



# National Bank

Vanuatu's Own Bank



## ANNUAL REPORT 2020

*Yumi Vanuatu*



# WELCOME TO OUR ANNUAL REPORT

Change has been a constant over our last 40 years of operation and today we find ourselves amid significant structural shifts to our industry. Although these changes are redefining how we plan and deliver banking solutions to our customers, we are inspired by our vision and mission, making people's lives better.





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## OUR VISION

To be;

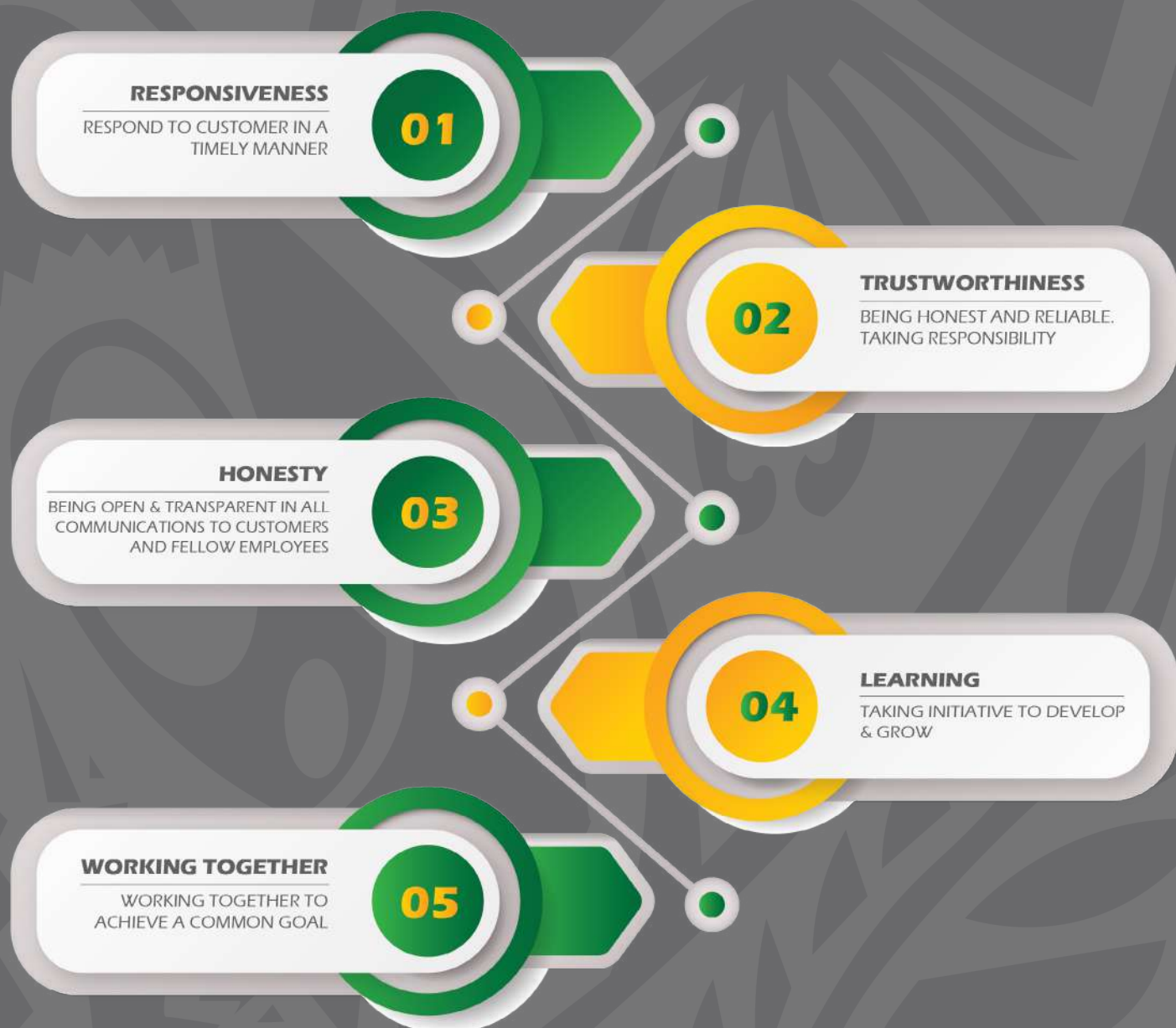
- Competitive
- Profitable
- Focussed on the needs of the people of Vanuatu
- Capable of continuous improvement to products and customer services

## 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 the opportunities within the business market.



# BANK VALUES









# OUR CREATIVE TEAM LEADERS

*The Board of Directors & The Executive Management*

## THE BOARD OF DIRECTORS

**LINDSAY BARRETT** CA (ANZ), TEP  
CHAIRMAN

Appointed to Board in 2010

*Managing Partner Barrett &  
Partners, Port Vila, Vanuatu*



**GEOFF TOONE**

MBA (Fin), BBus (Bkg & Fin), GIA (Cert),  
Cert (microfinance), GreenFinCert, FFIN, FIIDM,  
GAICD, CCEO, AMAMI, AMCEOI,  
GIA (Affiliated)

**MANAGING DIRECTOR &  
CHIEF EXECUTIVE OFFICER**

Appointed to the Board in 2017  
National Bank of Vanuatu



**HENRICKSON MALSOKLE**

BA (Econ)

Appointed to Board in 2018

*Executive Officer, Ministry of Finance  
& Economic Management*



**LINDLEY EDWARDS**

BBus (Acc), BBus (Bkg & Fin),  
GradDip (CorporateGovListedEntities),  
SF FIN, FRSA, MAICD

**DIRECTOR**

Appointed to Board in 2013

*Group Managing Director,  
AFG Venture Group, Sydney,  
Australia*



**ALAIN LEW**

**DIRECTOR**

Appointed to board in 2018

*Managing Director,  
Port Vila Hardware*





# THE EXECUTIVE MANAGEMENT

**TONY MOTULIKI** MBA, PGDGM(BA),  
PGCHRM(BA), AIMM, SA FIN, MIML,  
MAICD

EXECUTIVE GENERAL MANAGER  
RETAIL & BRAND  
Joined the National Bank in 2016



**JOHN ARUHURI** BCom

EXECUTIVE GENERAL MANAGER  
RURAL BANKING  
& FINANCIAL INCLUSION  
Joined the National Bank in 2009



**KEVIN TARINAVANUE** BBus(Acct)

ACTING CHIEF FINANCIAL OFFICER  
Joined the National Bank in 2017



**SERGE TAGA**

EXECUTIVE GENERAL MANAGER  
RELATIONSHIP BANKING  
Joined the National Bank in 1995



**JULIANN WILLIAMS** BA, MBA

CHIEF PEOPLE OFFICER  
Joined the National Bank in 1999



**MAISSA ALATOA** CAMS, GIA  
(Cert), GIA (Affiliated)

CHIEF RISK OFFICER  
Joined the National Bank in 2017



**STEVE BUCHANAN**

CHIEF CREDIT OFFICER  
Joined the National Bank in 2012



**STUART MATHISON** BE(Hons),  
GradDip AppComp, M Int Dev

CHIEF OPERATING OFFICER  
Joined the National Bank in 2008



**ANTONIO BAKEO** ACT(CertTF)

GROUP TREASURER  
Joined the National Bank in 2001

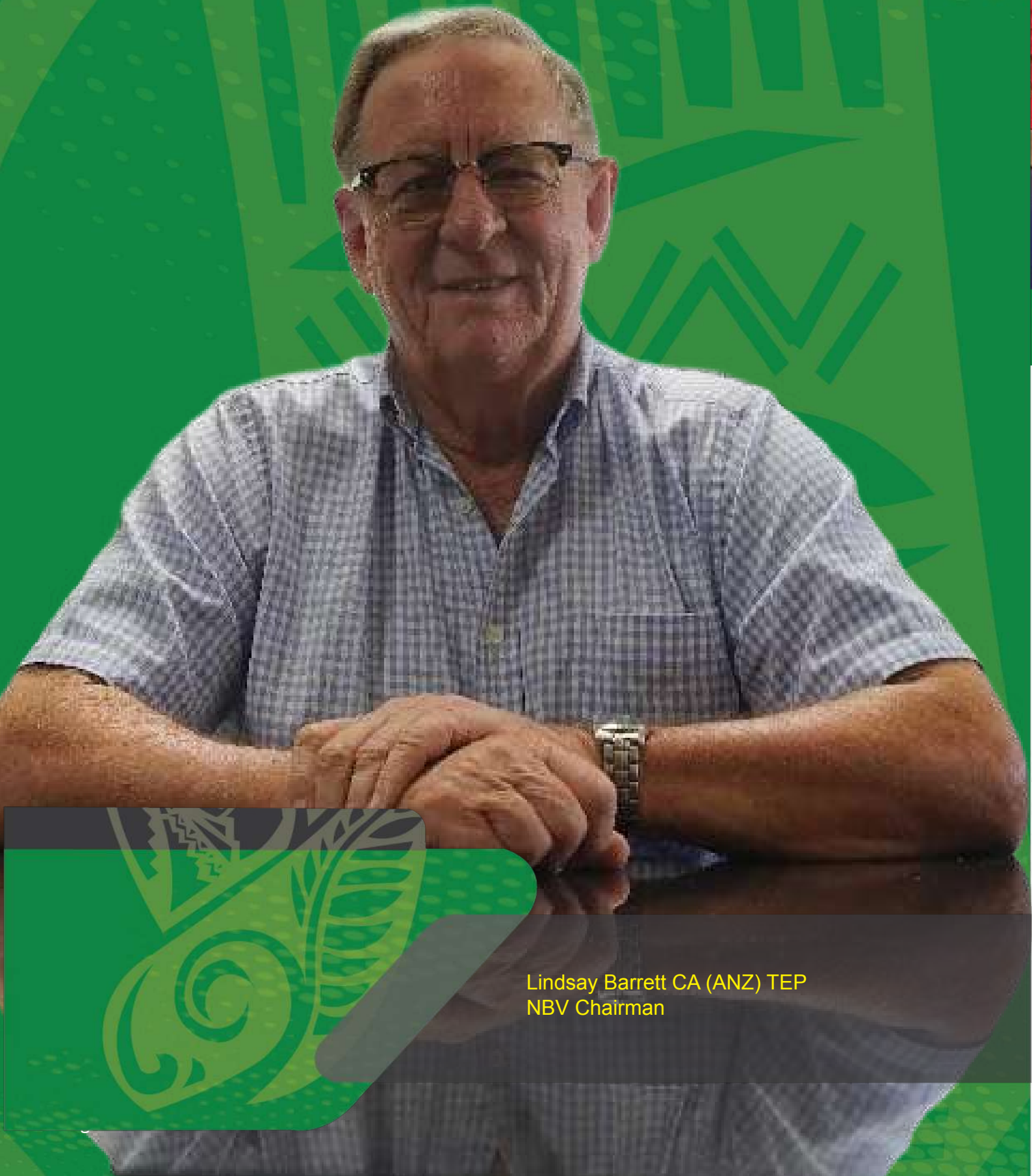






*Yumi Vanuatu*





Lindsay Barrett CA (ANZ) TEP  
NBV Chairman





## REPORT FROM NBV CHAIRMAN

It is my pleasure on behalf of the Bank's board of Directors to deliver the 2020 Annual Report.

2020 has been one of the most challenging years in the history of our bank.

After an encouraging start to the year, COVID-19 played a cruel hand, and has since hobbled the tourism industry with all its associated services being badly affected as well.

It is not over yet. There seems to be no let up on the pressure to Vanuatu's overall economic health, with borders still closed and many businesses under pressure to simply keep their doors open.

The downturn in the economy has forced a huge cost-cutting exercise creating unemployment growth, with businesses trying to match costs to the overall reduction of turnover

With good economic management and new citizenship, Vanuatu appears to have so far "weathered the storm", and remains a COVID-free country with freedom of movement for its people within our borders. Very few countries have achieved this, and it will stand Vanuatu in good stead when, finally, borders reopen and incoming travellers can arrive without quarantine for two weeks.

NBV continue to hold a growing proportion of the local banking market share, due at least in some part to our being available to do business not just in the main centres, but in 29 other more remote locations. We are, in effect, "the peoples' bank", and available to most of the

population.

Attracting Foreign Direct Investment (FDI) remains difficult for Vanuatu. FDI is a highly competitive business, and is the lifeblood of the Pacific islands. It is not enough for Vanuatu to say "we are income tax free", when import duties and VAT continue to be payable on capital expenditure which is vital to develop any sort of new industry in this economy, and attracting expertise to support new investment is made difficult and expensive through unnecessary labour policies.

We need to provide a much more streamlined approach, to make it easy for new investors to be encouraged to make their investments here rather than any other country. That will mean a simpler way to acquire property/land to develop without disputes. Many investment proposals have been abandoned because custom ownership of land is not clear and disputes have deterred the investor.

COVID-19 has affected many, but I wish to thank the executive, shareholders and staff of the NBV for ensuring the bank continues to be a major player in the economic growth of this country. Our team have produced a better than expected profit in 2020, despite the economic downturn. My thanks go out to all those who have contributed.

We look forward to expanding the bank's horizons, its growth, and to success in 2021.

Lindsay Barrett CA (ANZ) TEP  
NBV Chairman



# RIPOT BLONG

## JEAMAN BLONG NBV

Long bihaf blong Bod blong ol Daarekta, mi gat bigfala hona blong givimaot NBV anuel ripot blong yia 2020.

Long histri blong Bank, yia ya 2020 hem i kompliketed mo jalensing yia we i bitim evri narafala yia.

Long bigining blong yia ya, yumi bin projektem saen blong engarejmen, be afta, COVID19 hem i kamtru mo displeiem wan niu jalens we hem i ril mo i nogud olgeta. Long stat long taem ya we COVID19 i kamtru kasem dedei, ol kompliketed situesen ya i trakem daon Turisim Industri inkludum evri narafala industri we oli involf mo asosiet wetem Turisim Industri mekem se evriwan oli stap traehad tumas from situesen ya hem i afektem nogud olgeta.

Ol kompliketed situesen mo experians ya oli no finis yet, yumi evriwan i stap kontinu blong gotru long hem yet. Ol presa ya oli stap givim yumi ol fokas we i luk olsem se ol rod mo lukluk blong ful iekonomik helt blong Vanuatu hem i no klia gud. Folem ol nasonal disisen we boda blong yumi i kontinu blong klos yet, ol disisen ya i fosem plante bisnis blong oli kasem moa presa we i fosem olgeta kasem ol stej we olgeta oli no moa save openem ol doa blong olgeta blong bisnis blong olgeta I koninu blong operet.

Kompliketed situesen ya we i mekem se iekonomi blong kantri i stap go daon, hem i stap fosem ol bisnis blong oli mas introdusum ol kost-kating eksesaes mo ol risalt blong ol eksesaes ya, oli stap grietem mo lefthemap nam-ba blong anemployment reit I go antap moa. Ol bisnis oli mas introdusum ol kost-kating eksesaes ya blong traem mekem se ol kost bambae i save majem ovarol ridaksen tenova blong olgeta.

Be wetem gudfala iekonomik manejmen mo ol niu sitisen-sip program, long taem ya kasem taem naoia, Vanuatu hem i standao, "weathered the storm". Wetem ol ajivmen ya, i mekem se Vanuatu i kontinu blong mentenem stetas blong hem olsem wan COVID-Fri kantri mo hem i alaoem fridom blong muvmen blong ol sitisen blong hem we oli save muv mo travel insaed long boda blong hem wan. I gat fiu kantri nomo we oli standao i semak long situesen mo ajivmen olsem Vanuatu. Hemia bambae i putum Vanuatu long wan best posisen espeseli long taem we bambae ol boda oli jas open bakegen blong alaoem ol visita blong oli save kam insaed long Vanuatu we oli no moa nid blong gotru long tu wik kwarantn.

NBV hem i kontinu blong holemtaet wan growing proposen blong shea blong lokal banking maket. Hemia i folem nomo risen we NBV hem i no operetem bisnis blong hem long ol mein senta nomo, be bisnis blong yumi hem i operet long 29 narafala lokesen blong ol rimot aelan tru-


aot long kantri. Long rialiti, yumi i olsem, "Bank blong ol pipol" from we yumi avelebol mo stap kolosap moa long fulap moa pipol truaot long kantri.

Program blong yumi blong atraktem Foren Daerek Investmen (FDI) hem i stap kontinu yet olsem wan difikel bisnis long Vanuatu. FDI hem i wan haeli kompetitif bisnis, from rison ya nao hem i stap olsem, "laef-blad" blong ol kantri blong Pasifik. Hem i no inaf blong Vanuatu i stap talem se, "Yumi, yumi inkam takis-fri", taem we yumi mas kontinu blong stap pem ol impot duti mo VAT rigadem kapitol expenteja we hem i vaetol mo impoten tumas long developmen blong eni narafala niu industri blong iekonomi ya, mo long sem taem tu hem i difikel mo expensif tumas blong sapotem ol niu investmen ya taem we yumi mas go tru long ol polisi blong leba blong save atraktem ol expetis blong sapotem ol niu investmen ya.

Yumi nid blong provaedem ol strimlaen aproj, ol metod mo ol disaen we oli isi mo oli ron gud moa, blong mekem se ol aproj ya i save engarejem moa niu investa blong oli jusum Vanuatu blong kam mekem investmen blong olgeta long ples ya mo bambae oli no go invest long ol narafala kantri blong Pasifik. Hemia i minim se bambae yumi mas disaenem mo provaedem ol simbol rod blong akwaerem ol propeti/graon blong developem witaot tumas dispiut blong ol kastom taetol. Plante long ol investmen proposel oli no bin hapen from risen blo ol dispiut blong onasip blong graon we oli no stret mo oli no klia gud mekem se ol dispiut blong graon ya nao oli stap disgarejem ol investa.

COVID19 hem I bin afektem yumi bigwan, be mi wantem talem bigfala tangkiu long Ekseketif, ol sheaholda mo ol gudfala staf blong NBV blong mekem sua se bank blong yumi hem i kontinu blong stap olsem mein plea insaed long inkonmik grot blong kantri ya. Nating we yumi bin gotru long situesen blong iekonomik townturn, be ol tim blong yumi oli bin mekem gudfala wok we i gud moa i bitim we yumi bin stap expektem profit blong yumi long yia 2020. Mi wantem talem bigfala tangkiu tu i go long evriwan we olgeta tu oli save mekem kontribusen blong olgeta truaot long yia ya.

Yumi luk fowod long ol fuja plan blong bank, mo ol grot blong hem mo tu ol saksas we bambae yumi ajivim long yia, 2021.



Lindsay D. Barrett, CA (ANZ) TEP.  
Jeaman



# RAPPORT DU PRESIDENT DU CONSEIL D'ADMINISTRATION DE LA BNV

J'ai le plaisir de présenter le rapport annuel de l'exercice 2020 au nom du conseil d'administration de la banque.

En 2020, la banque a fait face à un des plus gros défis de toute son histoire.

Après un début d'année encourageant, le COVID-19 a joué un tour de passe-passe bien cruel et paralysé le secteur du tourisme et tous les services qui y sont associés ont été eux aussi durement touchés.

Or, c'est loin d'être terminé. Il ne semble pas y avoir de relâchement de la pression sur la santé économique du Vanuatu en général avec des frontières qui restent fermées et de nombreuses entreprises qui parviennent tant bien que mal à garder leurs portes ouvertes.

La récession économique a contraint les gens à prendre des mesures radicales de réduction des coûts, entraînant une escalade du chômage, les entreprises s'efforçant de concilier leurs coûts avec une diminution de leur chiffre d'affaires.

Grâce à une gestion économique avisée et la nouvelle citoyenneté, le Vanuatu semble avoir "tenu le coup" jusqu'à maintenant et a su protéger le pays du COVID tout en laissant la population se déplacer librement à l'intérieur des frontières. Rares sont les pays qui y sont parvenus et cela rendra grand service au Vanuatu lorsque les frontières rouvriront enfin et que les voyageurs pourront arriver dans le pays sans devoir passer deux (2) semaines en quarantaine.

La BNV continue de détenir une part croissante du marché bancaire local, grâce, en grande partie, au fait qu'elle est en mesure d'offrir des services non seulement dans les principaux centres urbains, mais aussi dans quelques 29 autres endroits plus reculés. Nous sommes effectivement "la banque du peuple", à la disposition de la majorité de la population.

Il reste encore difficile d'attirer des investissements directs de l'étranger (IDE) au Vanuatu. L'IDE est un marché très compétitif et constitue un élément vital pour les îles du Pacifique. Il ne suffit pas de dire qu'au Vanuatu "nous ne payons pas d'impôt sur le revenu" alors que les dépenses d'investissement en capital, indispensables pour développer toute nouvelle industrie, continuent d'être assujetties à des droits d'importation et à la TVA, et qu'il est difficile et onéreux d'attirer l'expertise nécessaire à l'appui d'un nouvel investissement en raison des politiques sur l'emploi.

Il est nécessaire d'adopter une approche beaucoup plus rationnelle et d'encourager de nouveaux investisseurs à

s'installer ici plutôt que dans un autre pays. Cela implique aussi de faciliter l'acquisition de biens immobiliers / de terrains pour les mettre en valeur sans être confrontés à des litiges coutumiers. De nombreuses propositions d'investissement ont été abandonnées parce que la propriété foncière coutumière n'est pas clairement définie et les litiges fonciers ont rebuté les investisseurs.

Le COVID-19 a causé bien des problèmes et je tiens à remercier la direction, les actionnaires et le personnel de la BNV pour avoir fait en sorte que la banque continue de jouer un rôle majeur dans la croissance économique de ce pays. Notre équipe a réussi à réaliser un bénéfice plus élevé qu'escompté en 2020, malgré la récession économique. Je tiens à adresser mes remerciements à tous ceux qui y ont contribué.

Nous espérons maintenant étendre les horizons de la Banque, amplifier sa croissance et remporter des succès en 2021.



Lindsay D. Barrett, CA (ANZ) TEP  
Le président du conseil d'administration,



## ONE STEP FURTHER



**R**au Abel Yalu is a well known yam farmer from Tanna residing in Teouma bush, Efate.

He started his yams and kava commercial farm back in 2014.

He is fortunate to be a client of NBV. With the help of the NBV microfinance team, he is able to achieve his dreams. He managed to purchase residential land in Port Vila, a farm vehicle and two farm rotovators. He is currently farming a three hectare farm land but his plan is to purchase another five hectares.

While Yalu makes regular visits to the bank, NBV staff also make regular visits to his farm to provide financial literacy training or share new ideas to help develop his farming business.

He has about 2000 yam plants now which yields up to two tonnes of yams on a single harvest.

Yalu also supplies kava cuttings from his nursery of 3000 kava plants.









# REPORT FROM THE MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

I am pleased to have the honour to lead the bank through one of the most complex years on record. COVID19 has materially impacted every facet of day to day life within Vanuatu. Vanuatu being a nation with a traditionally heavy reliance on tourism, the economic impacts across 2020 have been material for our sector, our customers, our stakeholders and our staff.

We continued to work on NBV's long term balance sheet repair despite the background of COVID19. Our shareholder structure changed with two key events. The first was a new and additional capital injection from the Vanuatu National Provident Fund. The second was the sale of International Finance Corporation shares to the Government of Vanuatu latter in the year. The result now puts in place solid building blocks post COVID19 for NBV. We thank the International Finance Corporation for being a shareholder since 2012 and assisting NBV on its journey to being Vanuatu's leading commercial bank today.

2020 represented the next phase of NBV's strategy to remain the nation's leading commercial bank. Our governance models continued on the path to best practice with AML/CTF frameworks remaining market leading within Vanuatu. We have continued to invest heavily in the development of our staff. This has been done via the acceleration of formal training programs; including work with leading educators in the area of bank lending, loan management, people management, governance and business.

The team continue to work on customer service. This was outlined in my 2019 statement and is again repeated in 2020. We believe that enhancing and improving our customer service across the nation more opportunities will emerge for the communities we work within. Our extensive network of twenty-nine branches are already seeing the benefits of such a sustained focus.

Our IsiHaos offering moved into full production during 2020. This is an affordable end-to-end home finance solution designed for rural, regional and remote locations. It is supported directly via our balance sheet; and is one of the most exciting genuine game changing affordable housing

programs across the Pacific. These six fully engineered, fully designed home models are ready for construction anywhere in the nation. Key construction materials are locally sourced providing added support for the local economy – even more important in times of COVID19. This program is expected to grow in forward years.

I would like to thank the amazing staff at NBV for their dedication and commitment to providing the very best banking services throughout Vanuatu. The passion and energy shows through daily to the communities we serve.

The bank now turns to 2021. Our expectation is that COVID19 economic conditions continue around the globe and in Vanuatu as a vaccine is progressively rolled out. This in turn will see NBV strategically manage our business during this complex trading period as we look towards a brighter long term future.



**GEOFF TOONE**

MBA (FIN), BBus (Bkg & Fin), GIA (Cert), Cert (Microfinance), GreenFinCert, FFIN, FIIDM, GAICD, CCEO, AMAMI, AMCEOI, GIA (Affiliated)

Managing Director & Chief Executive Officer





**GEOFF TOONE**

MBA (FIN), BBus (Bkg & Fin), GIA (Cert), Cert (Microfinance),  
GreenFinCert, FFIN, FIIDM, GAICD, CCEO, AMAMI, AMCEOI, GIA (Affiliated)

**Managing Director & Chief Executive Officer**



**M**i glad mo praod tumas blong gat hona ya olsem lida blong lidim bank blong yumi tru long wan yia we hem i spesel mo kompleks. Yia ya 2020, hem i wan spesel mo intresting yia we bambae hem i stap insaed long ol rekot blong yumi. COVID19 hem i kamtru mo kontinu blong develop kasem ol impoten stej we i kosem bigfala impact truaot long evri aspekt blong evridei laef mo bisnis blong evri pipol blong Vanuatu. Olsem wan neisen, Vanuatu hem i bin gat wan strong mo solid tredisen we i beis meinli long turisim indasti. Ol iekonomik impakt truaot long yia 2020, ol seves sekta blong yumi insaed long Kastoma seves, Stekholda mo Staf blong yumi oli bin riflektem mo soemaot klia ol impakt ya.

Yumi kontinu blong wok long ol Long-tem Balens Shit Ripea program blong bank nating we yumi konfemem se situesen mo developmen blong COVID19 i stap finis long kantri. Shea-holda Strakja blong yum i bin jenis folem tu mein ivent we oli bin tekemples. Fes ivent hem i wan niu adisinal kapitel we Vanuatu Nasonal Providen Fand hem i injektem i kam insaed long bank. Seken ivent hem i sel blong ol Shea blong Intenasonal Faenans Koperesen we i go long gavman blong Vanuatu mo ivent ya i bin tekeples long end blong yia 2020. Naoia, risalt blong bank i establisim wan strong fandesen afta long COVID19. Yumi talem bigfala tangkiu long Intenasonal Faenans Koperesen we hem i bin stap olsem wan strong shea-holda stat long yia 2012 finis mo hem i bin stap sapotem strong NBV long ol rod blong developmen blong hem kam kasem dedei we i save konfemem se NBV hem i stap olsem lid-ing komesel bank long Vanuatu.

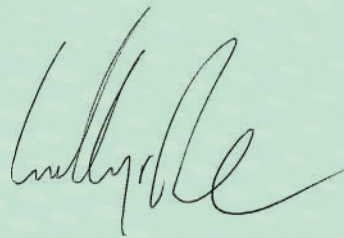
Long yia ya 2020, hem i representem wan narafala impoten stej blong strateji developmen blong NBV. Oltaem bambae NBV hem i kontinu blong stap olsem liding komesel bank long kantri. Ol Gavenans Model blong yumi oli kontinu blong stap riflektem ol rod blong best praktis tru long AML/CTF. NBV Bank hem i kontinu blong invest bigwan long ol developmen blong ol staf blong yumi. Ol developmen program we yumi stap karemaot hem i tru long ol fomal trening we yumi bin apgreidem olgeta. Ol trening ya, hem i inkludim ol wok we yumi wok wetem ol Lending Eduketas long ol eria blong Bank Lending, Lon Manejmen, Pipol Manejmen, Gavenans mo Bisnis.

Ol tim blong yumi oli kontinu blong wokstrong long sekta blong Kastoma Seves. Long 2019 anuel ripot, mi bin aot-laenem finis mo mi stap ripitim strateji ya bakegen long 2020 anuel ripot blong mi. Mifala i bilif strong se yumi mas kontinu blong promotem mo impruvum ol Kastoma Seves blong yumi, from ol strateji ya nao bambae hem i openemap moa opotuniti blong ol komuniti we yumi stap wok wetem olgeta truaot long kantri. Yumi bin establisim

wan strong netwok we i mekem se yumi gat twante naen (29) brans blong yumi we dedei oli stap luk mo experiansem ol benefit blong ol developmen mo strateji ya. Long yia 2020, Isi-Haos Ofaring program blong yumi hem i muv i go insaed long Ful Prodaksen stej. Program ya hem i wan afodabol end-to-end hom faenans solusen we ol disaen blong hem oli stret long ol kondisen blong rural, rijonal mo ol rimot lokesen mo kondisen. Balens Shit Program blong yumi nao hem i stap daerektli sapotem program ya, mo hem i wan exaeting mo tru jensing afodabol haosing program truaot long Pasifik. I gat six Hom Model we oli gat kompliit enjiniering mo disaen we oli redi blong yumi bildim olgeta long eni ples or eni aelan blong kantri. Ol mein ki konstraksen materiel, oli disaenem olgeta blong yumi yusum nomo ol lokol materiel we i save givhan blong provaedem moa iekonomik sapot i go tuwods lokol iekonomi. Hemia hem i impoten long taem naoia from we yumi stap gotru long taem mo developmen blong COVID19. Yumi stap expektem se program ya bambae hem i kontinu blong stap develop i kam antap moa long ol yia we oli stap kam long fuja.

Mi wantem tekem taem ya blong talem bigfala tangkiu long ol gudfala staf blong NBV from ol dedikesen mo ol komitmen blong olgeta we oli stap provaedem ol best banking seves truaot long kantri. Yumi stap soemaot ol gladhat mo paoa blong yumi tru long ol seves we yumi stap givimaot evridei i go long ol komuniti blong yumi.

Naoia bank i fokusem lukluk blong hem long yia 2021. Expektesen blong yumi i olsem se iekonomik kondisen blong COVID19 bambae i kontinu blong stap develop truaot long wol inkludim Vanuatu mo espesli naoia we yumi stap rere blong rolemaot gud program blong stik mersin blong COVID19. Folem situesen we yumi stap experiansem, NBV bambae hem i stratejikli manejem bisnis blong yumi truaot long difikelt mo complex treding period ya. Long semtaem ya tu, bambae yumi mas kontinu blong fokusem lukluk blong yumi i go long fored tuwods wan long-tem braet fiuja.



**GEOFF TOONE**

MBA (FIN), BBus (Bkg & Fin), GIA (Cert), Cert (Microfinance), GreenFinCert, FFIN, FIIDM, GAICD, CCEO, AMAMI, AMCEOI, GIA (Affiliated)

Manejing Daereкта mo Jif Exekutif Ofisa



# RAPPORT DU DIRECTEUR GENERAL ET ADMINISTRATEUR DELEGUE

J'ai eu le grand honneur de piloter la banque à travers une des années les plus complexes de notre histoire. Le COVID19 a eu un impact important sur toutes les facettes de la vie quotidienne au Vanuatu. Le Vanuatu étant une nation qui, traditionnellement, est fortement tributaire du tourisme, les impacts économiques tout au long de 2020 ont été significatifs pour notre secteur, nos clients, nos parties prenantes et notre personnel.

Malgré le contexte du COVID19, nous avons continué à travailler à redresser le bilan à long terme de la BNV. La structure de notre actionnariat a changé suite à deux événements clés. Le premier a vu une injection de nouveaux capitaux additionnels de la part de la Caisse nationale de Prévoyance du Vanuatu. Le deuxième a été la vente des actions de la Société de Financement Internationale (International Finance Corporation) au gouvernement du Vanuatu vers la fin de l'année. De ce fait, la BNV dispose désormais de fondements solides pour envisager l'après COVID19. Nous remercions l'International Finance Corporation pour avoir été actionnaire depuis 2012 et aidé la BNV à prendre la voie pour devenir aujourd'hui la banque commerciale de premier plan au Vanuatu.

En 2020, la BNV s'est lancée dans l'étape suivante de sa stratégie pour rester la première banque commerciale du pays. Nos modèles de gouvernance ont poursuivi le chemin de la meilleure pratique avec des cadres de LBA/FT qui sont à la pointe du marché au Vanuatu. Nous avons continué à investir lourdement dans le développement de nos effectifs par une accélération des programmes de formation formelle, y compris en travaillant avec d'éminents éducateurs dans les domaines des prêts bancaires, de la gestion des prêts, de la gestion des ressources humaines, de la gouvernance et des affaires.

L'équipe a continué à se pencher sur les services à la clientèle. Ceci fut évoqué dans mon rapport pour 2019 et est réitéré en 2020. Nous estimons qu'en rehaussant et en améliorant notre service-clients dans tout l'archipel, d'autres opportunités s'offriront aux communautés avec lesquelles nous travaillons. Notre vaste réseau de vingt-neuf agences produit déjà les retombées bénéfiques d'une focalisation aussi soutenue.

Notre offre IsiHaos est entrée en pleine opération durant 2020. Il s'agit là d'une solution pour le crédit au logement clé en main abordable, adaptée à une population en milieu rural et dans des endroits reculés. Elle est soutenue directement via notre bilan et constitue un des programmes au logement abordables les plus passionnants et véritablement révolutionnaires dans tout le Pacifique. Ces six modèles d'habitation bien étudiés et conçus sont prêts à être construits n'importe où dans le pays. Les

principaux matériaux de construction peuvent être obtenus localement, ce qui apporte un soutien supplémentaire à l'économie locale – d'autant plus important par ces temps de COVID19. On s'attend à ce que ce programme s'amplifie dans les années à venir.

J'aimerais remercier les effectifs extraordinaires de la BNV pour leur dévouement et leur engagement à fournir les meilleurs services bancaires dans tout l'archipel du Vanuatu. La passion et l'énergie se manifestent tous les jours auprès des communautés que nous desservons.

La banque se tourne maintenant vers 2021. Nous nous attendons à ce que la conjoncture induite par le COVID19 se poursuive dans le monde entier, y compris au Vanuatu, avec un déroulement progressif de la campagne de vaccination. En conséquence, la BNV va gérer stratégiquement ses affaires au cours de cette période commerciale complexe en visant un avenir plus prometteur au long terme.



**GEOFF TOONE**

MBA (FIN), BBus (Bkg & Fin), GIA (Cert), Cert (Microfinance), GreenFinCert, FFIN, FIIDM, GAICD, CCEO, AMAMI, AMCEOI, GIA (Affiliated)

Directeur General et Administrateur Delege





*Yumi Vanuatu*



# FIVE YEAR SUMMARY

## National Bank of Vanuatu Five Year Summary

2016 - 2020

(Expressed in ' 000 Vatu)	2016	2017	2018	2019	2020	(Exprimé en '000 Vatu)
<b>Profit &amp; Loss</b>						<b>Compte de résultat</b>
Interest income	1,132,039	1,262,171	1,630,236	1,773,170	1,533,158	Produits d'intérêts
Interest expense	(350,757)	(413,669)	(367,365)	(442,886)	(310,065)	Charges d'intérêts
Net Interest income	781,282	848,502	1,262,871	1,330,284	1,223,093	Intérêts nets
Other operating income	427,004	547,619	585,943	689,227	650,232	Autres produits d'exploitation
Provision for loan losses	(148,389)	(792,019)	(302,916)	(312,544)	(390,652)	Dotation aux provisions pour prêts douteux
Other operating expenses	(998,761)	(1,097,020)	(1,223,421)	(1,379,587)	(1,404,975)	Autres charges d'exploitation
Operating profit / (loss) before government grant	61,136	(492,918)	322,477	327,380	77,698	Bénéfice / (perte) d'exploitation avant subvention du gouvernement
Government grant	0	0	0	0	0	Subvention du gouvernement
<b>Profit / (loss) for the year</b>	<b>61,136</b>	<b>(492,918)</b>	<b>322,477</b>	<b>327,380</b>	<b>77,698</b>	<b>Bénéfice / (perte) de l'exercice</b>
<b>Balance sheet</b>						<b>Bilan</b>
Net loans and advances	12,107,976	12,922,982	13,886,610	13,788,899	13,165,044	Prêts et créances nettes sur la clientèle
Total assets	25,431,168	28,039,677	35,393,433	34,816,056	33,947,270	Total de l'actif
Customer deposits	23,413,775	26,439,131	33,427,641	32,156,410	30,612,557	Dépôts clients
Shareholders' funds(Equity)	1,482,929	990,011	1,312,488	1,546,941	2,424,639	Capitaux propres
<b>Performance ratios</b>						<b>Ratios mesurant la performance</b>
Return on shareholders' Funds (Equity) %	4.12	(49.79)	24.57	21.16	3.20	Retour sur fonds propres
Return on assets %	0.24	(1.76)	0.91	0.94	0.23	Rentabilité des actifs
Income growth %	6.88	16.08	22.46	11.11	(11.33)	Croissance des revenus
<b>Prudential ratios</b>						<b>Ratios de prudence</b>
Capital adequacy %	10.05	6.55	8.11	9.28	13.62	Suffisance du capital
Liquid asset ratio %	23.96	33.97	35.31	40.48	44.08	Ratio des liquidités



## WHAT WE OFFER

Savings Accounts	Comptes d'épargne
Current Accounts	Compte courant
Mekem Gro Accounts	Comptes Mekem Gro
Sevem Vatu Accounts	Comptes Sevem Vatu
Isi Accounts	Comptes Isi
Salaries – Inward & Outward payments	Salaires - Paiements entrants et sortants
Audit Certificates	Certificats d'audit
Domestic Term Deposits	Dépôts à terme domestiques
Foreign Currency Term Deposits	Dépôts à terme en devises étrangères
Foreign Currency Call Accounts	Comptes d'appels en devises étrangères
Letters of Credit – Import / Export	Lettres de crédit - Import / Export
International Drafts	Projets internationaux
SWIFT Transfers	Transferts SWIFT
Foreign Exchange	Change
Bills for Collection	Factures de recouvrement
Land Loans	Prêts fonciers
Home Loans	Prêts immobiliers
Personal Loans	Prêts personnels
Term Loans	Prêts à terme
Vehicle Loans	Prêts de véhicule
Micro Business Loans	Prêts aux microentreprises
Micro Rural Loans	Prêts Micro Rural
Micro Land Loans	Prêts de micro-terres
IsiHaos Loans	Prêts de IsiHaos
Micro Seasonal Worker Loans	Prêts micro-saisonniers aux travailleurs
Bank Guarantees	Garanties bancaires
Immigration Bonds	Obligations d'immigration
Premium Funding Loans	Prêts de financement de primes
IsiMs	IsiMs
IsiNet	IsiNet
IsiMobile	IsiMobile
IsiHaos	IsiHaos
Telegraphic Transfers	Transferts télégraphiques
Foreign Currency Loans	Prêts en devises étrangères





*Yumi Vanuatu*



# CORRESPONDENT BANKS

## **Australia**

Commonwealth Bank of Australia,  
Sydney

National Australia Bank Ltd,  
Melbourne

## **Fiji**

HFC Bank,  
Suva

Bank South Pacific,  
Suva

## **Japan**

Bank of Tokyo Mitsubishi,  
Tokyo

## **New Zealand**

ASB Bank Limited,  
Auckland

Bank of New Zealand,  
Wellington

## **Papua New Guinea**

Bank South Pacific,  
Port Moresby

## **Tahiti**

Bank of Tahiti  
Papeete

## **Solomon Islands**

Bank South Pacific,  
Honiara

## **Australie**

Commonwealth Bank of Australia,  
Sydney

National Australia Bank Ltd,  
Melbourne

## **Fidji**

HFC Bank,  
Suva

Bank South Pacific,  
Suva

## **Japan**

Bank of Tokyo Mitsubishi,  
Tokyo

## **Nouvelle-Zélande**

ASB Bank Limited,  
Auckland

Bank of New Zealand,  
Wellington

## **Papouasie Nouvelle-Guinée**

Bank South Pacific,  
Port Moresby

## **Tahiti**

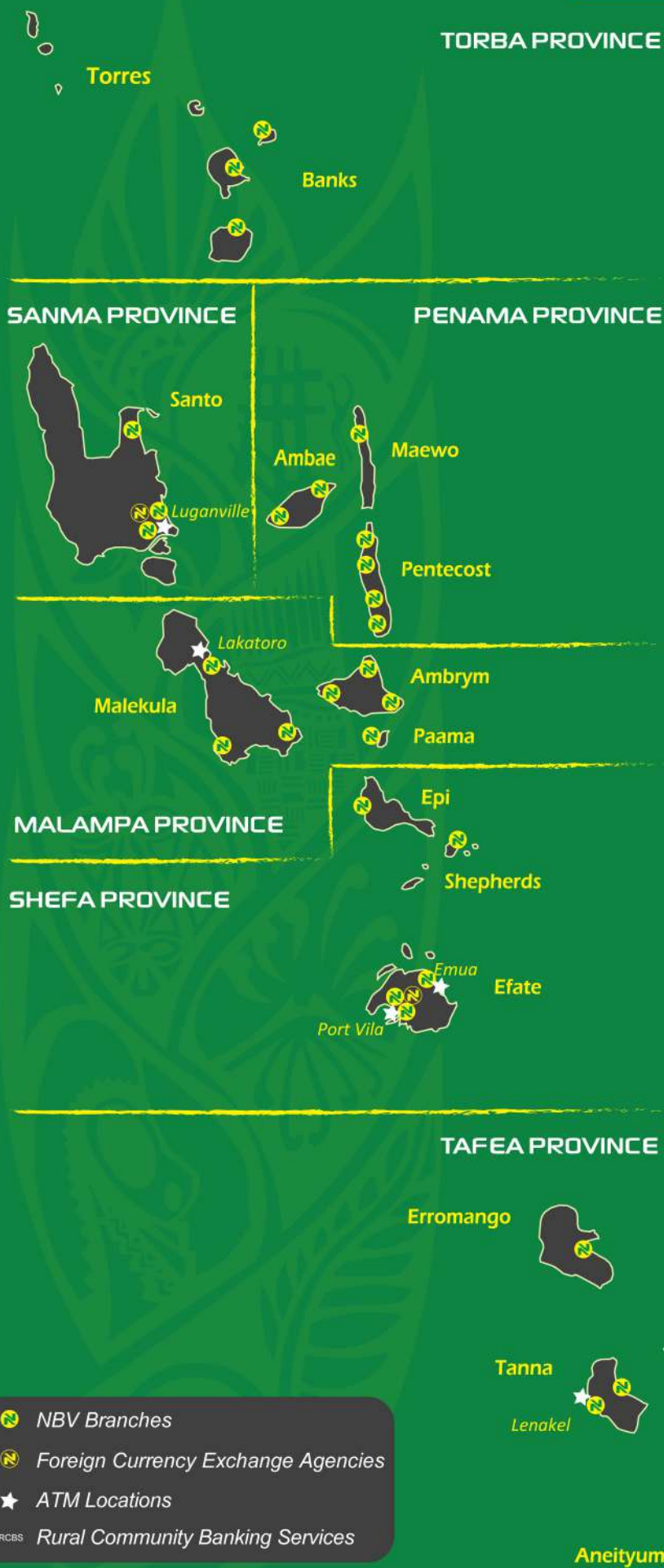
Banque de Tahiti  
Papeete

## **Ilse Salomon**

Bank South Pacific,  
Honiara







### TORBA PROVINCE

#### Vanua Lava

Sola Branch

#### Gaua

Gaua Branch

#### Mota Lava

Mota Lava Branch

+30 RCBS Centres

### SANMA PROVINCE

#### Santo

Luganville Branch

Luganville Market Branch

Port Olry Branch

+39 RCBS Centres

### PENAMA PROVINCE

#### Maewo

Betarara Branch

#### Ambae

Saratamata Branch

Mata Branch

#### Pentecost

Angoro Branch

Ennar Branch

Melsisi Branch

Pangi Branch

+86 RCBS Centres

### MALAMPA PROVINCE

#### Malekula

Lakatoro Branch

Lamap Branch

South West Bay Branch

#### Ambrym

Craig Cove Branch

Nepul Branch

Ulei Branch

#### Paama

Liro Branch

+105 RCBS Centres

### SHEFA PROVINCE

#### Epi

Rovo Bay Branch

#### Tongoa

Morua Branch

#### Efate

Emua Branch

Port Vila Branch

Rural Banking Centre

+70 RCBS Centres

### TAFEA PROVINCE

#### Erromango

Ipota Branch

#### Tanna

Lenakel Branch

Whitesands Branch

#### Aneityum

Anelcauhat Branch

+40 RCBS Centres

NBV Branches

Foreign Currency Exchange Agencies

ATM Locations

RCBS Rural Community Banking Services



# FINANCIAL STATEMENTS

## FINANCIALS 03

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*Yumi Vanuatu*



## National Bank of Vanuatu Limited

### Report of the directors For the year ended 31 December 2020

The directors present their report together with the audited financial statements for the year ended 31 December 2020 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:

<u>Director</u>	<u>Appointed</u>	<u>Resigned</u>	<u>Meetings</u>	<u>Attended</u>
Geoffrey Toone (Managing Director)	23/02/2017	-	6	6
Lindsay Barrett (Director and Chairman)	19/07/2012	-	6	6
Lindley Edwards (Director)	06/03/2013	-	6	6
Jean-Francois Metmetsan (Director)	20/04/2016	03/03/2020	-	-
Alain Lew (Director)	22/12/2016	-	6	2
Henrickson Malsokle (Director)	06/11/2018	-	6	5

#### 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 Vt77,698,000 (2019: Vt 327,380,000).

#### Reserves:

The directors propose that no transfer be made to reserves (2019: Nil).

#### Dividends:

There were no dividends proposed for the financial year (2019: Nil).



**National Bank of Vanuatu Limited**

**Report of the directors (continued)  
For the year ended 31 December 2020**

**Directors' benefits:**

During the financial year, the directors of the National Bank of Vanuatu Limited 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 Limited, by reason of a contract made by the National Bank of Vanuatu Limited with the director.

**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 2020 have been drawn up so as to give a true and fair view.

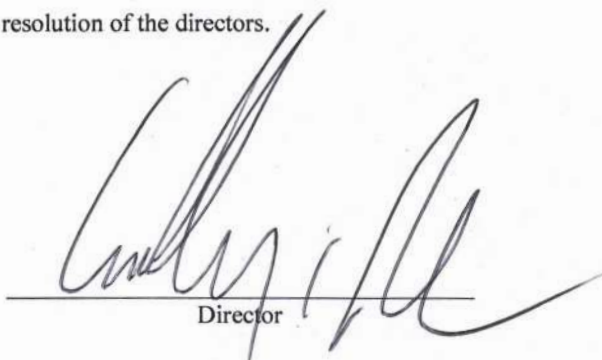
The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2020. The directors also confirm that applicable accounting 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, the 31<sup>st</sup> of March 2021

  
Director

  
Director



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

### Qualification

IFRS 9: Financial Instruments became effective as of 1 January 2018 and is applicable to the National Bank of Vanuatu Limited for its current reporting financial year ended 31 December 2020. The Bank was not in a position to adopt IFRS 9 due to the complexity and resources required to meet all requirements for initial application of IFRS 9 including classification and measurement of financial assets and financial liabilities and the new requirements for the impairment of financial assets.

We are therefore unable to express an opinion on the provision for impairment figure to the extent that any adjustment to this amount would have an impact on both the statement of financial position and the statement of comprehensive income. We have obtained all other information and explanations that we have required.

### Audit Opinion

We have audited the accompanying financial statements of National Bank of Vanuatu Limited which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements which includes a summary of significant accounting policies and other explanatory notes set out on pages 7 to 26.

In our opinion, subject to the qualification stated above, 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 company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in compliance with International Financial Reporting Standards.

### Basis for Opinion

We have conducted our audit in accordance with International Standards on Auditing. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial statements in Vanuatu. We have fulfilled our other ethical responsibilities in accordance with the Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Other Information

Other Information is both financial and non-financial information in National Bank of Vanuatu Limited's annual reporting which is provided in addition to the financial statements and the auditor's report. The Directors are responsible for the Other Information.

PRINCIPALS  
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VICKI JOE

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PO BOX 212  
PORT VILA | VANUATU

Celebrating over 50 years in Vanuatu



## **Independent Auditors' Report to the members of National Bank of Vanuatu Limited (continued)**

### **Other Information (continued)**

Our opinion on the financial statements does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report, we have nothing to report.

### **Responsibilities of directors for the financial statements**

The directors of the company are responsible for:

- the preparation and fair presentation of these financial statements and the information they contain, in accordance with International Financial Reporting Standards and the Vanuatu Companies Act No. 25 of 2012;
- implementing necessary internal controls to enable the preparation of the financial statements that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. A further description of our responsibilities for the audit of the financial statements is located at the website [https://www.ifac.org/system/files/publications/file%20ICA-700-Revised\\_3.pdf](https://www.ifac.org/system/files/publications/file%20ICA-700-Revised_3.pdf). This description forms part of our auditor's report.

*Law Partners*

**LAW PARTNERS**  
**Chartered Accountants**

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

**Jonathan Law**  
**Partner**  
Port Vila  
31 March 2021



**National Bank of Vanuatu Limited**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**

*(Expressed in '000 Vatu)*

	<b>Note</b>	<b>2020</b>	<b>2019</b>
Interest income	5	1,533,158	1,773,170
Interest expense	6	<u>(310,065)</u>	<u>(442,886)</u>
Net interest income		1,223,093	1,330,284
Other operating income	5	<u>650,232</u>	<u>689,227</u>
Net banking income		1,873,325	2,019,511
Severance pay expense		(56,610)	(49,204)
Other operating expenses	6	<u>(1,656,064)</u>	<u>(1,522,153)</u>
<b>Operating profit for the year</b>		160,651	448,154
Tax expense		(82,953)	(120,774)
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>77,698</u>	<u>327,380</u>

*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 35 - 52*

**National Bank of Vanuatu Limited**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**

(Expressed in '000 Vatu)

	Note	Issued & paid up capital	Share premium	Retained earnings	Total
<b><u>2020</u></b>					
Balance at the beginning of the financial year		857,140	172,361	517,440	1,546,941
Capital issued during the year	19	800,000	-	-	800,000
Total comprehensive income for the year		-	-	77,698	77,698
		1,657,140	172,361	595,138	2,424,639
Dividends paid		-	-	-	-
Balance at the end of the financial year		<u>1,657,140</u>	<u>172,361</u>	<u>595,138</u>	<u>2,424,639</u>
<b><u>2019</u></b>					
Balance at the beginning of the financial year		857,140	172,361	282,987	1,312,488
IFRS 16 transition adjustment		-	-	(92,927)	(92,927)
Total comprehensive income for the year		-	-	327,380	327,380
		857,140	172,361	517,440	1,546,941
Dividends paid		-	-	-	-
Balance at the end of the financial year		<u>857,140</u>	<u>172,361</u>	<u>517,440</u>	<u>1,546,941</u>

*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 35 - 52*



**National Bank of Vanuatu Limited**

**STATEMENT OF FINANCIAL POSITION**

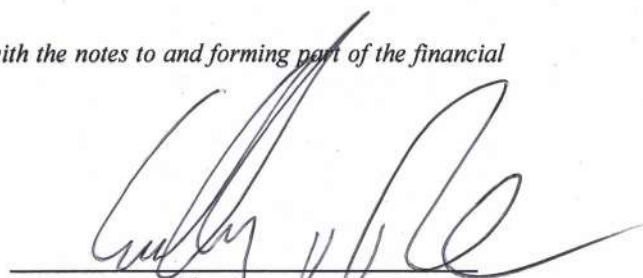
**AS AT 31 DECEMBER 2020**

*(Expressed in '000 Vatu)*

	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Assets</b>			
Liquid assets	9	18,132,852	19,224,060
Net loans and advances to customers	10(a)	13,165,044	13,788,899
Investment securities	12	1,629,074	638,414
Other assets	13	237,074	311,560
Property, plant and equipment	15	783,226	853,123
<b>Total assets</b>		<b>33,947,270</b>	<b>34,816,056</b>
<b>Liabilities</b>			
Customers' accounts	16	30,612,557	32,156,410
Other liabilities	17	314,463	471,697
Provisions	18	292,195	288,988
Lease liability	15(c)	303,416	352,020
<b>Total liabilities</b>		<b>31,522,631</b>	<b>33,269,115</b>
<b>Equity</b>			
Share capital	19	1,657,140	857,140
Share premium		172,361	172,361
Retained earnings		595,138	517,440
<b>Total equity</b>		<b>2,424,639</b>	<b>1,546,941</b>
<b>Total liabilities and equity</b>		<b>33,947,270</b>	<b>34,816,056</b>

*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 35 - 52*

  
Director

  
Director

Port Vila, 31 March 2021

**National Bank of Vanuatu Limited**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

*(Expressed in '000 Vatu)*

	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>			
Interest received		1,143,558	1,760,036
Interest paid		(370,283)	(439,528)
Other cash receipts in the course of operations		653,993	718,702
Other cash payments in the course of operations		<u>(1,335,735)</u>	<u>(902,855)</u>
		91,533	1,136,355
<i>Changes in operating assets and liabilities</i>			
- Gross loans and advances to customers		232,469	(214,833)
- Customers' accounts		(1,543,853)	(1,271,231)
- Other assets		464,820	(185,670)
- Transit accounts		<u>(60,549)</u>	<u>9,867</u>
Net cash used in operating activities	23	<u>(815,580)</u>	<u>(525,512)</u>
<b>Cash flows from investing activities</b>			
Net movement in investment deposits		(990,660)	3,148,419
Net payments for leasehold improvements, plant and equipment		<u>(84,968)</u>	<u>(342,591)</u>
Net cash (used in) / provided by investing activities		<u>(1,075,628)</u>	<u>2,805,828</u>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of share capital		<u>800,000</u>	<u>-</u>
Net cash provided by investing activities		<u>800,000</u>	<u>-</u>
Net (decrease) / increase in cash and cash equivalents held		(1,091,208)	2,280,316
Cash and cash equivalents at beginning of the financial year		19,224,060	16,943,744
Cash and cash equivalents at the end of the financial year	9	<u>18,132,852</u>	<u>19,224,060</u>

*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 35 - 52*



## **National Bank of Vanuatu Limited**

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

*(Expressed in '000 Vatu)*

#### **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.

##### **(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.

##### *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.

## National Bank of Vanuatu Limited

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in '000 Vatu)

#### 3. Significant accounting policies (continued)

##### (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 14

###### *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	1 - 50%
Plant and equipment	6 - 100%
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.



## **National Bank of Vanuatu Limited**

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

*(Expressed in '000 Vatu)*

#### **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 18**

###### *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 10 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.

## **National Bank of Vanuatu Limited**

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

*(Expressed in '000 Vatu)*

#### **3. Significant accounting policies (continued)**

##### **(g) Financial instruments (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 11**

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.



## National Bank of Vanuatu Limited

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in '000 Vatu)

#### 3. Significant accounting policies (continued)

##### (i) Leases

Effective January 1, 2019, the Bank adopted IFRS 16, which specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases.

###### *As a lessee*

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any leases payments made at or before the commencement date, less any lease incentives received.

For contracts entered before 1 January 2018, the Bank determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - The purchaser had the right or ability to operate the asset while obtaining or controlling more than an insignificant amount of output;
  - The purchaser had the ability or right to control physical access to the asset whilst obtaining or controlling an insignificant amount of output.

The right-of-use asset is subsequently depreciated using straight-line method from commencement date to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term. The estimated useful life of the right-to use asset are determined on the same basis as those of property and equipment. In addition, the right-to use- asset is periodically checked for impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-to-use asset has been reduced to zero.

###### *As a lessor*

When the Bank acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.





*Yumi Vanuatu*







## National Bank of Vanuatu Limited

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in '000 Vatu)

#### 3. Significant accounting policies (continued)

##### (i) Leases (continued)

The Bank recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'. The accounting policies applicable to the Bank as a lessor in the comparative period were not different from IFRS 16.

Note 15 provides more detail of how the lease asset and liability is measured.

##### (j) Comparatives

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

#### 4. Standards and interpretations not yet adopted in 2020

##### (a) IFRS 9: Financial instruments (periods beginning on or after 1 January 2018)

IFRS 9 is effective for the Bank from 1 January 2018. IFRS 9 stipulates new requirements for the impairment of financial assets, classification and measurement of financial assets and financial liabilities and general hedge accounting. Details of the key requirements and estimated impacts in the Bank are outlined below.

###### *Impairment*

IFRS 9 replaces the incurred loss impairment model under IAS 39: Financial Instruments: Recognition and Measurement (IAS 39) with an expected credit loss (ECL) model incorporating forward looking information. The ECL model will be applied to all financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, lease receivables, certain loan commitments and financial guarantees. Under the ECL model, the following three-stage approach is applied to measuring ECL based on credit migration between the stages since origination:

- Stage 1: At the origination of a financial asset, a provision equivalent to 12 months ECL is recognised.
- Stage 2: Where there has been a significant increase in credit risk since origination, a provision equivalent to lifetime ECL is recognised.
- Stage 3: Similar to the current IAS 39 requirements for individual impairment provisions, lifetime ECL is recognised for loans where there is objective evidence of impairment.

Expected credit losses are probability weighted and determined by evaluating a range of possible outcomes, taking into account the time value of money, past events, current conditions and forecast of future economic conditions.

###### *Classification and measurement*

There are three measurement classifications under IFRS 9: Amortised cost, Fair Value Profit or Loss and Fair Value through Other Comprehensive Income. Financial assets are classified into these measurement classifications taking into account the business model within which they are managed, and their contractual cash flow characteristics.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely consistent with IAS 39 with the exception that for financial liabilities designated as measured at fair value, gains and losses relating to changes in the entity's own credit risk are included in other comprehensive income.

###### *Transition to IFRS 9*

IFRS 9 has a date of initial application for the Banking Group of 1 January 2018 however the Bank will not be adopting this standard until 1 January 2021 whereby the classification and measurement and impairment requirements will be applied retrospectively by adjusting opening retained earnings at 1 January 2021. As a result, the Bank has accepted an audit qualification in relation to non-adoption of IFRS 9 for the 2020 financial statements.



# National Bank of Vanuatu Limited

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in '000 Vatu)

5. Income	Note	2020	2019
<b>Interest income</b>			
Loans and advances		1,459,679	1,566,638
Interbank foreign currency placing		34,262	161,816
Investment securities		39,217	44,716
		<u>1,533,158</u>	<u>1,773,170</u>
<b>Other operating income</b>			
Fees, charges and commissions (*)		383,783	414,073
Net foreign exchange earnings		254,038	234,821
Other income		12,411	40,333
		<u>650,232</u>	<u>689,227</u>

\* 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.

<b>6. Expenses</b>			
<b>Interest expense</b>			
On deposits		293,115	424,304
On leases		16,950	18,582
		<u>310,065</u>	<u>442,886</u>
<b>Other operating expenses</b>			
<i>Personnel expenses</i>			
Salaries and wages		558,364	499,944
VNPF contributions		22,552	25,967
Other		128,516	141,483
		<u>709,432</u>	<u>667,394</u>
<i>Other operating expenses</i>			
Auditor's remuneration	7	3,307	3,307
Depreciation	14	110,656	113,781
Allowance for loan losses	11	390,652	312,544
Other expenses		442,017	425,127
		<u>946,632</u>	<u>854,759</u>
		<u>1,656,064</u>	<u>1,522,153</u>

### 7. Auditor's remuneration

Amounts received or due and receivable by the Auditors of the Bank for :

- Auditing the financial statements	3,048	3,048
- Other services	259	259
	<u>3,307</u>	<u>3,307</u>

### 8. 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

# National Bank of Vanuatu Limited

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in '000 Vatu)

### 8. Segment analysis (continued)

#### Geographical segments

The Bank operates predominantly in Vanuatu

9. Liquid assets	Note	2020	2019
Currency notes and coins		939,715	906,148
Balance with Reserve Bank (including regulatory deposits)		8,747,800	9,990,077
Due from other banks		8,445,337	8,327,835
		<u>18,132,852</u>	<u>19,224,060</u>

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.

### 10. Loans and advances

#### 10(a) Net loans and advances to customers

Overdrafts		878,187	1,117,997
Loans		<u>14,125,651</u>	<u>14,391,604</u>
Total gross loans and advances		15,003,838	15,509,601
Allowance for impairment	11	<u>(1,838,794)</u>	<u>(1,720,702)</u>
Net loans and advances		<u>13,165,044</u>	<u>13,788,899</u>

Maturities of gross loans and advances are summarised as follows:

Not later than 1 year	1,667,183	2,115,640
Between 1 and 2 years	941,506	976,208
Between 2 and 5 years	2,074,390	2,442,541
Later than 5 years	<u>10,320,759</u>	<u>9,975,212</u>
	<u>15,003,838</u>	<u>15,509,601</u>

Collateral held in respect of loans and advances that are impaired amounts is Vt4,745,985 (2019: Vt3,205,103).

#### 10(b) Gross loans and advances to customers past due but not impaired

<u>3,007,770</u>	<u>3,547,220</u>
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Maturities of gross loans and advances to customers are summarised as follows:

Not later than 1 year	141,412	390,744
Between 1 and 2 years	121,995	138,760
Between 2 and 5 years	314,124	458,621
Later than 5 years	<u>2,430,239</u>	<u>2,559,095</u>
	<u>3,007,770</u>	<u>3,547,220</u>

#### 10(c) Restructured gross loans and advances to customers

<u>356,634</u>	<u>361,237</u>
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# National Bank of Vanuatu Limited

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in '000 Vatu)

11. Allowances for impairment of loans and advances to customers	Note	2020	2019
<i>Collective allowances</i>			
Balance at beginning of the year		123,659	118,678
Charge to statement of comprehensive income	6	(16,781)	4,997
Loans written off / back		(255)	(16)
Total collective allowance		<u>106,623</u>	<u>123,659</u>
<i>Individual allowances</i>			
Balance at beginning of the year		1,597,043	1,344,959
Charge to statement of comprehensive income	6	407,433	307,547
Loans written off / back		(272,305)	(55,463)
Total individual allowance		<u>1,732,171</u>	<u>1,597,043</u>
Total allowances for impairment of loans and advances to customers		<u>1,838,794</u>	<u>1,720,702</u>

### 12. Investment securities

Maturities of investment securities are summarised as follows:

Not later than 1 year	1,458,484	112,163
Between 1 and 2 years	70,590	138,751
Between 2 and 5 years	100,000	387,500
Later than 5 years	-	-
	<u>1,629,074</u>	<u>638,414</u>

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).

### 13. Other assets

Accrued interest receivable	485,307	94,973
Projects – in progress	70,292	81,564
Other assets	(318,525)	135,023
	<u>237,074</u>	<u>311,560</u>

### 14. Property, plant and equipment

	2020			2019		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
<i>Leasehold premises and improvements</i>	168,025	(122,999)	45,026	162,411	(108,648)	53,763
<i>Plant and equipment</i>	1,016,000	(596,902)	419,098	1,074,476	(645,605)	428,871
<i>Computer system</i>	123,793	(123,680)	113	123,793	(123,680)	113
<i>Leasehold land, building and improvements</i>	172,088	(65,427)	106,661	171,155	(58,183)	112,972
<b>Total</b>	<b>1,479,906</b>	<b>(909,008)</b>	<b>570,898</b>	<b>1,531,835</b>	<b>(936,116)</b>	<b>595,719</b>

**National Bank of Vanuatu Limited**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

(Expressed in '000 Vatu)

**14. Property, plant and equipment (continued)**

			<b>2020</b>		
	Opening carrying amount	Additions	Disposals/ writeoffs	Depreciation charge	Closing carrying amount
<i>Leasehold premises and improvements</i>	53,763	5,616	-	(14,353)	45,026
<i>Plant and equipment</i>	428,871	118,410	(39,123)	(89,060)	419,098
<i>Computer system</i>	113	-	-	-	113
<i>Leasehold land, building and improvements</i>	112,972	932		(7,243)	106,661
<b>Total</b>	<b>595,719</b>	<b>124,958</b>	<b>(39,123)</b>	<b>(110,656)</b>	<b>570,898</b>

**15. Leases and right of use assets**

(a) Leases

Property, plant and equipment comprise owned and leased assets that do not meet the definition of investment property

	<b>Note</b>	<b>2020</b>	<b>2019</b>
Property, plant and equipment owned	14	570,898	595,719
Right-of use assets	15(b)	212,328	257,404
Balance as at 31 December		<u>783,226</u>	<u>853,123</u>

(b) Right-of-use assets

Balance as at 1 January (Following IFRS 16 transition)	257,404	296,581
Recognition of right of use	(867)	-
Depreciation charge for the year	(44,209)	(39,177)
Balance as at 31 December	<u>212,328</u>	<u>257,404</u>

(c) Lease liabilities

Maturity analysis -

Less than one year	46,592	48,157
One to five years	235,675	221,343
More than five years	21,149	82,520
Total lease liabilities as at 31 December	<u>303,416</u>	<u>352,020</u>
Lease liabilities included in the statement of financial position at 31 December	<u>303,416</u>	<u>352,020</u>

**16. Customers' accounts**

Current accounts	6,898,578	5,803,308
Savings accounts	11,403,680	9,565,620
Fixed term deposits	12,310,299	16,787,482
	<u>30,612,557</u>	<u>32,156,410</u>

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:



**National Bank of Vanuatu Limited**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

(Expressed in '000 Vatu)

**16. Customers' accounts (continued)**

	<b>Note</b>	<b>2020</b>	<b>2019</b>
<i>Fixed term deposits</i>			
Not later than 1 month		5,256,918	7,481,023
Between 1 and 3 months		1,456,595	4,471,659
Between 3 and 12 months		4,942,226	4,394,083
Later than 1 year		654,560	440,717
		<u>12,310,299</u>	<u>16,787,482</u>

**17. Other liabilities**

Accrued interest payable		35,788	96,006
Transit accounts		113,857	174,406
Unearned income – lending fees		116,022	124,575
Unearned income – rural services grant		18,851	6,537
Due to other banks		5,880	32,357
Other		24,065	37,816
		<u>314,463</u>	<u>471,697</u>

**18. Provisions**

<i>Current</i>			
Annual leave provision		43,215	52,127
Other		9,622	25,703
Severance allowance		207,980	192,037
		<u>260,817</u>	<u>269,867</u>
<i>Non-current</i>			
Severance allowance		31,378	19,121
		<u>292,195</u>	<u>288,988</u>
<i>Movement in severance allowance</i>			
Balance at beginning of the year		211,158	171,465
Net charge to the income statement		56,610	49,204
Provision utilised		<u>(28,410)</u>	<u>(9,511)</u>
Balance at end of the year		<u>239,358</u>	<u>211,158</u>

**19. Share capital**

**Authorised capital**

165,714 (2019: 85,714) ordinary shares of Vt10,000 each	<u>1,657,140</u>	<u>857,140</u>
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**Issued and paid-up capital**

165,714 (2019: 85,714) ordinary shares of Vt10,000 each, fully paid	<u>1,657,140</u>	<u>857,140</u>
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During the year the Vanuatu National Provident Fund purchased an additional 80,000 ordinary shares at Vt10,000 per share for a total of Vt800,000,000.

The Government of Vanuatu holds 60,000 ordinary shares. Vanuatu National Provident Fund 92,857 (2019: 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 that no dividend be paid for 2020 (2019: Nil).

## National Bank of Vanuatu Limited

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in '000 Vatu)

20. Commitments	2020	2019
<i>Operating lease commitments</i>		
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than 1 year	4,765	80,567
Between 1 and 2 years	24,575	133,867
Between 2 and 5 years	715	202,038
Later than 5 years	1,525	-
	<u>31,580</u>	<u>416,472</u>

### 21. 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.

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:



## National Bank of Vanuatu Limited

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in '000 Vatu)

#### 21. Financial instruments (continued)

Financial assets:

- Liquid assets: floating interest rates.
- Gross loans and advances to customers: variable maturing as detailed in note 10 (with fixed interest rates of up to 18 months on housing loan products only).
- Investment securities: fixed interest rates maturing as detailed in note 12.

Financial liabilities:

- Customers' accounts: variable/fixed interest rates maturing as detailed in note 16.
- 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.

Details of income and expenses for financial instruments follows:

	Carrying value	2020 Interest income and expenses	Fees, charges and commissions
<i>Loans and receivables</i>			
Net loans and advances to customers	13,165,778	1,149,614	383,783
<i>Held to maturity assets</i>			
Investment securities	1,629,074	39,217	-

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

#### *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.

## National Bank of Vanuatu Limited

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in '000 Vatu)

#### 22. Contingent liabilities and commitments

##### Contingent liabilities

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.

	2020	2019
Bonds	<u>1,763</u>	<u>39,584</u>
Financial guarantees	<u>-</u>	<u>-</u>
Letters of credit	<u>-</u>	<u>-</u>
<b>Commitments</b>		
Capital expenditure	121,650	122,810
Undrawn facilities	<u>40,344</u>	<u>60,421</u>
	<u>161,994</u>	<u>183,231</u>

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

#### 23. Notes to the statement of cash flows

##### Reconciliation of operating profit to net cash flows from operating activities

Profit for the year	77,698	327,380
<i>Non-cash items</i>		
- Allowance for impairment and loans written off	118,092	257,065
- Depreciation	<u>154,865</u>	<u>152,958</u>
Net cash provided by operating activities before change in assets and liabilities	350,655	737,403
Change in assets and liabilities during the financial year		
- Increase in accrued interest receivable	(390,334)	(13,134)
- Decrease / (increase) in loans and advances	505,763	(159,354)
- Decrease / (increase) in other assets	464,820	(185,670)
- (Decrease) / increase in accrued interest payable	(60,218)	3,358
- Decrease in deposits from customers and credit institutions	(1,543,853)	(1,271,231)
- (Decrease) / increase in other liabilities & provisions	<u>(142,413)</u>	<u>363,116</u>
Net cash used in operating activities	<u>(815,580)</u>	<u>(525,512)</u>

#### 24. Employees

The number of employees as at 31 December 2020 was 302 (2019: 294).

#### 25. 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 6) as follows:



## National Bank of Vanuatu Limited

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in '000 Vatu)

25. Related parties (continued)	2020	2019
Director fees	2,198	2,189
Executive officers	99,303	99,303
	<u>101,501</u>	<u>101,492</u>

#### *Loans to directors*

Loans to directors and director-related entities outstanding as at 31 December 2020 was Vt107,216 (2019: Vt123,257).

#### *Transactions with related parties*

No services were provided by a director-related entity to the Bank during the financial year (2019: Vt Nil).

#### *Loans to other officers and employees*

Loans to other officers and employees outstanding as at 31 December 2020 totalled Vt1,298,093 (2019: Vt1,136,059).

#### *Shareholders*

The Bank's shareholders are:

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

## 26. COVID-19

The COVID-19 pandemic has had, and continues to have, an impact on businesses around the world and the economic environments in which they operate. There also exists significant uncertainty regarding the duration and severity of COVID-19 impacts and the associated disruption to the economy and our customers.

The repayment holiday and interest only arrangements is normally treated as an indication of a significant increase in credit risk (SICR) but the repayment holidays under the current COVID-19 relief packages has not been treated as an indication of SICR.

These relief packages are available to customers who require assistance because of COVID-19 and who otherwise had up to date payment status prior to the onset of COVID-19. Depending on financial standing customers have options to request interest only payments or defer both interest and principal. Deferred interest will be capitalized and the deferred principal along with the capitalized interest, will be repaid over the remaining term of the loan. These packages have been designed to provide short-term cash flow support while the most significant COVID-19 restrictions are in place. Further extensions were based on Reserve Bank approvals. The extension will not be automatic and will require up-to-date financial information on each borrower to confirm that there is a reasonable prospect to repay the loan and is approved by Credit.

The Bank is assessing and closely monitoring emerging risks.

## 27. Post balance sheet events

#### *Change in accounting treatment of interest accrual on Non-Performing Overdraft accounts in Core Banking System (CBS)*

The Bank is finalising changes to the accounting treatment of interest accrued on Non-Performing Overdraft accounts, initially adopted as part of its core banking system upgrade in 2017. This event will not warrant a restatement of the statement of comprehensive income for 2020 given change is yet to be finalized and implemented.

**National Bank of Vanuatu Limited**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

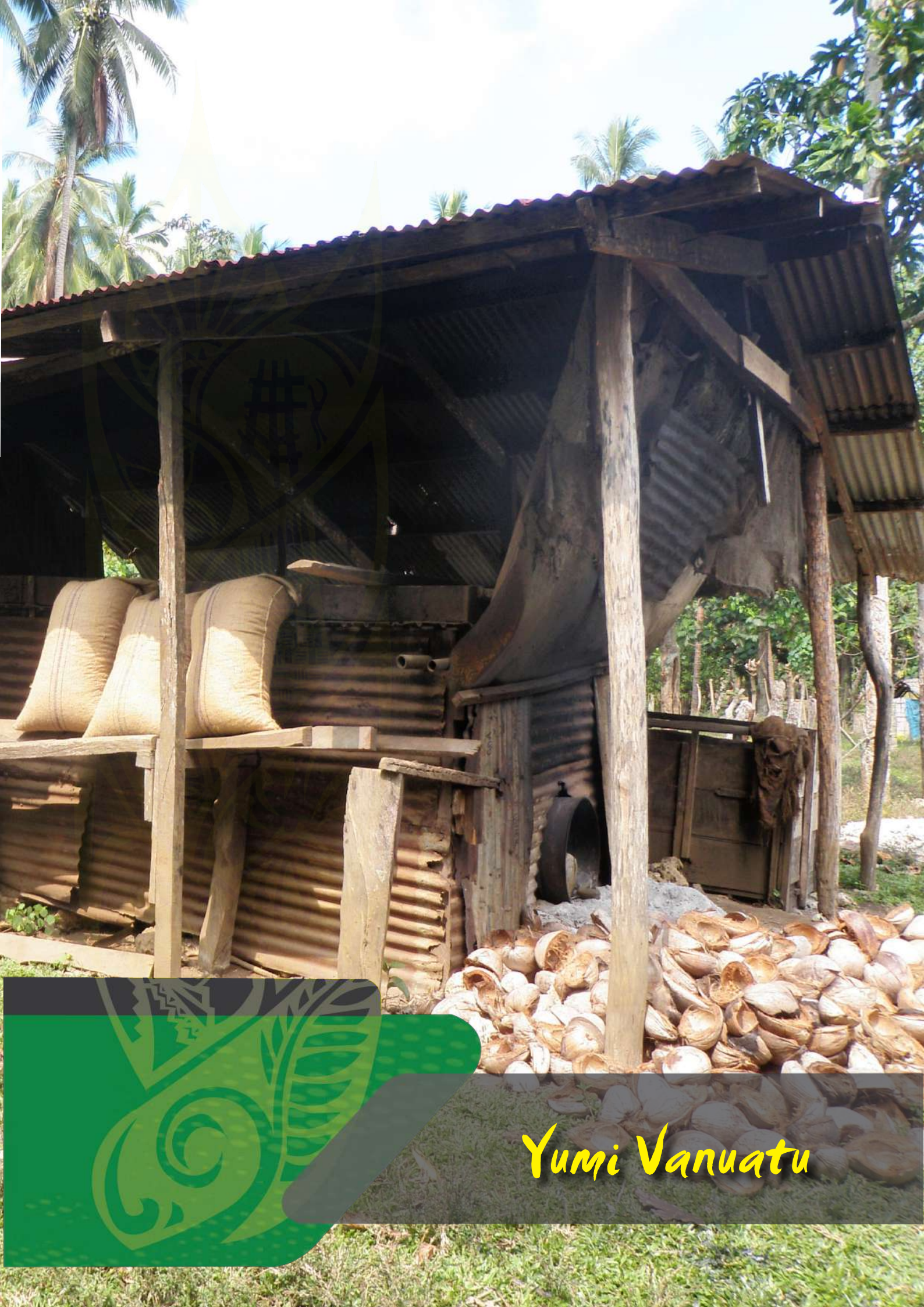
*(Expressed in '000 Vatu)*

**27. Post balance sheet events (continued)**

The change will require retrospective reversal of capitalized interest by transferring the accrued interest receivable debit amount capitalized on impacted Overdraft accounts to Accrued Interest Receivable asset account. The reversal will reduce the principal balance of the Overdraft account and as a result reduce the required provision liability held for the account. The resulting excess provision relating to 2020 and prior is approximately Vt295m which shall be accounted for in 2021 when the change takes effect, in accordance with 'International Accounting Standards 8 – Accounting Policies, Changes in Accounting Estimates and Errors'.

Other than the above, no events have occurred since the balance date which would require any adjustments to or disclosure in the financial statements (2019: Nil).





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# CORPORATE GOVERNANCE

The National Bank of Vanuatu Limited's ("NBV Ltd" or "the Bank" or "the Company") corporate governance framework plays a key role in supporting our business operations. It provides clear guidance on how authority is exercised within the Bank. As a fundamental element of our culture and business practices, our corporate governance framework provides guidance for effective decision making in all areas of the Bank through:

- strategic and operational planning
- risk management and compliance
- financial management and external reporting
- succession planning and culture
- managing customer experiences and outcomes.

As at 30 September 2020, the Bank's shareholders are the Vanuatu National Provident Fund 56.03%, the Government of Vanuatu 36.21% and the International Finance Corporation (a member of the World Bank Group) 7.76%.

The NBV Ltd Board resolved to adopt a comprehensive set of Corporate Governance principles and policies to best reflect the Bank's 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.

## THE 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 & Chief Executive Officer 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 behavior,
- 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 & Chief Executive Officer 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 & Chief Executive Officer; and
- (v) one shall be nominated by the Finance Centre Association (FCA)

The board may also nominate at least one Independent Director.

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.

#### **The 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 & Chief Executive Officer.

#### **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 & Chief Executive Officer, 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 & Chief Executive Officer, and by those other officers and employees to whom the management function is properly delegated by the Managing Director & Chief Executive Officer.

The Board is responsible for defining the limits to management's responsibilities, and approving the corporate objectives for which the Managing Director & Chief Executive Officer 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 & Chief Executive Officer 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 standing Board Committees that cover each of Audit, Remuneration, Risk, and Nomination and Governance matters. Other Board committees are created, with specific remits, as and when required.

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 committees and their respective charters which include information on the composition, responsibilities and administration of each committee are set out below:

### **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 Internal Audit. The Committee meets regularly with the Manager Internal 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.





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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 & Chief Executive Officer 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 & Chief Executive Officer 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**

Risk is an inherent part of NBV Ltd's business and effective management of risk is a fundamental enabler of the Bank's strategic plan.

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 or material 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 will 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 & Chief Executive Officer, and from the Managing Director & Chief Executive Officer 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 Vision and 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.





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**National Bank**

*Vanuatu's Own Bank*

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