



ANNUAL REPORT

2024

NATIONAL BANK OF VANUATU
2024



MODERN GENERATION AGRICULTURE

The Future of Agri-Business



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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.



National Bank

Vanuatu's Own Bank

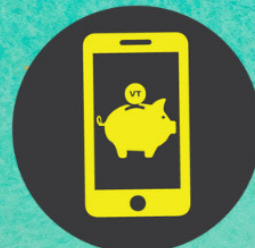
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CORE VALUES

RESPONSIVENESS

RESPOND TO CUSTOMER IN A
TIMELY MANNER

01

TRUSTWORTHINESS

BEING HONEST AND RELIABLE.
TAKING RESPONSIBILITY

02

HONESTY

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

03

LEARNING

TAKING INITIATIVE TO DEVELOP
& GROW

04

WORKING TOGETHER

WORKING TOGETHER TO
ACHIEVE A COMMON GOAL

05

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
MANAGING DIRECTOR &
CHIEF EXECUTIVE OFFICER
Appointed to Board in 2023



Collins GESA
MBA, BMgt
DIRECTOR
Appointed to Board in 2023



Tony Amos SEWEN

DIRECTOR
Appointed to Board in 2022



Ms. Julie Elenoa TAKAU
Associate Chartered Accountant
(ACA), MBA, Fellow (FIMCA),
BBS, & NZ Diploma in Business
DIRECTOR
Appointed to the Board in 2024

THE MANAGEMENT



Tony MOTULIKI
MBA, PGDGM(BA), PGCHRM
(BA), AIMM, SA FIN, MIML, MAICD
**EXECUTIVE GENERAL MANAGER
RETAIL & BRAND**
Joined the National Bank in 2016



Stuart MATHISON
BE(Hons), GradDip AppComp,
M Int Dev
CHIEF OPERATING OFFICER
Joined the National Bank in 2008



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 ALATO
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



Sereana Moira MARUM
Chairlady

REPORT FROM THE CHAIRLADY

It is with great pride and responsibility that I present the 2024 Annual Report for the National Bank of Vanuatu (NBV). This year has been marked by resilience, strategic growth and continued commitment to supporting economic development across Vanuatu. NBV has produced a strong outcome for our shareholders, reporting another successful performance of record profits for the year.

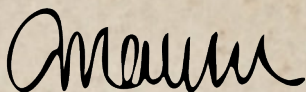
The trading year witnessed good levels of confidence and economic stability across all sectors. Increased tourism activities recommenced on a sound footing, however encountered severe challenges with the collapse of the national airline services around mid-year, while cruise ship arrivals maintained satisfactory momentum. The 17th of December disaster however stalled a lot of progress, a large portion being business activities in the capital.

Recent economic growth trends have been in the telecommunications sector with access throughout the country. The Energy sector has also seen further growth in rural electrification through hydro-power generation and solar power distribution in almost all rural communities around the country. Infrastructure developments in road constructions across major islands provide the necessary foundation for future economic growth potentials.

Labour mobility continued expansion into Australia and New Zealand increasing in numbers making it the biggest employment opportunity within the Pacific region. Likewise, its remittances have significantly contributed to national GDP. It is anticipated flow on effects will enable and strengthen further growth of welfare for many remote and rural communities. Equally, an enticement to support, grow and expand social and economic activities in micro, small and medium type business enterprises across the nation.

Concentrations in urban centres remain the core business activities, driving the NBV's financial outcomes. On an equal footing, I am also happy to report the continuing success of rural banking operations today contributing satisfactorily to the overall financial performance. Strategically, it is the competitive advantage that can see further growth and expansion going forward into the future. Looking ahead, we will continue to adapt to the changing financial landscape, uphold our commitment to customer service excellence, and strengthen our role as a pillar of stability in Vanuatu's economy.

On behalf of the Board of Directors, I wish to thank NBV's Executive Management team and general staff, Shareholders, customers and partners in the community for their continued support, commitment and dedication, ensuring that NBV remained competitive throughout the year. The year's financial profit for 2024 marks another history portraying a continued success trading forward into the longer term. Together, we will strive towards a prosperous future for NBV and the people of Vanuatu



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

Chairlady

RAPPORT DU PRESIDENTE

C'est avec grande fierté et responsabilité que je présente le rapport annuel de 2024 pour la Banque Nationale du Vanuatu [National Bank of Vanuatu (NBV)]. Cette année a été marquée par de la résilience, une croissance stratégique et la poursuite de l'engagement visant à soutenir le développement économique dans l'ensemble du pays. La BNV/NBV a produit de très bons résultats pour nos actionnaires, signalant une fois de plus une excellente performance avec un bénéfice record pour l'année.

L'exercice a connu un niveau de confiance et de stabilité économique satisfaisant dans tous les secteurs. L'activité touristique a repris sur une base solide, mais a été confrontée à de gros défis suite à l'effondrement des liaisons aériennes assurées par la compagnie nationale en milieu d'année, tandis que les escales de paquebots ont maintenu une fréquence satisfaisante. Toutefois, la catastrophe du 17 décembre a mis un frein à tout cela, une grande majorité des activités commerciales étant basées dans la capitale.

Les tendances à la croissance économique ces derniers temps ont reposé sur le secteur des télécommunications, devenues accessibles partout dans l'archipel. Le secteur de l'énergie a également affiché une nouvelle croissance dans le domaine de l'électrification rurale grâce aux centrales de production hydro-électrique et à la distribution de panneaux solaires dans la plupart des communautés rurales dans tout le pays. Le développement de l'infrastructure par la construction de routes dans les principales îles apporte une fondation nécessaire pour une croissance économique en puissance à l'avenir.

Les programmes de mobilité des travailleurs vers l'Australie et la Nouvelle-Zélande affiche un nombre croissant de participants et deviennent une des plus grandes opportunités d'emploi dans la région du Pacifique. De même, les envois d'argent ont sensiblement contribué au PIB. On anticipe que les retombées permettront de renforcer l'amélioration des conditions de vie dans de nombreuses communautés rurales isolées et, par la même occasion, de soutenir le développement et l'expansion d'activités économiques et sociales par la toute petite, petite et moyenne entreprise sur l'ensemble du pays.

La concentration des principales activités commerciales dans des centres urbains a été le moteur des résultats financiers de la BNV/NBV. Je suis ravie de signaler un pareil succès des opérations bancaires rurales qui contribuent désormais de manière satisfaisante à la performance financière en général. Du point de vue stratégique, c'est l'avantage compétitif qui est prometteur de croissance et d'expansion accrues à l'avenir. Pour ce qui est du futur, nous allons continuer à nous adapter à un environnement financier en constante évolution, maintenir notre engagement à l'égard de l'excellence des services clientèle et renforcer notre rôle en tant que pilier de la stabilité économique du Vanuatu.

Au nom du conseil d'administration, je tiens à remercier l'équipe de haute direction et le personnel de la banque, les actionnaires, les clients et les partenaires dans la communauté pour leur soutien sans faille, leur engagement et leur dévouement, ce qui a permis d'assurer la compétitivité de la BNV/NBV tout au long de l'année. Le bénéfice financier de l'exercice 2024 marque une nouvelle étape dans notre histoire, laissant présager la continuité de notre succès à plus long terme. Ensemble nous allons œuvrer pour assurer un avenir prospère à la banque et à la population du Vanuatu.



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

Presidente

Rapport du Président

RIPOT BLONG JEALADY

Mi gat hona mo risponsabiliti blong presentem 2024 Anuel Ripot blong Nasonal Bank blong Vanuatu (NBV). Ol mein tingting ia, resilians, stratejik grot mo kontinu komitmen oli bin stap olsem mein sapot tuwods iekonomik developmen blong Vanuatu. NBV i bin riflektem strong aotkam blong ol sheaholda mo ripotem wan moa saksessful pefomens blong rekod profit blong yia.

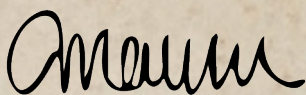
Bisnes treding yia, hem i witnesem ol hae level blong konfidnes mo iekonomik stability truaot evri sekta. Inkris blong ol aktiviti blong turisim i rekomendem wan gud stat, nating we yumi gotru long bigfala jalens we i luk daonfol blong ol seveses blong nasonal ealaen we i hapen long medel blong yia. Long semtaem, ol krus sip oli kontinu blong kamtru mo mentenem ol araevol blong olgeta. Be bigfala disasta long namba 17th Disemba, i stopem plante progress, espeseli long sentral beis blong ol bisnes aktiviti long Kapitol.

Ol risent lukluk blong iekonomik grot hem i stap insaed long telekomunikesen sekta truaot long kantri. Sekta blong Eneji tu i luk feta grot blong rural eletrifikesen akses we i kamtru long jeneresen blong haedro-paoa distripusen we i stap hapen long kolosap evri rural komuniti blong kaontri. Infrastrakja developmen mo ol rod konstraksen we oli stap tekemples long ol bigfala aelan oli stap provaedem neseseeri fandesen blong braet opotuniti blong fiuja iekonomik grot.

Leba mobility i kontinu blong gro insaed long Ostrelia mo Niusilan, inkris blong namba blong leba i soemaot se hem nao hem i bigfala emploement opotuniti insaed long Pasifik rijen. Hem i inkludim ol rimitens blong program we i kontinu blong kontribiut long nasonal GPD. Projeksen i stap se efekt blong iekonomik aktiviti ia bambae i enebolem mo strongem grot mo welfea blong ol rural komuniti. Ikweli, hemia tu hem i bigfala opotuniti tuwods sapot, grot mo i ekspansen blong sosel mo iekonomik aktiviti blong maekro, smol mo medium bisnes aktiviti truaot long neisen.

Konsentresen insaed long eben senta hem I stap olsem stamba beis blong ol bisnes aktiviti blong draevem ol faenansel aotkam blong NBV. Folem semak tok, mi glad blong ripotem kontinuing saksess blong rural banking operesen we dedei i stap kontribiut satisfaktoriali tuwods ovarol faenansel pefomens. Stratejikli, kompetitiv advantej nao i luk moa grot mo ekspansen we i tekem yumi i go fowod long fiuja. Fiuja projeksen, bambae yumi kontinu blong adapt long jensing faenansel landskep, mo yumi holemstrong komitmen blong ekselens kastoma seves, mo yumi strengtenem rol blong yumi olsem pila blong stability blong ikonomi blong Vanuatu.

Long bihaf blong Bod blong ol Daarekta, mi talem tangkiu long Ekseketif Manejmen tim, ol jeneral staf, ol Sheaholda, ol kastoma mo ol patna insaed long komuniti from ol kontinu sapot, komitmen mo dedikesen blong ensuarem se NBV i stap oltaem olsem kompetitiv bisnes truaot long yia. Yia 2024 faenansel profit i riflektem wan narafala histry we i soemaot saksess blong treding i go long fiuja. Tugeta, yumi stanap strong tuwods wan prosperes fiuja blong NBV mo ol pipol blong Vanuatu.



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

Jealady



John Aruhuri
Managing Director & Chief Executive Officer

REPORT FROM THE MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

It is my honour and privilege to lead the bank over the 12 months operations in 2024. The year proceeded very well till 17 December when a devastating earthquake struck Efate Island resulting with significant damages caused in central business district. It includes very severe damages to the bank's head office building today demolished to the ground.

The year under review started off with very promising outcomes leading into the final quarter of the year. Impacts of the disaster however, resulted in increased costs and loan provisioning at year end thus affecting the projected financial outcomes.

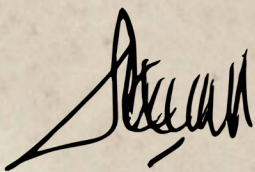
Nevertheless, the final performance outcomes ended on a high note exceeding the annual budget. Notwithstanding these challenges, special tribute is accorded to the Bank's Executive team taking a firm leadership role upholding the strategic directions, objectives and priorities required in delivering another solid profit the year 2024. The year's financial performance sets another record milestone achievement since 2023. Such an achievement results from the dedicated efforts and commitments of staff, customers, board of directors, the bank's shareholders, and other strategic partners across the network and in particular the service outreach to the remote and isolated communities in the provinces.

Economic activities stabilized within the domestic market in the early part of the year with greater confidence. Industry development steadily picked up in property development, commercial business, construction in infrastructure and housing, retail wholesale trade, manufacturing and agriculture sectors leading towards positive recovery all show better signs of growth.

Commercial sector, retail and rural customer base drive the Bank's growth complemented by international business, digital platforms and service offerings. Tailor-made low-cost housing for rural communities is another source generating increased demand as safe and secure facilities during times of natural disasters – a corporate social responsibility to the nation. Modern Generation Agriculture is gaining positive momentum amongst Ni-Vanuatu commercial farmers indicating positive growth potentials for the future.

The year 2024 under review has progressed exceptionally well delivering another profit for the year. Special credit is extended to the committed Executive Management team, Managers, Supervisors and general staff of the Bank.

I sincerely take this opportunity of thanking everyone for their continuing support, commitment and dedication to Vanuatu's own Bank as we journey ahead with our Strategy.



JOHN ARUHURI
Bcom

Managing Director & Chief Executive Officer

Report from the Acting Managing Director & CEO

RAPPORT DU DIRECTEUR GENERAL ET ADMINISTRATEUR DELEGUE

J'ai eu l'honneur et le privilège de diriger la banque au cours des 12 mois d'exploitation en 2024. L'année progressait très bien jusqu'au 17 décembre lorsqu'un tremblement de terre dévastateur a touché l'île d'Efate, entraînant des dégâts considérables dans le centre ville, y compris de gros dégâts au siège de la banque qui a nécessité la démolition totale du bâtiment, désormais rasé à terre.

L'exercice objet de ce rapport a démarré avec des résultats très prometteurs jusqu'au dernier trimestre de l'année. Les impacts de la catastrophe ont entraîné une hausse des coûts et de la provision pour emprunts, affectant ainsi les prévisions de résultats financiers.

Malgré tout, au final, les résultats de la performance ont fini sur une note positive, dépassant les prévisions de l'exercice. Compte tenu de tous ces défis, il convient de rendre hommage à l'équipe de haute direction de la banque qui a su adopter une ligne de conduite ferme pour préserver les directions stratégiques, les objectifs et les priorités nécessaires pour parvenir à réaliser, une fois de plus, un bénéfice solide en fin d'exercice. La performance financière en 2024 marque un autre jalon record depuis 2023. Une telle réussite est attribuable aux efforts dévoués et à l'engagement du personnel, des clients, du conseil d'administration, des actionnaires de la banque et d'autres partenaires stratégiques dans tout le réseau et notamment, les services de contact et de communication jusque dans les communautés les plus éloignées et isolées dans les provinces.

Les activités économiques sur le marché intérieur se sont stabilisées au cours des premiers mois de l'année grâce à une confiance accrue. Le développement sectoriel s'est amplifié dans les domaines de l'immobilier, du commerce, de la construction dans l'infrastructure et le logement, du commerce de gros, de la manufacture et de l'agriculture, entraînant une reprise positive affichant des signes prometteurs de croissance.

Le secteur commercial, les activités de banque de réseau avec sa base de clientèle rurale ont été le moteur de la croissance de la banque, complétés par les opérations internationales, les plateformes numériques et les offres de services. Les habitations à bas prix construites sur mesure proposées aux communautés rurales sont un autre produit qui engendre une demande croissante pour des structures sûres garantissant la sécurité lors de catastrophes naturelles – une responsabilité sociale de l'entreprise envers la nation. L'agriculture contemporaine moderne commence à gagner du terrain parmi les agriculteurs Ni-Vanuatu à vocation commerciale, ce qui est indicateur de croissance potentielle pour le futur.

L'exercice 2024 objet de ce rapport a affiché des progrès exceptionnels aboutissant encore une fois à des bénéfices pour l'année. Il y a lieu de remercier tout particulièrement l'équipe de haute direction, les gérants, les superviseurs et le personnel en général de la banque pour leur engagement.

Je profite de cette occasion pour remercier tout le monde, en toute sincérité, pour leur soutien, leur engagement et leur dévouement sans discontinuer à l'égard de la banque, marque du Vanuatu, alors que nous poursuivons notre chemin stratégique.

JOHN ARUHURI
Bcom



Directeur General et Administrateur Delege

Rapport du Directeur General et Administrateur Delege

RIPOT BLONG MANEJING DAEREKTA & JIF EXEKUTIF OFISA

Mi gat hona mo privilej olsem lida blong Bank long tem blong ova 12 manis operesen long yia 2024. Yia hem i stat mo gohed gud tumas i kam kasem namba 17 Disemba, dei we bigfala etkweik hapen long Efate mo witnesem bigfala disasta mo damej we i distroem mein sentral bisnes senta. Bigfala damej ia i inkludim mein hed-ofis bilding blong Bank we dedei oli bin pulumdaon mo kliarem kasem graon.

Yia ia bank i gotru long riviui we long bigining i riflektem wan gudfala promising aotkam i kam kasem faenal kwota blong yia. Haoeva, ol impakt blong disasta ia hem i risalt we i inkrisim ol kost mo ol lon provisen long end blong yia mo hem i afektem tu risalt blong ol projekted faenansel aotkam.

Be, nating long hemia, ol faenal aotkam pefomens hem i endem wetem wan hae level we i ova long anuel bajet. Be, nating long ol jalenses ia, spesel tribut i go long Eksektiv tim blong Bank we oli pefomem strong lidasip rol mo holemtaet ol stratejik daareksen, ol objektiv mo ol praeoriti we oli mas mekem blong dilivarem wan solid profit long yia 2024.

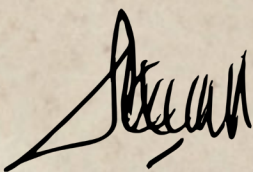
Faenansel pefomens blong yia ia i setemap wan rekod maelston adjivmen sins yia 2023. Ol adjivmen risalt olsem i riflektem ol dediketed hadwok mo komitmen blong ol staf, ol kastoma, Bod blong ol Daarekta, ol Sheaholda blong bank mo ol narafala stratejik patna truaot long netwok inkludim ol seves aotrij we i kavremap ol rural komuniti truaot long kaontri.

Long fes pat blong yia, ol iekonomik aktiviti oli stebolaest insaed long domestik maket wetem strong konfidens. Developmen blong ol indastri oli kontinu blong kam antap espeseli ol propeti developmen, ol komesel bisnes, ol konstraksen tru long ol infrastrakja mo haosing, ol ritel mo holsel treading, ol manufakjaring mo ol agrikalja sekta we oli lid i go tuwods posetiv rikaveri mo hemia i riflektem wan gudfala saen blong grot.

Komesel sekta, ol ritel mo rural beis hem i draevem grot blong Bank mo hem i complimented tru long ol intenasonal bisnes, ol dijitel platfom mo ol seves ofaring. Tailor-made low-cost haosing blong ol rural komuniti hem i wan narafala sos we i jeneretem inkris dimand blong seiv mo sikiua fasiliti long ol taem blong naturel disasta -- wan kopret sosel risponsabiliti blong neisen. Modern-Generation-Agriculture hem i demonstretem posetiv intres blong ol Ni-Vanuatu komesel fama mo hem i stap indiketem fiuja potensel grot.

Yia 2024 i bin stap anda long riviui, mo hem i demonstretem gudfala progres we i gud tumas mo i dilivarem wan narafala yia blong profit. Kredit i go long ol komited Eksektiv Manejmen tim, ol Maneja, ol Supavaesa mo jeneral staf blong Bank.

Mi praod long opotuniti ia blong talem tangkiu long evriwan from ol kontinu sapot, komitmen mo dedikesen tuwods Bank we Vanuatu i onem, long taem naoia mo taem yumi wokbaot i go long fored wetem ol Stratejis blong yumi.



JOHN ARUHURI
Bcom

Manejing Daarekta mo Jif Exekutif Ofisa

FIVE YEARS SUMMARY

Five Year Summary

2020 - 2024

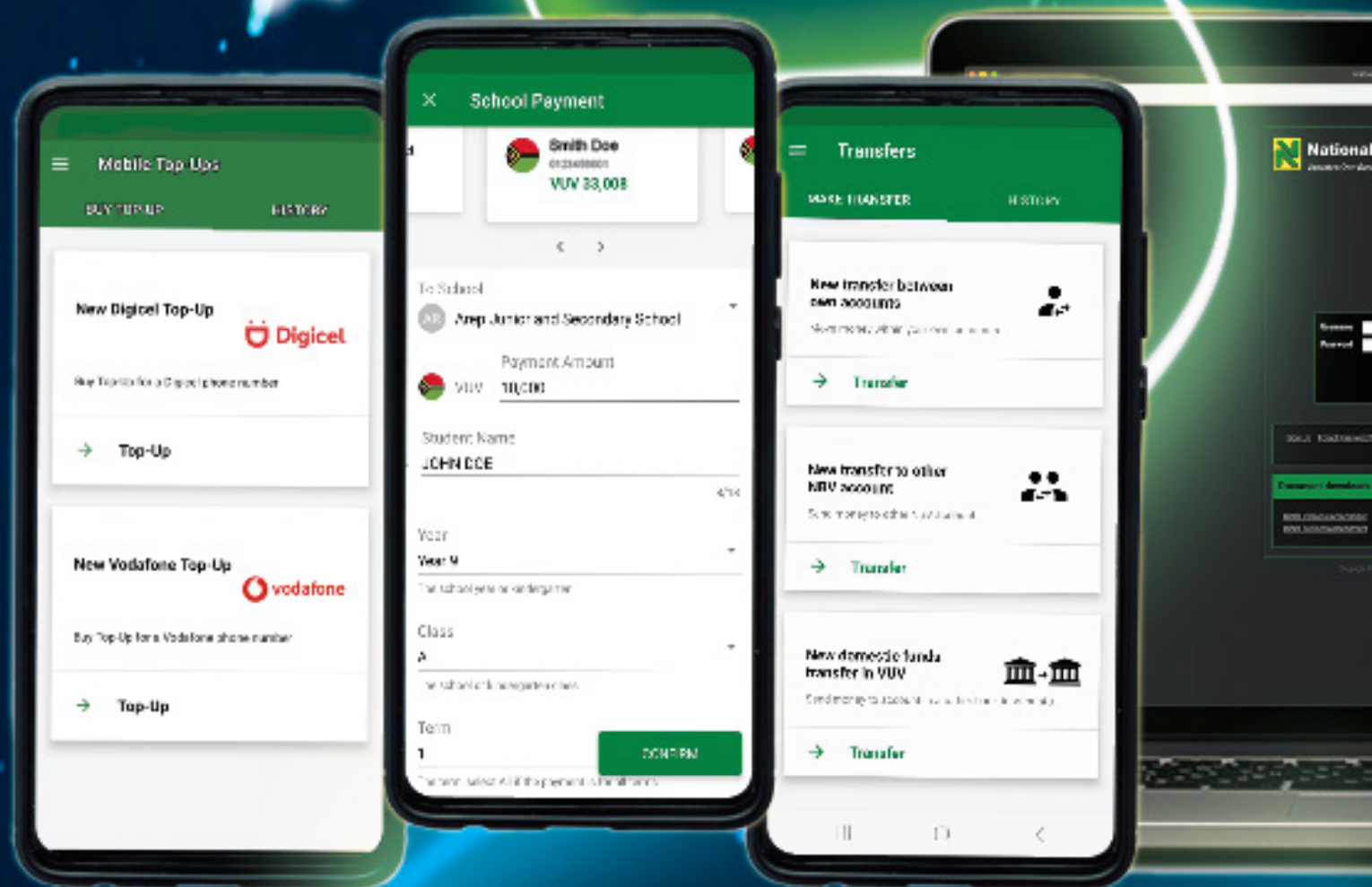
(Expressed in ' 000 Vatu)	2020	2021	2022	2023	2024	(Exprimé en '000 Vatu)
Profit & Loss						Compte de résultat
Interest income	1,533,158	1,322,639	1,345,629	1,703,269	2,115,426	Produits d'intérêts
Interest expense	(310,065)	(204,811)	(151,238)	(140,260)	(124,253)	Charges d'intérêts
Net Interest income	1,223,093	1,117,828	1,194,391	1,563,009	1,991,173	Intérêts nets
Other operating income	650,232	723,864	685,596	852,770	994,482	Autres produits d'exploitation
Provision for loan losses	(390,652)	(285,596)	(124,127)	(134,770)	(527,097)	Dotation aux provisions pour prêts douteux
Other operating expenses	(1,404,975)	(1,429,813)	(1,518,989)	(1,567,537)	(1,826,146)	Autres charges d'exploitation
Operating profit / (loss) before government grant	77,698	126,283	236,871	713,472	632,412	Bénéfice / (perte) d'exploitation avant subvention du gouvernement
Government grant	0	0	0	0	0	Subvention du gouvernement
Profit / (loss) for the year	77,698	126,283	236,871	713,472	632,412	Bénéfice / (perte) de l'exercice
Balance sheet						Bilan
Net loans and advances	13,165,044	12,461,120	13,080,835	14,100,845	15,807,014	Prêts et créances nettes sur la clientèle
Total assets	33,947,270	32,816,625	30,283,030	32,132,526	37,423,385	Total de l'actif
Customer deposits	30,612,557	29,230,400	26,291,176	27,665,868	32,343,132	Dépôts clients
Shareholders' funds(Equity)	2,424,639	2,612,062	2,848,933	3,542,405	4,098,817	Capitaux propres
Performance ratios						Ratios mesurant la performance
Return on shareholders' Funds (Equity) %	3.20	4.83	8.31	20.14	15.43	Retour sur fonds propres
Return on assets %	0.23	0.38	0.78	2.22	1.69	Rentabilité des actifs
Income growth %	(1.48)	(6.27)	(0.75)	25.84	21.67	Croissance des revenus
Prudential ratios						Ratios de prudence
Capital adequacy %	13.62	15.94	17.12	18.62	20.09	Suffisance du capital
Liquid asset ratio %	44.08	51.97	48.16	45.08	41.86	Ratio des liquidités

IsiMs

*Emi helpem yu blong risivim
instan mesej oltaem abaot
akaon aktiviti blong yu*



Think



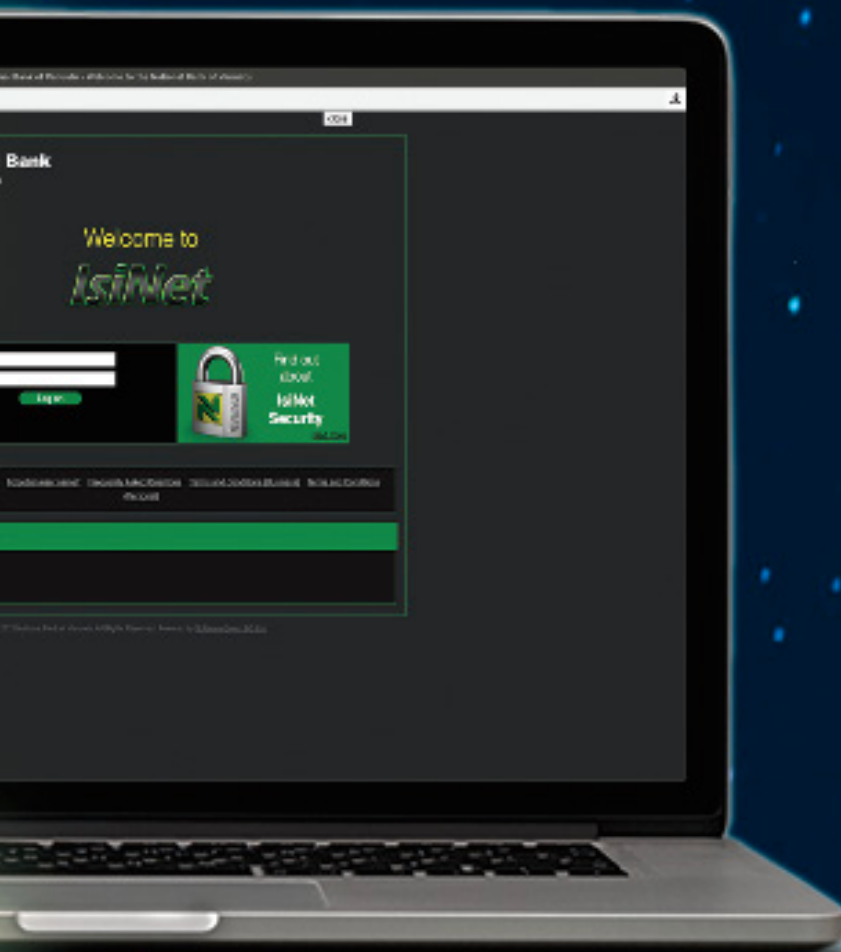
SCAN HERE



and get conn

Digital

INNOVATIVE,
EFFICIENT,
EFFECTIVE & FAST



ected today

& IsinNet mobile IsinNet



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-Zélande

ASB Bank Limited,
Auckland

Bank of New Zealand,
Wellington

Papouasie Nouvelle-Guinée

Bank South Pacific
Port Moresby

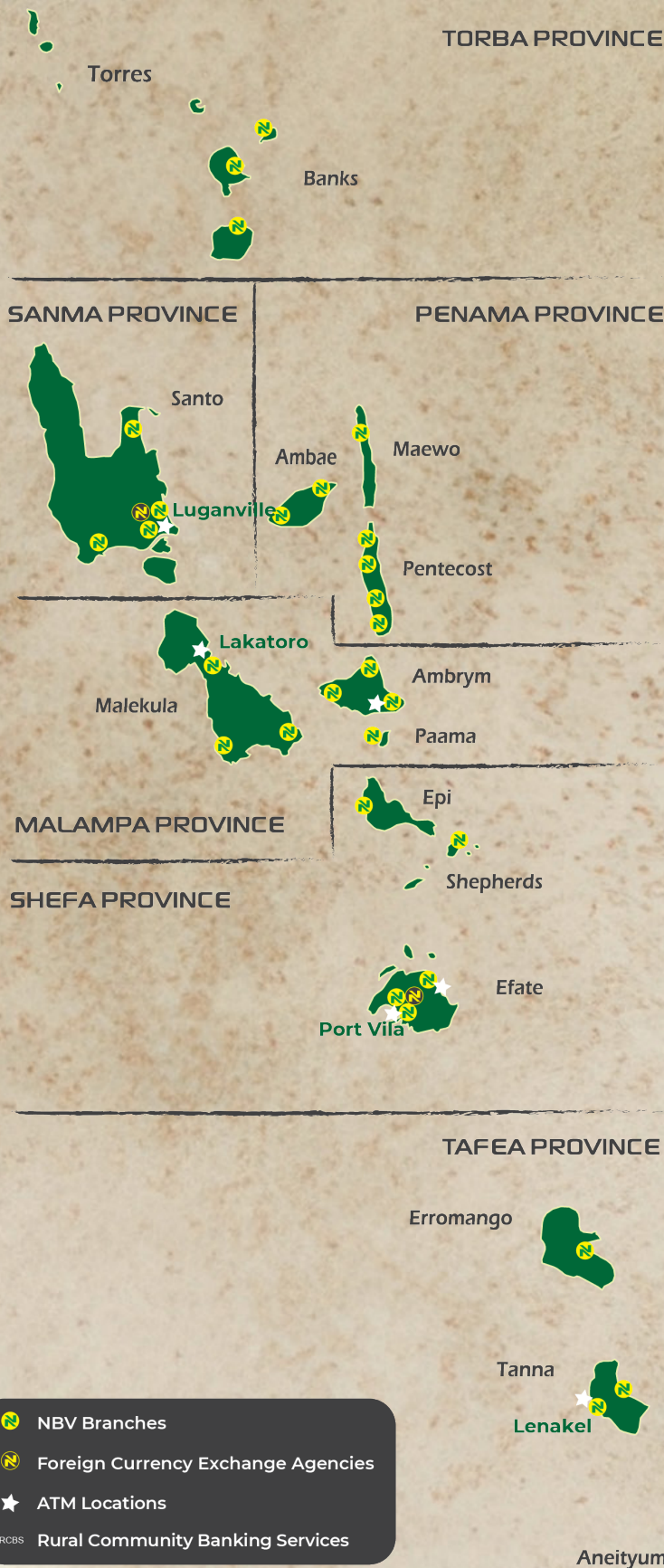
Tahiti

Banque de Tahiti
Papeete

Ilse Salomon

Bank South Pacific
Honiara

NBV BRANCH NETWORK



TORBA PROVINCE

Vanua Lava

Sola Branch

Gaua

Gaua Branch

Mota Lava

Mota Lava Branch

+30 RCBS Centres

SANMA PROVINCE

Santo

Luganville Branch

Luganville Market Branch

Port Olry Branch

Tasmalum Branch

+39 RCBS Centres

MALAMPA PROVINCE

Malekula

Lakatoro Branch

Lamap Branch

South West Bay Branch

Ambrym

Craig Cove Branch

Nepul Branch

Ulei Branch

Paama

Liro Branch

+86 RCBS Centres

PENAMA PROVINCE

Maewo

Betarara Branch

Ambae

Saratamata Branch

Mata Branch

Pentecost

Angoro Branch

Ennar Branch

Melsisi Branch

Pangi Branch

+105 RCBS Centres

SHEFA PROVINCE

Epi

Rovo Bay Branch

Tongoa

Morua Branch

Efate

Emua Branch

Head Office - Port Vila

Rural Banking Branch

+70 RCBS Centres

TAFEA PROVINCE

Erromango

Ipota Branch

Tanna

Lenakel Branch

Whitesands Branch

Aneityum

Anelcauhat Branch

+40 RCBS Centres

Modern Generation Agriculture

A product that scales farmers to
new horizons.

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 recouvrement
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



An aerial photograph of a tropical coastline featuring a lush green forest on the left, a rocky shore with waves crashing against the rocks in the center, and a sandy beach on the right. Overlaid on the upper half of the image is a bar chart with six vertical bars of varying heights and colors: green, gold, red, green, blue, and gold. The title 'FINANCIAL STATEMENTS' is centered in a large, bold, black serif font, with each word underlined.

FINANCIAL STATEMENTS

National Bank of Vanuatu Limited

Financial Statements

For the Year Ended 31 December 2024

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Auditors' report to members	31 - 33
Statement of comprehensive income	34
Statement of changes in equity	35
Statement of financial position	36
Statement of cashflows	37
Notes to the financial statements	38 - 61

National Bank of Vanuatu Limited

Report of the directors

For the year ended 31 December 2024

The directors present their report together with the audited financial statements for the year ended 31 December 2024 and the auditors' report thereon.

Directors:

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

<u>Director</u>	<u>Appointed</u>	<u>Resigned</u>	<u>Meetings</u>	<u>Attended</u>
Paul Kaun (Chairman)	03/02/2022	09/04/2024	12	12
Tony Amos Sewen	23/09/2022	-	16	12
Collins Gesa	13/01/2023	-	16	16
Sereana Moira Marum	14/02/2023	-	12	12
Julie Elenoa Takau	08/05/2024	-	15	15

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 Vt632,411,891 (2023: Vt713,471,536).

Reserves:

The directors propose that no transfer be made to reserves (2023: Nil).

Dividends:

A final dividend of Vt76,000,000 in respect of the prior financial year was declared and paid during the year (2023: final dividend of Vt20,000,000).

National Bank of Vanuatu Limited

Report of the directors (continued) For the year ended 31 December 2024

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 2024 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 2024. 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.

Significant Event before balance date

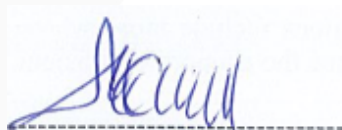
Following the earthquake on 17 December 2024 that struck Vanuatu, there was restricted access to the Port Vila office for safety reasons, and the main CBD area was closed because of significant damage to buildings and infrastructure. Management is working to fully evaluate the damage to its security asset as well as the impact on its customers in terms of loan repayments.

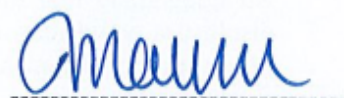
On 7 May 2025 in a memorandum from management to the Board, it was advised that Recovery & Relocation Costs was in the vicinity of Vt146 million, as at 30 April 2025, which includes rebuilding cost, salvage and recover costs and potential fixed asset write-offs.

Overall, assessments are still ongoing and management believes the event will have a material effect on the company's financial position, post balance sheet date.

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

Dated at Port Vila, the ...11th ... of July 2025


Director *John Arakawa*


Director *Sereana Marum*

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 2024, 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 2024, 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.

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.

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

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

11 July 2025

National Bank of Vanuatu Limited

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024**

(Expressed in '000 Vatu)

	Note	2024	2023
Interest income	4	2,115,426	1,703,269
Interest expense	5	<u>(124,253)</u>	<u>(140,260)</u>
Net interest income		1,991,173	1,563,009
Other operating income	4	<u>994,482</u>	<u>852,770</u>
Net banking income		2,985,655	2,415,779
Severance pay expense		(92,285)	(95,521)
Other operating expenses	5	<u>(2,085,683)</u>	<u>(1,460,620)</u>
Operating profit for the year		807,687	859,638
Tax expense		<u>(175,275)</u>	<u>(146,166)</u>
Total comprehensive income for the year		<u><u>632,412</u></u>	<u><u>713,472</u></u>

The statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 38 to 61.

National Bank of Vanuatu Limited

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024**

(Expressed in '000 Vatu)

	Issued & paid up capital	Share premium	Retained earnings	Total
<u>2024</u>				
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	<u>1,657,140</u>	<u>172,361</u>	<u>2,269,316</u>	<u>4,098,817</u>
<u>2023</u>				
Balance at the beginning of the financial year	1,657,140	172,361	1,019,432	2,848,933
Total comprehensive income for the year	-	-	713,472	713,472
	1,657,140	172,361	1,732,904	3,562,405
Dividends paid	-	-	(20,000)	(20,000)
Balance at the end of the financial year	<u>1,657,140</u>	<u>172,361</u>	<u>1,712,904</u>	<u>3,542,405</u>

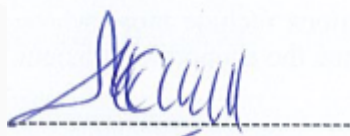
The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 38 to 61.

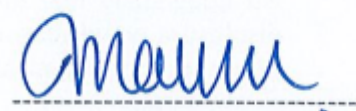
National Bank of Vanuatu Limited

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024
(Expressed in '000 Vatu)

	Note	2024	2023
Assets			
Liquid assets	8	16,673,099	14,649,357
Net loans and advances to customers	9(a)	15,807,014	14,100,845
Investment securities	11	3,992,336	2,472,736
Other assets	12	477,438	315,063
Property, plant and equipment	14	473,498	594,525
Total assets		37,423,385	32,132,526
Liabilities			
Customers' accounts	15	32,343,132	27,665,868
Other liabilities	16	577,236	463,674
Provisions	17	404,200	315,726
Lease liability	14(c)	-	144,853
Total liabilities		33,324,568	28,590,121
Equity			
Share capital	18	1,657,140	1,657,140
Share premium		172,361	172,361
Retained earnings		2,269,316	1,712,904
Total equity		4,098,817	3,542,405
Total liabilities and equity		37,423,385	32,132,526

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 38 to 61.


 Director *John Arifhwa*


 Director *Sereana Marum*

Port Vila, ...11th.. July 2025

National Bank of Vanuatu Limited

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024**

(Expressed in '000 Vatu)

	Note	2024	2023
Cash flows from operating activities			
Interest received		2,079,942	1,680,799
Interest paid		(129,464)	(125,726)
Other cash receipts in the course of operations		1,005,158	862,656
Other cash payments in the course of operations		<u>(1,737,161)</u>	<u>(1,575,150)</u>
		1,218,475	842,579
<i>Changes in operating assets and liabilities</i>			
- Gross loans and advances to customers		(2,233,266)	(1,154,780)
- Customers' accounts		4,699,596	1,398,061
- Other assets		49,231	(140,084)
- Transit accounts		<u>(126,892)</u>	<u>(148,578)</u>
Net cash provided by operating activities	22	<u>3,607,144</u>	<u>797,198</u>
Cash flows from investing activities			
Net movement in investment deposits		(1,519,600)	(364,116)
Net payments for leasehold improvements, plant and equipment		<u>12,198</u>	<u>(46,375)</u>
Net cash used in investing activities		<u>(1,507,402)</u>	<u>(410,491)</u>
Cash flows from financing activities			
Dividends paid		<u>(76,000)</u>	<u>(20,000)</u>
Net cash used in financing activities		<u>(76,000)</u>	<u>(20,000)</u>
Net increase in cash and cash equivalents held		2,023,742	366,707
Cash and cash equivalents at beginning of the financial year		14,649,357	14,282,650
Cash and cash equivalents at the end of the financial year	8	<u><u>16,673,099</u></u>	<u><u>14,649,357</u></u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 38 to 61.

National Bank of Vanuatu Limited

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

(Expressed in '000 Vatu)

1. Reporting entity

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

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Revenue recognition

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

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

Interest income and expense

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

Fee and commission income

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2024

(Expressed in '000 Vatu)

3. Significant accounting policies (continued)

(b) Foreign currency

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

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

(c) Non current assets

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

(d) Property, plant and equipment - Note 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2024**

(Expressed in '000 Vatu)

3. Significant accounting policies (continued)

(e) Provisions

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

Employee entitlements - Note 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2024

(Expressed in '000 Vatu)

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2024

(Expressed in '000 Vatu)

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

Debt instruments (continued)

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.

The bank subsequently measures all equity investments at fair value through profit and loss, except the 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2024**

(Expressed in '000 Vatu)

3. Significant accounting policies (continued)

(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).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2024

(Expressed in '000 Vatu)

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
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(Expressed in '000 Vatu)

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 than an insignificant amount of output;
 - The purchaser had the ability or right to control physical access to the asset whilst obtaining or controlling an insignificant amount of output.

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

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

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

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2024**

(Expressed in '000 Vatu)

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.

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.

Note 14 provides more detail of how the lease asset and liability is measured.

(j) Comparatives

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

National Bank of Vanuatu Limited

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2024**

(Expressed in '000 Vatu)

4. Income	2024	2023
Interest income		
Loans and advances	1,761,287	1,406,719
Interbank foreign currency placing	190,863	190,082
Investment securities	163,276	106,468
	<u>2,115,426</u>	<u>1,703,269</u>
Other operating income		
Fees, charges and commissions (*)	491,550	474,086
Net foreign exchange earnings	461,224	349,446
Other income	41,708	29,238
	<u>994,482</u>	<u>852,770</u>

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

5. Expenses		
Interest expense		
On deposits	118,099	130,710
On leases	6,154	9,550
	<u>124,253</u>	<u>140,260</u>

5. Expenses (continued)		2024	2023
Other operating expenses			
<i>Personnel expenses</i>			
Salaries and wages		693,854	574,165
VNPF contributions		30,111	25,179
Other		123,253	117,662
		<u>847,218</u>	<u>717,006</u>
<i>Other operating expenses</i>			
Auditor's remuneration	6	4,385	3,977
Depreciation	13	108,829	110,266
Allowance for loan losses	10	527,097	134,770
Other expenses		598,154	494,601
		<u>1,238,465</u>	<u>743,614</u>
		<u>2,085,683</u>	<u>1,460,620</u>

National Bank of Vanuatu Limited

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

(Expressed in '000 Vatu)

6. Auditor's remuneration

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

- Auditing the financial statements	4,100	3,692
- Other services	285	285
	<u>4,385</u>	<u>3,977</u>

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	2024	2023
Currency notes and coins	1,754,879	1,751,739
Balance with Reserve Bank (including regulatory deposits)	5,860,467	6,490,823
Due from other banks	<u>9,057,753</u>	<u>6,406,795</u>
	<u>16,673,099</u>	<u>14,649,357</u>

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

9. Loans and advances

9(a) Net loans and advances to customers	2024	2023
Overdrafts	1,163,964	1,096,034
Loans	<u>16,998,764</u>	<u>15,041,039</u>
Total gross loans and advances	18,162,728	16,137,073
Allowance for impairment	10 <u>(2,355,714)</u>	<u>(2,036,228)</u>
Net loans and advances	<u>15,807,014</u>	<u>14,100,845</u>

Maturities of gross loans and advances are summarised as follows:

Not later than 1 year	2,116,439	2,036,254
Between 1 and 2 years	958,349	800,797
Between 2 and 5 years	2,991,757	2,907,565
Later than 5 years	<u>12,096,183</u>	<u>10,392,457</u>
	<u>18,162,728</u>	<u>16,137,073</u>

National Bank of Vanuatu Limited

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

(Expressed in '000 Vatu)

Collateral held in respect of loans and advances that are impaired amounts is Vt2,948,351 (2023: Vt3,928,689).

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

	4,310,448	3,634,528
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Maturities of gross loans and advances to customers are summarised as follows:

Not later than 1 year	347,730	189,313
Between 1 and 2 years	151,948	135,603
Between 2 and 5 years	599,006	423,440
Later than 5 years	3,211,764	2,886,172
	<u>4,310,448</u>	<u>3,634,528</u>

9(c) Restructured gross loans and advances to customers

	95,036	49,337
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10. Allowances for impairment of loans and advances to customers

Collective allowances

Balance at beginning of the year		304,666	353,886
Charge to statement of comprehensive income	5	264,193	40,655
Loans written back / off		562	(89,875)
Total collective allowance		<u>569,421</u>	<u>304,666</u>

Individual allowances

Balance at beginning of the year		1,731,562	1,638,033
Charge to statement of comprehensive income	5	262,903	94,115
Loans written off / back		(208,172)	(586)
Total individual allowance		<u>1,786,293</u>	<u>1,731,562</u>
Total allowances for impairment of loans and advances to customers		<u>2,355,714</u>	<u>2,036,228</u>

National Bank of Vanuatu Limited

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

(Expressed in '000 Vatu)

11. Investment securities	2024	2023
Maturities of investment securities are summarised as follows:		
Not later than 1 year	149,636	72,736
Between 1 and 2 years	-	-
Between 2 and 5 years	-	-
Later than 5 years	3,842,700	2,400,000
	<u>3,992,336</u>	<u>2,472,736</u>

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

12. Other assets		
Accrued interest receivable	107,857	72,374
Projects – in progress	16,762	23,071
Other assets	352,819	219,618
	<u>477,438</u>	<u>315,063</u>

13. Property, plant and equipment

	2024			2023		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
<i>Leasehold premises and improvements</i>	187,940	(156,807)	31,133	182,911	(151,222)	31,689
<i>Plant and equipment</i>	769,650	(610,169)	159,481	741,701	(568,302)	173,399
<i>Computer system</i>	659,290	(467,015)	192,275	627,246	(420,934)	206,312
<i>Leasehold land, building and improvements</i>	172,188	(81,579)	90,609	172,188	(78,120)	94,068
<i>Total</i>	<u>1,789,068</u>	<u>(1,315,570)</u>	<u>473,498</u>	<u>1,724,046</u>	<u>(1,218,578)</u>	<u>505,468</u>

	2024				
	Opening carrying amount	Additions	Disposals/ writeoffs	Depreciation charge	Closing carrying amount
<i>Leasehold premises and improvements</i>	31,689	5,028		(5,584)	31,133
<i>Plant and equipment</i>	173,399	40,407	(672)	(53,653)	159,481

National Bank of Vanuatu Limited

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

(Expressed in '000 Vatu)

Computer system	206,312	34,835	(2,740)	(46,132)	192,275
Leasehold land, building and improvements	94,068		-	(3,459)	90,609
Total	505,468	80,270	(3,412)	(108,828)	473,498

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	2024	2023
Property, plant and equipment owned	13	473,498	505,468
Right-of use assets	14(b)	-	89,057
Balance as at 31 December		<u>473,498</u>	<u>594,525</u>

(b) Right-of -use assets

Balance as at 1 January	89,057	134,083
Recognition / (derecognition) of right of use	(47,532)	-
Depreciation charge for the year	<u>(41,525)</u>	<u>(45,026)</u>
Balance as at 31 December	<u>-</u>	<u>89,057</u>

(c) Lease liabilities

Maturity analysis -

Less than one year	-	-
One to five years	-	144,853
More than five years	<u>-</u>	<u>-</u>
Total lease liabilities as at 31 December	<u>-</u>	<u>144,853</u>
Lease liabilities included in the statement of financial position at 31 December	<u>-</u>	<u>144,853</u>

15. Customers' accounts

Current accounts	13,470,133	10,187,881
Savings accounts	12,010,241	10,179,105
Fixed term deposits	<u>6,862,758</u>	<u>7,298,882</u>
	<u>32,343,132</u>	<u>27,665,868</u>

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

2024	2023
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National Bank of Vanuatu Limited

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

(Expressed in '000 Vatu)

Fixed term deposits

Not later than 1 month	2,170,081	3,981,008
Between 1 and 3 months	1,073,556	1,049,963
Between 3 and 12 months	3,616,868	2,259,159
Later than 1 year	2,253	8,752
	<u>6,862,758</u>	<u>7,298,882</u>

16. Other liabilities

Accrued interest payable	31,803	37,014
Transit accounts	177,210	127,979
Unearned income – lending fees	155,099	141,060
Unearned income – rural services grant	5,357	8,720
Due to other banks	78,666	56,335
Other	129,101	92,566
	<u>577,236</u>	<u>463,674</u>

17. Provisions

	2024	2023
<i>Current</i>		
Annual leave provision	71,966	52,504
Other	16,767	27,889
Severance allowance	<u>315,467</u>	<u>235,333</u>
	404,200	315,726
<i>Non-current</i>		
Severance allowance	<u>-</u>	<u>-</u>
	404,200	315,726
<i>Movement in severance allowance</i>		
Balance at beginning of the year	235,333	295,257
Net charge to the income statement	92,285	95,521
Provision utilised	<u>(12,151)</u>	<u>(155,445)</u>
Balance at end of the year	<u>315,467</u>	<u>235,333</u>

18. Share capital

Authorised capital

165,714 ordinary shares of Vt10,000 each	<u>1,657,140</u>	<u>1,657,140</u>
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Issued and paid-up capital

165,714 ordinary shares of Vt10,000 each, fully paid	<u>1,657,140</u>	<u>1,657,140</u>
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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.

National Bank of Vanuatu Limited

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

(Expressed in '000 Vatu)

Dividend

The directors have declared and paid a final dividend of Vt76,000,000 (2023: Vt20,000,000).

19. Commitments 2024 2023

Operating lease commitments

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

Not later than 1 year	-	8,236
Between 1 and 2 years	44,809	30,068
Between 2 and 5 years	26,708	840
Later than 5 years	-	735
	<u>71,517</u>	<u>39,879</u>

20. Financial instruments

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

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

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

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

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

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

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
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(Expressed in '000 Vatu)

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.

20. Financial instruments (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

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.



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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
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(Expressed in '000 Vatu)

20. Financial instruments (continued)

a) Credit risk (continued)

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

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.

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 2023 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%.

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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).

20. 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 $ECL = EAD \times PD \times LGD$.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
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(Expressed in '000 Vatu)

20. 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 regula

Details of income and expenses for financial instruments follows:

	Carrying value	2024 Interest income and expenses	Fees, charges and commissions
<i>Loans and receivables</i>			
Net loans and advances to customers	15,807,014	1,827,898	491,550
<i>Held to maturity assets</i>			
Investment securities	3,992,336	163,275	-

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 w maximising the return to shareholders through the optimisation of net debt and equity balance.

The capital structure of the Bank is monitored using the gearing ratio. The ratio is calculated as ne divided by equity. Net debt is calculated as total interest bearing liabilities less cash and cash equiv; 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 p shareholders, return equity to shareholders, issue new shares or sell assets to reduce debt. The 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 bu acquisition strategies;
- distributions to shareholders are maintained within stated dividend policy requirement;
- where excess funds arise with respect to the funds required to enact the Bank's bu strategies, consideration is given to possible returns of equity to shareholders.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
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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.

21. 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.

	2024	2023
Bonds	<u>37,397</u>	<u>39,636</u>
Financial guarantees	<u>-</u>	<u>-</u>
Letters of credit	<u>-</u>	<u>-</u>
Commitments		
Capital expenditure	24,259	23,071
Undrawn facilities	<u>231,080</u>	<u>210,360</u>
	<u>255,339</u>	<u>233,431</u>

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

National Bank of Vanuatu Limited

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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22. Notes to the statement of cash flows

Reconciliation of operating profit to net cash flows from operating activities

Profit for the year	632,412	713,472
<i>Non-cash items</i>		
- Allowance for impairment and loans written off	319,486	44,309
- Depreciation	108,829	110,266
Net cash provided by operating activities before change in assets and liabilities	1,060,727	868,047
Change in assets and liabilities during the financial year		
- Increase in accrued interest receivable	(35,484)	(22,470)
- Increase in loans and advances	(2,025,655)	(1,064,319)
- Increase in other assets	(126,891)	(140,084)
- (Decrease) / increase in accrued interest payable	(5,212)	14,534
- Increase in deposits from customers and credit institutions	4,699,596	1,398,061
- Increase / (decrease) in other liabilities & provisions	40,063	(256,571)
Net cash provided by operating activities	3,607,144	797,198

23. Employees

The number of employees as at 31 December 2024 was 364 (2023: 342).

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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24. 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:

	2024	2023
Director fees	3,120	2,852
Executive officers	98,673	76,082
	<u>101,793</u>	<u>78,934</u>

Loans to directors

Loans to directors and director-related entities outstanding as at 31 December 2024 was Vt14,514 (2023: Vt14,839).

Transactions with related parties

No services were provided by a director-related entity to the Bank during the financial year (2023: Vt Nil).

Loans to other officers and employees

Loans to other officers and employees outstanding as at 31 December 2024 totaled Vt1,890,646 (2023: Vt1,555,264).

Shareholders

The Bank's shareholders are:

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

25. Subsequent events

No events have occurred since the balance date which would require any adjustments to or disclosure in the financial statements (2023: In March 2023 Vanuatu experienced two tropical cyclones, Judy and Kevin which caused damage and impacted almost half of the population. The impact of these events is uncertain and a reliable estimate is not available at this time. Other than these cyclones and ongoing impacts of Covid-19 pandemic, there has not arisen in the interval between the end of the financial year and the date of this report any further item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in subsequent financial years).

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 the best interests of development of the bank, its customers, staff and the general economy of Vanuatu.

THE BOARD OF DIRECTORS

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

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

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

- selecting, with the assistance of the Board Audit, Risk and Compliance Committee, the appointment of external auditors,
- approving financial statements self-assessing its performance

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

Membership and composition of the Board

The Shareholders Agreement established between the 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.

The Chairman of the Board

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

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

- ensuring the Board meets regularly throughout the year, and that minutes are taken and recorded accurately,
- setting the Agenda of meetings and maintaining proper conduct during meetings,
- reviewing the performance of non-executive directors.

The Chairman is not permitted to occupy the role of Managing Director & Chief Executive Officer.

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 review and 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)

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

FUNDS TRANSFER TO OTHER BANKS MADE EASY WITH **ISIMOBILE**





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Vanuatu's Own Bank

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