National Bank

Vanuatu's Own Bank

ANNUAL REPORT 2016

National Bank

Vanuatu's Own Bank

OUR VISION

To be:

- Competitive
- Profitable
- Focussed on the needs of the people of Vanuatu
- Capable of continuous improvement to products & customer services

National Bank
Vanuatu's Own Bank

OUR MISSION

- To provide commercially viable banking services that contribute to the economic growth of Vanuatu.

- To lead the country in development of accessible rural banking services whilst capitalising on opportunities within the business market.

BANK VALUES

•RESPONSIVENESS

RESPOND TO A CUSTOMER NEED IN A TIMELY MANNER.

•TRUSTWORTHINESS

BEING HONEST & RELIABLE.
TAKING RESPONSIBILITY.

•HONESTY

BEING OPEN AND TRANSPARENT IN ALL COMMUNICATIONS TO CUSTOMERS AND FELLOW EMPLOYEES.

•LEARNING

TAKING INITIATIVE TO DEVELOP AND GROW.

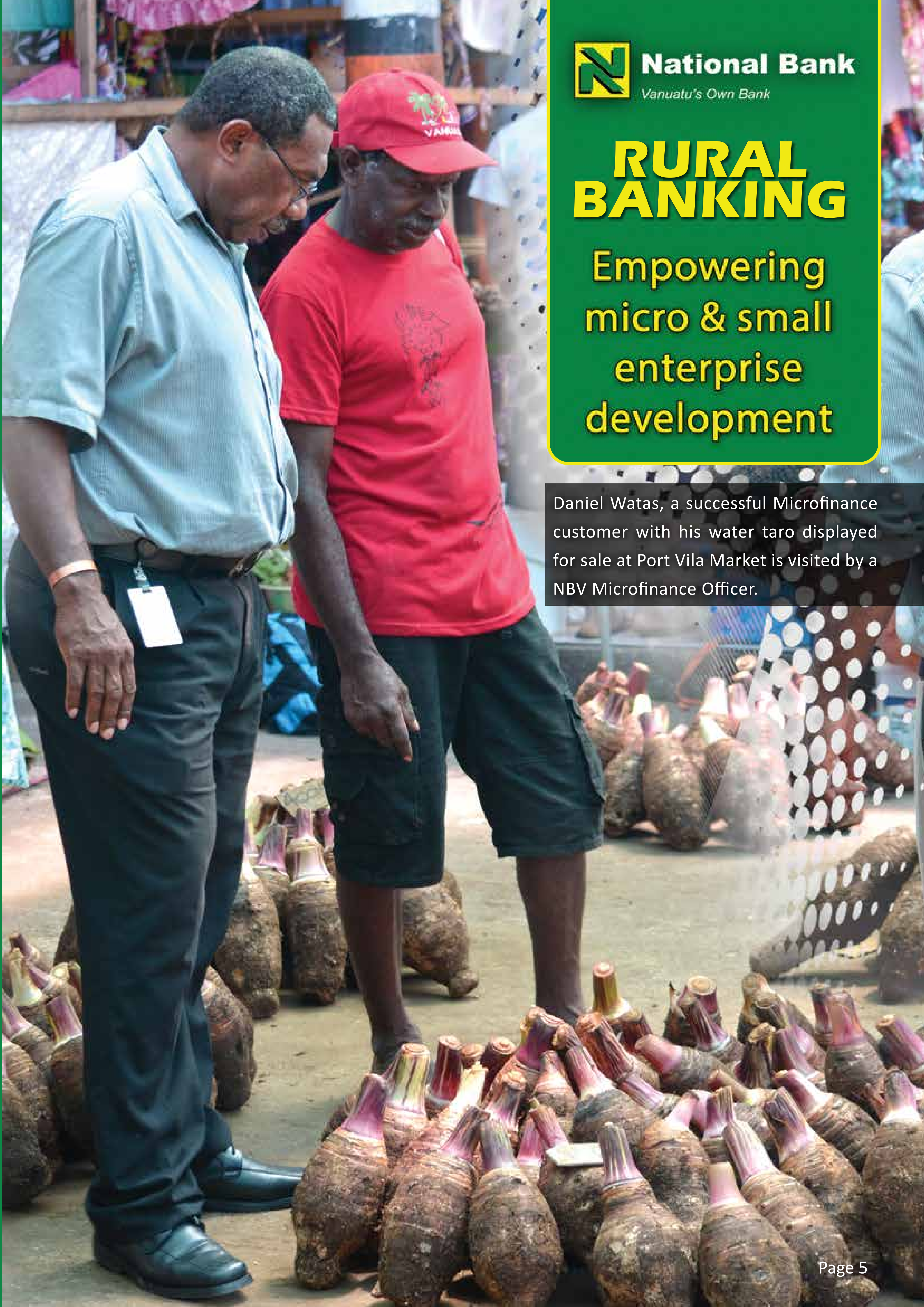
•WORKING TOGETHER

WORKING TOGETHER TO ACHIEVE A COMMON GOAL.

National Bank
Vanuatu's Own Bank

RURAL BANKING

Empowering micro & small enterprise development

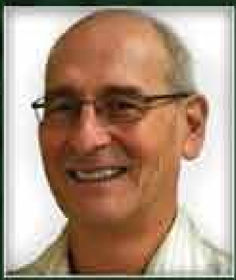


Daniel Watas, a successful Microfinance customer with his water taro displayed for sale at Port Vila Market is visited by a NBV Microfinance Officer.

NBV BOARD OF DIRECTORS

Lindsay Barrett CA (NZ) TEP
CHAIRMAN
Appointed to Board in 2010

MANAGING PARTNER
BARRETT & PARTNERS
PORT VILA, VANUATU



Bob Hughes MBA FFin
MANAGING DIRECTOR
Appointed to Board in 2001

NATIONAL BANK OF VANUATU

Dorothy Ericson BBus (Acc) BComp
DIRECTOR
Appointed to Board in 2014

DEPUTY DIRECTOR- FINANCE & ADMIN
DEPARTMENT OF FINANCE AND TREASURY
MINISTRY OF FINANCE

Lindley Edwards
B.Bus Acct., B.Bus Banking and Finance
Grad Dip Corp. Gov't. - Listed Companies
F.FIN, MAICD
DIRECTOR
Appointed to Board in 2013

GROUP MANAGING DIRECTOR
AFG VENTURE GROUP
SYDNEY, AUSTRALIA

NBV EXECUTIVE MANAGEMENT

ANDY COTTAM BACCTG FFIN
EXECUTIVE MANAGER RISK
JOINED THE NATIONAL BANK IN 2008

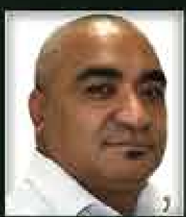
JULIANN WILLIAMS BA MBA
HEAD OF HUMAN RESOURCE
JOINED THE NATIONAL BANK IN 1999

MICHAEL FIMERI MAPP FIN
EXECUTIVE MANAGER TREASURY & FINANCE
JOINED THE NATIONAL BANK IN 2013

STEVE BUCHANAN
HEAD OF CREDIT & RECOVERIES
JOINED THE NATIONAL BANK IN 2012

STUART MATHISON BE (HON) GRAD. DIP.APPLIED COMPUTING M INT'L DEV
HEAD OF OPERATIONS
JOINED THE NATIONAL BANK IN 2008

JOHN ARUHURI BCOM
HEAD OF RURAL BANKING SERVICES
JOINED THE NATIONAL BANK IN 2009



TONY MOTULIKI AIMM, SA FIN.
EXECUTIVE MANAGER BANKING SERVICES
JOINED THE NATIONAL BANK IN 2016

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REPORT FROM THE NBV CHAIRMAN

It is my pleasure to deliver the 2016 Annual Report for the Bank. The year represented a slow recovery period after cyclone Pam with several donor projects commencing and a few positive signs emerging for tourism visitor arrivals.

Coming off 2015, one of the most challenging years in our history, the Bank was able to regroup. Property values remained subdued across the country in 2016 and this has been reflected in commercial lending levels.

The Board acknowledged that 2016 was always going to be a year of rebuilding. Many of our customers were still recovering from asset damage that had had significant impacts on trading conditions. The investment community was also slow to return to normal trading conditions after Cyclone Pam. Having said that, the Board has seen some signs of positive recovery across the nation.

In closing the accounts for 2016 our continued impaired loan position is acknowledged. This has had a direct impact on the management team's ability to achieve growth.

The Bank's business mission remains to expand our customer base whilst at the same time support the nation via our expansive branch network. Although our core geographical business locations continued to see subdued trading conditions we ensured our branch network remained open for service to the nation.

The Board remains very proud of our ongoing commitment to providing financial literacy services right across Vanuatu. This comes with significant financial and resource costs. However, the Board knows this is the right way to develop the future economic prospects of Vanuatu – through its people and their knowledge.

The ongoing challenges with the Port Vila airport and its impact on international carriers continued to be noticeable during 2016. We are all pleased to see that the Port Vila airport is soon to have remedial infrastructure works undertaken that will go a long way to restoring strong international visitor numbers arriving by air.

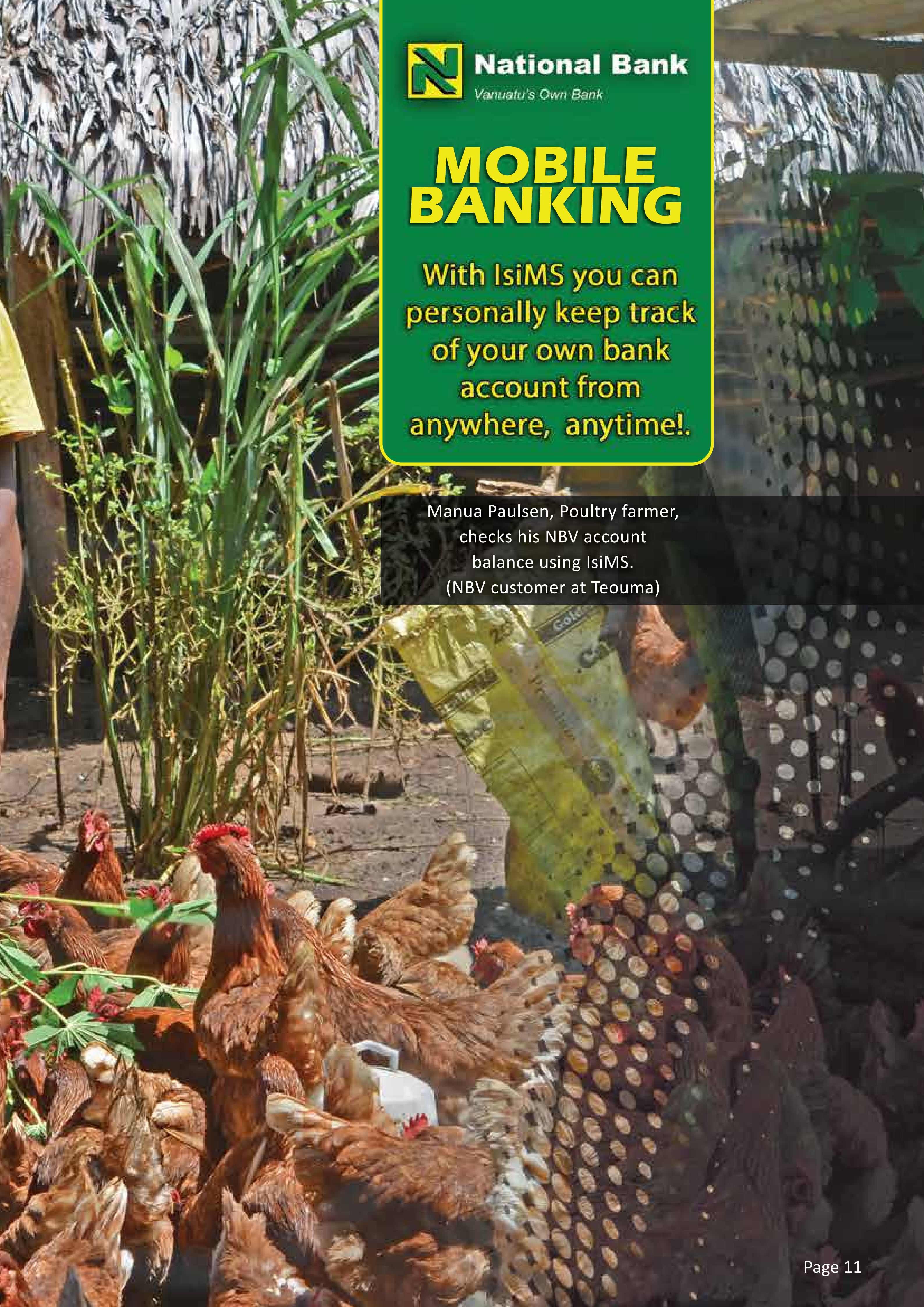
It has also been pleasing to see significant works surrounding the commercial wharf at Port Vila and the seafront beautification project. Both projects will add value to Port Vila for generations to come.

All these positives must come with a cautionary word, and that is that the full effects of these changes are unlikely to have any significant economic impact until well into 2018, and it could be even longer if the prospect of a new proposed income tax regime becomes a reality.

Vanuatu is in desperate need of continuing new foreign investment, and your bank is in an excellent position to attract that business, but if one of Vanuatu's most attractive features to a foreign investor is eliminated, we can all look forward to a very long recovery period which may stretch to 2019 - 2020, or beyond.

The Board recognises and appreciates the ongoing support of our valued customers and the contribution and loyalty of our management and staff throughout Vanuatu.

Lindsay Barrett CA (ANZ) TEP
Chairman



Manua Paulsen, Poultry farmer, checks his NBV account balance using IsiMS. (NBV customer at Teouma)

RAPPORT DU PRESIDENT DU CONSEIL D'ADMINISTRATION DE LA BNV

J'ai le plaisir de remettre le rapport annuel de la Banque pour l'exercice 2016. Ce fut une année de reprise au ralenti après le cyclone Pam, même si plusieurs projets financés par des bailleurs de fonds ont démarré et que quelques signes positifs ont été relevés dans le domaine du tourisme en termes de nombre de visiteurs à l'arrivée. Une fois passé le cap de 2015, une année qui a présenté un des plus gros défis de notre histoire, la Banque a réussi à se ressaisir. La valeur des biens immobiliers est restée déprimée dans tout le pays en 2016 et cela s'est répercuté au niveau des prêts commerciaux.

Le conseil d'administration a reconnu que 2016 allait être une année de reconstruction. Bon nombre de nos clients se remettaient encore des dégâts matériels qui avaient eu de gros impacts sur la conjoncture. La communauté des investisseurs a elle aussi mis du temps à reprendre ses activités normales après le cyclone Pam. Ceci dit, le conseil d'administration a relevé des signes de reprise positive un peu partout dans la nation.

A la clôture des comptes de 2016, nous reconnaissons que notre situation en termes de prêts a continué d'être chancellante, ce qui a eu un impact direct sur la capacité de l'équipe de direction d'afficher une croissance.

La mission d'entreprise de la banque reste encore et toujours l'expansion de notre base de clientèle tout en soutenant la nation via notre vaste réseau d'agences. Bien que les activités dans nos principaux centres géographiques aient continué à être moroses, nous avons veillé à ce que notre réseau d'agences reste ouvert pour desservir la nation.

Le conseil d'administration reste très fier de notre engagement à fournir en continu des services d'éducation financière partout dans l'archipel du Vanuatu. Cela représente des coûts importants au plan financier et en termes de ressources, certes, mais le conseil d'administration sait que c'est le meilleur moyen de développer les perspectives économiques du pays à l'avenir – par sa population et son savoir.

Les défis persistants en rapport avec l'aéroport de Port-Vila et l'impact sur les transporteurs internationaux se sont encore fait sentir tout au long de 2016. Nous sommes tous heureux de savoir que des travaux de réfection de l'infrastructure vont bientôt être entrepris à l'aéroport de Port-Vila, car cela favorisera le retour à une croissance du nombre de visiteurs arrivant par avion.

Ce qui fait plaisir aussi, ce sont les travaux considérables entrepris au quai commercial de Port-Vila et le projet d'embellissement du front de mer. Ces deux projets ne manqueront pas d'ajouter de la valeur à Port-Vila pour des générations à venir.

Une mise en garde s'impose toutefois, malgré toutes ces considérations positives, car ces changements n'auront probablement pas d'impact réel sur l'économie avant la fin 2018, voire même plus tard si la perspective d'un nouveau régime fiscal, tel que proposé, avec un impôt sur le revenu, se réalise.

Vanuatu a désespérement besoin de nouveaux investissements étrangers en permanence, et la banque est bien placée pour les attirer. Mais si l'une des caractéristiques les plus attrayantes du Vanuatu pour un investisseur vient à disparaître, nous pourrons tous nous attendre à une très longue période de redressement qui pourrait aller jusqu'en 2019 – 2020, ou même au-delà.

Le conseil d'administration reconnait et apprécie le soutien continu de notre fidèle clientèle et la contribution et le dévouement de notre direction et de notre personnel dans tout l'archipel du Vanuatu.

Lindsay Barrett CA (ANZ) TEP
Président du conseil d'administration


IsiMS
YOUR MONEY IS SAFE!
T··Mobile·
1:22 PM
628
IsiMS
B1
Balance report
Account: 0089790001
Balance: VT 32,017
menu
Personally keep track of your bank account anywhere, any time through your mobile phone sms. The cheapest and fastest way to knowing your account balance and that your money is safe.

REPORT FROM THE MANAGING DIRECTOR

REPORT FROM THE MANAGING DIRECTOR

It is an honour and a privilege to deliver this report for the first time.

THE GLOBAL AND REGIONAL ENVIRONMENT

2016 was a year of uncertainly in both economic and political contexts. This created a change in the investment decisions between developed economies and developing economies. A change that temporary slowed cross border investment decisions; with Vanuatu not being immune from these factors.

We observed that the global economy lost drive during 2016 as both the major economies and emerging economies slowed. A solid proportion of that loss of drive can be attributed to the USA & the Eurozone. Estimates suggested that Asia (excluding Japan) expanded its GDP by 5.9%. China itself expanded by 6.7% in 2016 and continues to be a key engine room of growth across the Asia Pacific region.

International outlook for 2017 is expected to be dominated by geo–political events that traditionally impact on economic growth. Thus Asia looks to be the key driver of the global economy during 2017. China has set a growth target of about 6.5%; slightly lower target than 2016 given economic momentum changes.

Asian Development Bank estimates indicate that developing Asia will need investment of US$22.6 trillion in key infrastructure assets to maintain growth trajectories. These activities are positive for Vanuatu given our proximity to the region and opportunities surrounding the agricultural and tourism sector.

VANUATU

Our economy is still actively recovering from the weather event that was Cyclone Pam in 2015. Asian Development Bank had growth rates in Vanuatu for 2016 at 3.8%. This was reflective of a combination of agriculture, reconstruction and infrastructure activities.

Tourism recovery has been complex given the disruptions surrounding international air services. The positive aspect is that the cruise ship market has seen passenger arrivals increase by some 28.9% during 2016.

The Reserve Bank of Vanuatu has ensured that momentary policy settings have remained stable during 2016. The outlook for 2017 from Asian Development bank is for a 4.3% growth in GDP underpinned by agriculture, tourism, reconstruction projects and infrastructure projects. Vanuatu continues to be competing on a world stage for capital and trade flow across 2017 and beyond.

BUSINESS UNIT OVERVIEW

RETAIL BANKING

The Banking Services team covers the branch network and marketing activities.

Branch Network

With our extensive network of 27 branches across all 6 provinces we are continually looking at ways to better serve our clients both in the major centres and the outer Islands. In the major centres it's around quick and efficient service, in the Island branches it's about leveraging on technology to ensure a safer way to interact with us and ensuring liquidity in the system.

MARKETING

Marketing Is raising awareness of our service improvements, educating our clients about our product range and its benefits and features. Fulfilling our corporate responsibility across the length and breadth of the country in areas such as grass root sports and community activities.

AUDIT

During 2016 TeamMate audit software was setup for the Audit team and is working as expected. This allows the auditors to take a copy of the audit on-site and to then upload the results to the server.

The two internal audit officers are now undergoing preparatory work towards attaining GARP (Global Association of Risk Professionals) certification.

RISK

The Board continues to oversee the larger risks that the bank faces and re-assesses the list and status of each risk at quarterly meetings. Operational risk is managed by the executive team using Incom Risk Manager software.

COMPLIANCE

With the pending implementation of the Temenos core banking system in early 2017 the opportunity was taken to modify the customer on-boarding process from manual customer files to an electronic paperless database. The scanning & uploading of physical files will continue into 2017 branch by branch.

The bank's customer data repository now automatically generates cash transaction reports as soon as eligible customer transactions occur and these are then electronically lodged with the VFIU. Other activity reports can also be generated and lodged electronically

RELATIONSHIP BANKING

The mainstream lending portfolio of the Bank includes commercial and larger consumer loan products and the responsibility rests with Relationship Banking. The business units are segmented to meet specific needs and requirements of our commercial, small business and consumer lending clients, creating a focused approach to budget and performance management.

The business unit had forecast strong interbank competition to continue in 2016 as the amount of good quality business was expected to remain reasonably flat. The Bank expected to grow the loan book by 24% after replacement of "book run-off'' and the rehabilitation or sale of a number of non-performing loan assets.

The year end result in terms of sales was in excess of the budget however the much anticipated rehabilitation or sale of the larger non-performing assets did not eventuate due to the ongoing slowdown in the economy and the post Cyclone Pam impacts on major businesses/individuals. Other major infrastructure issues encountered by the country such as the Bauerfield Airstrip rehabilitation further deteriorated the situation.

The volatile economic environment and issues continue to create strong competition amongst the banks while predominant shift from traditional home loan lending to finance investment purpose trend continues.

RURAL BANKING

The Bank's rural network of 27 branches and 1 agency throughout Vanuatu is managed by the Retail and Rural Banking Services divisions. This also includes branches in the two urban centres of Port Vila and Luganville. No further additions to the network were made in 2016.

During the year concentrations focused on rebuilding customer confidence, providing advice, mentoring and on-ground support services in particular following impacts of the devastating Tropical Cyclone Pam in 2015. As usual there continued to be challenges in many different forms. Risks, staffing and asset management in all branch operations remained the critical focus. Overall, it was a satisfactory year of performance.

In its endeavors to broadening the base of its on-going financial literacy education, National Bank of Vanuatu extended its services in partnership with UNDP and UN Women's office to roll out a special program focused on women market vendors. It included those from Port Vila market, Teouma, Luganville market in Santo and six ring-road markets around Efate. Purpose and objectives were empowering women to understanding basic principles of savings disciplines, grow savings into bank accounts, basic business concepts and opportunities on accessing financial credit. Twenty five financial literacy workshops and seminars were delivered to 1,042 women vendors during the year.

(Group 1 - Melemaat Women Market Vendors)

Fifteen other workshops were delivered by the Bank to 800 specifically selected micro entrepreneurs around the country. Customers were those with good savings history.

The year under review continued with a positive growth trend in rural lending largely through micro financial services where an increase of 42% in micro loans was recorded compared to the previous year. The spread of micro lending into the primary sectors of agriculture, livestock, forestry and fisheries plus general micro-business, rural land acquisition and seasonal labour have resulted in increased lending portfolios. Generally, there has been a good record of Ni-Vanuatu entrepreneurs graduating from the dominant micro-business activities steadily into small and medium enterprises. This reflects the outcomes of the bank's nation-wide financial literacy education program undertaken over the past four years sponsored under the generous financial support of the New Zealand Government.

What is evident and proven today is that Ni-Vanuatu citizens around the country are progressing opportunities of creating wealth and increasing propserity by utilization of their own primary resources. Many have not been given adequate opportunities to be properly educated in financial literacy. However, of those who have attended and subsequently participated in savings disciplines, they are now for the first time, able to access financial credit in their respective rural locations and are actively engaged in micro-enterprise activities of many different forms.

One satisfactory outcome can be given as an example.
Mr Louis Tiome of Port Olry, East of Santo is currently a very successful tourism operator in a rural outdoor setting. Louis began as a micro finance customer in 2010 operating a small restaurant in the centre of Port Olry community. He had very limited knowledge and understanding of good business practices. He later attended the bank's financial literacy and business workshops that gave him encouragement, motivation and self-confidence.

In 2014 Louis began to expand and moved to the beach side and water front on one of the most beautiful white sandy beaches around Vanuatu. He started building a guest house, bar and restaurant using local materials on the beach frontage. Both were completed and opened for business in August 2014. Visitor arrivals to December 2014 were 1,100.

2015 saw business growth continuing positively and he sought financial assistance from the National Bank of Vanuatu through micro finance lending to further improve his business. Visitor numbers for the year more than doubled reaching a record of 2,900. As trends continued to grow, Louis came forward again to the National Bank with another loan request for a transfer vehicle to be used for airport pick-ups and drop-offs. Business continued positively during 2016 and visitor arrivals recorded yet another increase to 5,900.

Louis, (seated here under one of his beach huts) feels more confident of succeeding again in 2017. He purchased another 15-seater bus to cater for increased visitor numbers. The one significant highlight to his success is working as a facilitator alongside all his seven other business counter parts. All operators work to support each other. Another significant impact is his support to his community buying most of restaurant supplies from local famers.

(Mr Louis Tiome relaxing under his beach hut)

Louis is very keen to expand business and wants to include tour guiding and bush tracking into his operational activities. He is very grateful to the National Bank of Vanuatu for the financial support accorded to him so far.

Another satisfactory outcome in rural business is Mr Dickson Mala. Dickson is based at Saratamata, East Ambae and is currently operating his businesses from this location. After leaving secondary school, Dickson worked in Port Vila with Asco Motors as a mechanic. Then in 2010 he decided to move out and run his own mechanical repair shop. He obtained a vehicle loan to purchase a bus to generate income for his family. In 2012 his wife applied for a job at Saratamata, the Penama Provincial Government head quarter and was successful hence the decision to relocate to the island. Dickson, his wife and four children then moved to Ambae.

(Mr Dickson Mala in one of his wholesale/retail shops)

On arrival, his dream was to re-build his father's business that was once the biggest operation on the eastern side of Ambae. His late father, Joe Mala, owned 2 inter-island coastal vessels, two wholesale & retail shops, road construction equipment, public transport vehicles, copra and cocoa trading businesses plus cattle, coconut and cocoa plantations. Dickson was a loan customer of National Bank while in Port Vila and moving to the island increased his challenges of meeting timely loan repayments.

In 2012 and 2013, Dickson attended both financial literacy education workshops conducted at Saratamata provincial head quarter. He learned of the potential business opportunities available to him and came forward seeking the assistance of the bank. He realized that he had no financing but could very easily raise such funding from the development of his land. With advice and support from the bank, a surveyor and a legal practitioner, work began on sub-dividing 25 plots of this land with an average premium price of Vt900,000.

National Bank then provided financial support through further lending to assist infrastructural developments of the sub-division. Further support was provided through micro finance lending to customers acquiring the 25 plots. Over time Dickson was very successful in selling off most of his plots giving him the necessary funding to commence re-building his father's business.

Today, he has been able to fully repair the two wholesale & retail stores now stocked with saleable goods. They are rebuilding a five unit rental/guest house facility to be opened in 2017. He has recently opened up a hardware store and also engaged in building construction works in the community where all materials are sourced from his own business. He is engaged in brick production as well as fuel supplies. In 2016, he saw an opportunity to expand into cattle business and has since erected fencing and is ready to plant improved pasture.

Towards the end of 2015, Dickson sought assistance from the bank to purchase a vehicle to support operations of his businesses. Generally, overall business is continuing to grow positively. He sees good opportunities in future of extending another sub-division in order to secure and sustain a healthier financial base.

OPERATIONS – INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) AND SUPPORT SERVICES

The ICT and Support Services team provides functional support for the operations of the Bank and its network. Its primary objectives are to ensure alignment of ICT activities with the Corporate Business Plan, to provide value from ICT activities and investments, and to manage ICT risks and resources. The team also provides project and logistics management to various parts of the Bank's development platform including the Head Office building.

The Bank is very much engaged in the online world through customer communications and delivery channels such as Internet Banking, ATMs, mobile banking and SWIFT. As this engagement grows year-on-year, cyber security has become an increasing concern. In light of this, the IT team focussed on implementing a detailed Cyber Security Strategy through 2016. To support this effort, the Bank commissioned an external audit of all IT systems. A number of key recommendations were received and these have been successfully implemented. Since the 'human factor' is the greatest vulnerability of any organisation, an important part of the Cyber Security Strategy has been a training program to raise staff awareness of cyber threats.

Through 2016 the Bank continued to work towards conversion of its Core Banking System with the ultimate aim of providing a world-class secure, stable, and flexible banking platform that can facilitate long-term growth of the Bank's business and range of product offerings. This project is on track for completion in Q2 of 2017.

CREDIT & LENDING SUPPORT

The Credit and Lending Support teams provide a range of activities that support the 3 business units known as Business Lending, Retail Lending and Microfinance Lending. The primary objectives are to ensure that all lending requests are aligned with the Bank's lending policy and are processed in terms of the Bank's lending guidelines.

Lending Support assists the lending teams with various functions including documentation preparation, land title searches, stamping and registration of documents.

For the Credit and Lending Support Department, 2016 was dominated by the effects of economy and the impact on the tourism industry after the closure of the Port Vila International airport earlier in the year. The biggest impacts were the requests from customers to 'suspend loan repayments' or requests to have loans on an 'Interest Only' basis for a period of time. We continue to work with those customers that have been adversely affected.

RECOVERIES

The Recoveries team function is to ensure the bank's non-performing loans are followed up in a timely manner. The team manages the legal process for recoveries and to this end has worked very closely with the Bank's lawyers during 2016. Again, due to the significance of TC Pam in 2015 and the issues around the Airport there was an increase in loans being transferred to this management section. The department staff continue to work with all stakeholders with a view to obtaining a work-out situation which will benefit both the bank and the customers alike.

HUMAN RESOURCE

Throughout 2016 a number of key activities occurred including ongoing staff development, multi-skilling through job rotations and in-house training facilitated by Human Resources and other business units based on identified training needs.

Establishment

At the end of December 2016, the bank directly employed 233 staff in total represented by:

Representation

Management – General Staff	
Executives	*4%*
General Staff	*96%*
Expat – Ni Vans	
Ni Vanuatu	*97 %*
Expatriates	*3%*

Gender	
Female	*44%*
Male	*56%*

NBV is an equal opportunity employer and strives to continue to maintain the balance represented in its gender representation across the board. The Bank's FTE (Full Time Equivalent) at the end of 2016 was 214.

Turnover for the year was 2.75%, slightly lower than the previous year of 4.8% of which 0.9% was voluntary and 1.85% was involuntary.

Recruitment & Retention

One of the bank's strategic goals is to recruit and retain personnel that possess the competencies and skills required for the Bank to implement its corporate strategies . The bank commenced its MD recruitment process in December 2015 and this continued throughout 2016. In November 2016 the new Managing Director was appointed by the Board of Directors. A review of the bank's executive succession plan continued in 2016 and a new bank executive structure was approved by the Bank's Board of Directors as part of this plan for upcoming recruitment at the executive level.

40% of total budgeted recruitment for 2016 was achieved whilst recruitment process for the other 60% commenced in Q4 of 2016.

The HR business unit in 2016 undertook a review of the bank's recruitment process and worked towards an objective to apply an external recruitment process, taking into consideration average lead time to recruit, recruitment costs and performance of the new recruits during the first 6 months of employment. This commenced with review of current process and will continue in 2017.

Staff Benefits

The bank through HRD ensures it complies with the Employment Act (Cap 160) by making provisions for staff annual leave & severance entitlements.

Training

Implementing best talent management practices is one of the Bank's HR Strategic Objectives and in 2016 alone a total of 12,741 man hours of training were committed across the bank. Break down of total training hours

- General Bank Staff Training 55%
- Orientation Training 39%
- Supervisor Training 3%
- External Training 2%
- Mandatory AML Training 1%

SUMMARY

I would like to take this opportunity to thank our valued customers during 2016. I also thank the Board Members for their guidance and governance of the Bank. Most importantly I would like to thank the management and staff of the Bank; without your passion, loyalty and commitment to the Bank we would not be in the position we are today.

Geoff Toone

RAPPORT DU DIRECTEUR GENERAL

C'est un honneur et un privilège pour moi que de présenter ce rapport pour la première fois.

SITUATION DANS LE MONDE ET DANS LA REGION

L'année 2016 a été marquée par l'incertitude, tant au plan économique qu'au plan politique, ce qui a entraîné un changement dans les décisions d'investissement entre les économies développées et les économies en développement. Un changement qui a ralenti, temporairement, les décisions d'investissement transfrontalier, et le Vanuatu n'a pas été épargné par ces facteurs.

Nous avons constaté que l'économie mondiale a perdu son élan au cours de 2016 en raison du ralentissement dans les grandes économies et les économies émergentes tout à la fois. Une majeure partie de cette perte d'élan peut être attribuée aux Etats-Unis et à la zone Euro. Les estimations suggèrent que l'Asie (à l'exclusion du Japon) a vu son PIB croître de 5,9%. La Chine, elle, a connu une croissance de 6,7% en 2016 et continue d'être un moteur clé de croissance dans toute la région Asie-Pacifique.

Les perspectives dans le monde pour 2017 vont probablement être dominées par des évènements géopolitiques qui ont traditionnellement un impact sur la croissance économique. Par conséquent, l'Asie va probablement être le moteur principal de l'économie mondiale au cours de 2017. La Chine s'est fixée une cible de croissance d'environ 6,5%, légèrement inférieure à celle de 2016, compte tenu de l'évolution de la cadence économique.

Les estimations de la Banque Asiatique de Développement indique que l'Asie en développement aura besoin d'investir 22,6 trillions de dollars US dans des secteurs clés de l'infrastructure pour maintenir les courbes de croissance. De telles activités sont positives pour le Vanuatu compte tenu de sa proximité dans la région et des opportunités qui existent dans les secteurs de l'agriculture et du tourisme.

VANUATU

Notre économie se remet encore de l'évènement météorologique que fut le cyclone Pam en 2015. La Banque Asiatique de Développement avait prédit un taux de croissance de 3,8% pour le Vanuatu en 2016, reflétant une conjugaison d'activités agricoles, de travaux de reconstruction et d'infrastructure.

La reprise dans le secteur du tourisme a été compliquée, compte tenu des perturbations qui ont touché les services aériens internationaux. Le côté positif est le marché des paquebots de croisière qui a vu le nombre de passagers en escale augmenter de l'ordre de 28,9% au cours de 2016.

La Banque de Réserve de Vanuatu a veillé à ce que la politique monétaire reste stable durant 2016. Les perspectives pour 2017 selon la Banque Asiatique de Développement seraient une croissance de 4,3% du PIB, fondée sur l'agriculture, le tourisme, des projets de reconstruction et des projets d'infrastructure. Le Vanuatu va continuer à concourir sur la scène internationale pour des capitaux et des débouchés commerciaux tout au long de 2017 et au-delà.

TOUR D'HORIZON DE LA CELLULE DES AFFAIRES

LA BANQUE DE DETAIL
L'équipe des Services bancaires s'occupe du réseau d'agences et d'activités de marketing.

Le réseau d'agences
Avec notre vaste réseau de 27 agences réparties dans les 6 provinces, nous sommes continuellement à la recherche de moyens de mieux servir nos clients, tant dans les grands centres que dans les îles éloignées. Dans les grands centres, il s'agit de proposer un service rapide et efficace, tandis que dans les agences dans les îles, c'est une question de mettre à profit la technologie pour garantir un moyen plus sûr d'interaction avec nous et veiller à la liquidité dans le système.

MARKETING
Le marketing consiste à faire prendre conscience des améliorations au niveau de nos services et à éduquer nos clients concernant notre gamme de produits et leurs avantages et leurs caractéristiques. Il s'agit aussi de s'acquitter de notre responsabilité sociale dans tout l'archipel dans des domaines tels que les activités sportives et communautaires pour la population à la base.

VERIFICATION COMPTABLE
Au cours de 2016, le logiciel de vérification comptable "TeamMate" a été installé pour l'équipe de réviseurs et il fonctionne comme escompté. Il permet aux réviseurs de prendre une copie de la vérification comptable sur place et ensuite de télécharger les résultats sur le serveur.
Les deux responsables de la révision interne suivent actuellement des cours préparatoires pour obtenir la certification GARP (Global Association of Risk Professionals ou Association Mondiale des Professionnels du Risque).

RISQUES
Le conseil d'administration continue de surveiller les plus gros risques auxquels la banque peut être exposée et réexamine la liste et la notation de chacun des risques lors de ses réunions trimestrielles. Les risques opérationnels sont gérés par l'équipe de direction à l'aide du logiciel "Incom Risk Manager".

CONFORMITE
Avec la mise en œuvre prochaine du système bancaire principal Temenos au début de 2017, l'occasion a été saisie pour modifier le processus d'inscription des clients et passer de la tenue manuelle des dossiers clients à des fichiers électroniques sans papier. Le processus de scannage et de téléchargement des dossiers physiques se poursuivra tout au long de 2017, agence par agence.

Le système de dépôt des données clients de la banque génère désormais automatiquement des rapports sur les opérations en espèces dès que des transactions pertinentes de clients sont effectuées et ces rapports sont ensuite transmis électroniquement au Bureau des renseignements financiers de Vanuatu. D'autres rapports d'activité peuvent aussi être générés et transmis électroniquement.

BANQUE RELATIONNELLE
La composante principale du portefeuille de crédit de la banque comprend des emprunts commerciaux et des gros crédits à la consommation, et la responsabilité en incombe à la section de la banque relationnelle. Elle est divisée en segments pour répondre aux besoins et impératifs particuliers de nos clients emprunteurs, commerçants, petites entreprises et consommateurs, créant une approche focalisée sur les cibles budgétaires et la gestion des résultats.

La cellule des affaires avait prédit qu'une forte concurrence inter-bancaire se poursuivrait au cours 2016 étant donné que la quantité d'affaires de grande qualité allait probablement rester relativement faible. La banque s'attendait à ce que son registre des prêts augmente de 24% après le remplacement du "passage-machine" et la réhabilitation ou la vente d'un certain nombre d'avoirs aux prêts défaillants.

Le résultat en fin d'exercice au plan des ventes a dépassé les prévisions budgétaires, par contre la réhabilitation ou vente tant escomptée des plus gros avoirs non rentables ne s'est pas concrétisée en raison du ralentissement continu de l'économie et de l'impact du cyclone Pam sur de grosses entreprises / particuliers. D'autres problèmes majeurs en rapport avec l'infrastructure que le pays a rencontrés, comme la remise en état de la piste de Bauerfield, n'ont fait qu'empirer la situation.

La conjoncture volatile et les problèmes économiques continuent d'intensifier la concurrence entre les banques, tandis que la tendance en faveur des financements à des fins d'investissement plutôt que des crédits traditionnels au logement se poursuit.

BANQUE RURALE
Le réseau de 27 agences de la banque en zone rurale et 1 branche principale dans tout l'archipel est géré par les sections des Services bancaires de détail et ruraux, y compris les agences dans les deux centres urbains de Port-Vila et Luganville. Il n'y a pas eu de nouvelles agences ajoutées au réseau en 2016.

L'année a été consacrée à rétablir la confiance chez les clients, apporter des conseils, assurer des services d'accompagnement et de soutien sur le terrain, surtout suite aux impacts du cyclone tropical dévastateur Pam en 2015. Comme toujours, des défis de toutes sortes n'ont pas manqué. L'attention s'est portée avant tout sur les risques, les effectifs et la gestion des avoirs dans toutes les agences. De manière générale, l'année a été satisfaisante du point de vue du rendement.

Dans ses efforts pour étendre la base de son programme d'éducation financière, la Banque nationale de Vanuatu a élargi ses services en s'associant avec le PNUD et le Bureau des Femmes de l'ONU afin de lancer un programme spécial ciblant les femmes qui vendent leurs produits au marché, dont celles du marché de Port-Vila, de Téouma, du marché de Luganville à Santo et de six marchés le long de la route autour de l'île d'Efate. Il s'agissait de donner aux femmes les moyens de comprendre les principes de base de l'épargne, de l'augmentation de l'épargne dans des comptes bancaires, d'acquérir des notions élémentaires de gestion d'entreprise et de découvrir les possibilités d'accéder à des crédits financiers. Vingt-cinq ateliers et séminaires sur l'éducation financière ont été menés au cours de l'année, touchant 1042 femmes vendeuses de produits.

(Groupe 1 – Les femmes de Melemaat vendeuses au marché)

Quinze autres ateliers ont été organisés par la Banque pour 800 micro-entrepreneurs sélectionnés spécifiquement dans tout le pays. Les clients étaient ceux ayant des antécédents sérieux d'épargne.

L'année objet de ce rapport s'est déroulée avec une tendance positive à la croissance en termes de prêts en milieu rural, principalement par le biais des services de micro-financement, où une augmentation de 42% des micro-crédits a été enregistrée par rapport à l'année précédente. L'extension des micro-crédits aux secteurs de l'agriculture, de l'élevage, de la sylviculture et de la pêche, plus les micro-entreprises générales, l'acquisition de terres rurales et l'emploi saisonnier ont entraîné une hausse des portefeuilles de prêts. Dans l'ensemble, on voit bon nombre d'entrepreneurs Ni-Vanuatu sortant des activités dominantes de la micro-entreprise pour évoluer progressivement vers la petite et moyenne entreprise. C'est l'aboutissement du programme d'éducation financière mené par la banque dans tout le pays au cours des quatre dernières années grâce à l'appui financier et la générosité du gouvernement néo-zélandais.

Ce qui est évident, et avéré, aujourd'hui, c'est que les citoyens ni-Vanuatu dans tout le pays profitent davantage des opportunités d'enrichissement et de prospérité accrue par l'exploitation de leurs propres ressources primaires. Beaucoup n'ont pas vraiment eu l'occasion de recevoir une bonne éducation en matière de finances. Par contre, ceux qui ont assisté et ensuite participé à des disciplines d'épargne, sont maintenant, et pour la première fois, en mesure d'obtenir des crédits dans les endroits ruraux où ils se trouvent et s'occupent activement d'activités de micro-entreprise sous diverses formes.

On peut citer un bon exemple de réussite. Monsieur Louis Tiome de Port Olry, sur la côte est de Santo, est à présent un opérateur touristique qui remporte du succès dans un emplacement rural à l'extérieur. Louis a démarré comme client micro-financier en 2010, lorsqu'il exploitait un petit restaurant dans le centre de la communauté de Port Olry. Il avait très peu de connaissances et de compréhension des bonnes pratiques de gestion d'entreprise. Par la suite, il a assisté aux ateliers de la banque sur l'éducation financière et la gestion d'entreprise, qui l'ont encouragé et motivé et lui ont permis de gagner de la confiance en soi.

En 2014, Louis s'est lancé dans une expansion et il a déménagé vers la plage, sur le front de mer de l'une des plus belles plages de sable blanc du Vanuatu. Il a commencé à y construire un gîte et un bar-restaurant avec des matériaux locaux, qui ont tous deux été achevés et ouverts à la clientèle en août 2014. Le nombre de visiteurs jusqu'en décembre 2014 s'est élevé à 1100.

L'année 2015 a vu l'affaire continuer à prospérer et il a sollicité un soutien financier de la Banque nationale de Vanuatu par le biais d'un micro-financement pour développer davantage son entreprise. Le nombre de visiteurs au cours de l'année a plus que doublé pour atteindre un chiffre record de 2900 personnes. La tendance à la croissance se maintenant, Louis s'est de nouveau adressé à la banque avec une autre demande de prêt, pour un véhicule de transport devant servir à aller chercher les visiteurs à l'aéroport et les y ramener. Les affaires ont continué à progresser tout au long de 2016 et le nombre de visiteurs a enregistré une nouvelle augmentation pour atteindre 5900 personnes.

Louis (assis ici à l'ombre d'un de ses cabanons) est confiant de réussir à nouveau en 2017. Il a acheté un autre bus à 15 places pour recevoir un nombre croissant de visiteurs. Un des aspects importants de son succès est son travail comme accompagnateur aux côtés de ses sept autres homologues. Tous s'attachent à se soutenir l'un l'autre. Un autre impact important est le soutien qu'il apporte à sa communauté en achetant la majeure partie des produits pour son restaurant auprès des agriculteurs du coin.

(M. Louis Tiome en train de se détendre à l'ombre de son cabanon)

Louis tient absolument à développer encore davantage son entreprise et veut y adjoindre des activités de guide touristique et des randonnées en brousse. Il est très reconnaissant à la Banque nationale de Vanuatu pour le soutien financier qu'elle lui a accordé jusqu'à présent.
Un autre succès en termes d'entreprise rurale est celui de M. Dickson Mala. Dickson est basé à Saratamata, dans la région est d'Ambae et exploite à présent ses entreprises à partir de cet endroit. Après ses études secondaires, Dickson a travaillé à Port-Vila comme mécanicien à Asco Motors. Puis en 2010, il a décidé de partir et de créer son propre atelier de mécanique. Il a obtenu un prêt automobile pour acheter un bus en vue de générer des revenus pour sa famille. En 2012, sa femme a postulé pour un emploi à Saratamata, le siège du Conseil provincial de Penama, et a été embauchée, d'où la décision de déménager là-bas. Dickson, son épouse et leurs quatre enfants se sont ainsi établis à Ambae.

(M. Dickson Mala dans l'un de ses magasins de vente en gros et au détail)

Arrivé là-bas, il rêve de reconstruire l'entreprise de son père qui était à une époque la plus grosse exploitation de la région de l'est d'Ambae. Son père, feu Joe Mala, était propriétaire de deux (2) caboteurs, deux magasins de vente en gros et au détail, d'engins de construction de routes, de véhicules de transport en commun, des activités de commerce du coprah et du cacao, plus du bétail, des cocoteraies et des cacaoyères. Dickson était client de la Banque nationale de Vanuatu à Port-Vila où il avait un emprunt et quand il est parti dans les îles, ce fut un défi pour lui que de payer ses traites à leur échéance.
En 2012 et 2013, Dickson a assisté aux deux ateliers d'éducation financière menés au siège provincial de Saratamata. Il s'est rendu compte des possibibilités de se lancer dans les affaires et il est venu à la banque pour demander de l'aide. Il savait qu'il n'avait pas de capitaux propres, mais qu'il pouvait facilement en obtenir en mettant en valeur sa terre. Avec des conseils et le soutien de la banque, d'un géomètre et d'un avocat, il s'est mis à subdiviser sa terre pour créer 25 lots, avec un prix de vente de 900.000 vatu en moyenne.

La Banque nationale lui a ensuite apporté un nouveau soutien financier sous forme de prêt pour aider au développement infrastructurel de la subdivision. Un soutien a également été fourni aux clients souhaitant acheter un des 25 lots, par le biais de micro-financement. A terme, Dickson a réussi à vendre la majorité des lots, ce qui lui a donné le capital nécessaire pour commencer à reconstruire l'affaire de son père.

Aujourd'hui, il a pu remettre complètement en état les deux magasins de vente, qui stockent désormais des marchandises qui peuvent être vendues. Il est en train de reconstruire un immeuble de cinq studios à louer/gîte qui devrait ouvrir en 2017. Récemment, il a ouvert une quincaillerie et s'est aussi lancé dans des travaux de construction dans la communauté, utilisant tous les matériaux provenant de sa propre entreprise. Il fabrique des briques et vend du carburant. En 2016, il a entrevu une occasion d'étendre ses activités à l'élevage et depuis lors il a installé des clôtures et est prêt à semer du pâturage amélioré.

Vers la fin de 2015, Dickson a sollicité l'aide de la banque pour acheter un véhicule à l'appui de l'exploitation de ses entreprises. Dans l'ensemble, les affaires progressent bien. Il voit de bonnes opportunités à l'avenir de créer une autre sub-division pour se constituer et maintenir une base financière plus saine.

EXPLOITATION – TECHNOLOGIE DE L'INFORMATION ET DE LA COMMUNICATION (TIC) ET SERVICES D'ENCADREMENT

L'équipe de TIC et des services d'encadrement fournit un soutien opérationnel à la banque et son réseau. Cette section a pour objectifs premiers de veiller à ce que les activités de TIC cadrent avec le plan d'entreprise de la société, de valoriser les activités et les investissements de TIC et de gérer les risques et les ressources de TIC. L'équipe fournit en outre des services de gestion de projet et de logistique pour divers aspects de la plate-forme de développement de la banque, dont le bâtiment qui est son siège administratif.

La banque est très impliquée dans le monde en ligne par des voies de communications et de livraison avec les clients telles que les opérations bancaires par internet, les DAB, la banque mobile et les transactions par SWIFT. Cette implication prenant de l'ampleur d'année en année, la cybersécurité est devenue une préoccupation majeure. De ce fait, l'équipe de TI s'est attachée à mettre en œuvre une stratégie de cybersécurité précise tout au long de 2016. Pour appuyer ces efforts, la banque a fait faire une vérification externe de tous ses systèmes de TI. Un certain nombre de recommandations clés furent reçues, qui ont été suivies d'effet. Comme le 'facteur humain' est le point le plus vulnérable de toute organisation, une part importante de la stratégie de cybersécurité comporte un programme de formation pour sensibiliser le personnel aux menaces cybernétiques.

Tout au long de 2016, la banque a continué à s'occuper de la conversion de son système bancaire central dans le but ultime d'aménager une plate-forme bancaire de premier ordre, sécurisée, stable et flexible, capable de favoriser la croissance à long terme de l'entreprise de la banque et l'expansion de la gamme de produits qu'elle propose. Ce projet est en bonne voie d'être achevé au deuxième trimestre de 2017.

ENCADREMENT DES CREDITS ET DES EMPRUNTS

Les équipes d'encadrement des crédits et des emprunts s'occupent de toute une gamme d'activités à l'appui des trois cellules d'activités que sont le crédit aux entreprises, le crédit aux particuliers et le microfinancement. Elles ont pour objectifs premiers de s'assurer que toutes les demandes de crédit cadrent avec la politique de crédit de la banque et sont traitées conformément aux lignes directrices de la banque.

L'équipe d'encadrement des emprunts apporte son concours pour diverses fonctions, dont la préparation de la documentation, les recherches concernant des titres fonciers et le timbrage et l'enregistrement de documents. Pour le département de l'encadrement des crédits et des emprunts, l'année 2016 a été dominée par les effets de la conjoncture et l'impact de la fermeture de l'aéroport international de Port-Vila au début de l'année sur l'industrie touristique. L'aspect le plus important en a été les demandes de la part de clients de 'suspendre les remboursements de prêts' ou de payer 'les intérêts seulement' pendant un certain temps. Nous continuons à nous occuper des clients qui ont été sévèrement touchés.

RECOUVREMENTS

L'équipe de recouvrement a pour fonction de s'assurer que les prêts défaillants de la banque font l'objet de suivi en temps opportun. L'équipe s'occupe des démarches légales pour les recouvrements et à cet effet a travaillé en étroite collaboration avec les avocats de la banque tout au long de 2016. Là encore, en raison de l'impact significatif du cyclone Pam en 2015 et des problèmes en rapport avec l'aéroport, davantage de dossiers de prêts ont été transmis à cette antenne de gestion. Le personnel du département continue à travailler avec toutes les parties prenantes en vue d'aboutir à des solutions susceptibles de satisfaire la banque et les clients tout à la fois.

RESSOURCES HUMAINES

Durant l'année 2016, un certain nombre d'activités clés s'est déroulé, notamment le perfectionnement continu du personnel, la polyvalence des compétences par le biais de la rotation des postes et la formation interne organisée par le département des ressources humaines et d'autres cellules d'activités en fonction des besoins en formation identifiés.

Effectifs

A la fin du mois de décembre 2016, la banque employait directement 233 personnes au total, comprenant :

Répartition

Direction – Personnel général	
Cadres de direction	*4%*
Personnel général	*96%*
Expat – Ni-Vanuatu	
Ni-Vanuatu	*97%*
Expatriés	*3%*
Genre	
Femmes	*44%*
Hommes	*56%*

La BNV est un employeur paritaire et s'efforce de maintenir l'équilibre dans la répartition des membres féminins et masculins de son personnel dans toute l'organisation. Le nombre d'employés à plein temps à la fin de 2016 s'élevait à 214.

Le roulement sur l'année est de 2,75%, un peu moins que l'année précédente avec 4,8%, dont 0,9% consistait en des départs volontaires et 1,85% involontairement.

Embauche et rétention

Un des buts stratégiques de la banque est d'embaucher et de retenir des employés qui possèdent les compétences et les aptitudes nécessaires pour permettre à la banque de mettre en œuvre ses stratégies d'entreprise. La banque a lancé le processus de recrutement d'un DG en décembre 2015 et il s'est poursuivi tout au long de 2016. En novembre 2016, un nouveau Directeur général a été nommé par le conseil d'administration. Un réexamen du plan de succession des cadres de direction de la banque s'est poursuivi en 2016 et une nouvelle structure de direction pour la banque a été approuvée par le conseil d'administration dans le cadre de ce plan en prévision du recrutement de personnel à l'échelon de la direction.

Le taux de 40% d'embauche prévu au budget pour 2016 a été atteint et le processus d'embauche des 60% restants a été lancé au quatrième trimestre de 2016.

En 2016, la cellule des RH a entrepris de revoir le processus de recrutement de la banque en s'efforçant de parvenir à l'objectif d'appliquer un processus de recrutement externe, prenant en compte le temps nécessaire en moyenne pour trouver du personnel, les coûts d'embauche et le rendement des nouveaux employés pendant les six premiers mois de leur emploi. Cela a commencé par un réexamen du processus en vigueur et se poursuivra en 2017.

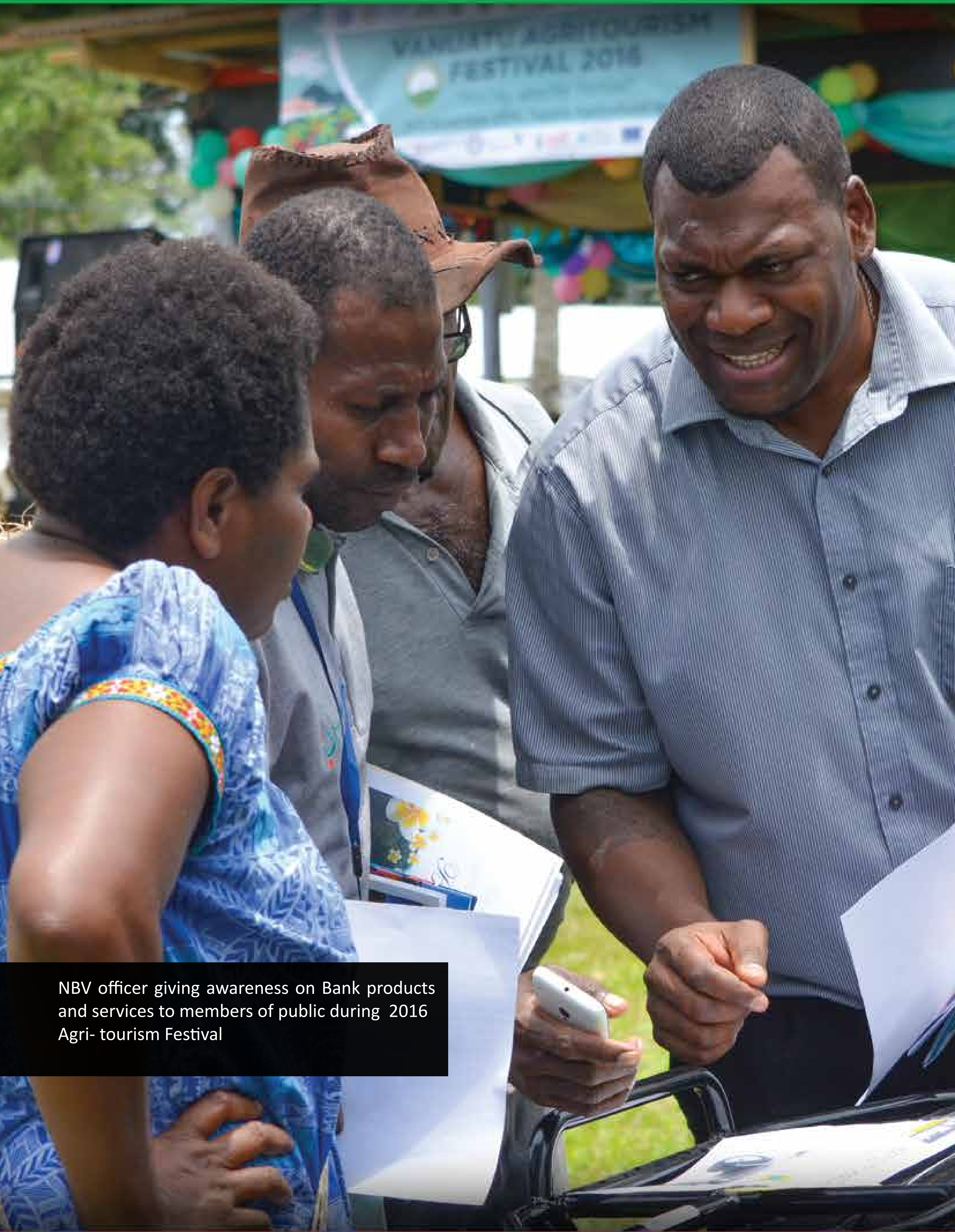
Prestations des employés
Par le biais du DRH, la banque veille à se conformer à la loi du travail (Chap. 160) en provisionnant les congés annuels du personnel et les indemnités d'ancienneté.

Formation
Un des objectifs stratégiques de la banque pour ses RH consiste à appliquer les meilleures pratiques de gestion des talents et au cours de la seule année 2016, 12.741 heures/hommes au total ont été consacrées à la formation à tous les échelons de la banque. La ventilation des heures de formation est la suivante :

- Formation du personnel général 55%
- Orientation professionnelle 39%
- Formation de superviseurs 3%
- Formation externe 2%
- Formation obligatoire en LBA 1%

RESUME
Je tiens à saisir cette occasion pour remercier nos fidèles clients pour leur soutien tout au long de l'année 2016. Je tiens aussi à remercier les membres du conseil d'administration pour sa direction et sa gouvernance de la banque. Mais surtout, je tiens à remercier la direction et le personnel de la banque – sans leur passion, leur fidélité et leur engagement à l'égard de la banque, nous ne serions pas dans la situation où nous en sommes aujourd'hui.

Geoff Toone



NBV officer giving awareness on Bank products and services to members of public during 2016 Agri- tourism Festival

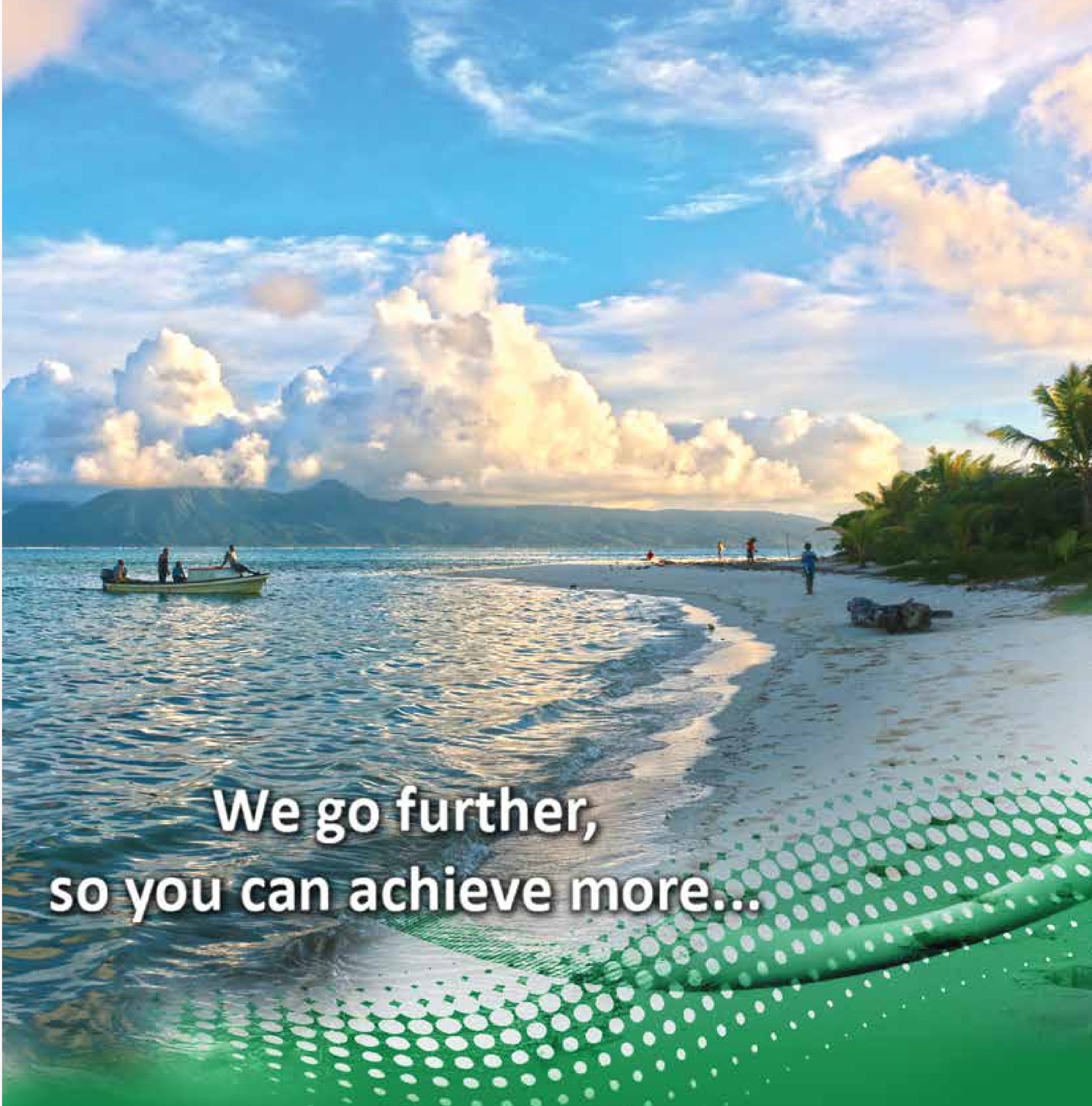
BANK PRODUCTS & SERVICES

Savings Accounts	Competes d'épargne
Current Accounts	Competes courants
Mekem Gro Accounts	Competes ' Mekem Gro'
Seivem Vatu Accounts	Competes 'Seivem Vatu'
Isi Accounts	Competes 'Isi'
Salaries – Inward & Outward payments	Salaires – encaissement et décaissement
Audit Certificates	Certificats de revision
Reconciliations	Réconciliations
Domestic Term Deposits	Dépôts à terme – Vatu
Foreign Currency Term Deposits	Dépôts à terme en devises étrangères
Foreign Currency Call Accounts	Comptes à vue en devises étrangères
Letters of Credit – Import / Export	Lettres de Crédit – Import / Export
International Drafts	Chèques internationaux
SWIFT transfers	Transferts SWIFT
Foreign Exchange	Change
Bills for Collection	Effets à l'encaissement
Land Loans	Prêts fonciers
Home Loans	Prêts au logement
Personal Loans	Prêts personnels
Term Loans	Prêts à terme
Vehicle Loans	Bail
Micro Business Loans	Micro- Prêts commerciaux
Micro Rural Loans	Micro- Prêts ruraux
Micro Land Loans	Micro- Prêts fonciers
Bank Guarantees	Garanties bancaires
Immigration Bonds	Cautions d'immigration
Premium Funding Loans	Pret Assurance

FIVE YEAR SUMMARY 2012 - 2016

FIVE YEAR SUMMARY 2012 - 2016

(Expressed in ' 000 Vatu)	2012	2013	2014	2015	2016	(Exprimé en '000 Vatu)
Profit & Loss						**Compte de résultat**
Interest income	1,011,636	994,462	1,049,354	1,035,346	1,132,039	Produits d'intérêts
Interest expense	(364,379)	(313,386)	(351,380)	(339,295)	(350,757)	Charges d'intérêts
Net Interest income	647,257	681,076	697,974	696,051	781,282	Intérêts nets
Other operating income	332,528	355,310	367,673	423,310	427,004	Autres produits d'exploitation
Provision for loan losses	(69,060)	(159,077)	(100,033)	(356,661)	(148,389)	Dotation aux provisions pour prêts douteux
Other operating expenses	(810,166)	(869,289)	(883,637)	(937,801)	(998,761)	Autres charges d'exploitation
Operating profit / (loss) before government grant	100,559	8,020	81,977	(175,101)	61,136	Bénéfice / (perte) d'exploitation avant subvention du gouvernement
Government grant	0	0	0	0	0	Subvention du gouvernement
Profit / (loss) for the year	100,559	8,020	81,977	(175,101)	61,136	**Bénéfice / (perte) de l'exercice**
Balance sheet						**Bilan**
Net loans and advances	9,581,790	10,030,980	10,482,459	11,103,346	12,107,976	Prêts et créances nettes sur la clientèle
Total assets	12,946,765	13,267,087	14,511,833	15,594,147	25,431,168	Total de l'actif
Customer deposits	10,596,432	11,204,928	12,331,618	13,363,361	23,413,775	Dépôts clients
Shareholders' funds(Equity)	1,506,897	1,514,917	1,596,894	1,421,793	1,482,929	Capitaux propres
Performance ratios						**Ratios mesurant la performance**
Return on shareholders' Funds (Equity) %	6.67	0.53	5.13	(12.32)	4.12	Retour sur fonds propres
Return on assets %	0.78	0.06	0.56	(1.12)	0.24	Rentabilité des actifs
Income growth %	130.13	0.42	4.98	2.94	6.88	Croissance des revenus
Prudential ratios						**Ratios de prudence**
Capital adequacy %	15.31	14.03	13.91	11.74	10.05	Suffisance du capital
Liquid asset ratio %	8.43	7.20	11.10	9.30	23.96	Ratio des liquidités


We go further,
so you can achieve more...

CORRESPONDENT BANKS

Australia
Commonwealth Bank Australia,
Sydney

National Australia Bank,
Melbourne

Fiji
Westpac Banking Corporation, Suva

Bank South Pacific, Suva

Hong Kong
Hong and Shanghai Bank Corporation
National Australia Bank

Japan
Bank of Tokyo Mitsubishi, Tokyo

Tahiti
Banque De Tahiti

New Zealand
ASB Bank Limited, Auckland

Westpac Banking Corporation,
Wellington

Bank of New Zealand, Wellington

Papua New Guinea
Bank South Pacific,
Port Moresby

Singapore
Overseas Chinese Banking Corporation,
Singapore

Solomon Islands
Bank South Pacific,
Honiara

United Kingdom
Royal Bank of Scotland
National Australia Bank

Germany
Deustch Bank
National Australia Bank

Australie
Commonwealth Bank Australia,
Sydney

National Australia Bank,
Melbourne

Fidji
Westpac Banking Corporation, Suva

Bank South Pacific, Suva

Hong Kong
Hong and Shanghai Bank Corporation
National Australia Bank

Japan
Bank of Tokyo Mitsubishi, Tokyo

Tahiti
Banque De Tahiti

Nouvelle-Zélande
ASB Bank Limited, Auckland

Westpac Banking Corporation,
Wellington

Bank of New Zealand, Wellington

Papouasie Nouvelle-Guinée
Bank South Pacific,
Port Moresby

Singapour
Overseas Chinese Banking Corporation,
Singapour

Iles Salomon
Bank South Pacific,
Honiara

Royaume-Uni
Royal Bank of Scotland
National Australia Bank

Germany
Deustch Bank
National Australia Bank

OUR BRANCH & AGENCY NETWORK

National Bank
Vanuatu's Own Bank

- Branch
- Agency
- Branch with Microfinance Officer

050 - Vila	Mon - Fri
051 - Luganville	Mon - Fri
052 - Lenakel	Mon - Fri
053 - Craig cove	Mon/Wed/Fri
054 - Whitesands	Mon - Fri
055 - Nduidui	Mon/Wed/Fri
056 - Port Olry	Mon - Fri
057 - Saratamata	Mon - Fri
058 - Nepul	Mon/Wed/Fri
060 - Melsisi	Mon/Wed/Fri
061 - Angoro	Mon/Wed/Fri
062 - Pangi	Mon/Wed/Fri
063 - Liro	Mon/Wed/Fri
064 - Ipota	Mon/Wed/Fri
065 - Morua	Mon/Wed/Fri
066 - Rovo Bay	Mon/Wed/Fri
068 - Lorlow	Mon/Wed/Fri
069 - Ulei	Mon/Wed/Fri
070 - Lamap	Mon/Wed/Fri
072 - Lakatoro	Mon - Fri
073 - Gaua	Mon/Wed/Fri
074 - Sola	Mon/Wed/Fri
075 - Betara	Mon/Wed/Fri
076 - Ennar	Mon/Wed/Fri
077 - Motalava	Mon/Wed/Fri
079 - Anelgauhat	Mon/Wed/Fri
080 - Emua	Mon/Wed/Fri

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

National Bank of Vanuatu Limited

Report of the directors
For the year ended 31 December 2016

The directors present their report together with the audited financial statements for the year ended 31 December 2016 and the auditors' report thereon.

Directors:

The directors of the Bank at the date of this report, who served throughout the year except where otherwise indicated, are:

Director	Appointed	Resigned/Terminated
Bob Hughes (Managing Director)	19/07/2012	-
Lindsay Barrett (Director and Chairman)	01/08/2012	-
Lindley Edwards (Director)	06/03/2013	-
Dorothy Ericson (Director)	02/02/2014	-
Jean-francois Metmetsan (Director)	20/04/2016	-
Santos Vatoko (Director)	22/10/2013	22/03/2016
Viliame Baleitavua Vodonaivalu (Director)	26/10/2015	25/11/2016

Principal activities:

The principal business activity during the course of the year, and continuing, was the provision of general banking services in Vanuatu.

There were no significant changes in the nature of the activities of the Bank during the year.

State of affairs:

In the opinion of the directors, there were no significant changes in the state of affairs of the Bank that occurred during the financial year not otherwise disclosed in this report or the financial statements. Further, it is the opinion of the directors that there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they become due and payable and that the going concern presumption is therefore appropriate.

Result:

The operating profit for the year was Vt61,136,000 (2015: loss of Vt175,101,000).

Reserves:

The directors propose that no transfer be made to reserves (2015 : Nil).

Dividends:

There were no divideds proposed for the financial period (2015 : Nil).

National Bank of Vanuatu Limited

Report of the directors (continued)
For the year ended 31 December 2016

Directors' benefits:

During the financial year, the directors of the Bank did not receive or become entitled to receive any benefits other than:

(a) a benefit included in the aggregate amount of directors' benefit as shown in the financial statements;
(b) the fixed salary of a full time employee of the National Bank of Vanuatu, by reason of a contract made by the National Bank of Vanuatu with the director.

Directors' interests in contracts and related party transactions:

Directors serving during the year had no interests in contracts and related party transactions concerning the Bank.

Directors' declaration:

It is the responsibility of the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of its statement of comprehensive income, statement of cashflows and statement of changes in equity for that year. In the directors' opinion, the financial statements for the year ended 31 December 2016 have been drawn up so as to give a true and fair view.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2016. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The directors are responsible for keeping proper accounting records and for safeguarding the assets of the Bank by taking reasonable steps to prevent and detect fraud.

For and on behalf of the Board and in accordance with a resolution of the directors.

Dated at Port Vila, March 2017

Director

Director

law partners

CHARTERED ACCOUNTANTS AND BUSINESS ADVISERS

Independent Auditors' Report to the members of National Bank of Vanuatu Limited

We have audited the accompanying financial statements of National Bank of Vanuatu Limited which comprise the statement of financial position as at 31 December 2016, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 36 to 53.

Directors' responsibility for the financial statements

The directors of the Bank are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements have been properly prepared in accordance with the provisions of the Vanuatu Companies Act No. 25 of 2012 of the Republic of Vanuatu and give a true and fair view of the financial position of the Bank as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Law Partners

LAW PARTNERS
Chartered Accountants
(Qualified auditors under Section 130 of
the Companies Act No. 25 of 2012 of the
Republic of Vanuatu)

Port Vila
21 March 2017

National Bank of Vanuatu Limited

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016
(Expressed in '000 Vatu)

	Note	2016	2015
Interest income	4	1,132,039	1,035,346
Interest expense	5	(350,757)	(339,295)
Net interest income		781,282	696,051
Other operating income	4	427,004	423,310
Net banking income		1,208,286	1,119,361
Severance pay expense		(34,143)	(26,306)
Other operating expenses	5	(1,034,646)	(1,204,245)
Operating profit / (loss) profit for the year		139,497	(111,190)
Tax expense		(78,361)	(63,911)
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year		61,136	(175,101)

The statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 40 to 53.

National Bank of Vanuatu Limited

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016
(Expressed in '000 Vatu)

	Issued & paid up capital	Share premium	Retained earnings	Total
2016				
Balance at the beginning of the financial year	857,140	172,361	392,292	1,421,793
Total comprehensive profit for the year	-	-	61,136	61,136
	857,140	172,361	453,428	1,482,929
Dividends paid	-	-	-	-
Balance at the end of the financial year	857,140	172,361	453,428	1,482,929
2015				
Balance at the beginning of the financial year	857,140	172,361	567,393	1,596,894
Total comprehensive loss for the year	-	-	(175,101)	(175,101)
	857,140	172,361	392,292	1,421,793
Dividends paid	-	-	-	-
Balance at the end of the financial year	857,140	172,361	392,292	1,421,793

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 40 to 53.

National Bank of Vanuatu Limited

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016
(Expressed in '000 Vatu)

	Note	2016	2015
Assets			
Liquid assets	8	11,957,383	3,194,538
Net loans and advances to customers	9a	12,107,976	11,103,346
Investment securities	11	545,814	537,500
Other assets	12	467,461	355,283
Property, plant and equipment	13	352,534	403,480
Total assets		25,431,168	15,594,147
Liabilities			
Customers' accounts	14	23,413,775	13,363,361
Other liabilities	15	263,472	550,561
Provisions	16	270,992	258,432
Total liabilities		23,948,239	14,172,354
Equity			
Share capital	17	857,140	857,140
Share premium		172,361	172,361
Retained earnings		453,428	392,292
Total equity		1,482,929	1,421,793
Total liabilities and equity		25,431,168	15,594,147

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 40 to 53.

Director **Director**

Port Vila, March 2017

National Bank of Vanuatu Limited

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Expressed in '000 Vatu)

	Note	2016	2015
Cash flows from operating activities			
Interest received		1,155,247	1,028,633
Interest paid		(370,001)	(364,875)
Other cash receipts in the course of operations		409,863	394,952
Other cash payments in the course of operations		(1,083,109)	(615,199)
		112,000	443,511
Changes in operating assets and liabilities			
- Gross loans and advances to customers		(1,153,019)	(977,548)
- Customers' accounts		10,050,414	1,031,743
- Other assets		(135,386)	(192,141)
- Transit accounts		(65,785)	69,157
Net cash provided by operating activities	21	8,808,224	374,722
Cash flows from investing activities			
Net movement in investment deposits		(8,314)	-
Net payments for leasehold improvements, plant and equipment		(37,065)	24,972
Net cash (used in) / provided by investing activities		(45,379)	24,972
Cash flows from financing activities			
Net increase in cash and cash equivalents held		8,762,845	349,750
Cash and cash equivalents at beginning of the financial year		3,194,538	2,844,788
Cash and cash equivalents at the end of the financial year	8	11,957,383	3,194,538

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 40 to 53.

1. Reporting entity

National Bank of Vanuatu Limited is a Bank domiciled in Vanuatu. The address of the Bank's registered office is situated at the National Bank of Vanuatu premises, Rue de Paris, Port Vila, Vanuatu.

2. Basis of preparation

(a) Statement of compliance

The financial statements of the Bank are drawn up in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and the requirements of the Vanuatu Companies Act No. 25 of 2012.

(b) Basis of measurement

The financial statements have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

(c) Functional and presentation currency

The financial statements are presented in Vanuatu currency (Vatu) rounded to the nearest thousand.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as explained in note 3 (a).

(a) Revenue recognition

Revenue includes interest income, fees, commissions, foreign exchange earnings and other sundry income.

Revenue is recognised to the extent that it is probable that the economic benefit flow to the Bank can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income as they accrue, taking into account the effective yield of the asset or an applicable floating rate. Interest income and expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

3. Significant accounting policies (continued)

Fee and commission income

Fee and commission income is generally recognised on an accruals basis when the corresponding service is provided.

Fees and direct costs relating to loan origination, financing or restructuring and to loan commitments are deferred and recognised as an adjustment to the effective interest rate on the relevant loan.

(b) Foreign currency

Foreign currency transactions are translated to Vatu at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to monetary assets and liabilities denominated in foreign currencies are brought to account in the statement of comprehensive income in the financial year in which the exchange rates change.

(c) Non current assets

The carrying amounts of all non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts the relevant cash flows are not discounted to their present value.

(d) Property, plant and equipment - Note 13

Acquisitions

All property plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. All items of property, plant and equipment are carried at the lower of cost less accumulated depreciation, and any recoverable amount, except for assets under construction, which are carried at cost.

Disposal of assets

The gain or loss on disposal of assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal, and is included in the result in the year of disposal.

Depreciation

Items of property, plant and equipment, including leasehold improvements are depreciated using the straight line method over their estimated useful lives. The rates of depreciation used are based on the following estimated useful lives:

Leasehold improvements	9 - 20%
Plant and equipment	20%
Computer system	20%

Assets are depreciated from the date of acquisition or from the date on which significant use commenced. Expenditure on repairs or maintenance of property, plant and equipment incurred to restore or maintain future economic benefits expected from the assets is recognised as an expense when incurred.

For operating leases, the lease payments are expensed on a straight line basis over the lease term.

3. Significant accounting policies (continued)

(e) Provisions

A provision is recognised in the statement of financial position when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Employee entitlements - Note 16

Wages, salaries and annual leave
The provision for employees' entitlements to wages, salaries and annual leave represents the amount that the Bank has a present obligation to pay resulting from employees services provided up to balance date. The provision has been calculated at amounts based on current wage and salary rates and includes related on-costs.

Severance allowance
The provision for employees' entitlements to severance allowance represents the value of the estimated future cash outflows to be made by the employer resulting from employees services to balance date. In determining the liability for employee entitlements, considering the Bank's experience with staff departures, the liability is calculated after three years of service to balance date.

Vanuatu National Provident Fund (VNPF)
Employers contributions to the above fund are expensed as incurred.

(f) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes coins, notes, cash at bank including bank overdrafts, money at call, remittances in transit and amounts due from other banks with original maturity of 90 days or less, and on demand borrowings which are integral to the cash management function.

(g) Financial instruments

The Bank classifies its financial instruments into the following categories: loans and receivables, held to maturity assets and non-trading financial liabilities. The Bank currently has no financial assets at fair value through profit or loss.

Management determines the classification of its financial assets and liabilities at initial recognition.

Loans and receivables comprise loans and advances to customers and are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowances for impairment. The carrying value of loans and receivables is included on the face of the statement of financial position and in note 9 to the financial statements as net loans and advances to customers.

Held to maturity assets comprise investment securities and term deposits placed with other banks (included in liquid assets) and are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Bank has the intention and ability to hold to maturity. Held to maturity assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowances for impairment.

Non-trading financial liabilities comprise customer accounts and deposits from credit institutions. Non-trading financial liabilities are measured at amortised cost.

3. Significant accounting policies (continued)

A provision for impairment of financial assets is established when there is objective evidence that the Bank will not be able to collect all amounts due according to their original terms (refer note 3(h)).

Financial assets are derecognised when the rights to receive cash flows from them have expired.

Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

(h) Impairment of financial assets - Note 10

The Bank assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired and impairment losses incurred. Impairment only occurs if there is objective evidence of impairment. The criteria the Bank uses to determine whether there is an objective evidence of an impairment loss include :

- delinquency on contracted payments of principal or interest;
- cashflow difficulties experienced by the borrower, and
- deterioration in the value of collateral.

Impaired assets typically comprise the following :

- non-accrual assets where income may no longer be accrued ahead of its receipt because reasonable doubt exists as to the collectability of principal or interest, and

- restructured assets where the original contract terms have been formally modified to provide concessions of interest or principal for reasons related to the financial difficulties of the customer.

Assets that are individually assessed for impairment and for which an impairment loss is recognised are not included in a collective assessment of impairment. Groups of financial assets with similar credit risk characteristics are then collectively assessed for impairment.

If in a subsequent period, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

If there is objective evidence that an impairment loss has been incurred on financial assets the carrying amount is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income.

Collective allowances are maintained for losses which, although not specifically identified, are known from experience to be inherent in any asset portfolio. The level of the collective allowance is determined having regard to economic conditions, the level of assets and other general risk factors.

The annual charge to the statement of comprehensive income in respect of credit impairment includes new specific provisions, reversals of specific allowances no longer required and movements in the collective allowance.

Bad debts identified in the year are written off against the allowance for loan losses. The interest income on these loans is also written off against the allowance. Where not previously included in the allowance, bad debts are written off directly against the statement of comprehensive income.

(i) Comparatives
Where necessary, comparative information is reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Expressed in '000 Vatu)

4. Income

	Note	2016	2015
Interest income			
Loans and advances		1,080,001	983,906
Interbank foreign currency placing		13,553	12,688
Investment securities		38,485	38,752
		1,132,039	1,035,346
Other operating income			
Fees, charges and commissions (*)		268,053	210,207
Net foreign exchange earnings		129,302	139,378
Other income		29,649	48,724
		427,004	398,309
Grant receipts			
NZAid grant		-	25,001
		427,004	423,310

* Fees and charges relating to loan origination, financing or restructuring and to loan commitments are deferred and recognised as an adjustment to the effective interest rate on the relevant loan.

5. Expenses

	Note	2016	2015
Interest expense			
On deposits		350,506	339,084
Other accounts		251	211
		350,757	339,295
Other operating expenses			
Personnel expenses			
Salaries and wages		399,252	366,949
VNPF contributions		15,137	13,509
Other		84,301	69,575
		498,690	450,033
Other operating expenses			
Auditor's remuneration	6	2,200	2,200
Depreciation	13	88,011	109,501
Allowance for loan losses	10	148,389	356,661
Other expenses		297,356	261,647
		535,956	730,009
Grant expenses			
Rural banking		-	24,203
		1,034,646	1,204,245

6. Auditor's remuneration

	Note	2016	2015
Amounts received or due and receivable by the Auditors of the Bank for :			
- Auditing the financial statements		2,200	2,200
- Other services		-	-
		2,200	2,200

(Expressed in '000 Vatu)

7. Segment analysis

The major products/services from which the Bank derives revenue are:

Industry segments
General banking services

Products/service
Loans, overdrafts, current, savings and term deposits and foreign currency transactions

Geographical segments

The Bank operates predominantly in Vanuatu

	Note	2016	2015
8. Liquid assets			
Currency notes and coins		531,732	595,527
Balance with Reserve Bank (including regulatory deposits)		3,585,641	897,618
Due from other banks		7,840,010	1,701,393
		11,957,383	3,194,538

The Bank is required to hold specific liquid assets to cover the Liquid Assets Requirement (LAR) set by the Reserve Bank of Vanuatu. Pursuant to an agreement with the Reserve Bank of Vanuatu, coins and notes and amounts due from the Reserve Bank of Vanuatu are included in the calculation of the liquid assets requirement.

9. Loans and advances

9a. Net loans and advances to customers

	Note	2016	2015
Overdrafts		1,073,781	953,209
Loans		11,626,282	10,825,485
Total gross loans and advances		12,700,063	11,778,694
Allowance for impairment	10	(592,087)	(675,348)
Net loans and advances		12,107,976	11,103,346

Maturities of gross loans and advances are summarised as follows:

	2016	2015
Not later than 1 year	1,798,086	1,748,021
Between 1 and 2 years	641,475	520,514
Between 2 and 5 years	1,286,607	1,036,198
Later than 5 years	8,973,895	8,473,961
	12,700,063	11,778,694

Collateral held in respect of loans and advances that are impaired amounts is Vt3,246,095 (2015: Vt2,876,051).

(Expressed in '000 Vatu)

9. Loans and advances (continued)

	Note	2016	2015
9b. Gross loans and advances to customers past due but not impaired			
		3,276,092	2,871,010

Maturities of gross loans and advances to customers are summarised as follows:

		2016	2015
Not later than 1 year		705,878	336,851
Between 1 and 2 years		130,788	80,628
Between 2 and 5 years		168,499	104,592
Later than 5 years		2,270,927	2,348,939
		3,276,092	2,871,010
9c. Restructured gross loans and advances to customers		246,671	561,837

10. Allowances for impairment of loans and advances to customers

	Note	2016	2015
Collective allowances			
Balance at beginning of the year		91,778	89,682
Charge to statement of comprehensive income	5	3,449	2,096
Total collective allowance		95,227	91,778
Individual allowances			
Balance at beginning of the year		583,570	370,273
Charge to statement of comprehensive income	5	144,940	354,565
Loans written off / back		(231,650)	(141,268)
Total individual allowance		496,860	583,570
Total allowances for impairment of loans and advances to customers		592,087	675,348

11. Investment securities

Maturities of investment securities are summarised as follows :

	2016	2015
Not later than 1 year	100,000	-
Between 1 and 2 years	58,314	150,000
Between 2 and 5 years	287,500	100,000
Later than 5 years	100,000	287,500
	545,814	537,500

Pursuant to an agreement with the Reserve Bank of Vanuatu, holdings of Government bonds are included in the calculation of the Liquid Assets Requirement (LAR).

12. Other assets

	2016	2015
Accrued interest receivable	110,820	134,028
Projects – in progress	300,107	151,334
Other assets	56,534	69,921
	467,461	355,283

(Expressed in '000 Vatu)

13. Property, plant and equipment

	2016			2015		
	Cost	**Accumulated depreciation**	**Net book value**	Cost	Accumulated depreciation	Net book value
Leasehold premises and improvements	128,261	(71,349)	56,912	127,577	(60,033)	67,544
Plant and equipment	667,246	(419,497)	247,749	666,640	(387,322)	279,318
Computer system	123,793	(123,660)	133	123,793	(117,059)	6,734
Leasehold land, building and improvements	77,403	(29,663)	47,740	76,909	(27,025)	49,884
Total	996,703	(644,169)	352,534	994,919	(591,439)	403,480

Movement in total property, plant and equipment

	2016				
	Opening carrying amount	Additions	Disposals/ writeoffs	Depreciation charge	Closing carrying amount
Leasehold premises and improvements	67,544	1,075	(361)	(11,346)	56,912
Plant and equipment	279,318	41,198	(5,341)	(67,426)	247,749
Computer system	6,734	-	-	(6,601)	133
Leasehold land, building and improvements	49,884	495	-	(2,638)	47,740
Total	403,480	42,768	(5,702)	(88,011)	352,534

(Expressed in '000 Vatu)

	2016	2015
14. Customers' accounts		
Current accounts	6,047,480	3,777,956
Savings accounts	7,986,108	2,377,5374
Fixed term deposits	9,380,187	7,207,868
	23,413,775	13,363,361

Current and savings accounts are generally considered to be liabilities repayable at call and maturity is therefore considered to be less than one month. Maturities of fixed deposits are summarised as follows:

Fixed term deposits

	2016	2015
Not later than 1 month	102,482	932,765
Between 1 and 3 months		4,754,315
Between 3 and 12 months		1,515,023
Later than 1 year	9,277,704	5,765
	9,380,186	7,207,868

15. Other liabilities

	2016	2015
Accrued interest payable	54,569	73,813
Transit accounts	65,772	131,555
Unearned income – lending fees	60,936	57,234
Unearned income – rural services grant	46,024	66,862
Due to other banks	26,543	208,081
Other	9,628	13,016
	263,472	550,561

16. Provisions

	2016	2015
Current		
Annual leave provision	30,925	31,000
Other	25,431	17,154
Severance allowance	189,623	191,358
	245,979	239,512
Non-current		
Severance allowance	25,013	18,920
	270,992	258,432

	2016	2015
Movement in severance allowance		
Balance at beginning of the year	210,278	189,755
Net charge to the income statement	34,143	26,306
Provision utilised	(29,785)	(5,783)
Balance at end of the year	214,636	210,278

(Expressed in '000 Vatu)

	2016	2015

17. Share capital

Authorised capital

	2016	2015
85,714 (2015: 85,714) ordinary shares of Vt10,000 each	857,140	857,140

Issued and paid-up capital

	2016	2015
85,714 (2015: 85,714) ordinary shares of Vt10,000 each, fully paid	857,140	857,140

The Government of Vanuatu holds 60,000 ordinary shares. Vanuatu National Provident Fund 12,857 ordinary shares and International Finance Corporation 12,857 ordinary shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank.

Dividend
The directors have proposed no dividend will be paid out for 2016 (2015: Nil).

18. Commitments

Operating lease commitments

Future operating lease rentals not provided for in the financial statements and payable:

	2016	2015
Not later than 1 year	61,352	59,894
Between 1 and 2 years	112,983	113,891
Between 2 and 5 years	171,219	170,852
Later than 5 years	190,458	248,603
	536,012	593,240

19. Financial instruments

The bank enters into contracts involving financial instruments during the normal course of its business. Exposure to foreign exchange, credit and interest rate risk arises in the normal course of the Bank's operations.

The material financial instruments to which the Bank has exposure includes:

i) Gross loans and advances to customers; and

ii) Customers' accounts and deposits from credit institutions.

Risk exposure arising from financial instruments is monitored regularly by the Bank's Asset and Liability Committee ("ALCO"), which comprises the senior management of the Bank.

19. Financial instruments (continued)

The Bank deals in mainly spot exchange contracts relating to customers' business products. These products are entered into both on behalf of customers and where necessary for the Bank's own account to ensure management of (non-trading) interest rate and foreign exchange risks, that is, balance sheet risk management.

The Bank incurs foreign currency risk on holdings of financial assets and liabilities (principally liquid assets and customers' accounts) that are denominated in a currency other than Vatu. The currencies giving rise to this risk are primarily Australian dollars, New Zealand dollars and United States dollars.

Credit risk

Credit risk represents the accounting loss that would be recognised if counterparties failed to perform as contracted. Where applicable approval for any large individual exposures has been formally sought from the Reserve Bank of Vanuatu in accordance with the requirements of the Financial Institutions Act No. 2 of 1999. To reduce exposure to credit risk, the Bank performs ongoing credit evaluations of the financial condition of its counterparties.

Credit risk on financial assets is minimised by dealing with recognised monetary institutions with accepted credit ratings.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

Interest rate risk

The Bank's exposure to interest rate fluctuations on its borrowings and deposits is managed with reference to limits for exposure to interest rate set by ALCO.

The Bank's exposure to interest rates and the effective interest rates of financial assets and liabilities at balance date are as follows:

Financial assets:

- Liquid assets: floating interest rates.

- Gross loans and advances to customers: variable maturing as detailed in note 9 (with fixed interest rates of up to 18 months on housing loan products only).

- Investment securities: fixed interest rates maturing as detailed in note 11.

Financial liabilities:

- Customers' accounts: variable/fixed interest rates maturing as detailed in note 14.

- Deposits from credit institutions: floating interest rates at call.

All other financial assets or financial liabilities are non-interest bearing.

Liquidity risk

Liquidity risk is primarily managed with reference to limits set by ALCO and by external regulators.

19. Financial instruments (continued)

Details of income and expenses for financial instruments follows:

	2016		
	Carrying value	Interest income and expenses	Fees, charges and commissions
Loans and receivables			
Net loans and advances to customers	12,107,976	739,673	271,151
Held to maturity assets			
Investment securities	545,814	38,485	-

The aggregate net fair values of financial assets and financial liabilities at the balance date approximate the carrying values shown in the statement of finacial position.

Capital risk management

The Bank manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of net debt and equity balances.

The capital structure of the Bank is monitored using the gearing ratio. The ratio is calculated as net debt divided by equity. Net debt is calculated as total interest bearing liabilities less cash and cash equivalents. Total capital employed is calculated as net debt plus total equity.

In order to maintain or adjust capital structure, the Bank may adjust the amount of dividends paid to shareholders, return equity to shareholders, issue new shares or sell assets to reduce debt. The Bank continuously reviews the capital structure to ensure

- sufficient finance for the business is maintained at a reasonable cost;
- sufficient funds are available for the business to implement its capital expenditure and business acquisition strategies;
- distributions to shareholders are maintained within stated dividend policy requirements; and
- where excess funds arise with respect to the funds required to enact the Bank's business strategies, consideration is given to possible returns of equity to shareholders.

20. Contingent liabilities and commitments

Contingent liabilities

Traditional off balance sheet risk instruments

The Bank guarantees the performance of customers by issuing standby letters of credit and guarantees to third parties. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers, therefore these transactions are subjected to the same credit origination, portfolio maintenance and collateral requirements for customers applying for loans. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

The credit risk of these facilities may be less than the notional amount, but as it cannot be accurately determined, the credit risk has been taken to be the contract or notional amount.

(Expressed in '000 Vatu)

20. Contingent liabilities and commitments (continued)

	2016	2015
Bonds	27,381	22,390
Financial guarantees	52,822	52,822
Letters of credit	-	4,040
Commitments		
Capital expenditure	174,198	30,700
Undrawn facilities	98,454	76,918
	272,652	107,618

The amounts reflected above for commitments assume that amounts are fully advanced.

21. Notes to the statement of cash flows

Reconciliation of operating profit / (loss) to net cash flows from operating activities

	2016	2015
Profit / (loss) for the year	61,136	(175,101)
Non-cash items		
- Allowance for impairment and loans written off	148,389	215,393
- Depreciation	88,011	109,501
- Loss on disposal of property, plant and equipment	-	2,648
Net cash provided by operating activities before change in assets and liabilities	297,536	152,441
Change in assets and liabilities during the financial year		
- Decrease / (increase) in accrued interest receivable	23,208	(6,713)
- Increase in loans and advances	(921,369)	(836,280)
- Increase in other assets	(135,386)	(192,141)
- Decrease in accrued interest payable	(19,244)	(25,580)
- Increase in deposits from customers and credit institutions	9,818,764	1,031,743
- (Decrease) / increase in other liabilities & provisions	(255,295)	251,252
Net cash provided by operating activities	8,808,214	374,722

22. Employees

The number of employees as at 31 December 2016 was 233 (2015: 220).

(Expressed in '000 Vatu)

23. Related parties

Transactions with directors and executive officers

In addition to their salaries, the Bank also provides non-cash benefits to a director and executive officers.

Total salary remuneration is included in 'personnel expenses' (refer note 5) as follows:

	2016	2015
Director fees	3,196	1,027
Executive officers	145,176	124,778
	148,372	125,805

Loans to directors

Loans to directors and director-related entities outstanding as at 31 December 2016 was nil (2015: Nil).

Loans to other officers and employees

Loans to other officers and employees outstanding as at 31 December 2016 totalled Vt855.452 million (2015: Vt503.668 million).

Shareholders

The Bank's shareholders are:

1. The Government of the Republic of Vanuatu;
2. Vanuatu National Provident Fund; and
3. International Finance Corporation.

24. Post balance sheet events

No events have occurred since the balance date which would require any adjustments to or disclosure in the financial statements.

National Bank
Vanuatu's Own Bank

RURAL BANKING

Empowering micro & small enterprise development

NBV MD & CEO, Mr Geoff Toone, visits Mr Louis Tiome of Port Olry, East of Santo. A very successful tourism operator. (NBV, Microfinance customer).

CORPORATE GOVERNANCE

The National Bank of Vanuatu Limited (NBV Ltd) was registered by the Vanuatu Financial Services Commission under The Companies Act (Cap 191) on 19th July 2012. The new company was created to accommodate the transfer of business operations and undertakings from the National Bank of Vanuatu, a State Owned Enterprise established under the National Bank of Vanuatu Act No.46 of 1989. This Act was repealed and then gazetted on 19th October 2012 by the National Bank of Vanuatu (Restructuring) Act No. 3 of 2012.

On the 16th November 2012 the company commenced operations under its new corporate structure with the subscription for new share capital from International Finance Corporation (a member of the World Bank Group) and the Vanuatu National Provident Fund. Upon completion of the restructure the Government of Vanuatu holds 70% of the issued shares, International Finance Corporation 15% and Vanuatu National Provident Fund 15%.

Upon commencement of operations of the NBV Ltd, the Board resolved to adopt a comprehensive set of Corporate Governance principles and policies to best reflect its Core Values of Honesty, Integrity, Responsiveness, Productivity and Economic Development.

The bank has the largest branch network in Vanuatu servicing the financial needs of the wider communities through 29 branches; from Sola in the north to Aneityum in the south. The Bank's Corporate Governance framework is designed to ensure all stakeholders are dealt with fairly and in the best interests of development of the bank, its customers, staff and the general economy of Vanuatu.

BOARD OF DIRECTORS

The Board's primary role is to protect and enhance long-term Shareholder value whilst maintaining a strong focus on the economic development of Vanuatu. To fulfil this role, the Board is responsible for providing strategic guidance to NBV Ltd; monitoring and providing effective oversight of NBV Ltd management; overseeing NBV Ltd's risk management systems; and acting as an interface between NBV Ltd and its shareholders.

The roles and responsibilities of the NBV Ltd Board as set out in detail in NBV Ltd's Corporate Governance Principles include:

- overall strategy of the company, including operating, financing, dividend, and risk management,
- appointing the Managing Director and setting an appropriate remuneration package,
- appointing the Company Secretary and setting an appropriate remuneration package,
- endorsing appropriate policy settings for management,
- reviewing Board composition and performance,
- reviewing the performance of management,
- approving a strategic plan, and an annual budget for the bank and monitoring results on a regular basis,
- ensuring that appropriate risk management systems are in place, and are operating to protect the company's financial position and assets,
- ensuring that the bank complies with the law and relevant regulations, and conforms with the highest standards of financial and ethical behaviour,
- establishing authority levels,
- Directors' remuneration via the Remuneration & Nomination Committee,
- selecting, with the assistance of the Board Audit, Risk and Compliance Committee, the appointment of external auditors,

- approving financial statements
- self-assessing its performance

The Board has delegated responsibility for the operation and administration of NBV Ltd to the Managing Director and executive management team, who will provide comprehensive regular reports to the full Board and Board Committees as required.

Membership and composition of the Board

The Shareholders Agreement established between the three key shareholders determined the composition of the Board, which has been adopted in the NBV Ltd Constitution. For the term of the agreement the number of directors as prescribed by the Constitution shall be no less than four and no more than seven.

Six of the board members shall comprise:

(i) two to be nominated by the Government of Vanuatu (GoV):
   a. the first shall be nominated on the recommendation of the Prime Ministerial Office and shall be a person having extensive financial or banking knowledge at a managerial level,
   b. the second shall be nominated on the recommendation of the Ministry of Finance and Economic Management of GoV,
   c. both shall be senior public servants of at least director status;

(ii) one may be nominated by Vanuatu National Provident Fund (VNPF);

(iii) one may be nominated by International Finance Corporation (IFC);

(iv) one shall be the Company's Managing Director; and

(v) one shall be nominated by the Finance Centre Association (FCA)

The board may also nominate at least one Independent Director.

Each of the GoV, IFC and VNPF may require the removal of the director/s it has nominated at any time and shall be entitled to nominate another person as its nominated director in place of any prior nominated director who will be removed as a director in conjunction with the nomination of a replacement. In the event of the resignation, retirement or vacation of office of a nominated director, the relevant member who nominated the director shall be entitled to nominate another person to serve as its nominated director and the board shall promptly appoint such nominee as a director.

Independent Board members are required to review their independence annually; materiality will be assessed on a case-by-case basis.

The Board accepts that it has a responsibility to shareholders to ensure that it maintains an appropriate mix of skills and experience within its membership and consequently gives careful consideration to setting criteria for new appointments in accordance with the Company's Constitution. It has delegated the initial screening process to its Remuneration and Nominations Committee, which in accordance with its Charter may seek independent advice on possible new candidates for Directorships. A majority of Directors must be satisfied that the best candidate has been selected.

Chairman of the Board

The Chairman is elected by the Directors and his / her role includes: -

- ensuring all new Board members participate in an appropriate induction program and are fully aware of their duties and responsibilities,
- providing effective leadership on the Company's strategy,
- presenting the views of the Board to the public as required,
- ensuring the Board meets regularly throughout the year, and that minutes are taken and recorded accurately,

- setting the Agenda of meetings and maintaining proper conduct during meetings,
- reviewing the performance of non-executive directors.

The Chairman is not permitted to occupy the role of Managing Director.

Directors' Fees

The maximum aggregate amount of fees that can be paid to non-executive Directors is determined by shareholders at annual general meetings of the Company in accordance with the Constitution. Fees are intended to remunerate non-executive Directors for time spent on Board and Board Committee matters, including review and preparation time, meeting attendance and travel. The Chairman and Deputy Chairman spend additional time attending to their special responsibilities.

Annual fees are paid to the following:

- Chairman
- Deputy Chairman
- Non-Executive Directors

Board Performance Review

The Remuneration and Nomination Committee reviews the processes by which the Board regularly assesses its own performance in meeting its responsibilities. It is intended to extend the assessment of the Board as a whole to include an assessment of the contribution of each individual Director.

The Board is cognisant of the need to continually identify areas for improvement to ensure that it meets the highest standards of corporate governance and for the Board and each Director to make an appropriate contribution to the Company's objective of providing value to its stakeholders. The performance review is conducted annually and may involve external assistance.

Board and Board Committee Meetings

Scheduled meetings of the Board are held at least every three months and the Board meets on other occasions to deal with matters requiring attention. Meetings of Board Committees are scheduled regularly during the year.

The Chairman, in consultation with the Managing Director, determines meeting agendas. Meetings provide regular opportunities for the Board to assess NBV Ltd's management of financial, strategic and major risk areas. To help ensure that all Directors are able to contribute meaningfully, papers are provided to Board Members in advance of the meeting. Broad ranging discussion on all agenda items is encouraged, with healthy debate seen as vital to the decision making process.

Relationship with Management

The management of the business of the bank is conducted by and under the supervision of the Managing Director, and by those other officers and employees to whom the management function is properly delegated by the Managing Director.

The Board is responsible for defining the limits to management's responsibilities, and approving the corporate objectives for which the Managing Director is responsible.

All Directors may access bank records and information and are entitled to receive regular detailed financial and operational reports to enable them to carry out their duties. The Executive Business Unit Heads make regular presentations to the Board on their areas of responsibility. The Chairman and the other Non-Executive Directors have the opportunity to meet with the Managing Director and the Business Unit Heads for further consultation, and to discuss issues associated with the fulfilment of their roles as Directors.

BOARD COMMITTEES

To assist in the execution of its responsibilities, the Board has established two Board Committees, comprised of non-executive Directors only. Each committee has a formal Charter approved by the Board.

Committee members are chosen for the skills, experience and other qualities they bring to the Committee. At the subsequent Board meeting following each Committee meeting, the Board is given a report by the Chairman of the respective Committee and Minutes of the meeting are tabled.

Board Audit Risk and Compliance Committee

The Board Audit Risk and Compliance Committee (BARCC) is comprised of three Non-Executive Directors who are duly appointed by the Board. The Chairman of the BARCC must be one of the Directors, other than the Chairman of the Board. The Chairman of the Board cannot sit on the BARCC. Each member should be capable of making a valuable contribution to the Committee and membership is reviewed annually by the Bank's Board.

The key responsibilities of this Committee include:

- integrity of the Financial Statements and the financial reporting and audit process
- external auditor's qualifications, performance and independence
- the system of internal control and management of all risks
- the systems for ensuring operational efficiency and cost control
- the systems for approval and monitoring expenditure including capital expenditure
- the processes for monitoring compliance with relevant laws and regulations
- implementation of Board decisions by management and making recommendations to the Board for the appointment of the external auditor
- annual internal audit plan and its ongoing review

To fulfil its mandate, the Committee meets with both the internal and external auditors without management present.

External Auditor

The BARCC is responsible for making recommendations to the Board on appointment and terms of engagement of NBV Ltd's external auditor. The selection is made from appropriately qualified companies in accordance with Board policy.

The Committee reviews annually the performance of the external auditors and makes recommendations to the Board regarding the continuation or otherwise of their appointment, consistent with the Reserve Bank of Vanuatu Prudential Guideline No 5 – Audit Arrangements, while ensuring their independence is in line with Board policy.

There is a review of the external auditor's proposed audit scope and approach, to ensure there are no unjustified restrictions. Meetings are held separately with the external auditor to discuss any matters that the Committee or the external auditor believe, should be discussed privately. The external auditor attends meetings of the BARCC at which the external audit is an agenda item.

The Committee ensures that significant findings and recommendations made by the external auditor are received and discussed promptly, and that management responds to recommendations by the external auditor in a timely manner.

The duly appointed external audit firm may not be engaged by the company to provide specialist consultancy services relating to financial or strategic matters.

Internal Audit

The BARCC approve, on the recommendation of management, the appointment of the Manager Audit. The Committee meets regularly with the Manager Audit.

Reviews are undertaken of the scope of the work of the internal audit function to ensure no unjustified restrictions or limitations have been placed upon the Audit Business Unit. The BARCC also reviews the qualifications of internal audit personnel and endorses the appointment, replacement, reassignment or dismissal of the internal auditors.

The Committee meets separately with the internal auditor to discuss any matters that they or the internal auditor believe should be discussed privately. The Internal Auditor has direct access to the BARCC and to the full Board. The Committee ensures that significant findings and recommendations made by the internal auditors are received and discussed promptly, and that management responds to recommendations by the internal auditors on a timely basis.

Internal Audit meets with the external auditor half yearly, to review the scope and findings of internal audit's annual audit plan, and the extent of the external audit plan, having regard to internal audit's findings.

Compliance

The BARCC reviews the effectiveness of the systems for monitoring compliance with all legal and regulatory obligations, and the Constitution of the Bank. It also reviews the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts, or non-compliance.

The Committee obtains regular updates from management, and the Bank's legal officers, regarding compliance matters, and satisfies itself that all regulatory compliance matters have been considered in the preparation of the financial statements.

Reviews of the findings of any examinations by regulatory agencies are undertaken and the Chairman of the Board Audit Risk and Compliance Committee has the right to approach a Regulator directly in the event of a prudential issue arising.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee (RNC) comprises three Non-Executive Directors duly appointed by the Board. The Chairman of the RNC must be one of the Directors, other than the Chairman of the Board. The Chairman of the Board cannot sit on the RNC. Each member should be capable of making a valuable contribution to the Committee, and membership is reviewed annually by the NBV Ltd Board.

The RNC has been established to assist the Board in fulfilling its oversight responsibilities in respect of Board and Senior Executive Management selection, appointment, review and remuneration.

The key responsibilities of this Committee include:

- to oversee the selection and appointment of a Managing Director and recommend an appropriate remuneration and benefits package to the full Board,
- identify and maintain a clear succession plan for the Executive Management Team, ensuring an appropriate mix of skills and experience as well as appropriate remuneration and benefits packages are in place and are reviewed regularly,
- determine and review appropriate remuneration and benefits of Directors for recommendation to the full Board, and subsequently to the shareholders,
- ensure that the Board itself maintains an appropriate mix of skills and experience necessary to fulfil its responsibilities to shareholders,
- receive and endorse positions/titles recommended by the Managing Director from time to time as applying to designated Senior Executive Management positions,

- review the procedures in place to ensure that all new Senior Executive appointees are adequately qualified and experienced, and that proper recruitment procedures are followed,
- review and make recommendations to the Board on the appointment to and terms and conditions of employment, for all Senior Executive Management positions,
- review and approve all termination arrangements for such Senior Executives,
- review transactions between the Company and any of the Directors or relevant Senior Executives,
- review and make recommendations to the Board on employee remuneration and benefits policies and practices generally,
- engage external consultants as and when deemed appropriate to benchmark remuneration packages for Executives and Senior Management,
- review Board performance, tenure, and succession planning.

RISK MANAGEMENT

The Bank's Risk Management activities are aligned to the achievement of the Bank's Strategic Plans. The Board in consultation with the Executive Committee, determines the Bank's appetite and tolerance of risk. These benchmarks are used in the risk identification, analysis and risk evaluation processes.

NBV Ltd identifies the following major risk areas:

- Governance Risk – The risk of failure of overall management through Board oversight and senior executives in directing and controlling the organization, using a combination of management information and hierarchical management control structures.
- Credit Risk - The potential for financial loss where a customer or counterparty fails to meet their financial obligation to the Bank.
- Market Risk - The potential financial loss arising from the Bank's activities in financial, including foreign exchange, markets. More detailed commentary on financial risk management is provided in the Notes to the published financial accounts.
- Liquidity Risk – The risk of failure to adequately meet cash demand in the short term without incurring financial losses.
- Interest Rate Risk - Risk to earnings from movement in interest rates.
- Operational Risk - The risk of loss resulting from inadequate or failed internal processes, people, or from external events, including legal and compliance risk, and reputation risk.

The Bank's Asset & Liability Committee monitors market risk, interest rate risk, and liquidity risk, and the Credit Committee monitors credit risk. Operational risk is managed at Business Unit level and a risk register system is in place across the bank. The Executive Committee and the Board overview the highest tier of risks within these risk registers.

The Bank's risk management policy ensures that the bank has in place acceptable limits for the risks identified by the bank's employees. The risk management approach encompasses the following:

- defining the types of risks that are to be addressed by each functional or policy area (i.e., credit risk, interest rate risk, liquidity risk, operational risk, etc.),
- ensuring that mechanisms for managing (identifying, measuring, and controlling) risk are implemented and maintained to provide for organisation wide risk management,
- developing information systems to provide early warning or immediate alert of events or situations that may occur or already exist, that could create one or more types of risk for the Bank,
- creating and maintaining risk management tools including those requested by the Board, such as policies, procedures, risk registers, controls and independent testing, personnel management and training and planning,

- instituting and reviewing risk measurement techniques that Directors and management may use to establish the bank's risk tolerance, risk identification approaches, risk supervision or controls, and risk monitoring processes,
- developing processes for those areas that present potential risks,
- establishing appropriate management reporting systems regarding these risks so individual managers are provided with a sufficient level of detail to adequately manage and control the Bank's risk exposures.

The Board accepts responsibility for ensuring it has a clear understanding of the types of risks inherent in the bank's activities. Therefore, responsibility for overall risk management in NBV Ltd is vested with the Board. However, every employee from Executive Management to the newest recruit has a responsibility and a part to play in the process.

There is a formal system of financial and operational delegations from the Board to the Managing Director, and from the Managing Director to the Executive Business Unit Heads. These delegations reflect the Bank's risk appetite, and are cascaded down to managers who have skills and experience to exercise them judiciously.

The Board defines the accountabilities (including delegated approval, control and authorities limits) and reporting and monitoring requirements for the risk management process. The severity of risks identified in the risk identification, analysis and evaluation processes, and noted in the Business Unit Risk Registers, is used to determine the approval, control and authority limits. The Board reviews these risk limits annually along with an annual review of the bank's significant risks.

The Board has also delegated to the BARCC responsibility for overview of loss control and for overseeing the risk management function.

The BARCC is responsible for providing regular reports and recommendations to the Board on the risk management activities of the Bank, especially relating to risk issues that are outside the authority of the Bank's Executive Management to approve.

ETHICAL BEHAVIOUR

The Bank acknowledges the need for Directors and employees at all levels to observe the highest standards of ethical behaviour when undertaking company business. To this end, the Board has adopted a Corporate Mission, Objectives and Core Values Statement, which establish principles to guide all employees in the day-to-day performance of their individual functions within the Company.

NBV Ltd is committed to a culture in which it is safe and acceptable for employees, customers and suppliers to raise concerns about poor or unacceptable practices, irregularities, corruption, fraud and misconduct.

The Bank has adopted a whistle blowing policy that is designed to support and encourage staff to report in good faith matters such as:

- unacceptable practices,
- irregularities or conduct which is an offence or a breach of laws of Vanuatu,
- corruption and fraud,
- misrepresentation of facts,
- decisions made & actions taken outside established NBV Ltd policies & procedures,
- sexual harassment,
- abuse of Delegated Authorities,
- misuse of company assets,
- disclosures related to miscarriages of justice,
- health and safety risks, including risks to the public as well as other employees,
- damage to the environment,
- other unethical conduct,

- failure to comply with appropriate professional standards,
- abuse of power, or use of the Bank's powers and authority for any unauthorised purpose or personal gain,
- breach of statutory codes of practice.

To ensure the maintenance of high standards of corporate behaviour on an ongoing basis, the Board further stipulates that senior management periodically undertakes an appropriate communication program to reinforce both the Code and Core Value Statements.

SOCIAL & ENVIRONMENT MANAGEMENT SYSTEM POLICY

The Bank maintains a Social & Environment Management System (SEMS) that meets the requirements stipulated in the International Finance Exclusion List and Environmental & Social Sustainability Performance Standards, and relevant legislation relating to social and environmental matters in Vanuatu:

- Employment Act (Cap 160)
- Environmental Protection & Conservation Act (Cap 283)
- Land Leases Act (Cap 163)
- Foreshore Development Act (Cap 90)
- Forestry Act (Cap 276)
- Framework Convention on Climate Change (Ratification) Act (Cap 218)
- Health and Safety at Work Act (Cap 195)
- Land Acquisition (Cap 215)
- Pesticides (Control) Act (Cap 226)
- Preservation of Sites and Artefacts Act (Cap 39)
- Water Resources Management Act (Cap 281)

The SEMS policy provides the framework within which the Bank works to ensure that deposit accounts are not opened and finance is not approved for entities that are in breach of national laws/legislation and entities whose primary activities are on the IFC Exclusion List. Where applicable, environmental assessments are performed, reports are provided to the Bank, and the necessary authorisations are obtained by clients.

Laughing Samoans Standing in front of internet banking Kiosk at NBV Head office.

(Vanuatu Laughing Samoans Show proudly sponsored by NBV)

National Bank
Vanuatu's Own Bank

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