National Bank

Vanuatu's Own Bank

ANNUAL REPORT 2025

NATIONAL BANK OF VANUATU
2025


National Bank
Vanuatu's Own Bank
KATO
Pierre Brunet
Entreprise Generale
SWL 30 TON

TABLE OF CONTENTS

VISION & MISSION

VISION

To be

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

MISSION

- To provide commercially viable banking services that contribute to the economic growth of Vanuatu
- To lead the country in the development of accessible rural banking services whilst capitalising on the opportunities within the business market.

CORE VALUES

01
RESPONSIVENESS
RESPOND TO CUSTOMER IN A TIMELY MANNER

02
TRUSTWORTHINESS
BEING HONEST AND RELIABLE. TAKING RESPONSIBILITY

03
HONESTY
BEING OPEN & TRANSPARENT IN ALL COMMUNICATIONS TO CUSTOMERS AND FELLOW EMPLOYEES

04
LEARNING
TAKING INITIATIVE TO DEVELOP & GROW

05
WORKING TOGETHER
WORKING TOGETHER TO ACHIEVE A COMMON GOAL

BOARD OF DIRECTORS

Sereana Moira MARUM

BCM (Accounting)
MCom(Advanced)(Applied Finance and Professil Accounting)
ASA (CPA Aust.)
CHAIRLADY
Appointed to Board in 2023

John ARUHURI

Bcom

DIRECTOR
Appointed to Board in 2023

Collins GESA

MBA, BMgt

DIRECTOR
Appointed to Board in 2023

Julie Elenoa TAKAU

Associate Chartered Accountant (ACA), MBA, Fellow (FIMCA), BBS, & NZ Diploma in Business

DIRECTOR
Appointed to the Board in 2024

THE MANAGEMENT

Claudie NIMBWEN

PGDGM(BA), PGCHRM (BA), MBA

EXECUTIVE GENERAL MANAGER RETAIL & BRAND
Joined the National Bank in 2008

Brian TOSIRO

BMgt

EXECUTIVE GENERAL MANAGER RURAL BANKING & FINANICIAL INDULSION
Joined the National Bank in 2006

Serge TAGA

EXECUTIVE GENERAL MANAGER RELATIONSHIP BANKING

Joined the National Bank in 1995

Juliann WILLIAMS

BA, MBA, SA FIN

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

Kevin TARINAVANUE

BBus(Acct)

CHIEF FINANCIAL OFFICER
Joined the National Bank in 2017

Darren KERR

BBus, (Acc & Fin), Grad Dip (App Fin & Inv)

CHIEF CREDIT OFFICER
Joined the National Bank in 2024

Antonio BAKEO

ACT(CertTF)

GROUP TREASURER
Joined the National Bank in 2001

Rio JOSEPH

B.Sc IT, PG Dip(IT), NSE-4, CISA

CHIEF TECHNOLOGY OFFICER
Joined the National Bank in 2001

Sereana Moira MARUM
Chairlady

REPORT FROM THE CHAIRLADY

The Board acknowledges with appreciation the leadership and contributions of Mr. John Aruhuri, who served as Managing Director and Chief Executive Officer until October 2025, and Mr. Antonio Bakeo, who subsequently served as Acting Managing Director and Chief Executive Officer during the transition period. Their stewardship ensured continuity, stability, and focus during an important phase in the Bank's ongoing recovery and growth journey.

During the year, the Board successfully completed the appointment of Mr. Santos Vatoko as Managing Director and Chief Executive Officer. Mr. Vatoko brings extensive experience in the banking and financial services sector, both in Vanuatu and across the Pacific region. The Board warmly welcomes him to the National Bank of Vanuatu and looks forward to working closely with him as the Bank continues to build on its strong foundations and pursue its strategic objectives.

The Board remains encouraged by the resilience demonstrated by the Bank in the aftermath of the December 2024 earthquake and the significant disruption caused by the loss of its Head Office facility. Throughout this challenging period, management and staff remained focused on maintaining service delivery to customers across the country while continuing to advance the Bank's strategic priorities.

As we look ahead, the Board is confident in the Bank's future direction. Supported by a dedicated team, loyal customers, strong governance, and a clear strategic vision, the National Bank of Vanuatu is well positioned to continue delivering sustainable value to its shareholders, customers, communities, and the wider economy of Vanuatu.

The Board remains committed to supporting management as the Bank progresses its recovery initiatives, strengthens its operational capabilities, and pursues sustainable growth opportunities in the years ahead.

Sereana Moira MARUM
BCM (Accounting)
MCom(Advanced)(Applied Finance and Professil Accounting)
ASA (CPA Aust.)

Chairlady

RAPPORT DE LA PRÉSIDENTE DU CONSEIL D'ADMINISTRATION DÉCLARATION DE LA PRÉSIDENTE DU CONSEIL – LEADERSHIP ET ORIENTATION FUTURE

Le Conseil d'administration tient à exprimer sa profonde reconnaissance pour le leadership et les contributions de M. John Aruhuri, qui a occupé les fonctions de Directeur Général et Chef de la Direction jusqu'en Octobre 2025, ainsi que de M. Antonio Bakeo, qui a ensuite assuré l'intérim à ce poste durant la période de transition. Leur gouvernance et leur engagement ont permis d'assurer la continuité, la stabilité et la concentration nécessaires durant une étape importante du parcours continu de redressement et de croissance de la Banque.

Au cours de l'année, le Conseil d'administration a mené à bien la nomination de M. Santos Vatoko au poste de Directeur Général et Chef de la Direction. M. Vatoko apporte une vaste expérience dans le secteur bancaire et des services financiers, tant au Vanuatu qu'à travers la région du Pacifique. Le Conseil lui souhaite chaleureusement la bienvenue à la Banque Nationale de Vanuatu et se réjouit de collaborer étroitement avec lui alors que la Banque continue de s'appuyer sur ses solides fondations et de poursuivre la réalisation de ses objectifs stratégiques.

Le Conseil demeure encouragé par la résilience démontrée par la Banque à la suite du tremblement de terre de Décembre 2024 et des perturbations importantes causées par la perte de son siège social. Au cours de cette période critique, la direction et le personnel ont maintenu leur engagement total envers la prestation des services à la clientèle à travers le pays, tout en continuant à mettre en œuvre les priorités stratégiques de la Banque.

Alors que nous nous tournons vers l'avenir, le Conseil est confiant quant à l'orientation future de la Banque. Soutenue par une équipe dévouée, une clientèle fidèle, une gouvernance solide et une vision stratégique clairement définie, la Banque Nationale de Vanuatu est bien positionnée pour continuer à créer une valeur durable pour ses actionnaires, ses clients, les communautés qu'elle sert et l'économie de Vanuatu dans son ensemble.

Le Conseil d'administration demeure pleinement engagé à soutenir la direction alors que la Banque poursuit ses initiatives de redressement, renforce ses capacités opérationnelles et saisit les opportunités de croissance durable au cours des années à venir.

Sereana Moira MARUM
BCM (Accounting)
MCom(Advanced)(Applied Finance and Professil Accounting)
ASA (CPA Aust.)

Présidente

TOKTOK BLONG JEALADY BLONG BOD – LIDASHIP MO DAEREKSEN BLONG FIUJA

Bod i wantem talem bigfala tankiu mo soemaot apresiesen blong hem long lidaship mo kontribusen blong Mista John Aruhuri, we i bin wok olsem Managing Director mo Chief Executif Ofisa kasem Oktoba 2025, mo Mista Antonio Bakeo, we i bin tekem role blong Acting Managing Director mo Chief Executif Ofisa long taem blong transisen. Gudfala lidaship mo stewardship blong tufala i mekem se Bank i save gohed wetem kontinuiti, stabiliti mo klia fokus long wan impoten taem blong rikavari mo growth blong hem.

Long yia ia, Bod i bin komplitim wetem sukses apointmen blong Mista Santos Vatoko olsem Managing Director mo Chief Executif Ofisa. Mista Vatoko i karem plante yia blong ekspiriens long banking mo faenensol seves sekta, long Vanuatu mo long Pacific region. Bod i givim wan warm welkam long hem i kam long National Bank of Vanuatu mo i lukluk wetem hop blong wok wetem hem taem Bank i stap gohed blong bild antap long ol strong foundesen blong hem mo kasem ol strategik objectik blong hem.

Bod hemi hapi long strongfala tim spirit blong Bank blong stanap strong afta long bigfala earthkwek blong Disemba 2024 mo long ol bigfala disrapsen we i kam from loss blong Hed Ofis bilding blong hem. Long olgeta had taem ia, management mo ol staf oli bin putum strong fokus blong gohed blong givim service long ol customer raon long kantri, mo long semtaem oli stap pusum i gohed ol strategic praerority blong Bank.

Taem yumi stap lukluk i go long fiuja, Bod i gat ful confidence long daereksen blong Bank. Wetem sapot blong wan team we i dediket, ol loyal customer, strong governance mo wan klia strategik vision, National Bank of Vanuatu i stap long wan gudfala ples blong gohed blong krietem sustenebol valiu blong ol shareholder, ol customa, komuniti mo ekonomi blong Vanuatu long olgeta yia we oli stap kam.

Bod hemi komited blong gohed blong sapotem managemen taem Bank i stap muv i gohed wetem ol rikavari inisietive blong hem, mekem operesen capabiliti i kam moa strong, mo lukaotem ol sustainebol oportunity blong gro long ol yia we oli stap kam.

Sereana Moira MARUM
BCM (Accounting)
MCom(Advanced)(Applied Finance and Professil Accounting)
ASA (CPA Aust.)

Jealady

Santos VATOKO
Managing Director &
Chief Executive Officer

REPORT FROM THE MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

It is my privilege to present the National Bank of Vanuatu's Annual Report for 2025 and to report on a year marked by significant progress and achievement.

The year 2025 represented a pivotal chapter in the Bank's journey as both Vanuatu and NBV continued to recover from the devastating earthquake of 17 December 2024. The earthquake inflicted extensive damage on our Head Office building in Port Vila's Central Business District, ultimately rendering the facility beyond economic repair and requiring its demolition. This event constituted one of the most significant operational challenges in the Bank's history.

In response, NBV rapidly relocated critical operations across multiple sites in Port Vila, ensuring the uninterrupted delivery of banking services to our customers. While Head Office functions experienced substantial disruption, our branch network across the country continued to serve communities with minimal interruption, particularly in rural and outer island locations. This outcome reflects the commitment, professionalism, and dedication of our staff, whose efforts ensured continuity of service during a highly challenging period.

As we continue operating across four locations in Port Vila, plans for the development of a new Head Office are advancing steadily. This investment will support the Bank's long-term strategic objectives, strengthen operational capability, and position NBV for sustained growth. The new facility will stand as a symbol of our progress and confidence in the future of both Vanuatu and the National Bank of Vanuatu.

Against this backdrop, the Bank delivered a strong financial result in 2025 despite increased operating costs and the ongoing impact of elevated loan provisioning carried over from 2024. Through disciplined execution, prudent management, and a focus on our customers, NBV achieved growth in both Net Profit and Return on Equity. These results reflect the collective efforts of our Executive Management Team, staff, Board of Directors, shareholders, and stakeholders, whose commitment to the Bank's strategic vision remained steadfast throughout the year.

The broader economic environment also continued to improve. The stabilization of the domestic economy strengthened confidence across key sectors, with construction and infrastructure development remaining primary drivers of growth. Expansion in housing, retail and wholesale trade, agriculture, and tourism further reinforced economic activity and established a solid foundation for future development.

Benefiting from these positive conditions, the Bank achieved continued organic growth across its Commercial, Retail, and Rural Banking portfolios, supported by strong contributions from Treasury and International Banking operations. We also maintained our investment in digital banking capabilities to enhance accessibility, operational efficiency, and customer experience.

NBV remains uniquely positioned within Vanuatu's financial sector through its extensive national presence, leadership in financial inclusion, and delivery of impactful initiatives such as Financial Literacy programs, ISI Haos, and Modern Generation Agriculture. These programs continue to create tangible opportunities and lasting benefits for ni-Vanuatu communities.

Our achievements throughout the year would not have been possible without the trust and support of those who contribute to the Bank's success. I extend my sincere appreciation to our loyal customers throughout Vanuatu. Your trust and confidence in the National Bank of Vanuatu have been invaluable throughout recent challenges. Your continued partnership is fundamental to our success, and we remain committed to delivering exceptional service and value as we move forward together.

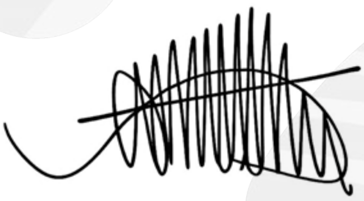
I would also like to acknowledge the leadership of my predecessor, Mr. John Aruhuri, who served as Managing Director and Chief Executive Officer from 1 November 2023 to 24 October 2025, and Mr. Antonio Bakeo, current Group Treasurer, who served as Acting Managing Director and Chief Executive Officer from 27 October to 15 December 2025. Their leadership and stewardship during a critical period of transition played an important role in maintaining the Bank's stability and momentum.

In addition, I extend my appreciation to the Executive Management Team, Heads of Business Units, Managers, Supervisors, and all staff members across the nation. Their professionalism and unwavering commitment remain central to the Bank's achievements and continued progress.

Having recently joined the National Bank of Vanuatu, I am honoured to become part of an institution with a distinguished history and a deep connection to the people of Vanuatu. I am committed to building on the strong foundations already established and to working closely with our Board, management, staff, customers, and stakeholders to drive sustainable growth and create long-term value.

Looking ahead, as we enter 2026, the Bank remains firmly focused on executing its strategic priorities while supporting the economic development of Vanuatu. Although global markets and macroeconomic conditions continue to present challenges, we are well positioned to adapt, innovate, and seize emerging opportunities. Our strategic objective is unequivocal: to strengthen NBV's position as Vanuatu's leading indigenous bank while further enhancing our standing as a respected and influential financial institution across the Pacific region.

The future of the National Bank of Vanuatu is exceptionally promising, and together we will continue to build a stronger bank for a stronger Vanuatu.



Santos VATOKO

Managing Director & Chief Executive Officer

RAPPORT DU DIRECTEUR GENERAL ET ADMINISTRATEUR DELEGUE

J'ai le privilège de présenter le Rapport annuel 2025 de la Banque Nationale de Vanuatu et de rendre compte d'une année marquée par des progrès significatifs et de nombreuses réalisations.

L'année 2025 a constitué un tournant majeur dans le parcours de la Banque, alors que Vanuatu et la BNV poursuivaient leur relèvement à la suite du tremblement de terre dévastateur du 17 Décembre 2024. Ce séisme a causé d'importants dommages à notre siège social situé dans le quartier central des affaires de Port-Vila, rendant finalement le bâtiment irréparable sur le plan économique et nécessitant sa démolition. Cet événement a représenté l'un des défis opérationnels les plus importants de l'histoire de la Banque.

En réponse à cette situation, la BNV a rapidement relocalisé ses opérations essentielles sur plusieurs sites à Port-Vila, garantissant ainsi la continuité des services bancaires pour ses clients. Bien que les fonctions du siège social aient subi d'importantes perturbations, notre réseau d'agences à travers le pays a continué à servir les communautés avec un minimum d'interruptions, en particulier dans les zones rurales et les îles éloignées. Ce résultat témoigne de l'engagement, du professionnalisme et du dévouement de notre personnel, dont les efforts ont permis d'assurer la continuité des services dans une période particulièrement difficile.

Alors que nous poursuivons nos activités sur quatre sites à Port-Vila, les projets de développement d'un nouveau siège social progressent de manière constante. Cet investissement soutiendra les objectifs stratégiques à long terme de la Banque, renforcera ses capacités opérationnelles et positionnera la BNV pour une croissance durable. Cette nouvelle infrastructure constituera un symbole de notre progrès et de notre confiance dans l'avenir de Vanuatu et de la Banque Nationale de Vanuatu.

Dans ce contexte, la Banque a enregistré une solide performance financière en 2025 malgré l'augmentation des coûts d'exploitation et l'impact continu du niveau élevé de provisions pour créances hérité de 2024. Grâce à une exécution rigoureuse, une gestion prudente et une attention constante portée à nos clients, la BNV a réalisé une croissance à la fois de son bénéfice net et de son rendement des capitaux propres. Ces résultats reflètent les efforts collectifs de notre équipe de direction exécutive, de notre personnel, du Conseil d'administration, de nos actionnaires et de nos parties prenantes, dont l'engagement envers la vision stratégique de la Banque est resté inébranlable tout au long de l'année.

L'environnement économique général a également continué de s'améliorer. La stabilisation de l'économie nationale a renforcé la confiance dans les principaux secteurs, la construction et le développement des infrastructures demeurant les principaux moteurs de la croissance. L'expansion du logement, du commerce de détail et de gros, de l'agriculture et du tourisme a également stimulé l'activité économique et établi des bases solides pour le développement futur.

Profitant de ces conditions favorables, la Banque a poursuivi sa croissance organique dans ses portefeuilles de Banque Commerciale, Banque de Détail et Banque Rurale, soutenue par de solides contributions des activités de Trésorerie et de Banque Internationale. Nous avons également maintenu nos investissements dans les capacités de banque numérique afin d'améliorer l'accessibilité, l'efficacité opérationnelle et l'expérience clientelle.

La BNV occupe une position unique dans le secteur financier de Vanuatu grâce à sa présence nationale étendue, à son rôle de chef de file en matière d'inclusion financière et à la mise en œuvre d'initiatives à fort impact telles que les programmes d'éducation financière, ISI Haos et de l'Agriculture de la Génération

Moderne. Ces programmes continuent de créer des opportunités concrètes et des bénéfices durables pour les communautés ni-Vanuatu.

Nos réalisations au cours de l'année n'auraient pas été possibles sans la confiance et le soutien de tous ceux qui contribuent au succès de la Banque. J'adresse mes sincères remerciements à nos fidèles clients à travers tout le Vanuatu. Votre confiance dans la Banque Nationale de Vanuatu a été inestimable au cours des défis récents. Votre partenariat continu est fondamental à notre réussite, et nous demeurons déterminés à offrir un service exceptionnel et une valeur ajoutée alors que nous avançons ensemble vers l'avenir.

Je souhaite également saluer le leadership de mon prédécesseur, M. John Aruhuri, qui a exercé les fonctions de Directeur Général et Chef de la Direction du 1er Novembre 2023 au 24 Octobre 2025, ainsi que M. Antonio Bakeo, actuel Trésorier du Groupe, qui a assuré l'intérim en tant que Directeur Général et Chef de la Direction du 27 Octobre au 15 Décembre 2025. Leur leadership et leur gestion avisée durant une période critique de transition ont joué un rôle important dans le maintien de la stabilité et de la dynamique de la Banque.

J'exprime également ma reconnaissance à l'équipe de direction exécutive, aux responsables des unités d'affaires, aux gestionnaires, aux superviseurs ainsi qu'à l'ensemble des membres du personnel à travers le pays. Leur professionnalisme et leur engagement indéfectible demeurent au cœur des réalisations et du progrès continu de la Banque.

Ayant récemment rejoint la Banque Nationale de Vanuatu, je suis honoré de faire partie d'une institution dotée d'une histoire remarquable et profondément liée au peuple de Vanuatu. Je m'engage à bâtir sur les solides fondations déjà établies et à travailler en étroite collaboration avec notre Conseil d'administration, notre direction, notre personnel, nos clients et nos parties prenantes afin de favoriser une croissance durable et de créer une valeur à long terme.

À l'aube de l'année 2026, la Banque demeure fermement concentrée sur la mise en œuvre de ses priorités stratégiques tout en soutenant le développement économique de Vanuatu. Bien que les marchés mondiaux et les conditions macroéconomiques continuent de présenter certains défis, nous sommes bien positionnés pour nous adapter, innover et saisir les opportunités émergentes. Notre objectif stratégique est clair : renforcer la position de la BNV en tant que principale banque autochtone de Vanuatu tout en consolidant davantage notre statut d'institution financière respectée et influente dans toute la région du Pacifique.

L'avenir de la Banque Nationale de Vanuatu est extrêmement prometteur, et ensemble, nous continuerons à bâtir une banque plus forte pour un Vanuatu plus fort.

Santos VATOKO

Directeur General et Administrateur Delegue

RIPOT BLONG MANEJING DAEREKTA & JIF EXEKUTIF OFISA

Hemi wan bigfala ona blong mi blong prisentem Annual Ripot blong National Bank of Vanuatu (NBV) blong yia 2025 mo blong ripot long wan yia we i bin makem plante gudfala progres mo ol impoten achievement.

Yia 2025 i wan impoten taem long histri blong Bank, taem Vanuatu mo NBV tufala i stap gohed blong rikava long bigfala earthkwek blong 17 Disemba 2024. Earthkwek ia i mekem plante damej long Hed Ofis bilding blong mifala long Central Business District blong Port Vila, mo long en, bilding ia i no moa save yusum from se kost blong reperem hemi bigwan tumas, mekem se hemi mas kamaot fulwan. Hemia hemi bin wan long ol bigfala operesenel challenge we Bank i bin fesem long histri blong hem.

Blong rispon long situesen ia, NBV i muvum kwiktaem ol impoten wok blong hem i go long plante defren ples long Port Vila blong mekem sua se banking seves i gohed blong wok gud long ol customa blong mifala. Nomata se Hed Ofis operation i bin kasem plante disrapsen, ol branch netwok blong mifala raon long kantri i gohed blong provaedem seves long ol komuniti wetem smol disrapsen nomo, speseli long ol rurel eria mo aelan. Hemia hemi wan achievement we hemi soemaot strong komitmen, professionelisem mo dedikesen blong ol staf blong mifala, we oli wok had blong mekem se sevis i gohed long taem blong bigfala challenge.

Taem mifala i stap wok long fo difren lokesen long Port Vila, ol plan blong bildim wan niufala Hed Ofis oli stap muv i gohed gud. Bae hemi wan invesmen we bae hemi sapotem longfala strategik objektive blong Bank, mekem operesen i kam moa strong, mo putum NBV long wan gudfala ples blong kontinu blong gro. Niufala bilding ia bae i stanap olsem wan saen blong progres blong mifala mo bilif blong mifala long fiuja blong Vanuatu mo National Bank of Vanuatu.

Nomata ol challenge ia, Bank i bin gat wan strongfala faenesel risal long 2025, and hemi luk too we operesen kost i bin go antap mo impact blong hae loan provisioning we i kam ova long 2024 i stap yet. Tru long gudfala disiplin long execution, waes management mo strong fokus long customer, NBV i bin kasem inkris long Net Profit mo Return long Equity. Ol resal ia oli kam tru nomo from hadwok blong Executif Manegemen Team, ol staf,Board of Directors, ol shareholda mo ol stakeholda, we oli bin stap strong wetem fokas long strategik vision blong Bank.

Long semtaem, ekonomi blong kantri tu i gohed blong kamap moa strong. Stabiliti blong domestic ekonomi hemi mekem confidens i kam antap long ol impoten sekta, wetem construction mo developmen blong infrastrakja we i rimen olsem praemeri engin blong ekonomi. Gro long housing, retail mo wholesale trade, agrikalja mo tourism hemi bin mekem ekonomic activiti i kam moa strong mo hemi putum wan gudfala foundesen blong fiuja development.

From ol gudfala situesen ia, Bank i gohed blong gro long Commercial Banking, Retail Banking mo Rural Banking portfolio blong hem, wetem strong kontribusen blong Treasury mo International Banking operesen. Mifala tu i gohed blong invest long digital banking capability blong mekem banking seves i moa isi blong kasem, moa efficient mo moa gud long customa experiense.

NBV i gat wan spesel ples insaed long faenesel sekta blong Vanuatu from strong national presence blong hem, lidaship blong hem long faenensel inklusen, mo ol impactful initiative olsem Financial Literacy Program, ISI Haos mo Modern Generation Agriculture. Ol program ia oli stap gohed blong openem tru opportunity mo tekem longtime benefit i go long ol komuniti blong ol ni-Vanuatu.

Ol achievement blong mifala long yia ia oli no save kam tru sapos i no gat trast mo sapot blong olgeta we oli kontribiut long sukses blong Bank. Mi wantem talem bigfala tankiu long ol gudfala customa blong mifala long evri ples long Vanuatu. Trast mo confidence blong yufala long National Bank of Vanuatu i gat bigfala valiu long taem blong ol challenge blong las yia. Partnaship blong yufala i impoten tumas long sukses blong mifala, mo mifala I rimen komited blong gohed blong givim excellent seves mo gudfala valiu taem mifala i muv i gohed tugeta.

Mi wantem tu aknolejem lidaship blong predecessa blong mi, Mista John Aruhuri, we i bin wok olsem Managing Director mo Chief Executive Officer stat long 1 Novemba 2023 kasem 24 Oktoba 2025, mo Mista Antonio Bakeo, we naoia hemi Group Treasurer, mo hemi bin wok olsem Acting Managing Director mo Chief Executive Officer stat long 27 Oktoba kasem 15 Disemba 2025. Lidaship mo stewardship blong tufala long wan impoten transition period i bin gat wan bigfala pat long holem Bank i stap strong mo muv i go fowod.

Mi wantem talem tankiu tu long Executive Management Team, ol Head blong Business Unit, ol Manager, ol Supervisor mo olgeta staf long evri ples long kantri. Professionalisem mo strong komitmen blong olgeta i stap olsem main engen blong achievement mo progres blong Bank.

From we mi jes joenem National Bank of Vanuatu, mi filim se hem i wan bigfala hona blong kam pat blong wan institution we i gat wan gudfala histri mo wan dip koneksen wetem pipol blong Vanuatu. Mi stap komit blong bild antap long ol strong foundesen we oli stap finis, mo blong wok klosap wetem Board, management, ol staf,ol customa mo stakeholders blong pusum sustaineble growth mo krietem longfala valiu.

Taem yumi lukluk i go long 2026, Bank i stap putum strong fokus blong exekutem strategic priority blong hem taem hem i stap sapotem economic development blong Vanuatu. Nomata se global market mo macroeconomic condition oli stap gohed blong karem challenge, mifala i stap long wan gudfala ples blong adapt, innovet mo tekem ol niufala opportunity we oli stap kamap. Strategik objektif blong mifala i klia tumas: blong mekem ples blong NBV i kam moa strong olsem namba wan indigenous bank blong Vanuatu mo blong gohed blong leftemap standing blong hem olsem wan respected mo influential financial institution long Pacific region.

Fiuja blong National Bank of Vanuatu i luk gud tumas, mo tugeta bae yumi gohed blong bildim wan strongfala bank blong wan strongfala Vanuatu.

Santos VATOKO

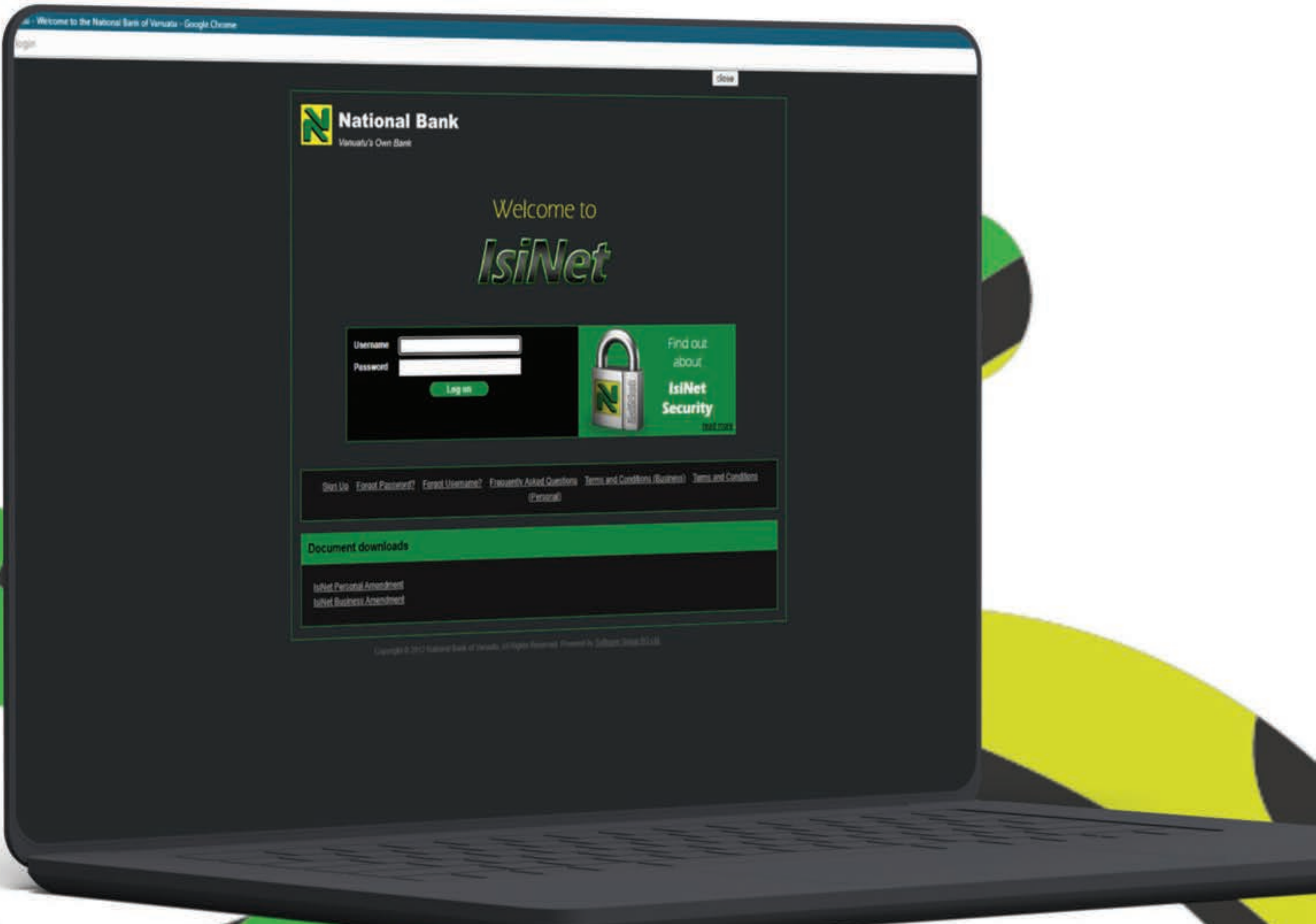
Manejing Daerekta mo Jif Exekutif Ofisa

FIVE YEARS SUMMARY

(Expressed in ' 000 Vatu)	2021	2022	2023	2024	2025	(Exprimé en '000 Vatu)
Profit & Loss						**Compte de résultat**
Interest income	1,322,639	1,345,629	1,703,269	2,115,426	2,262,587	Produits d'intérêts
Interest expense	(204,811)	(151,238)	(140,260)	(124,253)	(130,780)	Charges d'intérêts
Net Interest income	1,117,828	1,194,391	1,563,009	1,991,173	2,131,807	Intérêts nets
Other operating income	723,864	685,596	852,770	994,482	1,101,565	Autres produits d'exploitation
Provision for loan losses	(285,596)	(124,127)	(134,770)	(527,097)	(255,737)	Dotation aux provisions pour prêts douteux
Other operating expenses	(1,429,813)	(1,518,989)	(1,567,537)	(1,826,146)	(2,073,113)	Autres charges d'exploitation
Operating profit / (loss) before government grant	126,283	236,871	713,472	632,412	904,522	Bénéfice / (perte) d'exploitation avant subvention du gouvernement
Government grant	0	0	0	0	0	Subvention du gouvernement
Profit / (loss) for the year	126,283	236,871	713,472	632,412	904,522	**Bénéfice / (perte) de l'exercice**
Balance sheet Bilan						
Net loans and advances	12,461,120	13,080,835	14,100,845	15,807,014	18,198,020	Prêts et créances nettes sur la clientèle
Total assets	32,816,625	30,283,030	32,132,526	37,423,385	37,314,084	Total de l'actif
Customer deposits	29,230,400	26,291,176	27,665,868	32,343,132	31,478,406	Dépôts clients
Shareholders' funds(Equity)	2,612,062	2,848,933	3,542,405	4,098,817	4,903,339	Capitaux propres
Performance ratios						**Ratios mesurant la performance**
Return on shareholders' Funds (Equity) %	4.83	8.31	20.14	15.43	18.45	Retour sur fonds propres
Return on assets %	0.38	0.78	2.22	1.69	2.42	Rentabilité des actifs
Income growth %	(6.27)	(0.75)	25.84	21.67	8.18	Croissance des revenus
Prudential ratios						**Ratios de prudence**
Capital adequacy %	15.94	17.12	18.62	20.09	23.17	Suffisance du capital
Liquid asset ratio %	51.97	48.16	45.08	41.86	36.63	Ratio des liquidités

IsiNet

Secure banking, wherever you work.



IsiMs

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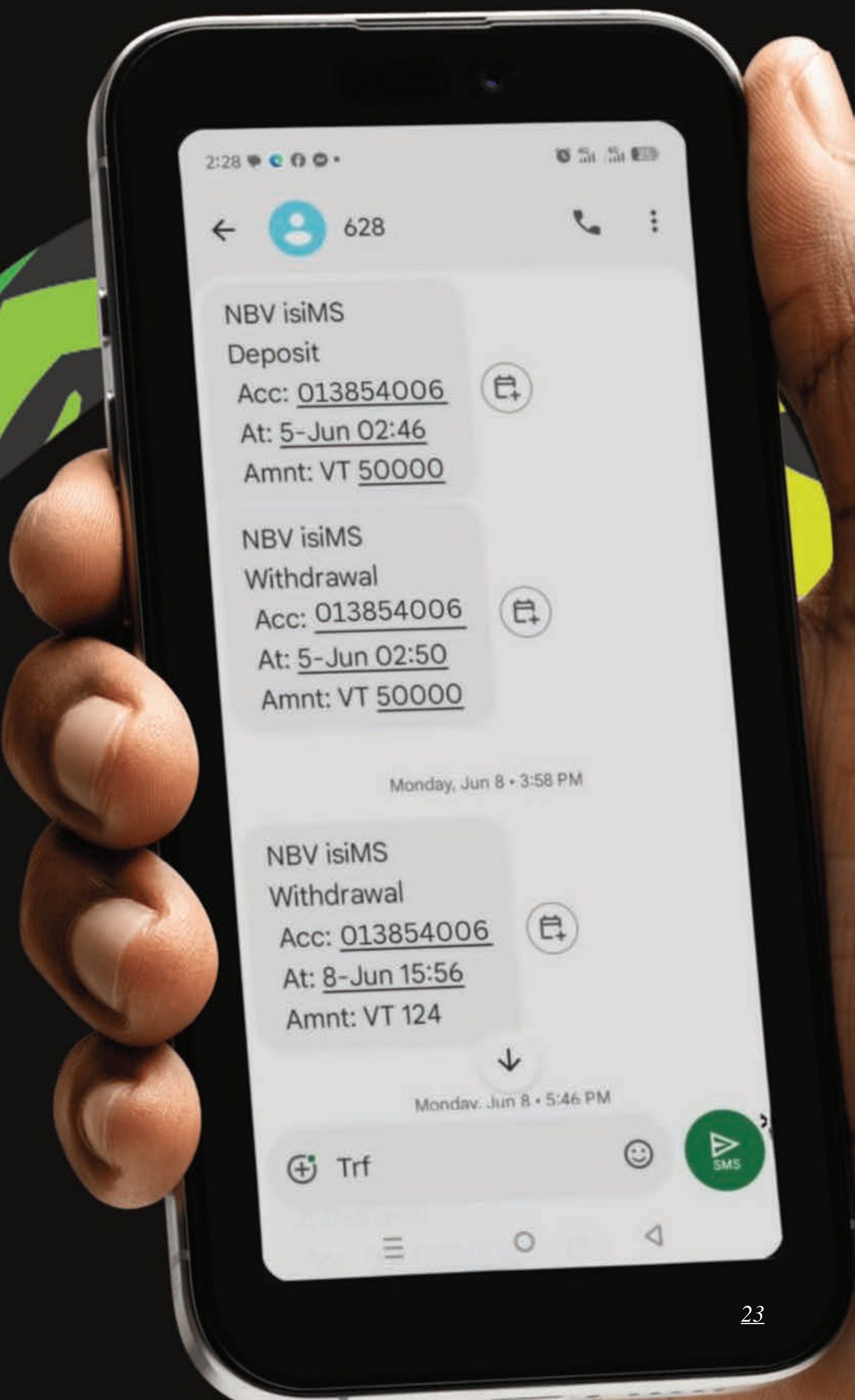


CORRESPONDENT BANKS

Australia
Commonwealth Bank of Australia,
Sydney

Fiji
Bank South Pacific
Suva

HFC Bank
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

Fidji
Bank South Pacific
Suva

HFC Bank
Suva

Japan
Bank of Tokyo Mitsubishi,
Tokyo

Nouvelle-Zelande
ASB Bank Limited,
Auckland

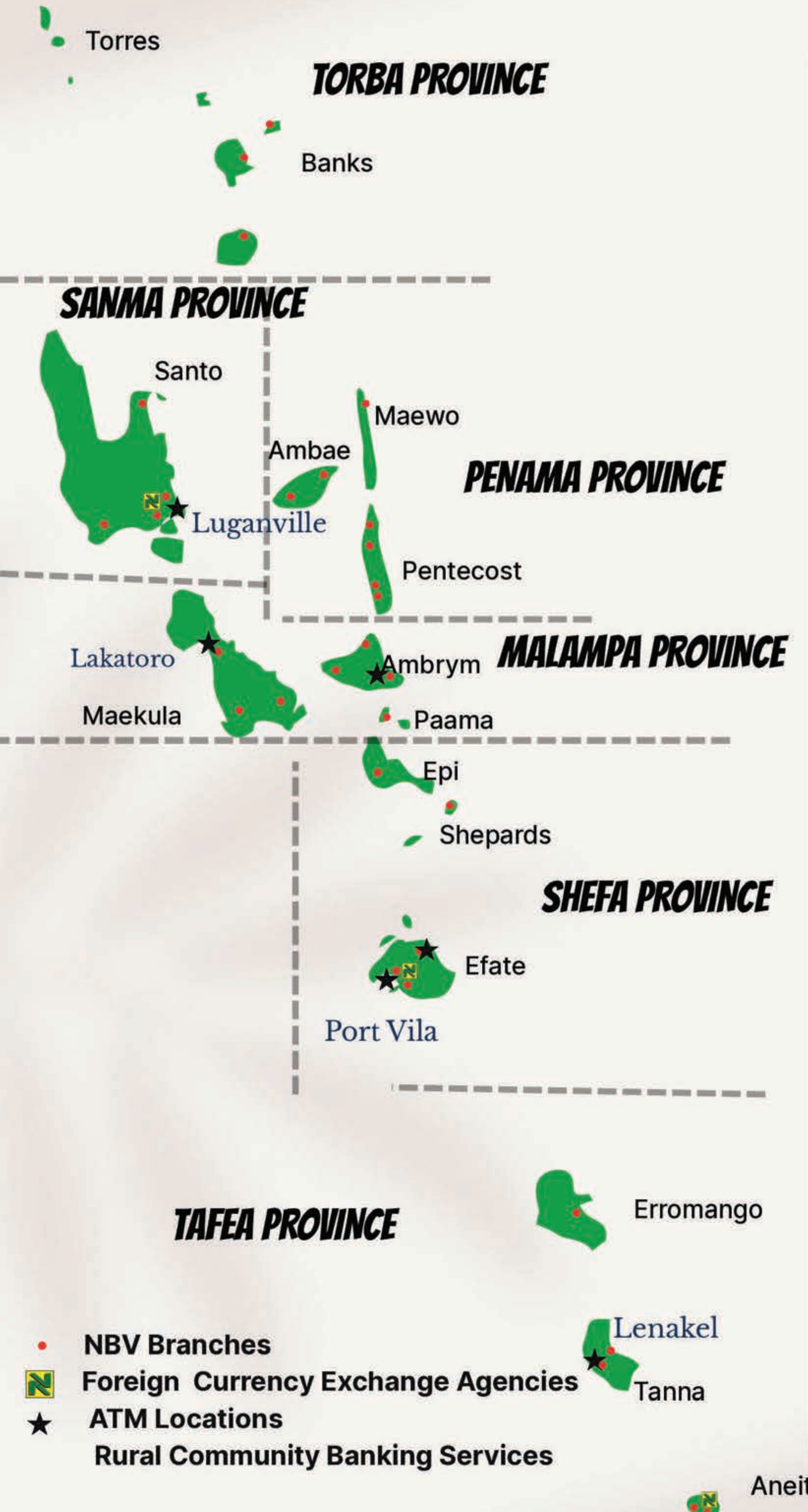
Bank of New Zealand,
Wellington

Papouasie Nouvelle-Guinee
Bank South Pacific
Port Moresby

Tahiti
Banque de Tahiti
Papeete

Ilse Solomon
Bank South PAcific
Honiara

NBV BRANCH NETWORK



TORBA PROVINCE
Vanualava- Sola Branch
Gaua- Gaua Branch
Mota lava- Mota lava Branch

SANMA PROVINCE
Santo-Luganville Branch
-Luganville Market Branch
-Port Olry Branch
-Tasmalum Branch

PENAMA PROVINCE
Maewo- Betarara Branch
Ambae- Saratamata Branch
-Mata Branch
Pentecost- Angoro Branch
- Ennar Branch
-Melsisi Branch
- Pangi Branch

MALAMPA PROVINCE
Malekula- Lakatoro Branch
-Lamap Branch
-South West Bay Branch
Ambrym- Graig Cove Branch
-Nepul Branch
-Ulei Branch
Paama- Liro Branch

SHEFA PROVINCE
Epi- Rovo Bay Branch
Tongoa- Morua Branch
Efate- Emua Branch
Head Office- Tagabe
Tebakor Branch

TAFEA PROVINCE
Erromango- Ipota Branch
Tanna- Lenakel Branch
-Whitesands Branch
Aneityum- Anelguhat Branch


mastercard.
National Bank
Vanuatu's Own Bank
1234 5678 9000
JOHN DOE
VALID THRU 08/24
mastercard.
VT 2,000
Remove card
SCAN HERE

PRODUCTS & SERVICES

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
International Drafts	Projets internationaux
SWIFT Transfers	Transferts SWIFT
Telegraphic Transfers	Transferts télégraphiques
Foreign Exchange	Change
Bills for Collection	Factures de recouvremen
Foreign Currency Loans	Prêts en devises étrangères
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
Modern Generation Agriculture Loans	Prêts pour l'Agriculture de la Génération Moderne
IsiHaos Loans	Prêts de IsiHaos
Micro Seasonal Worker Loans	Prêts micro-saisonniers aux travailleurs
Bank Guarantees	Garanties bancaires
School Fee Loans	Prêts pour les frais de scolarité
Premium Funding Loans	Prêts de financement de primes
IsiMs	IsiMs
IsiNet	IsiNet
IsiMobile	IsiMobile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FINANCIAL STATEMENT

National Bank of Vanuatu Limited

Report of the directors
For the year ended 31 December 2025

The directors present their report together with the audited financial statements for the year ended 31 December 2025 and the auditors' report thereon.

Directors:

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

Director	Appointed	Resigned	Meetings	Attended
Tony Amos Sewen	23/09/2022	10/03/2026	-	-
Collins Gesa	13/01/2023	-	10	10
Sereana Moira Marum	14/02/2023	-	10	10
Julie Elenoa Takau	08/05/2024	-	10	10
Santos Vatoko	29/01/2026	-	-	-

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 Vt904,522,468 (2024: Vt632,411,891).

Reserves:

The directors propose that no transfer be made to reserves (2024: Nil).

Dividends:

A final dividend of Vt100,000,000 in respect of the prior financial year was declared and paid during the year (2024: final dividend of Vt76,000,000 in respect of the 2024 financial year was declared and paid in 2025).

National Bank of Vanuatu Limited

Report of the directors (continued)
For the year ended 31 December 2025

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 2025 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 2025. 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 15th of May 2026

Director	Director

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

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 2025, 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 8 to 31.

In our opinion the financial statements have been properly prepared in accordance with the provisions of the Vanuatu Companies Act No. 25 of 2012 of the Republic of Vanuatu and give a true and fair view of the financial position of the company as at 31 December 2025, 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.

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.

mail@lawpartnersvanuatu.com

LAW PARTNERS HOUSE
PO BOX 212
PORT VILA | VANUATU

TEL +678 22091

PRINCIPALS
VICKI JOE
ALI LAW
CHRISTINE BONGALON

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Over 50 years in Vanuatu

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

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/files/ISA-700-Revised_3.pdf. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion:

1. proper books of account have been kept by the Company, sufficient to enable financial statements to be prepared, so far as it appears from our examination of those books; and

2. to the best of our knowledge and according to the information and explanations given to us the financial statements give the information required by the Vanuatu Companies Act No. 25 of 2012, in the manner so required.

law partners

CHARTERED ACCOUNTANTS AND BUSINESS ADVISERS

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

Emphasis of Matter – IFRS 16 Leases

We draw attention to Note 1(i) to the financial statements, which describes that certain lease balances required to be recognised under IFRS 16 Leases have not been recorded. Management has assessed the quantitative and qualitative impact of this matter and concluded that the effect is immaterial to the financial statements taken as a whole. Our opinion is not modified in respect of this matter.

Who We Report To

This report is made solely to the Company's shareholders, as a body, in accordance with the Vanuatu Companies Act No. 25 of 2012. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

Law Partners

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

Alipate La'au
Partner
Port Vila
15 May 2026

National Bank of Vanuatu Limited

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025
(Expressed in '000 Vatu)

	Note	2025	2024
Interest income	4	2,262,587	2,115,426
Interest expense	5	(130,780)	(124,253)
Net interest income		2,131,807	1,991,173
Other operating income	4	1,101,565	994,482
Net banking income		3,233,372	2,985,655
Severance pay expense		(110,053)	(92,285)
Other operating expenses	5	(2,030,348)	(2,085,683)
Operating profit for the year		1,092,971	807,687
Tax expense		(188,449)	(175,275)
Total comprehensive income for the year		904,522	632,412

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 12 to 31.

National Bank of Vanuatu Limited

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025
(Expressed in '000 Vatu)

	Issued & paid up capital	Share premium	Retained earnings	Total
2025				
Balance at the beginning of the financial year	1,657,140	172,361	2,269,316	4,098,817
Total comprehensive income for the year	-	-	904,522	904,522
	1,657,140	172,361	3,173,838	5,003,339
Dividends paid	-	-	(100,000)	(100,000)
Balance at the end of the financial year	1,657,140	172,361	3,073,838	4,903,339
2024				
Balance at the beginning of the financial year	1,657,140	172,361	1,712,904	3,542,405
Total comprehensive income for the year	-	-	632,412	632,412
	1,657,140	172,361	2,345,316	4,174,817
Dividends paid	-	-	(76,000)	(76,000)
Balance at the end of the financial year	1,657,140	172,361	2,269,316	4,098,817

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 12 to 31.

National Bank of Vanuatu Limited

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025
(Expressed in '000 Vatu)

	Note	2025	2024
Assets			
Liquid assets	8	13,606,804	16,673,099
Net loans and advances to customers	9(a)	18,198,020	15,807,014
Investment securities	11	4,292,336	3,992,336
Other assets	12	595,863	477,438
Property, plant and equipment	14	621,061	473,498
Total assets		37,314,084	37,423,385
Liabilities			
Customers' accounts	15	31,478,406	32,343,132
Other liabilities	16	442,475	577,236
Provisions	17	489,864	404,200
Lease liability	14(c)	-	-
Total liabilities		32,410,745	33,324,568
Equity			
Share capital	18	1,657,140	1,657,140
Share premium		172,361	172,361
Retained earnings		3,073,838	2,269,316
Total equity		4,903,339	4,098,817
Total liabilities and equity		37,314,084	37,423,385

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 12 to 31.

Director

Director

Port Vila, 15..... May 2026

National Bank of Vanuatu Limited

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025
(Expressed in '000 Vatu)

	Note	2025	2024
Cash flows from operating activities			
Interest received		2,238,657	2,079,942
Interest paid		(127,266)	(129,464)
Other cash receipts in the course of operations		1,117,752	1,005,158
Other cash payments in the course of operations		(1,925,957)	(1,737,161)
		1,303,186	1,218,475
Changes in operating assets and liabilities			
- Gross loans and advances to customers		(2,646,745)	(2,233,266)
- Customers' accounts		(873,947)	4,699,596
- Other assets		(94,495)	49,231
- Transit accounts		(107,814)	(126,892)
Net cash (used in) / provided by operating activities	21	(2,419,815)	3,607,144
Cash flows from investing activities			
Net movement in investment deposits		(300,000)	(1,519,600)
Net payments for leasehold improvements, plant and equipment		(246,480)	12,198
Net cash used in investing activities		(546,480)	(1,507,402)
Cash flows from financing activities			
Dividends paid		(100,000)	(76,000)
Net cash used in financing activities		(100,000)	(76,000)
Net increase in cash and cash equivalents held		(3,066,295)	2,023,742
Cash and cash equivalents at beginning of the financial year		16,673,099	14,649,357
Cash and cash equivalents at the end of the financial year	8	13,606,804	16,673,099

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 12 to 31.

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.

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 13

Acquisitions

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

Disposal of assets

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

Depreciation

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

Leasehold improvements	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.

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 17

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

Severance allowance and long service leave provision is calculated in accordance with the Employment Act [CAP 160] and employment contracts using the present value of the estimated future cash outflows to be made by the employer resulting from employees' services to balance date.

Severance allowance is calculated at the rate of one month's salary for each year of service. It is assumed that employees will remain in the Bank's employment for the years necessary to qualify for the respective entitlements.

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

Classification and measurement

From 1 January 2021, the Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

- the Bank's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Bank classifies its debt instruments into one of the following measurement categories:

3. Significant accounting policies (continued)
(g) Financial instruments (continued)
Classification and measurement (continued)

Debt instruments (continued)

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 3(h) Measurement methods. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Business model: the business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a Bank of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the Bank's business model for the mortgage loan book is to hold to collect contractual cash flows, with sales of loans only being made internally to a consolidated SPV for the purposes of collateralising notes issued, with no resulting de-recognition by the Bank. Another example is the liquidity portfolio of assets, which is held by the Bank as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

3. Significant accounting policies (continued)
(g) Financial instruments (continued)
Classification and measurement (continued)

Equity instruments (continued)

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the 'Net trading income' line in the statement of profit or loss.

(h) Impairment of financial assets

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on de-recognition.

If the terms are not substantially different, the renegotiation or modification does not result in de-recognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

3. Significant accounting policies (continued)
(h) Impairment of financial assets (continued)

De-recognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either the Bank transfers substantially all the risks and rewards of ownership, or the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Bank:
- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Bank retains a subordinated residual interest.

Measurement methods

Amortised cost and effective interest rate:

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:
When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

3. Significant accounting policies (continued)
(h) Impairment of financial assets (continued)
Measurement methods (continued)

Initial recognition and measurement (continued)

In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

(i) 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 that 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 lability 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.

(Expressed in '000 Vatu)

3. Significant accounting policies (continued)

(i) Leases (continued)

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.

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.

Subsequent to the earthquake in December 2024 and the demolition of the Bank's premises, the associated right-of-use assets and lease liabilities were derecognised from the accounts. However, the new leases entered into following this event, together with certain existing lease agreements, had not been fully assessed and recognised as at the financial year end.

In assessing its lease arrangements in accordance with the requirements of IFRS 16 – Leases, management noted that certain contracts meet the definition of a lease under IFRS 16 but have not been recognised as right-of-use assets and corresponding lease liabilities in the statement of financial position.

Management has evaluated the quantitative and qualitative impact of these unrecognised leases and concluded that the effect on the financial statements, both individually and in aggregate, is immaterial to the statement of financial position, statement of profit or loss, and statement of cash flows for the reporting period. Accordingly, no adjustments have been made in the current financial year.

Management will continue to review and monitor all lease arrangements and will ensure full recognition and compliance with IFRS 16 in future reporting periods should the impact of such leases become material.

(j) Comparatives

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

4. Income

	2025	2024
Interest income		
Loans and advances	1,858,745	1,761,287
Interbank foreign currency placing	206,318	190,863
Investment securities	197,524	163,276
	2,262,587	2,115,426
Other operating income		
Fees, charges and commissions (*)	539,881	491,550
Net foreign exchange earnings	556,211	461,224
Other income	5,473	41,708
	1,101,565	994,482

* 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.

(Expressed in '000 Vatu)

5. Expenses

	Note	2025	2024
Interest expense			
On deposits		130,780	118,099
On leases		-	6,154
		130,780	124,253
Other operating expenses			
Personnel expenses			
Salaries and wages		743,256	693,854
VNPF contributions		33,749	30,111
Other		203,269	123,253
		980,274	847,218
Other operating expenses			
Auditor's remuneration	6	4,713	4,385
Depreciation	13	98,916	108,829
Allowance for loan losses	10	255,737	527,097
Other expenses		690,708	598,154
		1,050,074	1,238,465
		2,030,348	2,085,683

6. Auditor's remuneration

	2025	2024
Amounts received or due and receivable by the Auditors of the Bank for:		
- Auditing the financial statements	4,428	4,100
- Other services	285	285
	4,713	4,385

7. Segment analysis

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

Industry segments
General banking services

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

Geographical segments
The Bank operates predominantly in Vanuatu

8. Liquid assets

	2025	2024
Currency notes and coins	2,135,147	1,754,879
Balance with Reserve Bank (including regulatory deposits)	3,504,317	5,860,467
Due from other banks	7,967,340	9,057,753
	13,606,804	16,673,099

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.

(Expressed in '000 Vatu)

9. Loans and advances

9(a) Net loans and advances to customers

		2025	2024
Overdrafts		2,033,747	1,163,964
Loans		18,330,395	16,998,764
Total gross loans and advances		20,364,142	18,162,728
Allowance for impairment	10	(2,166,122)	(2,355,714)
Net loans and advances		18,198,020	15,807,014

Maturities of gross loans and advances are summarised as follows:

	2025	2024
Not later than 1 year	2,385,817	2,116,439
Between 1 and 2 years	1,093,382	958,349
Between 2 and 5 years	3,645,809	2,991,757
Later than 5 years	13,239,134	12,096,183
	20,364,142	18,162,728

Collateral held in respect of loans and advances that are impaired amounts is Vt2,948,351 (2024: Vt3,928,689).

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

	2025	2024
Gross loans and advances to customers past due but not impaired	4,928,532	4,310,448

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

	2025	2024
Not later than 1 year	1,375,137	347,730
Between 1 and 2 years	774,826	151,948
Between 2 and 5 years	1,367,693	599,006
Later than 5 years	1,410,876	3,211,764
	4,928,532	4,310,448

9(c) Restructured gross loans and advances to customers

	2025	2024
Restructured gross loans and advances to customers	133,498	95,036

10. Allowances for impairment of loans and advances to customers

Collective allowances

		2025	2024
Balance at beginning of the year		569,421	304,666
Charge to statement of comprehensive income	5	(16,321)	264,193
Loans written back / off		233	562
Total collective allowance		553,334	569,421

Individual allowances

		2025	2024
Balance at beginning of the year		1,786,293	1,731,562
Charge to statement of comprehensive income	5	272,058	262,903
Loans written off / back		(445,563)	(208,172)
Total individual allowance		1,612,788	1,786,293
Total allowances for impairment of loans and advances to customers		2,166,122	2,355,714

(Expressed in '000 Vatu)

11. Investment securities

Maturities of investment securities are summarised as follows:

	2025	2024
Not later than 1 year	449,636	149,636
Between 1 and 2 years	-	-
Between 2 and 5 years	1,098,900	-
Later than 5 years	2,743,800	3,842,700
	4,292,336	3,992,336

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

12. Other assets

	2025	2024
Accrued interest receivable	131,376	107,857
Projects – in progress	59,868	16,762
Other assets	404,619	352,819
	595,863	477,438

13. Property, plant and equipment

	2025			2024		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Leasehold premises and improvements	203,012	(162,492)	40,520	187,940	(156,807)	31,133
Plant and equipment	840,755	(658,540)	182,215	769,650	(610,169)	159,481
Computer system	666,188	(503,041)	163,147	659,290	(467,015)	192,275
Leasehold land, building and improvements	218,864	(85,644)	133,220	172,188	(81,579)	90,609
Work in progress	101,959	-	101,959	-	-	-
Total	2,030,778	(1,409,717)	621,061	1,789,068	(1,315,570)	473,498

	2025				
	Opening carrying amount	Additions	Disposals/ writeoffs	Depreciation charge	Closing carrying amount
Leasehold premises and improvements	31,133	16,809	(1,737)	(5,685)	40,520
Plant and equipment	159,481	80,267	(4,393)	(53,141)	182,215
Computer system	192,275	6,898	-	(36,025)	163,147
Leasehold land, building and improvements	90,609	46,676	-	(4,065)	133,220
Work in progress	-	101,959	-	-	101,959
Total	473,498	252,609	(6,130)	(98,916)	621,061

(Expressed in '000 Vatu)

14. 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

	Note	2025	2024
Property, plant and equipment owned	13	621,061	473,498
Right-of use assets	14(b)	-	-
Balance as at 31 December		621,061	473,498

(b) Right-of -use assets

Balance as at 1 January	-	89,057
Recognition / (derecognition) of right of use	-	(47,532)
Depreciation charge for the year	-	(41,525)
Balance as at 31 December	-	-

(c) Lease liabilities

Maturity analysis -		
Less than one year	-	-
One to five years	-	-
More than five years	-	-
Total lease liabilities as at 31 December	-	-
Lease liabilities included in the statement of financial position at 31 December	-	-

15. Customers' accounts

Current accounts	12,891,483	13,470,133
Savings accounts	11,935,744	12,010,241
Fixed term deposits	6,651,179	6,862,758
	31,478,406	32,343,132

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:

	2025	2024
Fixed term deposits		
Not later than 1 month	2,436,761	2,170,081
Between 1 and 3 months	472,202	1,073,556
Between 3 and 12 months	3,735,409	3,616,868
Later than 1 year	6,807	2,253
	6,651,179	6,862,758

16. Other liabilities

Accrued interest payable	35,316	31,803
Transit accounts	69,397	177,210
Unearned income – lending fees	174,650	155,099
Unearned income – rural services grant	1,994	5,357
Due to other banks	69,446	78,666
Other	91,672	129,101
	442,475	577,236

(Expressed in '000 Vatu)

17. Provisions

	2025	2024
Current		
Annual leave provision	86,413	71,966
Other	25,101	16,767
Severance allowance	378,350	315,467
	489,864	404,200
Movement in severance allowance		
Balance at beginning of the year	315,467	235,333
Net charge to the income statement	110,053	92,285
Provision utilised	(47,170)	(12,151)
Balance at end of the year	378,350	315,467

18. Share capital

Authorised capital

165,714 ordinary shares of Vt10,000 each	1,657,140	1,657,140

Issued and paid-up capital

165,714 ordinary shares of Vt10,000 each, fully paid	1,657,140	1,657,140

The Government of Vanuatu holds 72,857 ordinary shares and Vanuatu National Provident Fund 92,857 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 declared and paid a final dividend of Vt76,000,000 (2024: Vt20,000,000).

19. Financial instruments

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

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

i) Gross loans and advances to customers; and
ii) Customers' accounts and deposits from credit institutions.

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

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.

19. Financial instruments *(continued)*

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.

a) 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.

i) Credit risk - IFRS 9 definitions and implementation

Loans and advances (including loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

Default

A customer is deemed to have defaulted on the loan when they fail to make principal and or interest payments as stipulated in the loan agreement for 90 consecutive days or more.

Credit risk

The risk that a customer may not meet their credit obligation as stipulated in the loan agreement.

A customer is assigned a weighted Credit Risk Score (CCRS) at the beginning of the loan application process. The weighted CCRS ranges from 1 to 6, the higher the score the riskier the customer.

The CCRS is maintained for all customers in the core banking system (CBS). The CBS calculates daily a Loan Risk Score (LRS) for every loan approved and drawn under a customer. The LRS calculation considers the assigned CCRS, performing status of the loan, collateral held and if loan was restructured. The LRS ranges from 1 to 8, the higher the score the higher the risk of default. The highest LRS for a customer each day is designated as the default LRS for that customer.

19. Financial instruments (continued)

a) Credit risk (continued)

i) Credit risk - IFRS 9 definitions and implementation (continued)

For the purpose of IFRS 9, the LRS is used to assess credit risk and determine which loan stage a customer will be assessed under.

Loan Risk Score	IFRS 9 Stage
1 to 3	Stage 1
4	Stage 2
5	Stage 3
6 to 8	Specific Provision

Expected Credit Loss Management

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition, as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to notes for a description of how the Bank determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to notes for a description of how the Bank defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to notes for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. The notes include an explanation of how the Bank has incorporated this in its ECL models.

The following diagram summarises the impairment requirements under IFRS 9.

Change in credit quality since initial recognition

Stage 1	**Stage 2**	**Stage 3**
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Loss allowance

The loss allowance at each stage is determined by the Bank on a collective basis based on the loan product, while loans are individually assessed to determine the stages they should be at.

19. Financial instruments (continued)
a) Credit risk (continued)
i) Credit risk - IFRS 9 definitions and implementation (continued)

Loss allowance (continued)

Loans are also assessed individually if there are grounds for it especially where there's significant shortfall of collateral to exposure and circumstances arising that casts doubt on collectability.

General Provisions will continue to be calculated according to prudential requirements, but the amount will be included as additional provision under the IFRS 9 model.

Loss allowance for loans with LRS 6 to 8, considered as Non-Performing, are accounted for separately under existing Reserve Bank of Vanuatu Specific Provision framework and excluded from the IFRS 9 model. When a loan falls into this category, any provision held for that loan under IFRS 9 model is transferred to Specific Provision ledger account.

The key judgements and assumptions adopted by the Bank in addressing the requirements of the IFRS 9 standard are discussed below:

Significant increase in credit risk

Several indicators may signal an increase in credit.
1. Customer fails to make principal and interest repayments for 60 consecutive days.
2. An adverse event has occurred directly impacting the customers' ability to remain profitable to meet repayments e.g., loss of employment with no clear indication of reemployment, industry in which the customer is operating a business has been severely affected by disasters or becomes obsolete.
3. Adverse changes in collateral amounts e.g., destruction of property used as collateral, by natural disasters or other events.

Probability of default

The likelihood that the customer will default on their loans. This is expressed as a percentage.

For the Bank, the probability of default (PD) is determined using a simplified version of the point in time (PIT) approach.

PD is assessed collectively for each loan product. Individual loans are assigned to each stage based on the Loan Risk Score. The LRS is explained under credit risk. The loans are aggregated under respective loan products to determine the associated PD.

The loan product PD is derived from historical data from 2018 to 2024 as a basis. The average default rate is calculated from movements of loans from stages 1 and 2 at the beginning of the year and ended the year in stage 3 respectively over the 4 year period.

Stage 1

The PD for loan products at this stage follows the average default rate regardless of the number years to maturity. For vatu loans the PD ranges from 3% to 5%. For foreign currency the range is 3% to 10%.

Stage 2

The PD for both vatu and foreign currency loans at this stage, where average term to maturity for the product is greater than 3 years ranges from 5% to 15%. The PD for loan products where average term to maturity is less than 3 years is 25% (2 years) and 50% (1 year).

19. Financial instruments (continued)
a) Credit risk (continued)
i) Credit risk - IFRS 9 definitions and implementation (continued)

Stage 3

The PD for both vatu and foreign currency loans at this stage, where average term to maturity for the product is greater than 3 years ranges from 10% to 20%. The PD for loan products where average term to maturity is less than 3 years is 50% (2 years) and 100% (1 year).

Effective interest rate

The effective interest rate for each loan product is calculated as the weighted average interest rate of loans within the product.

Exposure at default

The Exposure at default (EAD) is the amortized balance of the loan at reporting date.

The EAD is the closing amortized balance from the schedule for each year to maturity. The amortization schedule is created for loan products under each stage, using the average years to maturity of the loans within each product and the effective interest rate.

Loss given default percentage

The percentage of loss expected if customer defaults on their loan.

The Loss Given Default (LGD) for each loan product is a function of the total EAD divided by the total collateral held for loans within the product.

Expected credit loss

The collective Expected Credit Loss for each product for each stage is calculated as ECL = EAD X PD X LGD.

b) Interest rate risk

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

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

Financial assets:

- Liquid assets: floating interest rates.

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

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

19. Financial instruments (continued)
b) Interest rate risk (continued)

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.

c) 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:

		2025	
	Carrying value	Interest income and expenses	Fees, charges and commissions
Loans and receivables			
Net loans and advances to customers	18,198,020	1,934,283	539,881
Held to maturity assets			
Investment securities	4,292,336	197,524	-

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.

d) 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.

e) 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.

(Expressed in '000 Vatu)

20. 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.

	2025	2023
Bonds	-	37,397
Financial guarantees	-	-
Letters of credit	-	-
Commitments		
Capital expenditure	28,992	24,259
Undrawn facilities	258,865	231,080
	287,857	255,339

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

21. Notes to the statement of cash flows

Reconciliation of operating profit to net cash flows from operating activities

Profit for the year	904,522	632,412
Non-cash items		
- Allowance for impairment and loans written off	(189,593)	319,486
- Depreciation	98,917	108,829
Net cash provided by operating activities before change in assets and liabilities	813,846	1,060,727
Change in assets and liabilities during the financial year		
- Increase in accrued interest receivable	(23,930)	(35,484)
- Increase in loans and advances	(2,201,415)	(2,025,655)
- Increase in other assets	(94,495)	(126,891)
- Increase / (decrease) in accrued interest payable	3,514	(5,212)
- (Decrease) / increase in deposits from customers and credit institutions	(873,947)	4,699,596
- (Decrease) / increase in other liabilities & provisions	(43,388)	40,063
Net cash (used in) / provided by operating activities	(2,419,815)	3,607,144

22. Employees

The number of employees as at 31 December 2025 was 352 (2024: 364).

(Expressed in '000 Vatu)

23. Related parties

Transactions with directors and executive officers

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

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

	2025	**2024**
Director fees	3,800	3,120
Executive officers	93,329	98,673
	97,129	101,793

Loans to directors

Loans to directors and director-related entities outstanding as at 31 December 2025 was VtNil (2024: Vt14,514).

Transactions with related parties

No services were provided by a director-related entity to the Bank during the financial year (2024: Vt Nil).

Loans to other officers and employees

Loans to other officers and employees outstanding as at 31 December 2025 totaled Vt2,180,653 (2024: Vt1,890,646).

Shareholders

The Bank's shareholders are:

1. The Government of the Republic of Vanuatu; and
2. Vanuatu National Provident Fund.

24. Subsequent events

No events have occurred since the balance date which would require any adjustments to or disclosure in the financial statements (2024: Nil).

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 2021, the Bank's shareholders are the Vanuatu National Provident Fund 56.03% and the Government of the Republic of Vanuatu 43.97%.

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 thebest 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 responsiblefor 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 formanagement,
- 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.

<u>Membership and composition of the Board</u>

The Shareholders Agreement established between the two 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 shall be no less than four and no more than six.

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;

(i) three may be nominated by Vanuatu National Provident Fund (VNPF) who shall nominate the Chairman and Deputy Chairman.

(ii) one shall be the Company's Managing Director & Chief Executive Officer.

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

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.

<u>The Chairman of the Board</u>

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.

Directors' Fees

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

Annual fees are paid to the following:

- Chairman
- Deputy Chairman
- Non-Executive Directors

Board Performance Review

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

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

Board and Board Committee Meetings

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

The Chairman, in consultation with the Managing Director & 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 four Non-Executive Directors including the Managing Director & Chief Executive Officer 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. 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 reviewand are reviewed regularly,

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

External Auditor

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

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

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

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

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

Internal Audit

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

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

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

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

Compliance

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

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

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

Remuneration and Nomination Committee

The Remuneration and Nomination Committee (RNC) comprises four Non-Executive Directors including the Managing Director & Chief Executive Officer duly appointed by the Board. The Chairman of the RNC must be one of the Directors, other than the Chairman of the Board. Each member should be capable of making a valuable contribution to the Committee, and membership is reviewed annually by the NBV Ltd Board.

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

The key responsibilities of this Committee include:

- to oversee the selection and appointment of a Managing Director & 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 organization 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 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
- Water Resources Management Act (Cap 281

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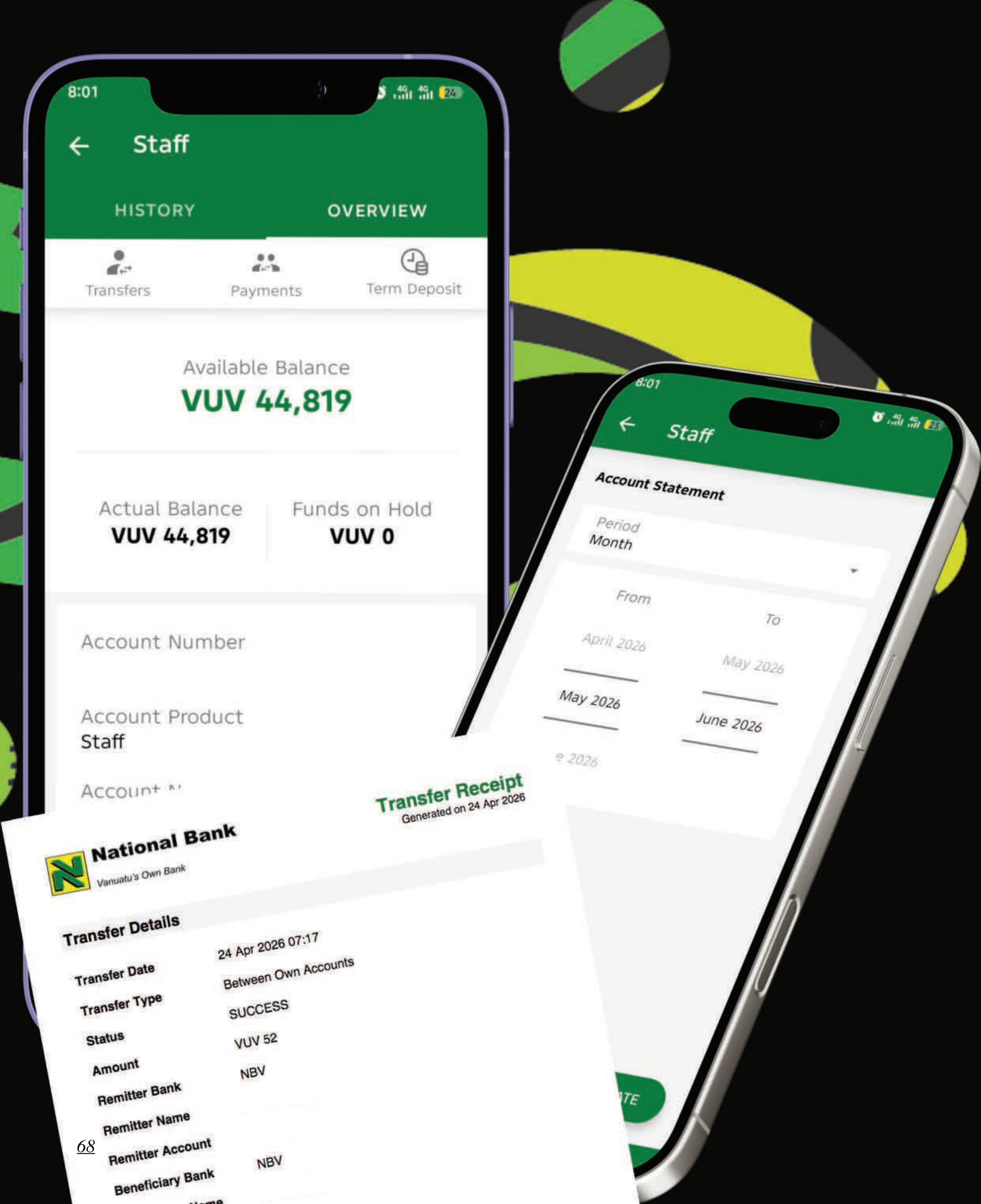

NATIONAL BANK OF VANUATU
AIRPORT ROAD TAGABE
POST:
P.O BOX 249 PORT VILA
VANUATU

TELEPHONE: +678 22201
info@nbv.vu www.nbv.vu
SWIFT: NBOVVUVU