer financing operations in Suriname.

### 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES IN 2016

The annual condensed financial statements 2016 including these explanatory notes are an extract of the annual financial statements as at December 31, 2016 of Finabank and are consistent with those financial statements from which they have been derived.

The annual financial statements of Finabank N.V. as at year ended December 31, 2015 have been prepared on the basis of Dutch GAAP (the legal provisions of Title 9, Book 2 of the Dutch Civil Code and applying Generally Accepted Accounting Principles in The Netherlands).

The transition date from Dutch GAAP to the new accounting policies as described in the general notes, is January 1, 2015. The impact of the transition is as follows:

<i>(amounts in thousands of SRD)</i>	Dutch GAAP December 31, 2014	Restated January 1, 2015
Total assets	553,751	561,937
Total liabilities	487,017	489,047
Total equity	66,735	72,890
Total comprehensive income/net profit	7,741	10,150

In preparing the financial statements from which these condensed financial statements were derived from, Finabank N.V. has selected its own set of accounting standards which are materially based on IFRS, with the exception of the application of IAS 29, that are effective for reporting periods beginning on January 1, 2016, without early adoption of new standards or interpretations for which early adoption is permitted. The comparative financial information has been restated.

The Bank's financial statements, from which the condensed financial statements have been derived, are materially prepared based on IFRS, with exception of the application of IAS 29. The impact resulting from non-application of IAS29 is explained in the following table:

<i>(amounts in thousands of SRD)</i>	Increase / (decrease)		
	December 31, 2016	December 31, 2015	January 1, 2015
Impact assets	26,329	377,145	510,169
Impact liabilities	7,405	326,315	443,994
Impact equity	18,924	50,830	66,175
Impact total income	9,207	36,515	n/a
Impact total expenses	6,724	24,755	n/a
Impact net loss on monetary position	(22,090)	(16,380)	n/a
Impact profit for the period	(20,501)	(8,854)	n/a

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

Finabank N.V. operates within a challenging macroeconomic climate. The decline in exports of Suriname due to weak global growth and the recourse on the domestic sources of money creation to finance budgets deficits during the last years have brought the Surinamese economy and the Government in a weak position. Policy measures taken by the Government, the Central Bank of Suriname assisted by the International Monetary Fund (IMF) did not yet fully result in the reversal of the inflationary process and the economic downturn as per date of issuance of the annual financial statements as at December 31, 2016 of Finabank N.V. The weaker performance of the economy hampered the production and consumer market sectors in Suriname and increased the credit risks in comparison with the past, which has put the profitability and solvency of the Banks in Suriname under pressure. The aforementioned developments have weakened the strength of the commercial banking sector. As per year end the solvency ratio of Finabank N.V. was above the solvency guidelines of the Central Bank of Suriname.

The annual financial statements as at December 31, 2016 from which these annual condensed financial statements 2016 were derived have been prepared based on a going concern assumption. In the "Going concern, banking system risk and financial position of the Bank" of the annual financial statements as at December 31, 2016 management described their risk assessment regarding a possible default of one the key players (Commercial Banks, Central Bank of Suriname and Country of Suriname) and the effect thereof on Finabank N.V. in terms of amongst other liquidity, profitability and solvency in the foreseeable future and the subsequent measures taken by Finabank's management in order to mitigate these risks. Mitigating factors include amongst others maintaining adequate foreign and local liquidity positions.

A future direct or indirect weakening in the current market conditions may affect the financial position of the Government of Suriname and the other key players in the banking system in the country. Consequently, this may affect the financial and liquidity position of the Bank.

### 4. COMPARATIVE AMOUNTS

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

### 5. 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 condensed financial statements are presented in Suriname dollars (hereafter also abbreviated: SRD), which is Finabank N.V.'s functional and presentation currency.

### 6. BASIS OF MEASUREMENT

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

- Financial assets designated at fair value through profit and loss are subsequently measured at fair value;
- Land and buildings are measured at cost using the deemed cost;
- The defined benefit liability is measured at the present value of the defined benefit obligation, less unrecognised past service cost and unrecognised actuarial losses plus the net total of the plans assets and unrecognised actuarial gains;
- Derivatives are measured at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

In addition, for financial reporting purposes, fair value measurements are categorized into level 1, 2, or 3 based on the degree to which the inputs of the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety. These are further described in note 8.6.

## 7. USE OF ESTIMATES AND ASSUMPTIONS

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

## 8. SIGNIFICANT ACCOUNTING POLICIES

### 8.1 Recognition of financial assets and liabilities

The bank initially recognizes loans and advances and deposits on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date, which is the date on which the bank becomes party to the contractual provisions of the instrument.

A financial asset of financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

### 8.2 Classification of financial assets and liabilities

#### Financial assets

The bank classifies its financial assets into one of the following categories:

- Financial assets designated at fair value through profit or loss;
- Held-to-maturity investments ;
- Derivatives;
- Loans and receivables.

#### I. Financial assets designated “at fair value through profit or loss”

Financial assets are classified in this category if they are either acquired for the purpose of selling in the short term or if so designated by management. Financial assets designated at fair value through profit or loss are initially recognised and at subsequent reporting dates continuously measured at fair value. Interest from securities designated at fair value through profit or loss are reported as interest income. Other gains and losses on financial assets designated at fair value through profit or loss are reported as investment income.

## II. Held-to-maturity investments

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity dates for which the bank has the positive intent and ability to hold to maturity. These investments are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest rate method less any impairments. Interest from held-to-maturity investments are reported as interest income. Other gains and losses on held-to-maturity investments, impairments included, are reported as investment income.

## III. Derivatives

Based on a ruling with the Central Bank of Suriname regarding foreign currencies exchange, Finabank N.V. holds derivatives, which mitigates foreign currency exposures. These derivative does not qualify as a hedge. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss. Derivatives are carried as assets when their individual carrying value is positive and as liabilities when their individual carrying value is negative. Gains or losses resulting from fair value changes of foreign exchange derivatives are recognised as foreign currency translation results under the heading of Other income.

## IV. Loans and receivables

Loans and receivables (including trade and other receivables, bank balances, cash and cash equivalents, and others) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially measured at fair value and subsequently at amortized cost using the effective interest method, less any impairment.

Interest on loans is included in the condensed statement of profit or loss and other comprehensive income and is reported as "interest income" In the case of an impairment of the loan, the losses arising from impairment are recognised in the statement of income under Net impairment losses on loans and advances.

### 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.

## 8.3 Derecognition of financial assets and liabilities

### Financial assets

The bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized

in profit or loss. Any interest in transferred financial assets that qualify for recognition that is created or retained by the bank is recognized as a separate asset or liability.

### Financial liabilities

The bank derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

### 8.4 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the condensed statement of financial position, and only when, the bank has a legally enforceable right to set off 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.

### 8.5 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.

### 8.6 Fair value measurement

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

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments;
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data;
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments. Valuation techniques include net present value and discounted cash flow models and comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the

asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The derivatives are measured at fair value using level 3 inputs since there is no active mark for derivatives of Suriname.

### 8.7 Identification and measurement of impairment

The bank assesses periodically and at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is "impaired" when objective evidence demonstrates a 'loss event' and that 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 held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities 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 held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities 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, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity 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.

The bank writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when bank's credit committee determines that there is no realistic prospect of recovery.

## 8.8 Foreign currency and inflation

Finabank N.V.'s condensed financial statements are presented in Suriname dollar, which is also the banks functional currency as described in note 5.

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.

Foreign currency gains or losses arising on translation or settlement of monetary items are recognised 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 :

	December 31, 2016	December 31, 2015	January 1, 2015
	SRD	SRD	SRD
1 USD	7,35	3.96	3.25
1 EUR	7,69	4.33	3.95

## 8.9 Leasing

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date. An arrangement is determined a lease agreement when observing the agreement depends on the usage of a specific asset and the agreement mentions the right of use of the specific asset.

### 8.10 Cash and cash equivalents

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

Cash and cash equivalents are carried at amortised cost in the condensed statement of financial position.

### 8.11 Property and equipment

Land and buildings are stated at cost and for buildings less accumulated depreciation at respective balance sheet dates. Land has an infinite useful life and is therefore not depreciated.

At initial recognition the cost of land and buildings was determined by reference to previous Dutch GAAP valuation based on an appraisal report prepared in accordance with the new accounting standards. For Land and buildings the bank elected to apply the optional exemption of the new accounting standards to use this previous GAAP valuation as deemed cost at 1 January 2015, the date of transition to the new accounting standard. After initial recognition, land and buildings will be subsequently measured using fair value. Management will appraise the Land and building every three years. The last assessment was performed in November, 2015.

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 20–30 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 recognised in the profit and loss account as incurred. Expenditure incurred on major improvements is capitalised and depreciated.

#### Disposals

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

### 8.12 Intangible assets

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



### 8.13 Taxation

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

#### Current tax liabilities

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

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

#### Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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.

### 8.14 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.

### 8.15 Defined benefit plan

Finabank N.V. maintains a defined benefit plan, which is insured at N.V. Self Reliance in Suriname. Annual contributions are paid to the fund 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, 2016 by a registered actuary. The fair value of the defined benefit obligation, and the related current service cost and the past service cost, were determined using the projected unit credit method.

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The bank determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

Finabank N.V. does not cover the medical expenses of staff after retirement. From age 60 and up, retirees are eligible for medical care provided by the Government.

#### 8.16 Income recognition

Income is measured at the fair value of the consideration received or receivable.

##### Interest income and interest expenses

Interest income and expense on financial assets and liabilities are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, Finabank N.V. estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Interest income and expense presented in the condensed statement of income and OCI include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- Coupon interest received on investments designated at fair value through profit or loss that is no longer included in the fair value of the investment.

##### Investment income

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

##### Commission, fee income and expenses

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

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

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

### 8.17 Expense

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

### 8.18 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.

### 8.19 Condensed statement of cash flow

The condensed 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 condensed statement of cash flows, cash consist of cash at hand (including ATM's) and on unrestricted current account balances at Central Bank of Suriname. 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.

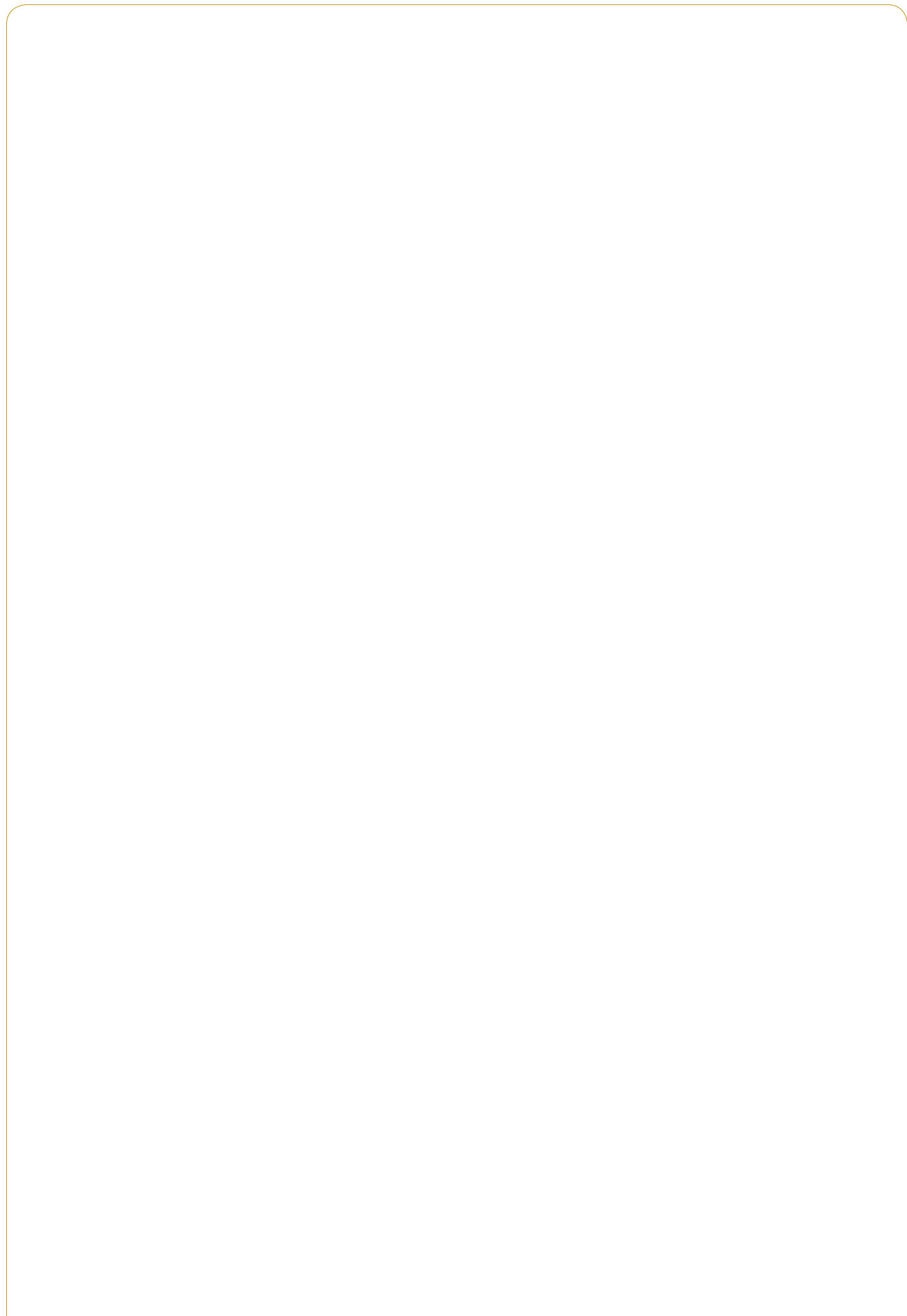
Interest income and expenses are presented as part of cash flows of operating activities.

### 8.20 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;
3. Is one of the managers at a key position within the bank or parent company of the bank.



OTHER INFORMATION: INDEPENDENT AUDITOR’S REPORT

## INDEPENDENT AUDITOR'S REPORT

To: To the Board of Directors and Shareholders  
Finabank N.V.  
Suriname

### INDEPENDENT AUDITOR'S REPORT

#### Opinion

The annual condensed financial statements of Finabank N.V. (the "Bank") included in the Annual Condensed Report 2016, which comprise the Bank's condensed statement of financial position as at December 31, 2016, condensed statements of profit or loss and comprehensive income for the year ended December 31, 2016 and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information are derived from the audited financial statements of the Bank for the year ended 31 December 2016.

In our opinion, the accompanying annual condensed financial statements 2016, are consistent, in all material respects, with the audited financial statements of the Bank, on the basis described in the summary of significant accounting policies.

The annual condensed financial statements do not contain all the disclosures based on the elected own set of accounting standards by management of the Bank, which are materially based on IFRS with the except of the application of amongst others IAS 29, as disclosed in the audited financial statements 2016. Reading the annual condensed financial statements and our report thereon, therefore, is not a substitute for reading the audited annual financial statements 2016 of the Bank.

The annual condensed financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements of July 6, 2017.

#### The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the financial statements of the Bank in our report dated July 6, 2017.

Our auditor's report also includes emphasis of matters on:

- Basis of accounting and special purpose. Management elected to use its own set of accounting standards in the preparation of the audited financial statements which are materially based on IFRS with the except of the application of amongst others IAS 29. Furthermore the primarily purpose of the audited financial statements was disclosed which is to inform the shareholders and the Centrale Bank van Suriname and that as a result, the financial statements may not be suitable for another purpose.
- "Going concern, banking system risk and financial position of the Bank" in which the sovereign risk and the banking system risks relating to Suriname are disclosed, which may affect the financial and liquidity position of the Bank and the actions that management of the Bank has taken to mitigate these risks for the Bank.

#### Management's and Supervisory Board's responsibility for the annual condensed financial statements

Management is responsible for the preparation of the annual condensed financial statements of the Bank derived from the audited financial statements on the basis described in the summary of significant accounting policies.

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

#### Auditor's Responsibilities for the Audit of the annual condensed financial statements

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

Suriname,  
July 10, 2017

KPMG Assurance Services N.V.

Mehdi Salehi RA  
Manager

Lindomar L.P. Scoop RA  
Managing Director



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