National Bank of the virgin islands™

ANNUAL REPORT 2021

Resilience Amidst Adversity


WE TRUST

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr Benedicta Samuels	Chairperson (Ag)
Dr Drexel Glasgow	Director
Mr Ivan Hudson Carr	Director
Mr Mervyn Hope	Director
Mrs Jeanette Scatliffe Boynes	Director
Mrs Icis Malone	Director
Mr Everette Frazer	Director
Mrs Joy Penn	Chief Executive Officer / Ex-Officio Director

CORPORATE SECRETARY

Mrs Wendy Lewis

REGISTERED OFFICE

Harneys Corporate Services Limited
Craigmuir Chambers
PO Box 71
Road Town, Tortola VG1110
British Virgin Islands

SOLICITORS

O'Neal Webster
Simmonds Bldg.
PO Box 961
Road Town, Tortola VG1110
British Virgin Islands

Harneys
Craigmuir Chambers
PO Box 71
Road Town, Tortola VG1110
British Virgin Islands

McW Todman & Co.
116 Main Street
PO Box 3342
Road Town, Tortola VG1110
British Virgin Islands

AUDITORS

BDO Limited
PO Box 34
Sea Meadow House
Tobacco Wharf
Road Town, Tortola VG1110
British Virgin Islands

BANKING RELATIONSHIPS

Banco Popular de Puerto Rico
Bank of America
Raymond James

INSURERS

Caribbean Insurers Limited (CIL)
Besso Limited
Coralisle Group (CG) Insurance

REGULATOR

British Virgin Islands Financial Services Commission (FSC)

ASSOCIATIONS

Caribbean Association of Banks (CAB)
Caribbean Association of Audit Committee Members Inc. (CAACM)
Caribbean Credit Card Corporation (4Cs)
British Virgin Islands Bank Association

BRANCH (Head Office)
Wickham's Cay 1
Road Town, Tortola VG1110
British Virgin Islands
Phone: (284) 494-3737

WEBSITE

https://nationalbank.vg


FINANCIAL
GHLIGHTS

OPERATING HIGHLIGHTS

	2017	2018	2019	2020	2021
Profit and Loss Account	($000)	($000)	($000)	($000)	($000)
Interest Income	9,096	11,817	13,662	11,643	12,277
Interest Expense	(1,957)	(2,495)	(3,656)	(3,715)	(2,140)
Net Interest Income	7,139	9,322	10,005	7,928	10,136
Total Operating Income	7,764	10,165	10,858	8,740	11,055
Other Expenses	(10,285)	(9,009)	(9,554)	(9,327)	(10,100)
Net Income (Loss) for the Year	(2,521)	1,156	1,303	(588)	955
EBIT	(564)	3,651	4,959	3,127	3,095
BALANCE SHEET					
Total Assets	223,739	245,278	279,965	282,337	278,183
Total Liabilities	187,132	204,753	238,198	241,221	236,173
Loans and advances to customers (Gross)	178,807	195,851	206,779	218,108	233,523
Financial Instruments	10,649	15,565	28,538	35,628	18,672
Average Investments	184,340	200,436	223,367	244,527	252,966
Deposits	182,312	199,314	228,761	232,006	227,291
Shareholders' Capital	24,611	24,611	24,611	24,611	24,611
Retained Earnings	11,990	15,915	17,156	16,506	17,400
KEY FINANCIAL RATIOS					
Operating Expenses/Total Income	132%	89%	88%	107%	91%
Net Interest Margin	4%	5%	4%	3%	4%
Return on Assets	-1.13%	0.47%	0.47%	-0.2%	0.3%
Return on Equity	-6.9%	2.9%	3.1%	-1.4%	2.3%
Interest Cover	-29%	146%	136%	84%	145%
Loans and advances to deposits	98%	98%	90%	94%	103%
Tier 1 Capital	35,225	39,150	40,391	39,741	40,635
SOCIAL					
# of Employees that left	5	15	10	3	10
Average # of Employees	52	56	70	75	76
Number of Employees	54	57	74	75	77
Employee Turnover	10%	27%	14%	3%	13%
Women as % of Total Staff	61%	60%	63%	70%	71%
Women as % of the Executive Management Team	60%	50%	43%	43%	43%
# of persons on Executive Management Team	6	6	7	7	7
Corporate Social Responsibility Projects/ Initiatives	US$44	US$51	US$56	US$26	US$40

NOTICE OF ANNUAL MEETING

Notice is hereby given that the Annual General Meeting of the National Bank of the Virgin Islands Limited (NBVI) will be held at The Moorings Conference Room on Tuesday, December 13, 2022, at 10:00 am: -

1. To read and confirm the Minutes of the Meeting held on December 9, 2021
2. To consider matters arising from the Minutes
3. To receive the Directors' Report
4. To receive the Auditor's Report
5. To receive and review the financial statements for the year ended December 31, 2021
6. To appoint Auditors for the year ended December 31, 2022
7. To declare dividends to the Preference Shareholder
8. To discuss any other business that may be considered at an Annual Meeting

By Order of the Board

Wendy Lewis
....

Wendy Lewis
Corporate Secretary
September 30, 2022

ABOUT THIS REPORT

REPORTING APPROACH

NBVI strives to incorporate the principle of integrated thinking in the way we do business and in our reporting. This Integrated Report (the "Report") is our primary Report to shareholders and other stakeholders. It is intended to enable readers to make informed assessments of the Bank's ability to create value in the short, medium, and long term.

The Report is prepared in accordance with the International Integrated Reporting Council's (IIRC) Framework and includes the Bank's audited financial results and commentary on its operations for the financial year ended December 31, 2021. It also provides a thorough account of NBVI's activities and approach to corporate governance and risk management.

SCOPE AND BOUNDARY OF REPORTING

Reporting Period

This Report covers the period January 1, 2021, to December 31, 2021, and includes material issues up to the date of Board approval.

Financial and Non-Financial Reporting

Our Report includes information regarding stakeholder relationships, material matters, risks and opportunities and our forward-looking strategy. It also captures the significant activities of the Bank, which extend beyond financial reporting and describes the value created for the Bank's main stakeholder groups (shareholders, customers, employees), and the community we serve.

Target Audience

This is our primary Report to our shareholders, but it contains information relevant to other stakeholders, including our regulator, employees, customers, and society. A copy of this Report is accessible at ***www.nationalbank.vg***.

KEY CONCEPTS

Materiality and Material Matters

Through this Report, we provide context to what we deem our material matters - those matters which have influenced, or could influence, our ability to create value over the short, medium, and long term - and how we are responding. An issue is considered to be material if it has the potential to significantly impact NBVI's commercial viability, community relevance and the quality of its relationships with stakeholders. Material matters are described on ***page 44***.

Our mission and vision dictate our value creation process. Value creation is the outcome of how we use and leverage our capital to deliver financial performance and value for our stakeholders.

How We Define Value

Our mission and vision dictate our value creation process. Value creation is the outcome of how we use and leverage our capital inputs (Financial, Human, Intellectual, Manufactured, Natural, Social and Relationship) to deliver value for our stakeholders.

FINANCIAL STATEMENTS

Our audited financial statements for the year ended December 31, 2021, are an integral part of this Report. They have been prepared in accordance with International Financial Reporting Standards (IFRS), Interpretations issued by the International Accounting Standards Board (IASB), and regulatory requirements. A copy of the ***External Auditor's statement is included on page 88 of this Report***.

BOARD RESPONSIBILITY AND APPROVALS

The Board acknowledges its responsibility for ensuring the integrity of this Integrated Report. In the Board's opinion, this Report addresses all the issues that are material to the Bank's ability to create value, and gives a succinct, but fair and balanced representation of its performance, strategy, and management. Further, the Board confirms that this Report has been prepared in accordance with the International Integrated Reporting Framework.

This Report was approved by the Bank's Board of Directors on December 22, 2022.

Benedicta Samuels Chairperson (Ag.)	Jeanette Scatliffe Boynes *(Appointed on, May 15, 2021)*	Drexel Glasgow
Ivan Hudson Carr	Icis Malone *(Appointed on, September 1, 2021)*	Merlyn Hope
Everette Frazer *(Appointed on, October 1, 2021)*	Joy Penn	


Rethink
Rebuild
Recover

ABOUT NATIONAL BANK

WHO WE ARE

Founded in the 1980s as the Development Bank of the Virgin Islands, we funded micro enterprises and supported the aspirations of our people.

Effective February 28, 2007, the Bank changed its name from Development Bank of the Virgin Islands to National Bank of the Virgin Islands Limited, to reflect a shift in focus from development banking to commercial banking. Today, we offer financial services to individuals, businesses, institutional clients, and the Government of the Virgin Islands.

VISION

To become the financial services provider of choice, with global access originating from the Virgin Islands.

MISSION

To improve the lives of our customers by providing high quality banking services through empowered staff, while satisfying our shareholders and contributing to the betterment of our communities.

CORE VALUES

Our values are the foundation of our corporate culture and underpin our purpose. These values define what NBVI stands for and shape the expected behaviours of our Directors and employees. Living our values every day enables us to deliver on our mission and strategy, strengthen stakeholder relationships and earn the trust of the community.

Our values are the foundation of our corporate culture and underpin our purpose. These values define what NBVI stands for and shape the expected behaviours of our Directors and employees.

P	A	R	A
PROFESSIONALISM	**ACCOUNTABILITY**	**RESPECT**	**ATTITUDE**
We act with courtesy at all times, upholding high standards.	*We accept our individual and team responsibilities, meet our commitments, and take responsibility for our performance decisions and actions.*	*We honour the rights and beliefs of our team members, customers, shareholders, service providers and community. We treat others with the highest degree of dignity and fairness.*	*We always maintain a positive attitude when interacting with our team members, customers, shareholders, service providers and community.*

D DEDICATION	I INTEGRITY	S SOCIAL RESPONSIBILITY	E EXCELLENCE
We are keen to do what it takes to achieve our goals.	*We uphold the highest ethical standards, demonstrating honesty, and fairness in all our business practices.*	*We are committed to seeking ways to contribute to the advancement of our community.*	*We consistently strive for excellence and quality in all that we do.*

CUSTOMER CHARTER

- To define the Bank's standards of good practice and service.
- To promote disclosure of information deemed relevant and useful to customers.
- To outline the Bank's service standards and commitments to customers.
- To promote integrity and transparency in dealing with our customers.
- To explain the procedures for resolving disputes that may arise in the course of business, between the Bank and its customers.

OUR KEY STAKEHOLDERS

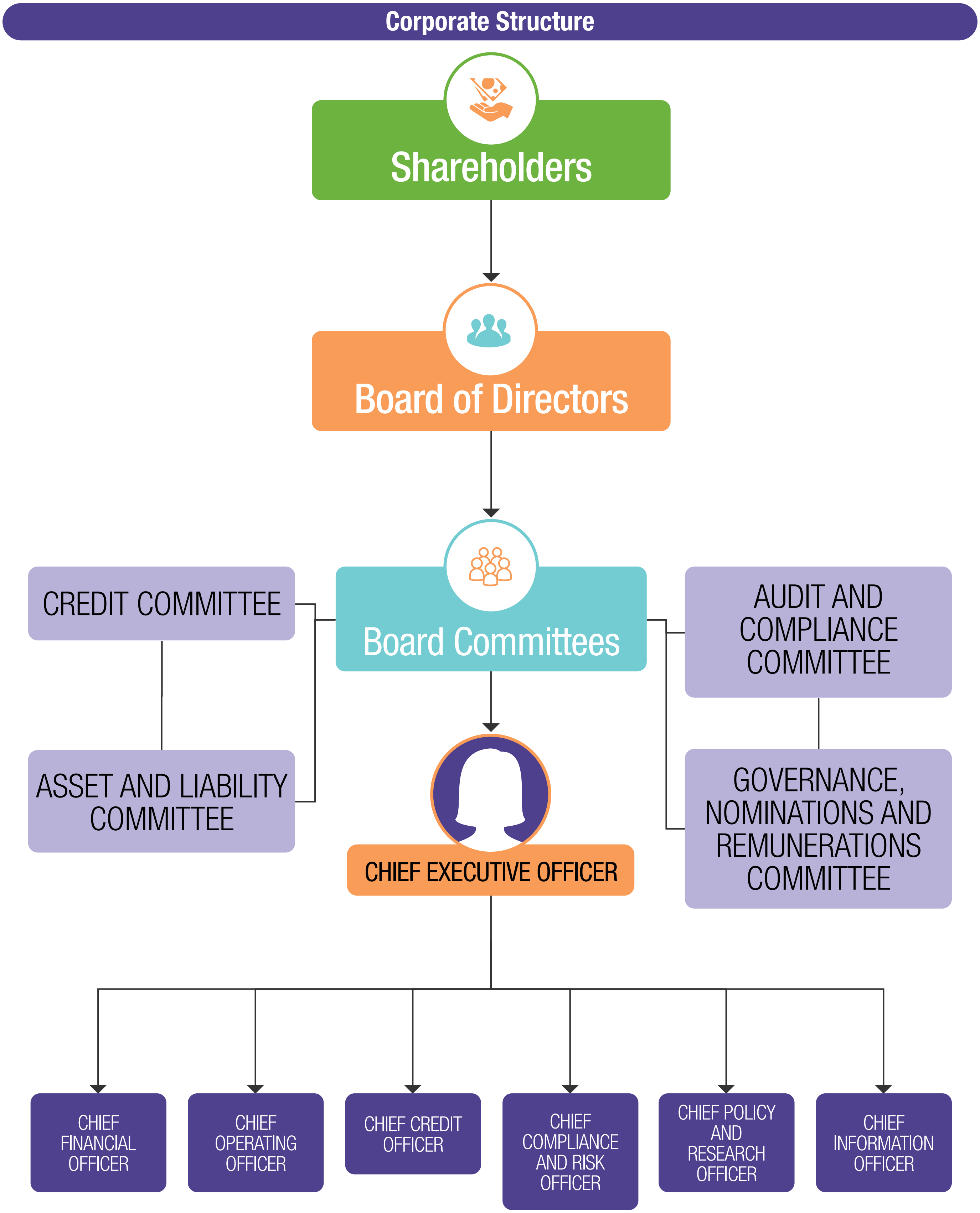
Although many of the challenges faced in 2020 with the onset of the pandemic remained with us in 2021, our stakeholders remained at the heart of our decision-making. As a responsible national bank, we want to treat all stakeholders with care and concern. We also want to engage and communicate with our stakeholders in a clear and consistent manner. Stakeholder engagements are invaluable to the Bank's business and shape our approach to fulfilling our governance responsibilities. At NBVI, we believe that greater awareness of the issues that matter to our stakeholders will enable us to make more informed decisions, better manage risks and opportunities, and develop comprehensive strategies to create value. In response to the changing environment and to satisfy the needs and expectations of our stakeholders, our strategy is to accelerate our investment in technology, expand our suite of products and services, and place greater focus on digitalization to improve access to the Bank.

We remain committed to maintaining strategic, constructive, and proactive discussions with all our stakeholders. We consider their opinions and suggestions in our strategic planning as these valuable insights give us the opportunity to build a bank that is fit for purpose.

Communication with Stakeholders

Customers	Shareholders and Analysts	Regulators and Auditors	Board of Directors	Employees	Suppliers	Media	General Public
Branch	AGM	Meetings	Meetings	Satisfaction Surveys	Meetings	Website	Website
Website	Board Meetings	Regulatory Reports	Reports	Staff Celebrations	Business Documents	Press Conferences	Press Releases
Bank Statements	Annual Reports	Emails	Emails	Staff Meetings	Letters	Press Releases	Philanthropy
Customer Surveys	Website	Website	Phone Calls	Evaluation Systems	Emails	Emails	Social Media
Interviews	Letters	Phone Calls		Website	Phone Calls		
Instant Feedback	Emails	Letters		Corporate Events	Requests for Proposals		
Outreach Seminars	Phone Calls	Interviews		Training			
		Annual Reports					

CORPORATE STRUCTURE



DIRECTORS' REPORT

The Board brings independent and diverse perspectives to the task of helping to create long-term value for NBVI's shareholders. Its expertise spans a broad range of disciplines, including risk, operations, finance, legal and engineering. The Board oversees the Bank's strategic direction, financial and non-financial goals, resource allocation and risk appetite. The Board also holds the Executive Management Team (EMT) accountable for implementing the Bank's strategy and ensures that the tone for good governance is set at the top of the organisation. The Directors are pleased to report on their stewardship of the Bank for the period January 1 to December 31, 2021.

BENEDICTA SAMUELS

CHAIRPERSON (AG.)

JEANETTE SCATLIFFE BOYNES

DREXEL GLASGOW

MERVYN HOPE

ICIS MALONE

IVAN HUDSON CARR

JOY PENN

EVERETTE FRAZER

In the opinion of the Directors:

a. The financial statements of the Bank, together with the notes thereon, as set out on pages 88 to 132, give a true and fair view of its financial position, financial and non-financial performance, and changes in equity and cash flows for the year ended December 31, 2021.

b. There are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

This year's theme ***"Resilience Amidst Adversity"*** reflects NBVI's journey from its origins to its performance in 2021. The theme also inspirits the Bank's VISION 'to become the financial services provider of choice with global access originating from the Virgin Islands'. As the tailwinds of COVID-19 subside, the world is beginning to come to terms with the incalculable toll on human life, livelihoods, and economies. NBVI continues to stand with our customers, employees, shareholders, and other stakeholders, to lend a hand, ease the burden, and reinvigorate the hope of a more prosperous Territory.

The Board of Directors wishes to express its sincere gratitude to all our stakeholders for your continued support and confidence in the Bank as we evolve into a more technology-driven institution to serve you better.

DIRECTORS

As at the reporting date, the Board comprised eight (8) members – one (1) member less than its maximum directorship.

THE ROLE OF OUR BOARD

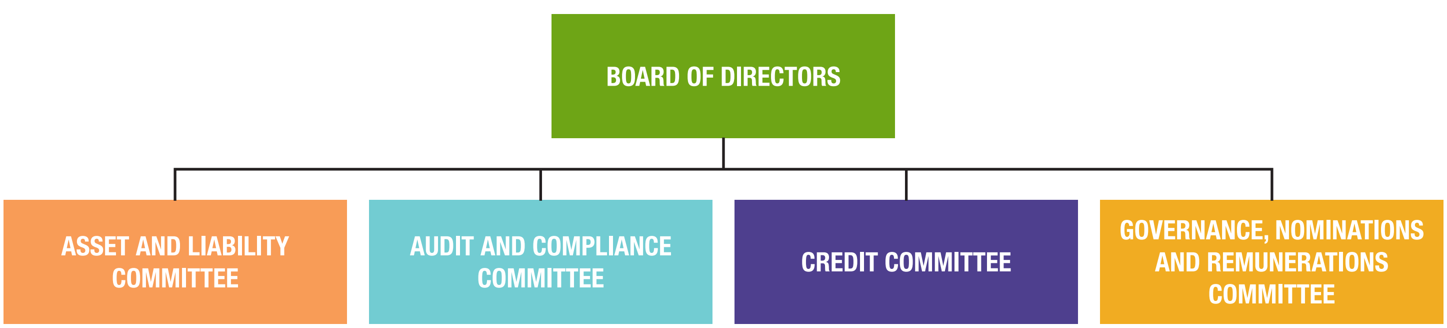
The Board of Directors has three (3) primary roles:

- Setting the Bank's strategic agenda.
- Overseeing the Bank's operations to ensure compliance with regulatory guidelines and approved policies.
- Ensuring an appropriate balance of risks and rewards.

The Board is ultimately accountable for the performance of the Bank. It reserves the right to make certain decisions at meetings of the full Board and delegates other decisions to its committees and Management. In upholding their fiduciary obligations, Directors are expected to exercise independent judgment based on what they believe to be in the best interest of the Bank.

BOARD COMMITTEES

To properly perform its oversight function, the Board is supported by the following committees:



These committees work closely with the Executive Management Team to address all challenges facing the Bank and make recommendations to the full Board on matters delegated to them.

Each committee is guided by its Charter, which details the duties and responsibilities of the committee as well as procedures for member appointment, structure and operations and reporting to the Board. The mandates, membership, and meetings of these committees are detailed on pages ***68*** to ***70*** of this Report.

BOARD MEETING ATTENDANCE

Board meetings are the main forum through which Directors share information and deliberate on the Bank's affairs. Fewer face-to-face meetings were held in 2021 compared to 2020, but the full Board met eight (8) times during 2021. The Board's greater use of technology to conduct its work had added benefits: – more regular dialogue, less travel, and reduced costs.

Additionally, information and documents are made accessible to Directors in a timely manner via a secure Board Portal prior to each Board and Board Committee meeting. If a Director is unable to attend a Board or Board Committee meeting in person, that Director can participate by telephone or videoconference. The table below sets out the attendance record of each Director.

Director	Number of Meetings		Percentage of Attendance
	Required	Actual	
Benedicta Samuels (Chairperson, Ag.)	8	8	100%
Clarence Faulkner, Jr. (Resigned, January 22, 2021)	1	1	100%
Drexel Glasgow	8	7	88%
Ivan Hudson Carr	8	8	100%
Antoinette Skelton (Resigned, February 24 2021)	1	1	100%
Michelle Todman Smith (Resigned, September 30, 2021)	6	6	100%
Joy Penn	8	8	100%
Mervyn Hope	8	7	88%
Jeanette Scatliffe Boynes	5	5	100%
Icis Malone	3	3	100%
Everette Frazer	2	1	50%

BOARD TIME ALLOCATION

The Board's standard and regular agenda items include:

- Reviewing reports from its committees;
- Dealing with governance and policy matters;
- Monitoring of the Bank's Strategic Plan; and
- Reviewing executive reports.

TRANSFORMATION

Changes in customer behaviour, particularly the shift to online services in the height of the COVID-19 pandemic, has accelerated the transformation of the way we work, manage, and engage with our customers. Given the rapid pace of change, we believe that banks have to operate differently to be successful. In some cases, customers have grown accustomed and favour certain online options implemented during the pandemic – and there is no turning back. Hence, even as we evaluate the sustainability of some of these changes, we continue to provide online alternatives for several of the services traditionally provided at the counter. Despite the challenges in our operating environment, serving our customers and providing essential banking services remain our top priorities.

RECOGNITION AND REWARD

We continue to pay keen attention to the feedback we receive about the quality of service provided to our customers. We believe constructive criticism presents pathways to introspection, correction, and growth, but notwithstanding, we know that transformation is seldom a straightforward process. Sometimes it requires courage, patience, and dogged determination to see it through – attributes repeatedly demonstrated by our employees. That is why our Bank recognises and celebrates our outstanding employees who have shown extraordinary commitment to its growth and development. Focusing on our core values of PARADISE, awards were presented to seven (7) employees in 2021, to thank them for their hard work and dedication.

CORPORATE SOCIAL RESPONSIBILITY

Despite the dampened economic climate in 2021, occasioned by the pandemic, NBVI remained committed to giving back to the communities in which we serve. Our purpose and core values underpin our philanthropic contributions and have not changed. In 2021, a total of $39,832.00 was invested in impactful social programs and community-based activities, in the areas of culture, education, sports, health and well-being, and the environment. The distribution of this amount and other related matters are expounded on in the ***Corporate Social Responsibility*** section of this Report.

FINANCIAL RESULTS

Despite the tough economic circumstances, the Bank realized a net profit of $0.9m in 2021, compared to a loss of $0.6m in 2020. The Bank's performance is discussed in greater detail by CFO Stephanie George-Brodie in her analysis of NBVI's financial performance and position.

DIVIDENDS

Pursuant to the Bank's Articles of Association, the Directors recommend a dividend of 4.5% to the preference shareholder for the financial year ended December 31, 2021. This recommendation will result in a total dividend of $247,642.75 to be paid for the 2021 financial year.

ACKNOWLEDGEMENTS

The Board extends its sincere gratitude to NBVI's valued customers for your unwavering support and patronage of the Bank. The Board also extends its appreciation to the Bank's employees and shareholders for their tireless work and unrelenting dedication to NBVI, as we seek to ensure the continued success of the Territory's only indigenous Bank.

FUTURE PROSPECTS

The last two years (2020 and 2021) were exceptional – a period of significant disruption, and we expect some challenges to remain in 2022. Undoubtedly, COVID-19 has had a significant impact on the Bank's operational and financial performance. Other geopolitical pressures viz, supply chain bottlenecks, high energy and food prices, and the war in Ukraine have cast a shadow over the pace of economic recovery. Notwithstanding, there are encouraging signs that the world seems ready to re-open as we are learning to live with COVID-19. The cruise ships are returning to our shores and commerce in the tourism and entertainment industries is picking up. These improving conditions should bode well for our business and bottom-line.

In the meantime, we continue to prudently manage our balance sheet and seek additional engines of growth. In spite of its many downsides, the pandemic has accelerated the demand for digital services and forced institutions to implement new systems and technology and think outside of the box. NBVI will continue to invest in technology to address the customer service challenges presented by inadequate access to the Bank. We know that optimising our customers' banking experience means both understanding and anticipating their needs and providing tailored products and services to meet those needs. We believe that investment in technology would fundamentally reshape the Bank and allow us to position NBVI as the leading provider of financial services in the Virgin Islands.

The Board continues to work closely with the Executive Management Team to ensure that the Bank has the right strategies and tools to strive in a post-pandemic environment. While it is impossible to accurately predict the future, the Board remains optimistic about the Bank's growth and performance in the years ahead.

By Order of the Board of Directors

Wendy Lewis

Wendy Lewis
Corporate Secretary

MESSAGE FROM OUR CHAIR

On behalf of the Board, management, and staff of the National Bank of the Virgin Islands, I am delighted to present the Bank's 2021 Annual Integrated Report.

As one reflects on the Bank's performance for the past year, one will concur that the theme of this year's integrated report is a true reflection of the organisation's realities in 2021. The measure of the Bank's "Resilience Amidst Adversity" in that crucial period, 2020 – 2021, was premised on the trifecta of courage, determination and resilience exhibited by the Board, management, and staff. Those are sacred virtues which buttress the Bank's vision, mission, and core values, and which are constantly being embraced for the benefit of all stakeholders.

It is accepted that the novel Coronavirus has adversely impacted the Bank's productivity and profitability. The turbulence caused by the pandemic not only threatened the survival of the global economy: it displaced many of our customers, resulted in the suspension or termination of employment of many persons within the BVI community, restricted travel, and forced many merchants to discontinue their businesses. Management's responsiveness was impressively demonstrated by their swift appreciation of possible challenges which the pandemic could pose. They appreciated straight away the need to reckon with the unprecedented situation in which the Bank, and indeed the global economy, was placed. As in 2020, the Bank continued to implement measures in full compliance with relevant COVID-19 protocols and directives issued by the Health Authorities in the Territory, in an effort to retard the spread of the virus. Despite the adverse impact of the pandemic, the Bank's focus on pursuing its strategic objectives did not waiver in 2021. Moreover, NBVI continued to honour sound banking practices and responsible business principles.

We undertook rapid steps to ensure the safety and security of our cherished staff, facilitating and empowering a large percentage of them to effectively perform their duties remotely.

Coming out of that acceptance, emerged the Board and management's unquestionable resolve to implement the Bank's robust business continuity plans. We introduced mechanisms to further protect NBVI's technological resources and implemented strategies to safeguard its fiscal viability, thereby playing our role in the Territory's economic recovery. We undertook rapid steps to ensure the safety and security of our cherished staff, facilitating and empowering a large percentage of them to effectively perform their duties remotely. Whilst cybersecurity concerns were prevalent in that environment, management was able to maintain the Bank's digital presence to enable customers to use its products and services. Additionally, we offered various forms of financial relief, especially by way of moratoriums, which helped our customers to cope with the dire financial straits in which many unwittingly found themselves.

Resilience speaks of tenacity, strength, and endurance in withstanding setbacks and to forbear in the face of tangible dangers and adversities. Despite being coshed in the difficulties, the uncertainties, and the heightened risks of operating a financial institution in the pandemic-induced conditions, NBVI's Board, management and staff displayed remarkable agility to synchronise and adapt the Bank's operations to its new environment.

In many ways, we remained focused, notwithstanding the pandemic's unwelcomed impact on the economy. Management ensured that key operational matters were professionally executed in harmony with the Bank's strategic priorities and directives. As can be observed from the Bank's financial reports, we made strides to rebound from the financial hit sustained at the onset of the pandemic. Also, the Bank's adherence to its corporate governance, regulatory, and compliance principles and obligations, remained steadfast under internal and external pressures. Our headcount remained stable, and employees continued to be committed and loyal as we adopted an "all hands on deck" approach to navigate the exigencies of the times. The seamless pivot to remote working, the shift system, the teamwork, or collaboration of staff to pull together to ensure continued and uncompromised service to our customers during the pandemic, deserve the highest commendation.

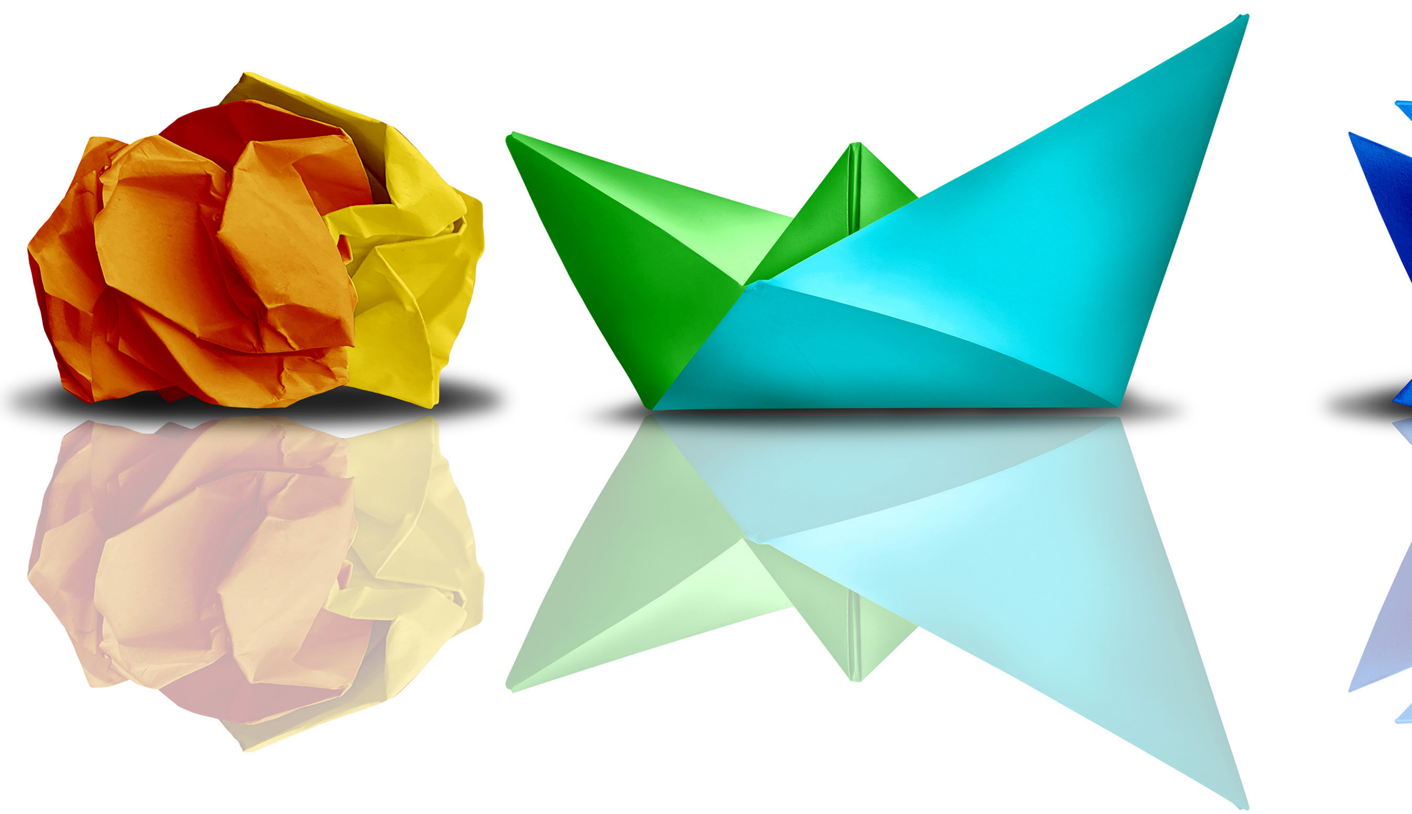
At this juncture, I am compelled to recognise and commend each member of the Board, management and staff for their unfailing support in making quick decisions to ensure the continued operation of the Bank in the past year. I congratulate all for demonstrating commendable levels of efficiency and diligence to usher the Bank to a sense of normalcy during this critical stage of its history.

In conclusion, the Board looks ahead to the upcoming financial year with undaunting optimism, confidence, and a keen sense of expectancy. We will continue to pursue innovative ways to support growth, promote new suites of products and services, update NBVI's systems and procedures, inspire and encourage investor participation, and strengthen its resilience to future challenges or adversities. In short, I say, "Floreat! Floreat! to the *official bank of paradise*." May it grow – may it flourish – now, and may it thrive - always.

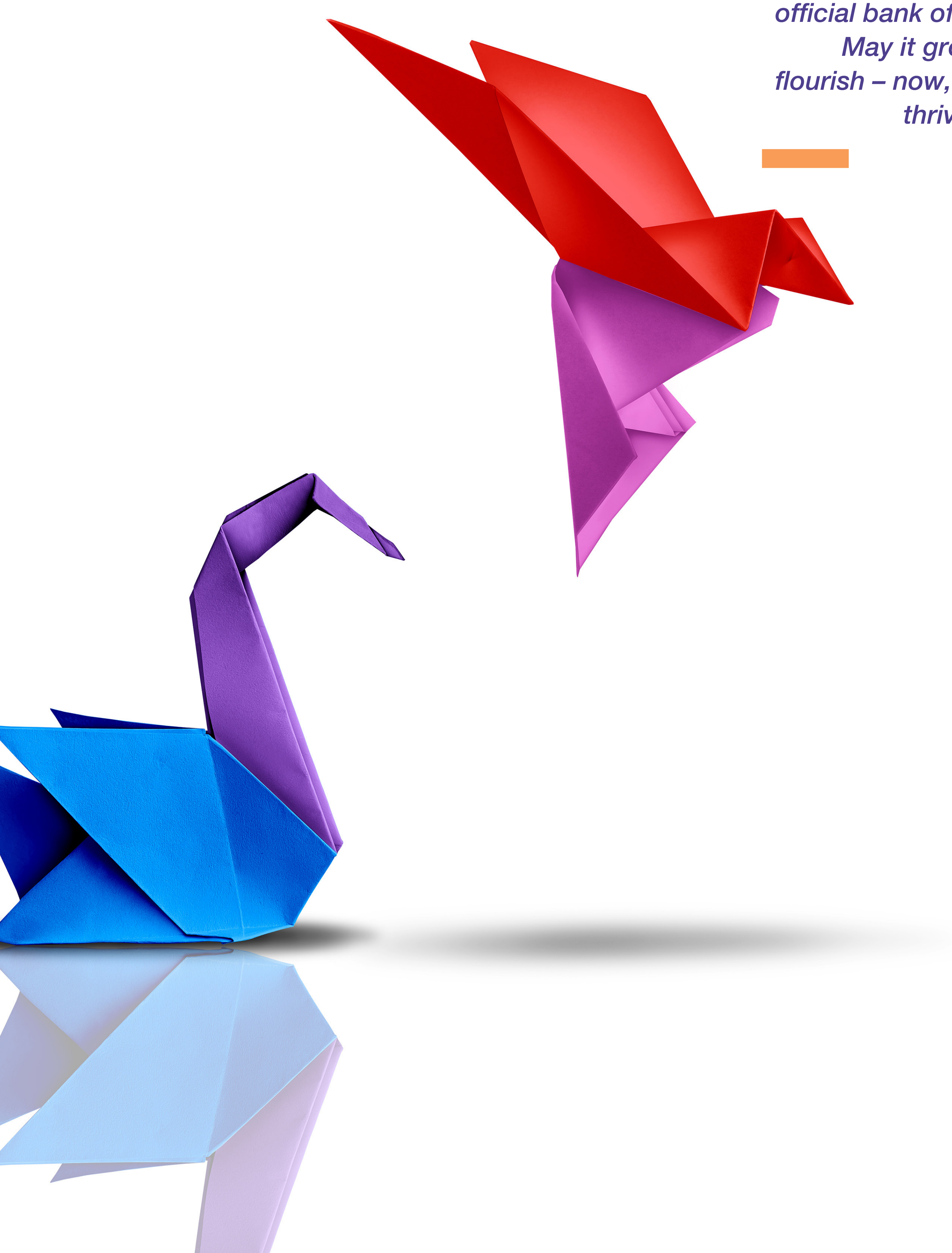
Benedicta Samuels

Dr. Benedicta Samuels

Chairperson (Ag.)



“Floreat! Floreat! to the official bank of paradise.” May it grow – may it flourish – now, and may it thrive - always.



CEO'S MESSAGE

I am pleased to address you in the 2021 Annual Integrated Report of the National Bank of the Virgin Islands. This year's theme "Resilience Amidst Adversity" is a true representation of how the Bank continues to chart its course further to the onset of the global pandemic in 2020. Despite many challenges, we remain on the path of broadening our products and service offerings to the people of the Virgin Islands.

In 2021, although the pandemic was not over, we observed a major decline in moratorium requests. Our customers have expressed their gratitude for the easements granted during the height of the pandemic and by the 2021-year end, only a very small pool of customers remained in moratorium status. Since that time, much focus has been placed on the assessment of customers' changing circumstances, with a view to restructuring and refinancing as needed, to ensure feasible debt service.

The Bank recognises the major misfortunes and challenges that were imposed for reasons beyond our control. As we began to return to some state of normalcy, we increased our focus on key infrastructural projects, many of which suffered as a result of the inability to accommodate in-person support from contracted vendors and service providers. We relied on virtual assistance, but this has its limitations and resulted in significant project delays.

In 2019, we commenced active negotiations with the Society for Worldwide Interbank Financial Telecommunications ("SWIFT") to facilitate easier access to global funds transfer platforms. Further to a detailed screening and onboarding process, which included Compliance reviews and certifications, submission of various bank policies and references from local correspondent banks, NBVI was validated and approved for its SWIFT ID in 2021. This Business Identifier Code ("BIC") granted the Bank its own identity in the international payment network and brings us one step closer to being able to offer wire transfer services.

The year 2021 also marked the first full year of the Bank's operations on the Temenos T-24 Core Banking System, to which we transitioned in the Fall of 2020. This conversion was very tedious, but we recognise that keeping abreast of changes propelled by digitalization, is particularly important to our competitive strategy. We have since implemented an internal support group to manage the teething issues surrounding this conversion. Besides T24, great progress has been made with preparations to launch some of our major products and services, which will markedly increase the Bank's revenue. Until then, we continue to exhaust other outlets of conducting business by being innovative, despite our current limitations.

Without having to sacrifice its head count to the detriment of operational deficiencies, the Bank was able to rebound and end the 2021 fiscal year with a net profit. Our Human Resources are essential to the Bank's overall operations and their well-being and development are integral considerations when formulating our corporate strategic plan. To help them overcome some of the challenges of the previous year, we engaged our staff with health and fitness activities to stimulate overall health and well-being. I thank my NBVI Family for their continued diligent efforts and support through tough times.

We thank our loyal customers for their patience and continued patronage and welcome newcomers to support our institution so that we can continue to pour wholeheartedly into our community. I remain optimistic and will continue to lead the organisation towards delivery of best value for our key stakeholders. I am grateful for the support received from my Board, Management Team and general staff, and I am driven by the overarching goal of strengthening our locally owned bank, and by extension, the pride of the people of our beloved Territory.

Joy Penn
Chief Executive Officer

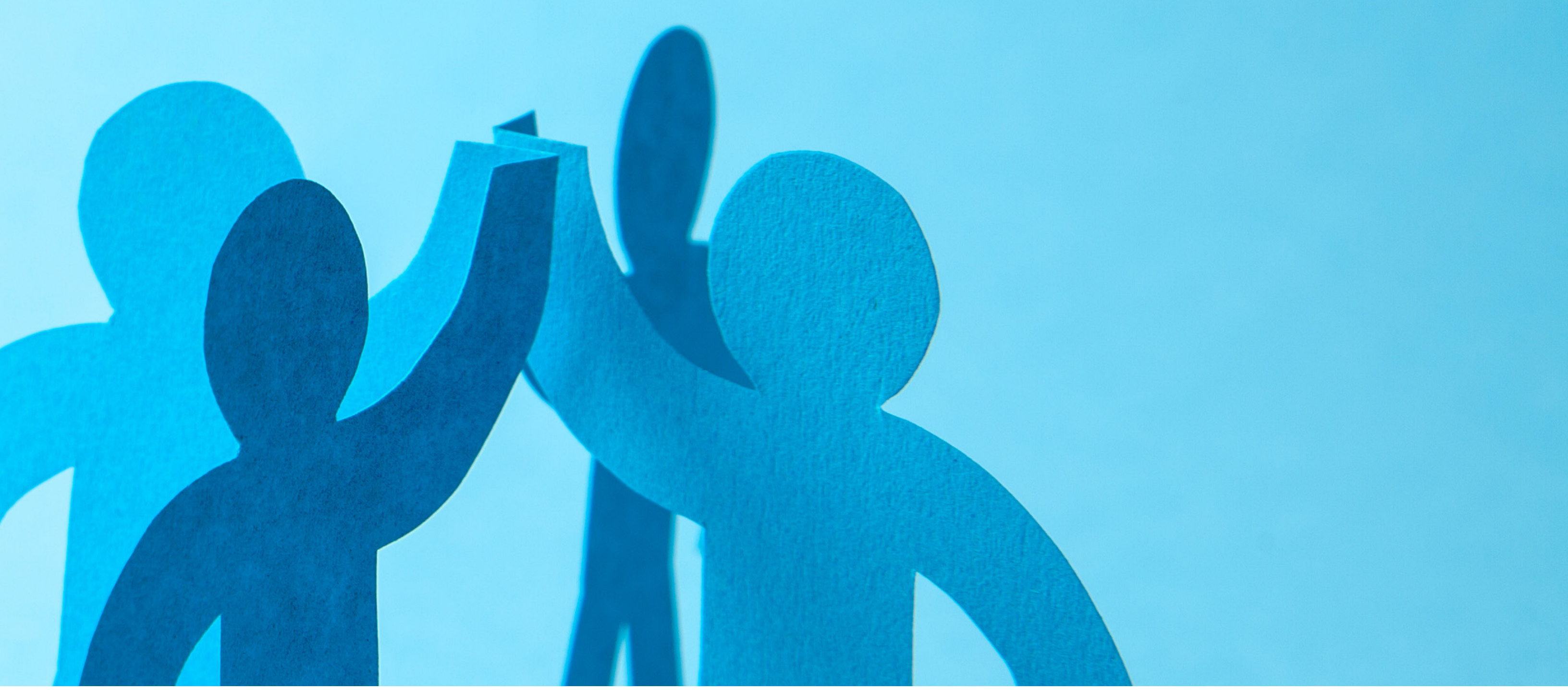
OUR EXECUTIVE MANAGEMENT TEAM

The Executive Management Team oversees the day-to-day operations of the Bank. Together, they work towards the success of NBVI by combining their individual expertise and strengthening the pool of collective knowledge at the Bank. Notwithstanding the uncertainty in our operating environment, the team remained focused on implementing the Bank's strategy and the task at hand. The Board has full confidence in the Team's ability to pursue the Bank's continued success with CEO Penn at the helm.

JOY PENN
CHIEF EXECUTIVE OFFICER

STEPHANIE GEORGE-BRODIE
CHIEF FINANCIAL OFFICER

WADE RICHARDSON
CHIEF OPERATING OFFICER



IRVIN MEADE
CHIEF CREDIT OFFICER

ANNETTE BRAITHWAITE
CHIEF COMPLIANCE AND RISK OFFICER

ETIENNE CHARLES
CHIEF INFORMATION OFFICER

BRIAN JAMES
CHIEF POLICY AND RESEARCH OFFICER

CFO'S DISCUSSION AND ANALYSIS

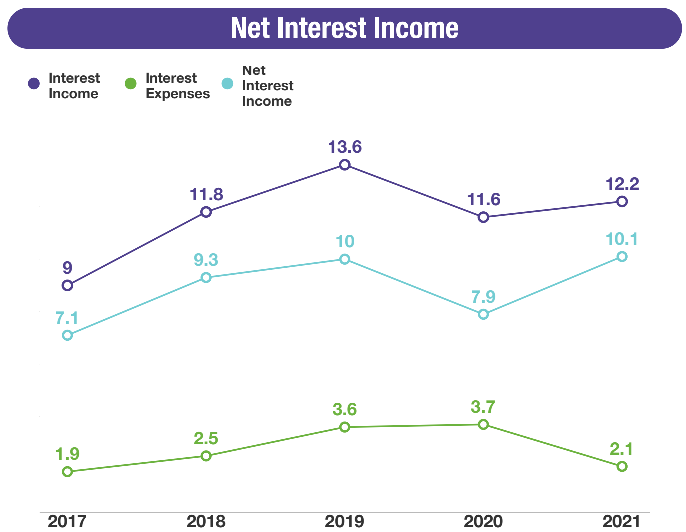
In fiscal year 2021, we focused our efforts on improving NBVI's earnings. The Bank's performance in 2020 was adversely affected by the economic effects of the Territory's borders being closed due to the pandemic. In December 2020, the Virgin Islands opened its borders to tourists, albeit with restrictions, as the first signal that businesses could start the long journey to financial recovery. Although the opening of the Territory's borders meant tourists could now visit our shores, which would promote economic activity, it also meant the risk of COVID related business disruptions was higher.

Mindful of the threat of COVID to its operations, we maintained the shift system implemented in 2020, for much of 2021, to ensure staff remained available to support the Bank's operations during what was being referred to as the "New Normal". Despite the uncertainty of times ahead, we pressed forward with plans to improve NBVI's earnings, accessibility, and customer service delivery. This entailed initiatives to reduce the non-performing loans portfolio, continued implementation of key infrastructure needed to introduce new products and services, and effective management of the Bank's operating costs.

The Bank was not able to reduce its non-performing loans portfolio as general moratoriums ended, and the tracking of past due days was restarted for loans coming out of moratorium status. The implementation of new products and services was also hampered by periodic closures and/or unplanned leave resulting from COVID outbreaks, not only locally, but throughout the world. Although we were not able to meet all objectives for 2021, our overall goal of increasing NBVI's earnings was achieved as net interest income increased by 27.8%. This translated to net earnings of $0.9m for the 2021 fiscal year. We believe that the worst of the pandemic is now behind us, and our efforts to rebound financially will continue into fiscal year 2022.

Net Interest Income

The Bank experienced a $2.2m or 27.8% increase in net interest income, which stood at $10.1m for 2021 compared to $7.9m in 2020. Interest income from loans showed a modest increase of $1.0m or 9.8% over 2020 due to growth in the portfolio. Income from investments however, decreased by $0.4m or 36.7% due to liquidation of investments at maturity to fund loan commitments. The Bank's total interest income reported a moderate increase of $0.6m or 5.2%, mainly due to interest from loans. Other income which comprised fees and commissions, and other operating income, also increased slightly by 13.1% ($0.1m) as Government mandated lockdowns were lifted and branch activity was allowed with restricted customer occupancy.



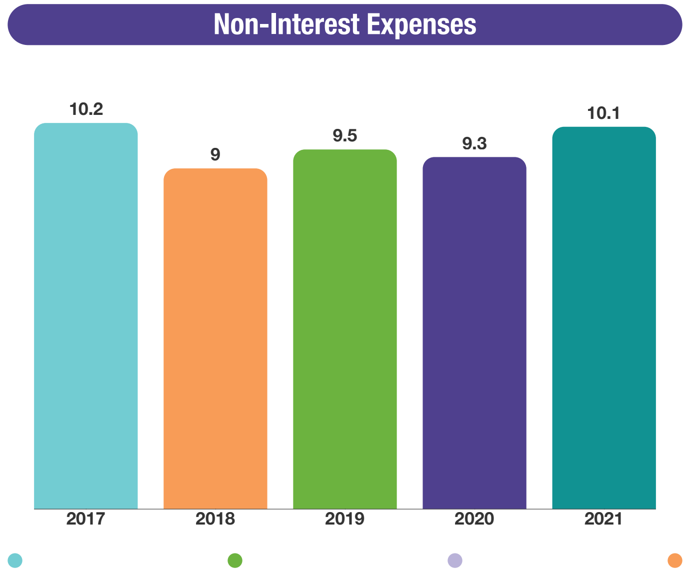
Interest Expenses

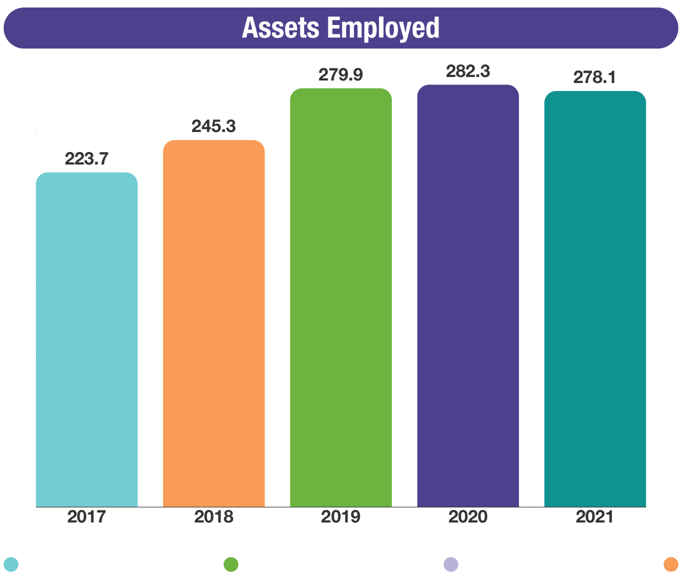
Interest expenses reduced by $1.6m or 43.2% to $2.1m in 2021, in line with an overall decrease of $4.7m or 2.0% in total deposits compared to 2020. The Bank's cost of funds also decreased in 2021, as longer-term certificates of deposit (CD) contracts were renewed in the current year at lower rates. Deposits on regular savings accounts, which attract lower interest rates, decreased slightly by $0.6m or 0.9%, while current accounts, which are non-interest bearing, increased by $1.2m or 25.2%. Growth of non-interest-bearing deposits outperformed the CD component of the deposits portfolio, which decreased by $5.3m or 3.4%.

Non-Interest Expenses

Non-Interest Expenses totalled $10.1m, representing an increase of $0.8m or 8.6% above 2020. This increase was primarily due to higher depreciation expense, which increased in line with the addition of assets to support the introduction of new products and services. Credit loss expenses also increased in line with the increase in non-performing loans noted in 2021.

Staff costs remained the largest single contributor (52.0%) to non-interest expenses and increased in line with the cost of new hires to support the implementation of additional products and services. This expense allocation is typical of institutions like NBVI, which is currently in the expansion phase.



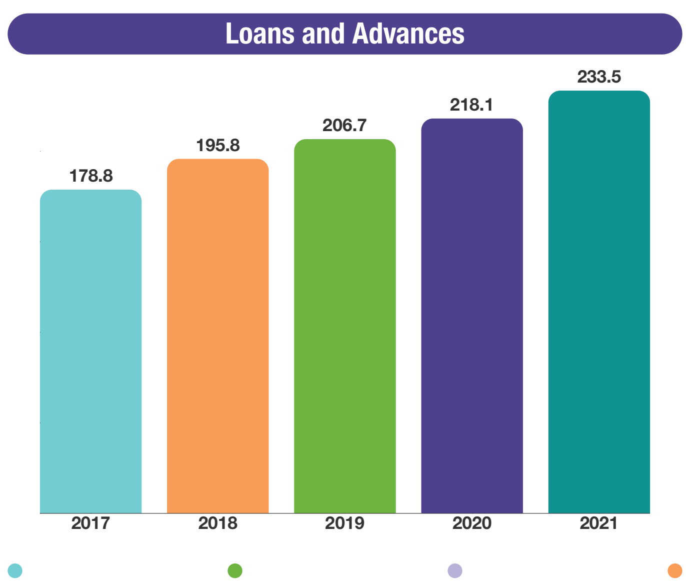


Assets Employed

Our balance sheet recorded marginal shrinkage of $4.2m or 1.5% to close the year at $278.1m. This decrease was primarily driven by a decrease in financial investments to fund growth in loans and advances. Capital assets also reported a decrease in 2021, due to depreciation costs exceeding new capital purchases.

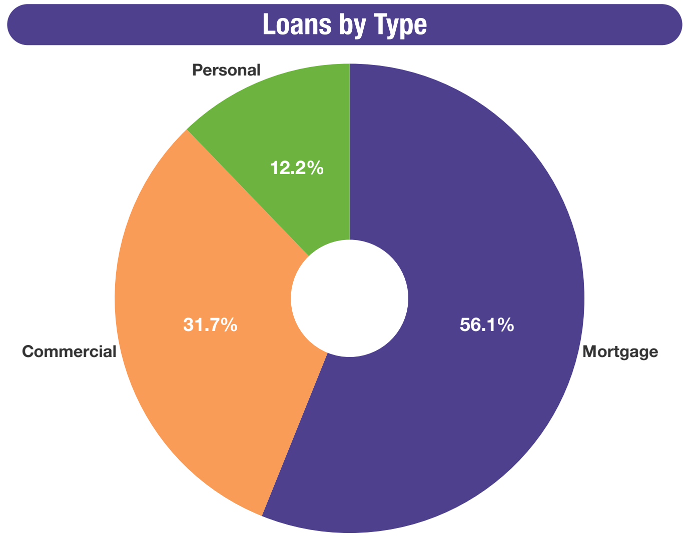
Loans and Advances

Despite the competitive credit environment and sluggish economic activity resulting from the pandemic, our loan portfolio increased to $233.5m or 7.1% over its 2020 performance. Growth in the loan portfolio was spread across all categories, with mortgages, commercial and other personal loans increasing by $4.2m, $5.5m and $5.7m, respectively. The total increase for 2021 was $15.4m.



Loans by Type

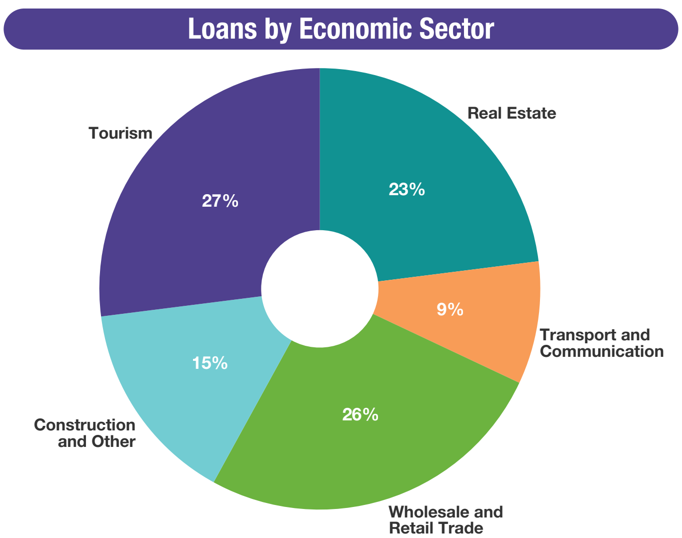
As at the 2021 year-end, the Bank's loan portfolio comprised Mortgage Loans at 56.1%, Commercial Loans at 31.7%, and Other Personal Loans at 12.2% respectively. Year on year, Other Personal Loans reported the highest percentage increase in value at 25.0%, followed by Commercial Loans at 8.0% and Mortgage Loans at 3.3%.



Loans by Economic Sector

Further analysis of the portfolio by economic sector revealed marginal movement in the composition relative to the prior year, 2020. The two (2) sectors that reported growth in 2021 were wholesale and retail trade at $3.5m or 23.0% and real estate at $1.2m or 8.0%, as the local economy started to rebound from the pandemic.

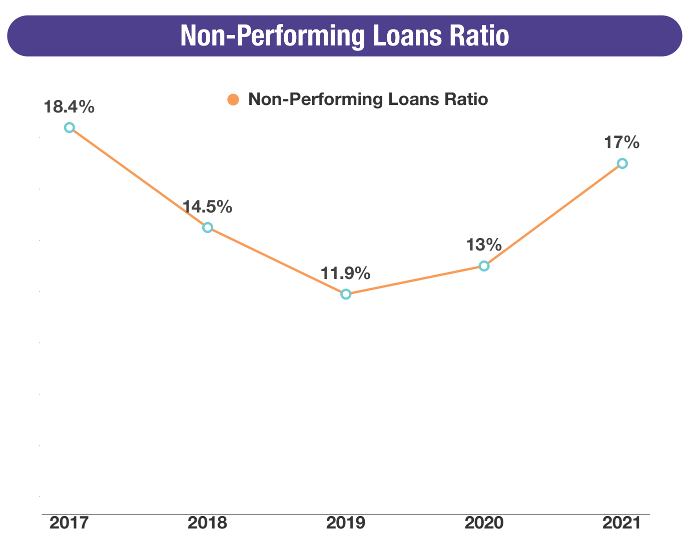
The Bank's loan moratorium program, which was introduced in April 2020, ended for most customers in March 2021. However, the uncertainty surrounding COVID-19 resulted in the extension of moratoriums on a case-by-case basis in sectors such as tourism. Borrowers in this sector continued to face revenue shortfalls as travel restrictions and testing requirements remained in place to curb the increase in COVID-19 cases in the Territory.



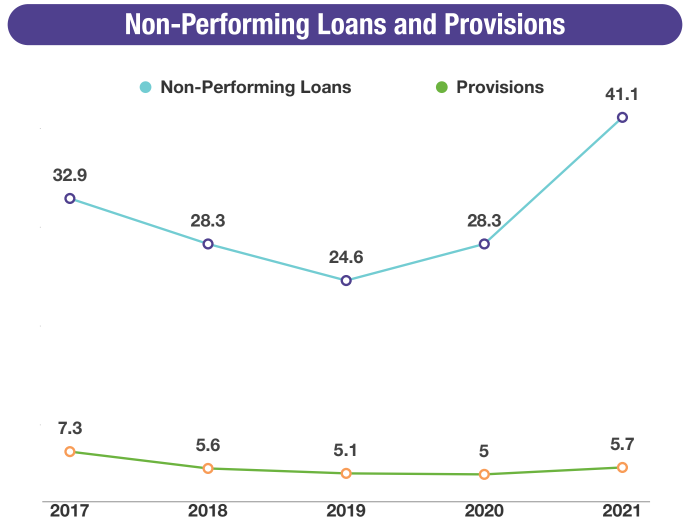
Non-performing Loans (NPLs) and Provisions

The non-performing loans ratio increased to 17.0% at the close of 2021, an increase of 4.0% compared to the prior year. This increase is a result of general moratoriums being ceased and the tracking of past due days being restarted for loans coming out of moratorium status.

To address the increase in non-performing loans, we focused our attention on restructuring existing loans. This allowed customers to service their loans based on revised terms. As a last resort, foreclosure proceedings were also resumed to liquidate balances for long-outstanding non-performing loans.



Total estimated credit losses increased to $5.7m in 2021 compared to $5.0m in 2020. This increase is in line with the increase in the non-performing loans portfolio. Notwithstanding, the loans that migrated to non-performing status have adequate collateral to cover amounts owed if liquidated. In 2021, our team also recovered $0.1m from loans that were previously charged-off.

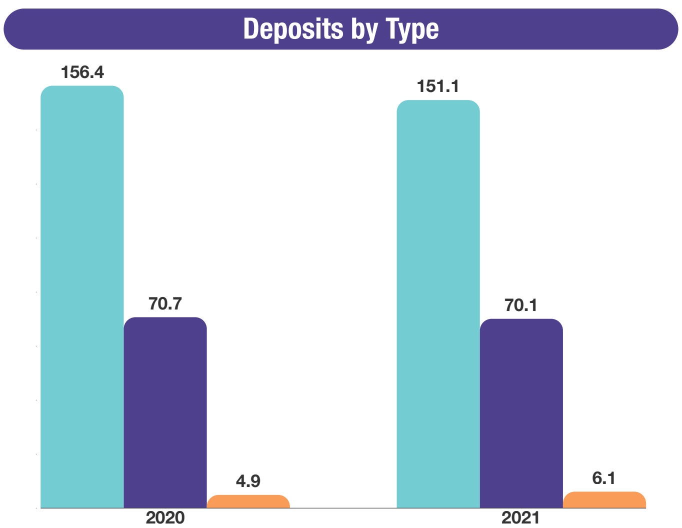


Deposits by Type

The modest decrease in deposits recorded in 2021 is primarily due to customers continuing to use their savings to meet financial obligations. We recognised that although the Territory's borders were open for tourism in December 2020, it would take some time for the economy to return to a level of normalcy.

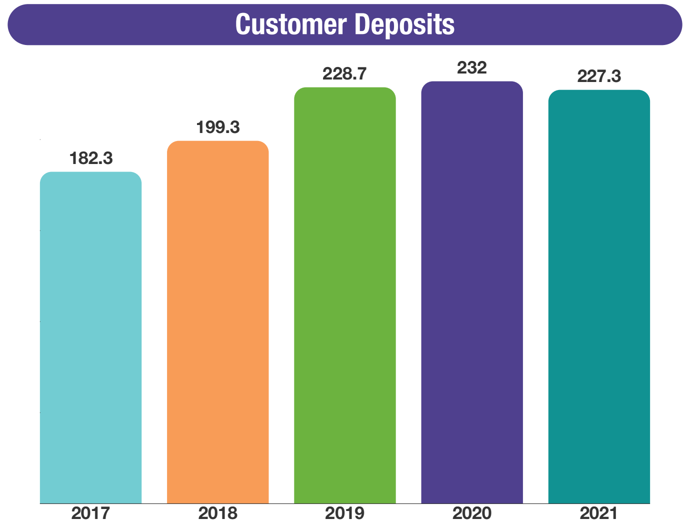
A review of our deposit portfolio showed that CDs decreased by $5.3m or 3.4% to $151.1m but remained the largest component of the portfolio. Savings deposits, which totalled $70.7m in 2020 decreased by $0.6m or 0.9% to $70.1m in 2021. Demand deposits grew by 24.5% over 2020, which represented an increase of $1.2m, taking the total demand deposit portfolio to $6.1m at the end of 2021.

The Loans-to-Deposits ratio increased to 103% in 2021, reflecting growth in the loan portfolio coupled with the above-noted decline in the deposit portfolio. This ratio remains above the target range of 75% - 85%; with this in mind, both loan and deposit growth will continue to be managed closely.



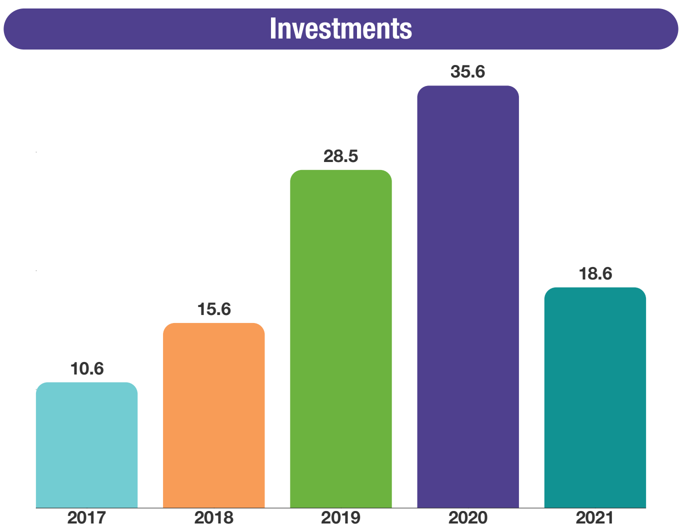
Customer Deposits

Customer Deposits ($227.3m), accounted for 96.2% of the Bank's total liabilities, despite a decrease of $4.7m or 2.0% in 2021, compared to $232.0m in 2020. The Bank recognises the importance of increasing deposits, and we expect to attract new customers following the implementation of our card services.



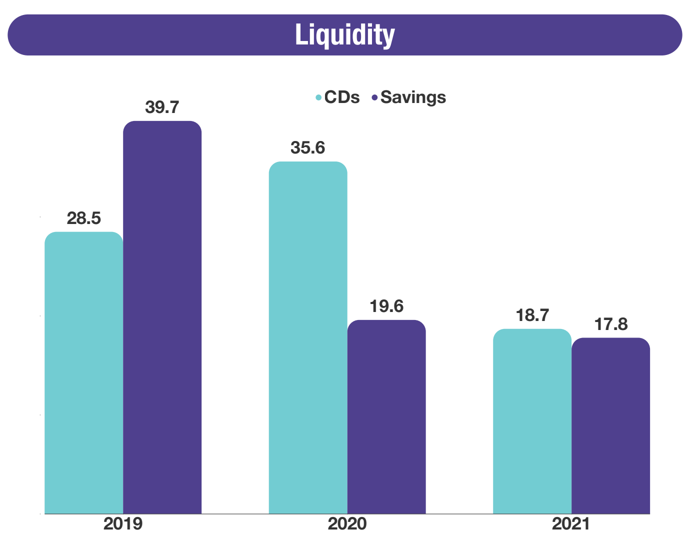
Investments

The investment portfolio decreased by $16.9m to $18.6m in 2021, due to the liquidation of corporate bonds at maturity to partially fund loan commitments. The current investment balance comprises corporate and short-term bonds, each in the amount of $4.2m, a private placement of $10.1m and mortgage-backed securities of $0.1m.



Liquidity

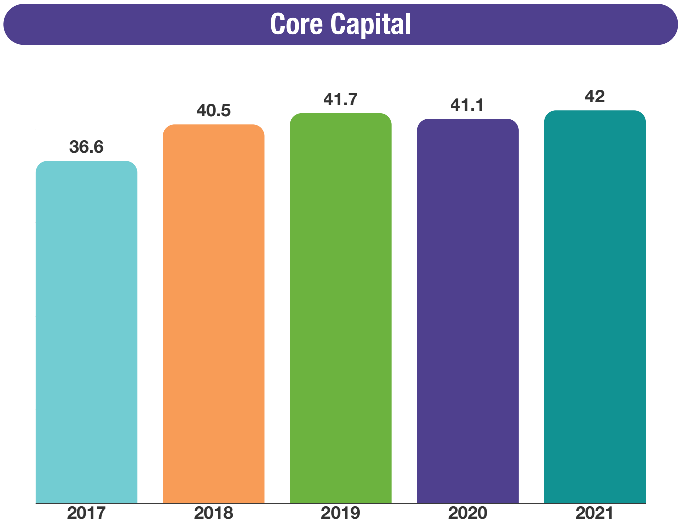
The Bank's liquidity tightened in 2021 due to issuance of loans coupled with a decrease in deposits. Cash and cash equivalents were also used to purchase additional capital assets to facilitate the introduction of new products and services. The net increase in loans of $15.4m accounted for the largest use of liquid assets. The above activity resulted in an overall decrease in cash and cash equivalents and amounts due from banks of $1.8m or 9.2% to $17.8m as compared to $19.6m in 2020.



Core Capital

NBVI's core capital increased by $0.9m from $41.1m in 2020 to $42.0m in 2021 due to income earned. Net interest income increased by 27.8% compared to a moderate increase of 8.3% in operating expenses. Return on equity and return on assets increased to 2.3% and 0.3% respectively, in 2021.

The Capital Adequacy Ratio (CAR) stood at 23.0% in 2021, well above the 12% minimum CAR required by the BVI Regulatory Code, 2009 (as amended).



As the only indigenous bank in the Virgin Islands, there is a need for NBVI to compete on a level playing field with other local financial institutions.

Outlook

Looking forward to 2022 and beyond, the Bank will continue to serve the needs of its loyal customers and we will continue to assist them in achieving their unique version of paradise. As the only indigenous bank in the Virgin Islands, there is a need for NBVI to compete on a level playing field with other local financial institutions. To make this a reality, the Bank will continue to establish new relationships and garner additional support from existing key business partners. We will also continue to invest in the infrastructure needed to expand the Bank's suite of products and services, increase our delivery channels, and better serve our customers.

The executive team remains grateful for the stewardship, guidance, and support provided by the Board throughout the year, and we look forward to 2022 with optimism and resolve to succeed in the period ahead.

OUR SENIOR MANAGEMENT TEAM

We have a strong leadership team and bench strength at the Bank. Our dedicated and experienced Senior Management Team ensures that the Bank operates efficiently, and our customers get the best service possible. They are a key interface with our customers and are an integral factor for protecting and enhancing the Bank's brand and reputation.

OCTAVIA ALEXANDER

SENIOR COMPLIANCE OFFICER

SOPHIA BERKELEY

HUMAN RESOURCES MANAGER

IVOR DAWSON

COLLECTIONS MANAGER

MARVIN HAZEL

INFORMATION TECHNOLOGY MANAGER

TRECHIA LAROCQUE

BRANCH MANAGER

CURTIS MENDEZ

OPERATIONS MANAGER

IAN NATHANIEL

INTERNAL AUDITOR

MARICEL PICKERING

SENIOR ACCOUNTS OFFICER

MICHAEL VANTERPOOL

SENIOR CREDIT OFFCER (RETAIL)

MARSHA WOODLEY

SENIOR CREDIT OFFICER (COMMERCIAL)

BUSINESS MODEL AND VALUE CREATION

Our value creation model outlines how we create value for our stakeholders through our business activities and identifies the inputs or value-drivers that we rely on to enable us to deliver that value and meet our strategic objectives. We are committed to maintaining strategic, constructive, and proactive dialogues with all our stakeholders, and ensuring our banking practices are in line with the best in the industry. NBVI's founding principle is based on Virgin Islanders having a real and credible alternative to the foreign-owned commercial banks, and that remains at the heart of who we are and why we exist. As a financial services provider, we understand the important role we play in the economic life of individuals, businesses, and these Virgin Islands. Our role consists of lending, being a custodian of savings, and local real estate development.

Transformation for Growth

CAPITAL INPUTS

FINANCIAL
Our shareholders' equity and funding from customers that are used to support our business operations and activities, including lending.

HUMAN
Our experienced Directors, skilled Management and competent employees, motivated by mission, supported by training and development activities, blended with our "One Team" culture to create an enabling environment to discover innovative and competitive solutions for our customers.

INTELLECTUAL
Our brand, effective information and technology infrastructures, institutional knowledge, innovative capacity, reputation and strategic partnerships.

MANUFACTURED
Our business structure and operational processes, including our physical and digital infrastructure, our products, as well as our information technology that provides the frameworks, mechanisms and channels through which we do business and create value for stakeholders.

NATURAL
Our impact on natural resources through our operations and business activity – reduction of carbon emissions (improving air quality), water and waste management.

SOCIAL AND RELATIONSHIP
Our citizenship and collaborative relationships with a wide range of stakeholders, including regulators, suppliers and the communities in which we operate, as we embrace our role in fostering socio-economic development, societal wellbeing, and reconstructing a stronger, thriving BVI.

OUR BUSINESS ACTIVITIES & OUTPUTS

ETHICS

KNOWLEDGE

INNOVATION

INCLUSION

PLUGGED-IN

LEND MONEY TO CUSTOMERS

SOURCE FUNDING FROM CUSTOMERS DEPOSITS AND CAPITAL PROVIDERS

PROVIDE TRANSACTIONAL BANKING FACILITIES AND KNOWLEDGE-BASED SERVICES TO CUSTOMERS

REVENUE FROM OTHER SOURCES LINKED TO CORE BUSINESS

OUTCOMES

FOR CUSTOMERS
- *Innovative, efficient, cost-effective banking solutions that meet customers' needs.*
- *Improved access to financial products and services, including access to information and advice.*
- *A safe and trustworthy financial services provider.*

FOR EMPLOYEES
- *A workplace that fosters productivity and enables employees to achieve their potential.*
- *Performance underpins the rationale for recognition and reward.*
- *Self-led development and an opportunity for career progression.*

FOR SOCIETY
- *Ethical behaviour.*
- *Support for economic growth.*
- *Increased access to, and funding for, education opportunities.*
- *Decreased negative environmental impact.*

FOR REGULATORS
- *Fair and ethical engagement when dealing with the Bank.*
- *A stable financial services sector.*
- *An inclusive and transformed sector.*

FOR INVESTORS
- *Growing, sustainable return on their investment through attractive dividends and growth in the share price.*

FOR THE PUBLIC
- *A strong home-grown institution that understands the need to build back better*
- *A business partner to entrepreneurs*
- *Quick decisions on loan applications and interest rates*
- *Economic growth for the BVI.*

FUNDAMENTAL PILLARS OF VALUE CREATION

CUSTOMER FIRST

GOVERNANCE

RISK MANAGEMENT

PEOPLE DEVELOPMENT

OUR MARKETS

As the Territory's only indigenous bank, our mandate is much more than just commercial success. It is also about developing our community and protecting the financial integrity of the Virgin Islands – our primary market. In this context, the Bank's support of its employees, customers, and communities remains unwavering in both normal and abnormal times.

Although the past year was marked by continued pandemic-related uncertainty, we saw encouraging improvements across the Caribbean from both health and economic perspectives. However, the longer-term effect on market forces and customer behaviours could significantly impact NBVI's business model and strategy. We want to remain attuned to the needs of our stakeholders, even as we embrace the opportunities to improve our business through digitalisation. We know that the depth of our relationships and the quality of services provided to our customers are pivotal to our vision of becoming the financial services provider of choice in the Territory. A significant part of our current strategy is to improve access to the Bank and expand our suite of products and services. In this regard, NBVI will continue to develop strategic alliances and forge new partnerships to explore different avenues of growth and expand the Bank's footprint.

The personal and business banking industry in the Territory is mature and highly competitive. As at December 31, 2021, our five (5) significant competitors were:

- Banco Popular de Puerto Rico;
- Republic Bank (BVI) Limited;
- CIBC FirstCaribbean International Bank;
- First Bank VI; and
- VP Bank (BVI) Limited.

The major commercial banks provide a similar suite of products and services across all the major business lines. At the end of 2021, NBVI provided six (6) of the ten (10) traditional banking products and services. As we continue to implement our transformation projects, we are confident that the Bank will become more competitive and get greater visibility in the market across the web and digital platforms.

A significant part of our current strategy is to improve access to the Bank and expand our suite of products and services.

REPUBLIC BANK	CIBC FIRST CARIBBEAN	FIRST BANK	BANCO POPULAR	VP BANK	NBVI
CREDIT CARDS	CREDIT CARDS	CREDIT CARDS	CREDIT CARDS		
LOANS	LOANS	LOANS	LOANS	LOANS	LOANS
INTERNET BANKING	INTERNET BANKING	INTERNET BANKING	INTERNET BANKING	INTERNET BANKING	INTERNET BANKING
ATM FACILITIES	ATM FACILITIES	ATM FACILITIES	ATM FACILITIES		
INVESTMENT PRODUCTS *(including investment advice and asset management)*	INVESTMENT PRODUCTS *(including investment advice and asset management)*	INVESTMENT PRODUCTS *(including investment advice and asset management)*	INVESTMENT PRODUCTS *(including investment advice and asset management)*	INVESTMENT PRODUCTS *(including investment advice and asset management)*	
BUSINESS SERVICES *(cash management, merchant services)*	BUSINESS SERVICES *(cash management, merchant services)*	BUSINESS SERVICES *(cash management, merchant services)*	BUSINESS SERVICES *(cash management, merchant services)*		BUSINESS SERVICES *(merchant services)*
SAVINGS ACCOUNT	SAVINGS ACCOUNT	SAVINGS ACCOUNT	SAVINGS ACCOUNT		SAVINGS ACCOUNT
CERTIFICATES OF DEPOSIT	CERTIFICATES OF DEPOSIT	CERTIFICATES OF DEPOSIT	CERTIFICATES OF DEPOSIT	CERTIFICATES OF DEPOSIT	CERTIFICATES OF DEPOSIT
CURRENT ACCOUNTS	CURRENT ACCOUNTS	CURRENT ACCOUNTS	CURRENT ACCOUNTS		CURRENT ACCOUNTS
WIRE PAYMENTS	WIRE PAYMENTS	WIRE PAYMENTS	WIRE PAYMENTS	WIRE PAYMENTS	

WHAT MATTERS MOST

Many factors can affect NBVI's ability to create value, including our operating environment, responses to risks and opportunities and our strategy. However, material matters are those issues with the most potential to impact the Bank's ability to: operate successfully, have a positive effect on society, and create and preserve value for our shareholders. These matters influence how Board oversight and Executive Management's decision-making are conducted.

As a financial services provider, we understand the central role we play in facilitating the economic activities of our customers and community. Hence, material issues are determined primarily through stakeholder engagements to ensure that we continue to operate in line with their needs. An overview of our framework for determining materiality is illustrated below.

Credit loss and impairment risk remain high, but the Territory has been showing signs of economic recovery. The primary aftershocks of COVID-19 include business closures, significant shipping delays and higher prices for food and fuel. Rising inflation driven by the gradual reopening of economies and the Government's limited fiscal space to provide more relief and stimulus may lead to lower economic growth and increased vulnerability. Regrettably, the Ukraine-Russia conflict looks set to prolong and worsen the situation. Notwithstanding the gloomy economic environment, there was an uptick in the number of cruise ships calling at our ports, bringing more visitors to our shores. This is particularly important for the tourism industry which was significantly affected by the pandemic. Against that backdrop, the Bank's material topics remained unchanged in 2021.

Risk Assessment Structure

FOCUS	RISKS	OUR RESPONSE
Pandemic	Pandemic-led lockdowns and social distancing requirements have adversely impacted businesses and asset quality.	We offered moratoriums to customers upon request, implemented remote working arrangements that enabled many employees to work productively from home, accounted for expected credit losses and remained agile and adaptable to directions issued by the public health authority.
Adverse weather conditions, climate change and other environmental matters	Stronger hurricanes, more frequent bush fires and prolonged dry season.	We have an adequate Business Continuity Plan, which includes equipment and an alternative operating location.
Data management failures and Cyber Security	Greater reliance on digital banking services, changed working arrangements, weak cyber security systems and fraud detection systems may make financial institutions more vulnerable to cyber attacks.	We are careful to work with best-in-class providers and continue to invest in more sophisticated cyber-security software and staff training to ensure the Bank and our customers are always protected.
Digital Transformation	Technology and mobility are increasingly shaping customers' behaviour. NBVI risks losing relevance if we cannot respond to our customers' need for simpler, faster banking services and solutions.	We have updated our core banking and online banking systems, which will enable us to expand our suite of products and services and improve our services to our customers.
Preventing Financial Crime	Financial crime is an ever-increasing threat. It has evolved with the rapid advancement of digital technology.	In the last two (2) years, we heightened our risk surveillance at various levels, upgraded our technology, shared required information with our regulator and law enforcement agencies and trained our employees to mitigate financial crime risk.

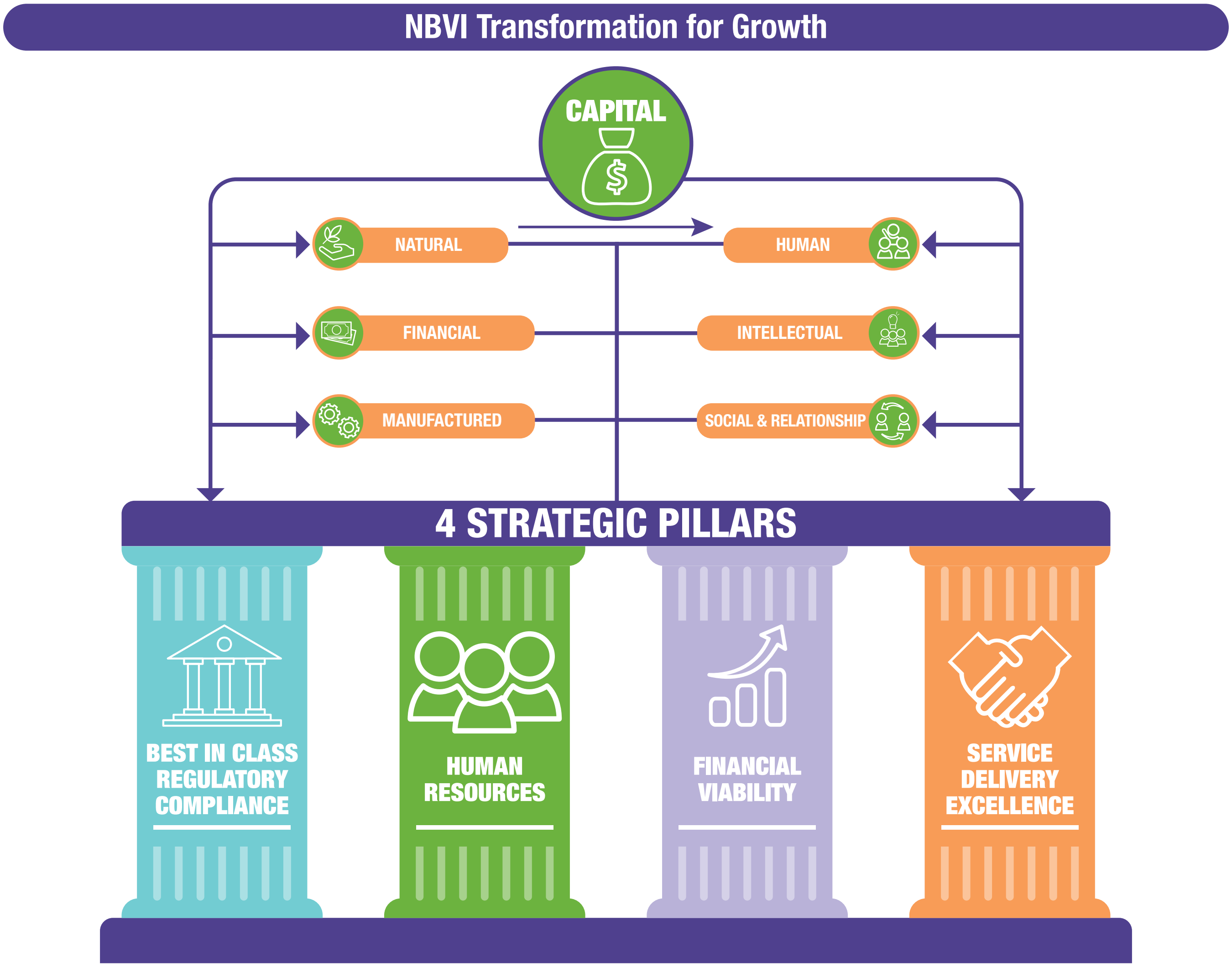
STRATEGIC INSIGHTS

Undoubtedly, the Bank's "Transformation for Growth" strategy – introduced in 2019, before the pandemic, took on greater importance now that we have the experience of 2020 to learn from. The recent modernisation of our core banking system is central to expanding our suite of products and services and propelling that strategy. Frankly, we have to evolve what we do and how we do it to remain relevant to our customers, as their banking needs increase and change. At the same time, strengthening our cyber resilience must remain a crucial part of that evolution. We will continue to invest in technology and operational capabilities to drive productivity across the Bank and to offer improved customer experience. Our transformation strategy is underpinned by four (4) pillars:

- *Regulatory Compliance*
- *Financial Viability*
- *Human Resources*
- *Customer Service*

As the veil of COVID-19 continues to be lifted and we transit to the new normal, we see the emergence of more digitally-savvy and technology-driven customers looking to digital solutions – be it online or via their mobile phones, to enable them to do their banking from wherever they are – home, garden, office. Innovative modern technology continues to change the competitive dynamics and ecosystem of commercial banking, and NBVI must continue to invest in technology that will allow us to compete in these new markets and take advantage of opportunities for growth. Ultimately, the experience and satisfaction of our customers will be our measure of success and will determine our next steps, but we will continue to accelerate our digitalisation initiatives to modernize and simplify the Bank's operations.

In an environment that is increasingly digital and complex, the demands on banks are growing day by day and we need to be prepared. Therefore, although we remain grounded in the traditions, purpose, vision, and values of our founders, we believe that having a clear strategy, backed by reliable supporting technology, is essential to steer the Bank into the future. We will continue to build value through efficient and responsible stewardship of the capitals (Natural, Financial, Manufactured, Human, Intellectual, Social and Relationship) entrusted to us. Our goal is to become a simpler, more efficient institution and the bank of first choice in the Virgin Islands, as well as for "Belongers" in the diaspora.



Natural Capital

We are committed to protecting our natural capital by monitoring and reducing our environmental footprint and supporting our customers in their "Green" transitions.

Financial Capital

Despite the uncertainty brought about by COVID-19, we delivered an annual net profit of $0.9 million, up from a loss of $0.6 million in FY 2020.

Manufactured Capital

Although we have had some setbacks, we are primed to launch three (3) ATMs by 2023 and our market share of POS/Merchants continues to grow at a satisfactory rate.

Human Capital

NBVI is committed to creating a positive environment based on respect, inclusion, and opportunity. Our employees are our greatest assets, and we invest in their professional development so that they can be fully engaged at work. We know that success will not be possible without the hard work and determination of each employee who continues to believe and deliver on the Bank's strategy.

Social and Relationship Capital

We are committed to being a catalyst for individual and collective growth, empowering and helping people to unlock and realise their potential. We actively listen and absorb feedback so that we can make the necessary changes to provide our customers with outstanding service and build a better bank for all.

Intellectual Capital

Digitalisation, data analysis and cyber security are at the heart of our transformation strategy and key to our operating model. Over the next three (3) years, more resources, both financial and human, will be dedicated to meeting our strategic objectives.

OUR HUMAN RESOURCES

HR STRATEGY

Our approach to managing our human resources reflects and leverages the evolving world of work and is a key enabler of the Bank's strategy. We are working assiduously to position NBVI as an employer of choice that develops, attracts, and retains critical talent and skills. The performance of our employees can be sustained only through continued focus on their holistic well-being, creating a sense of belonging, training, and a competitive remuneration package. Although this integrated approach is spearheaded by the Human Resources Department (HRD), it cascades throughout the Bank. The HRD's overarching strategy is to empower employees by aligning key skills, performance, and remuneration, with the Bank's mission and vision, as we seek to provide the best workplace experience possible. With the alignment of these elements, the Department expects to cultivate a culture of excellence and teamwork that:

- *Embraces and adapts to change.*
- *Looks after the physical and mental well-being of all employees.*
- *Promotes discipline and ethical behaviour.*
- *Aligns the compensation and reward system with business goals.*
- *Encourages fairness, accountability, and confidentiality.*

ADAPTING TO CHANGE

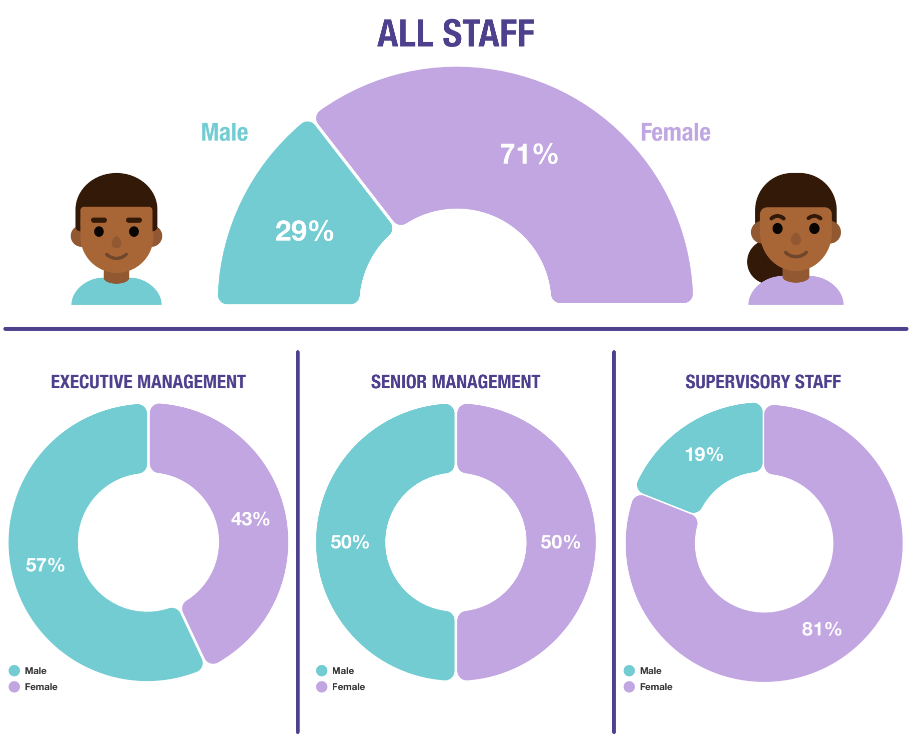
Although there were signs that the pandemic was slowly being contained, the right balance had to be struck between staff safety and business continuity, amidst resource constraints. Following the tone set by the Government, NBVI did not institute a vaccination mandate but required all staff to disclose their vaccination status. That approach allowed the Bank to better assess its human resource vulnerabilities and to adjust and activate its business continuity plan. We also funded counselling services to affected staff, in order to manage stress, reduce stigma and enable them to continue their lives with some semblance of normalcy.

STAFF DIVERSITY

NBVI offers a safe working environment in which employees are able to speak freely about concerns, work-related problems, undesired behaviours, misconduct, and other irregularities. We also seek to create an enabling environment and culture that fosters diversity and inclusion, because we want all employees to feel welcomed, accepted, respected, and supported as a valued member of the NBVI family. Our leaders are expected to build inclusive teams with different skills, styles, and approaches who feel empowered to contribute their best work. Working in an inclusive environment provides employees with opportunities to fulfil their career ambitions as well as drive performance and innovations.

In 2021, females accounted for seventy-one percent (71%) of our staff complement. In addition, forty-three percent (43%) of our Executive Management and fifty percent (50%) of our Senior Management positions were held by women.

We also seek to create an enabling environment and culture that fosters diversity and inclusion, because we want all employees to feel welcomed, accepted, respected, and supported as a valued member of the NBVI family.



HR CORE VALUES

We understand that our employees are a significant source of value that drive our performance, productivity and reputation. We know the quality of our services sets us apart. By engaging employees and fostering a positive experience for them, we can better serve our customers and deliver on our mission and strategy. The Department continues to cater to the evolving needs of both the organisation and staff by working through the lens of its Core Values:

- Continuous development;
- Appreciation;
- Transparency (Honesty, Integrity, Trust, Ethics) and Fairness;
- Engagement; and
- Reliable and Confidential Change Agents.

DELIVERING VALUE TO OUR STAFF IN 2021

Despite limitations on social interactions, the Bank held employee fitness activities once per month for the first half of the year. Additionally, the following initiatives designed to empower employees and foster camaraderie, remain a staple on our annual schedule of activities:

- Staff Appreciation Day
- First Fridays – this social forum was held on the first Friday at the end of each quarter (each month in prior years) to encourage staff camaraderie through games and other creative activities, and to recognise birthday celebrants.
- End-of-Year Social and Awards Ceremony – the "Paradise Star Awards" continued in 2021 with awards in categories such as: innovation, most improved performer, rising star, star of PARADISE, best team player, customer service, peer leadership and CEO's choice. The awards also saw the introduction of peer-to-peer recognition.

The success of the Bank's strategy is dependent on having motivated employees with the knowledge and skills required to help deliver it. Our performance and pay strategy aims to fairly reward the achievement of long-term sustainable performance by attracting, motivating, and retaining the absolute best people. We paid $5.2m in remuneration and benefits, to our seventy-seven (77) employees and continue to invest in their development with training programmes that are aligned to the Bank's Strategic Plan.

RECOGNISING OUTSTANDING PERFORMANCE AND COMMITTMENT

NBVI held its annual end-of-year social and awards ceremony at 'Seven at the Pier' restaurant on December 4, 2021. At this annual event, we recognise and celebrate the outstanding work and achievements of our team members, under the umbrella of our "PARADISE STAR AWARDS." The categories and recipients for 2021 were as follows:

- Most Improved Performer: Ms Cheyenne Hendrickson
- Star of Service: Ms Aiesha Daniel and Mr Angelico Smith
- Best Team Player: Ms Abigail Joseph
- Star Innovator: Ms Ackisha Christopher
- CEO's Star: Mr Marvin Hazell
- Rising Star: Ms Akeila Louis
- Star of Paradise: Ms Chanteé Mathavious
- Peer Leadership: Dr Joycelyn Hoyte

The NBVI family congratulates our colleagues, Ms. Niayla Smith and Ms. Jassy Palmer on their academic achievements during 2021. Niayla completed a Master of Business Administration and is the Executive Assistant to the CEO, while Jassy, our Internal Control Officer, completed an International Diploma in Anti-Money Laundering.

MS NIAYLA SMITH

MS JASSY PALMER

TRAINING AND DEVELOPMENT

Undoubtedly, "the office" and the world of work continue to evolve rapidly. Though steeped in tradition, NBVI cannot be stuck in time. We believe that our employees must be prepared for the jobs of tomorrow in the new emerging NBVI. Our Bank and employees will need a balanced combination of human and technical capabilities to succeed. That is why we encourage employees to consistently pursue self-development and bring their potential to life by making the most of every learning opportunity.

The Human Resources Department remains pivotal to employee growth and development in our Bank. During the year, NBVI made significant investments in our people to ensure employees are well equipped to meet the needs of our various stakeholders. Employees have undertaken several bank-sponsored formal training courses in 2021, mainly through the Banker's Academy platform, including:

- Negotiation and Communication Skills
- Commercial Lending Procedures
- Credit Risk Management
- Business Writing and Communication Skills
- Robberies
- Project Management
- Time Management
- Ethics: Code of Conduct
- Types of Risk Management
- Stages of Negotiation
- Enterprise Risk Management
- The Business Writing Process
- Problem Solving and Decision Making
- Intelligent Selling
- Leadership Basics
- Overview and Major Principles of the Business Continuity Process
- Budgeting
- Introduction to Banking

Additionally, the Human Resources Manager participated virtually in the annual Society for Human Resource Management (SHRM) Conference and the SHRM Talent Conference. SHRM provides many networking opportunities, offers a wide range of sessions geared at equipping HR practitioners with a broad range of skills and knowledge, and it promotes best practices and current global trends. These sessions continue to provide many recommendations that are applicable to NBVI.

HEALTH AND WELL-BEING

While some of the Bank's decisions in responding to the COVID-19 pandemic have had a short-term impact on profitability and shareholder value – our focus is on the long-term. A healthy staff and community are in everyone's best interest. NBVI remains committed to ensuring the health, safety, and well-being of all employees as we believe that effective management of these elements will have a positive long-term impact on the delivery of banking services. The Bank's well-being initiatives focused on three (3) primary areas: mental, physical, and financial.

Mental

NBVI continues to finance the cost of independent professional counselling services for employees.

Physical

In addition to a secure working environment and other physical health and safety provisions, the Bank contributes to its employees' supplemental health insurance, accidental death and dismemberment (AD&D) insurance and MASA Air Ambulance, as part of its package of benefits.

Financial

We offer a competitive remuneration package to all employees and maintained their salaries and other benefits throughout the pandemic, even when they were not able to perform their duties remotely.

NBVI is also a member of the Multi-Employer Pension Plan established by Pension Management Interactive (PMI). The plan is a defined contribution plan, with contributions from pensionable earnings at a rate of 8% by the Bank and voluntary contributions of at least 4% by employees.

In 2021, NBVI's contributions to these employee well-being initiatives was 0.67% of other operating expenses.

HEADCOUNT

As of December 31, 2021, we employed a total of 77 staff members compared to 75 as of December 31, 2020.

HIRING AND INTERNAL CAREER MOBILITY

Internal mobility plays a pivotal role in developing and retaining qualified, talented employees and ensuring that the Bank continues to benefit from their expertise and experience. In 2021, five (5) team members were promoted to new positions after demonstrating capacity to handle greater roles. A total of 28 positions were filled compared to 23 positions filled in 2020, with an employee churn rate of 13.3% (2020:11.5%) and voluntary attrition of 5.3% (2020: 5.7%).

Our policy is to hire and promote employees based on merit, competencies, and organisational cultural fit, without prejudice to any attributes such as gender, race, or religion. We believe that the way that we hire, train, and develop our people is intrinsic to embedding our culture and delivering world-class services to our customers.

SEPARATION

There were six (6) terminations and four (4) resignations in 2021.

LOOKING AHEAD TO 2022

Looking forward, as COVID-19 moves to an endemic state, we will not let our guard down - we will continue to maintain a safe environment for our employees and customers. Our Human Resources team will also focus on creating and promoting an inclusive working environment. We embrace this post-pandemic beginning with renewed optimism and great aspirations for NBVI as we work “to become the financial services provider of choice, with global access originating from the Virgin Islands.”

OUR REGULATOR

THE BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Maintaining a transparent and trusting relationship with our regulator is key to helping to ensure that we conduct our business responsibly and that we continue to streamline our operations with all required regulations. NBVI is regulated by the British Virgin Islands Financial Services Commission (FSC), a supervisory body established in 2001. The FSC is an independent regulatory body for all financial institutions operating within the jurisdiction. It supervises the industry, issues licences, and conducts regulatory inspections and assessments. Our Bank continues to work hard to satisfy all regulatory requirements and remains committed to adopting best practices in risk management and compliance. We will continue to engage and work with the FSC in their efforts to maintain the integrity of the banking industry in the BVI and strengthen the regulatory framework.

During the year, key regulatory and reporting issues surrounding the banking industry included:

- The effects of COVID-19 on asset quality
- Financial crime
- Cyber security
- Credit risk management
- Unlicenced actors purporting to be licenced and regulated by the FSC

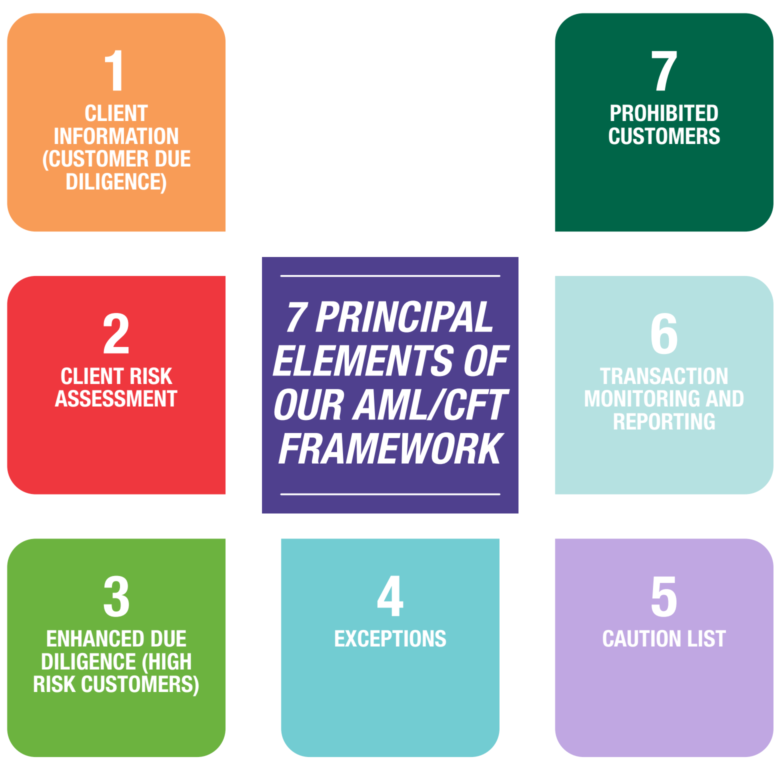
SYSTEMS AND CONTROLS IN PLACE AT NBVI TO MEET THESE REQUIREMENTS

As we forge ahead with our online and digital expansion initiatives, we are keenly aware of the inherent cybersecurity risk. Hence, we maintain an appropriately robust and agile IT infrastructure and have strengthened our internal controls and Enterprise Risk Management Framework (ERMF). These efforts help to prevent unauthorised access to our systems, and promote compliance with all regulatory requirements, particularly those related to Anti-Money Laundering ("AML"), Combatting the Financing of Terrorism ("CFT") and sanctions enforcement. The ERMF is detailed and explained in the Bank's AML Policy and is supported by our Know Your Customer ("KYC") Standard and Training Guidelines. We continuously monitor and update, as necessary, our internal control systems to ensure our policies reflect the requirements of the Law and regulator.

…we maintain an appropriately robust and agile IT infrastructure and have strengthened our internal controls and Enterprise Risk Management Framework (ERMF).

AML/CFT FRAMEWORK

NBVI's AML/CFT Framework comprises seven (7) principal elements:



CORPORATE SOCIAL RESPONSIBILITY

INTRODUCTION

As an indigenous financial institution, woven within the economic and social fabric of the Virgin Islands, NBVI has a genuine connection to our customers and communities. This connection mandates an unwavering commitment to improve the lives of those we serve and to contribute to the development of the Territory. Moreover, we know our success is tied to economic buoyancy, a well-functioning society, and a healthy population. That is why, even in the challenging operating environment occasioned by COVID-19, we continued our Corporate Social Responsibility (CSR) outreach through engagement, collaborations and giving back to our communities.

It is our pleasure to share with you our 2021 CSR Report. Over the past year, we have fulfilled our mission to contribute to the betterment of our communities by reducing our environmental footprint and supporting sustainable initiatives and the most vulnerable among us. CSR is rooted in our values and informs how we conduct business, develop products and services, and deliver on our goals and commitments. This year we have expanded the reach of our CSR program to reflect our support for environmental preservation. Our CSR program now focuses on five (5) areas - culture, education, youth and sports, health and well-being, and our environment. Although we may contribute to other worthwhile initiatives, these areas are the foundation of our associations, partnerships, and philanthropic activities.

CULTURE

We will contribute to the development of good citizens and champion the societal norms, practices and beliefs that engender the values of community strength in diversity and practice for our people.

EDUCATION

We will improve access to and facilitate opportunities for life long learning and education to help create new opportunities.

YOUTH & SPORTS

We will help to create champions by nurturing the seeds of tomorrow, providing our youths with opportunities to learn, practice and develop their passions.

HEALTH & WELL-BEING

We will take care of our community members through the provision of increased access to health-related information and amenities and the promotion of lifestyle choices that foster greater well-being.

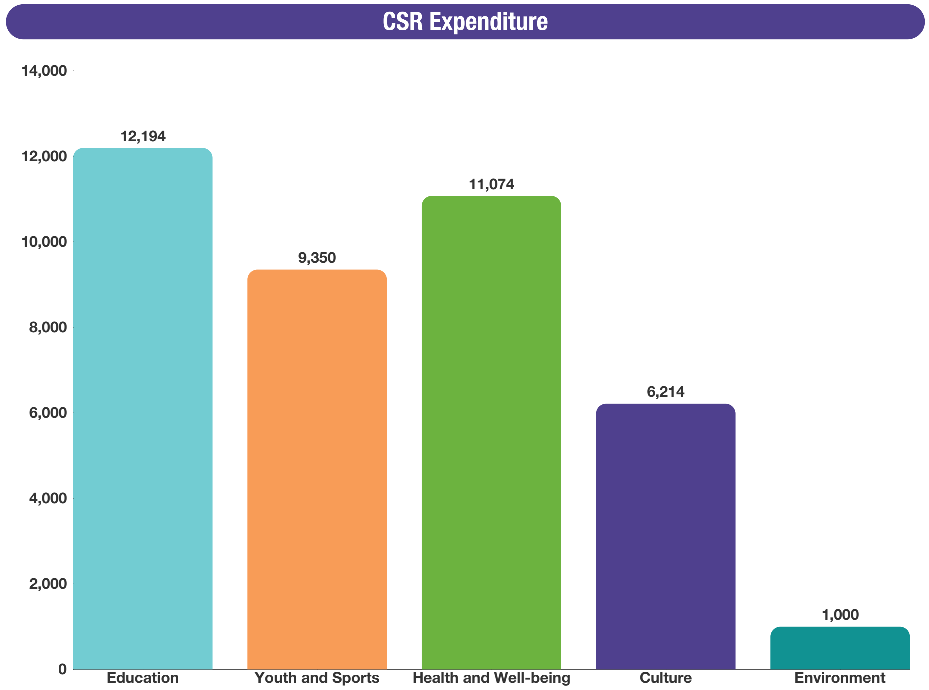
ENVIRONMENT

We will help reduce damaging effects on the environment and our community by committing to reducing our carbon footprint with a direct focus on recycling, energy usage, waste management, and other eco-friendly office practices.

TARGETED ASSISTANCE IN 2021

Our CSR strategy is quite involved, and we have actively engaged with various non-governmental, religious, and community organizations. Through our 2021 outreach, we have supported more than forty (40) individuals and non-profit organizations.

The chart depicts our focus, support, and investment in the following areas:



- Programs that provide healthy competition and a disciplined play environment
- Education and youth-based activities
- Connectivity amidst the insecurities of COVID-19
- Environmental protection and awareness

CSR is rooted in our values and informs how we conduct business, develop products and services, and deliver on our goals and commitments.

Partnerships like these provide passionate role models who inspire people to uncover their potential and set them on a path towards self-actualisation.

EDUCATION

At NBVI, we believe caring adults can help foster a successful future in education for our youth by assisting them to feel confident, secure, imaginative, and empowered. That is why we continue to sponsor activities and seek out partnerships with organizations, volunteers, and mentors. Partnerships like these provide passionate role models who inspire people to uncover their potential and set them on a path towards self-actualisation.

In 2021 we participated in, or sponsored the following activities:

- Virgin Islands School of Technical Studies Career Fair, which provided information about careers in banking;
- Reading is Fun Week 2021, where we visited schools and read to our early learners;
- Right Start 2021, which provided financial literacy tips to our youth to help them prepare for the world of work; and
- Money Matters BVI, the BVI Financial Services Commission's financial literacy and engagement program, which seeks to educate students in money management.

HEALTH AND WELL-BEING

Maintaining healthy populations remains a global challenge. Nonetheless, the period 2019–2020 taught us that we need to pay closer attention to providing external and internal support for health and wellness.

In 2021, NBVI adopted a more holistic approach to health and well-being. We continued to support a wide range of non-profit health organisations and also focused on our employees' mental health and well-being by introducing health and wellness Saturdays.

Our Bank remains committed to making inroads in this CSR focus area and supports our employees and society through sponsored events such as:

- Cancer, Diabetes, and Alzheimer's Association fundraisers
- Health and Wellness Saturdays for our employees
- Spina Bifida awareness activities

...we need to pay closer attention to providing external and internal support for health and wellness.

CULTURE

As "the official bank of paradise", we continually seek ways to reinforce our cultural alignment with our community. We are proud of the rich history of the Virgin Islands and helping to highlight the importance of history and culture in our Territory remains one of our top priorities.

The year 2021 was no doubt challenging for culture as we were not able to celebrate on a large scale, due to social-distancing requirements. Nonetheless, we were able to make an impact in the following areas:

- Supporting the 2021 Virtual BVI Festival Activities
- Recognizing local heroes in our advertisements
- Highlighting the importance of the Virgin Islands' culture

We are proud of the rich history of the Virgin Islands and helping to highlight the importance of history and culture in our Territory remains one of our top priorities.

ENVIRONMENTAL STEWARDSHIP

NBVI is committed to improving our environment, and we have initiated partnerships with several local organisations to build awareness and reduce the Bank's carbon footprint. In partnership with Green VI, our team members participated in a tree-planting exercise to highlight the importance of trees in rehabilitating and preserving our environment. Additionally, we no longer provide plastic and styrofoam containers at our offices, a huge step to further reduce our environmental footprint.

In 2022, we plan to deepen our environmental focus not only in terms of financing, but by developing programs that will enlighten employees and help them become better environmental stewards.

In partnership with Green VI, our team members participated in a tree-planting exercise to highlight the importance of trees in rehabilitating and preserving our environment.

YOUTH AND SPORTS

Supporting programs that introduce healthy lifestyle practices at an early age is a significant priority for NBVI.

We know that sports provide a healthy outlet for children to gain new skills, learn teamwork, and connect with positive role models. NBVI was happy to sponsor programs that assisted with this inclusive environment.

Our 2021 contribution in this area includes sponsorship of the following:

- Youth Empowerment Project (YEP)
- K&J Basketball Camp
- Tokyo Olympic Games Coverage

We know that sports provide a healthy outlet for children to gain new skills, learn teamwork, and connect with positive role models.

LOOKING AHEAD

We know operating our business responsibly is necessary for our success and that of our customers, shareholders, and other stakeholders. In the upcoming year, we will continue to work on delivering meaningful and sustainable financial and non-financial results. With the global economy still feeling the concomitant effects of COVID-19, our CSR team and partners will work assiduously to deliver assistance to the most vulnerable individuals and groups in our community. Our paradise (home) is integral; it is the core of our overall focus, and we are committed to staying safe and connected.

CORPORATE GOVERNANCE

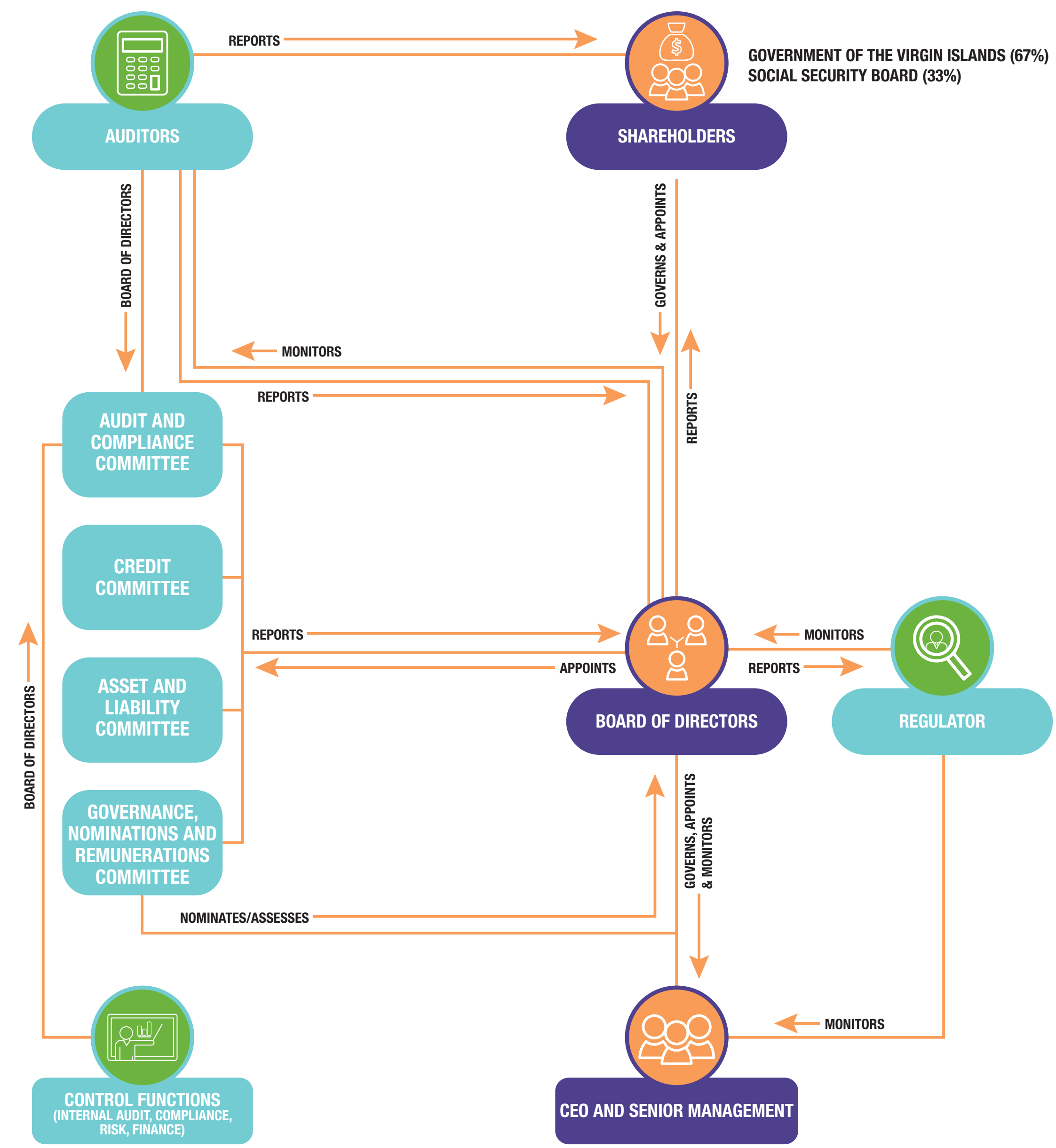
COMPLIANCE

In the financial year ended 31 December 2021, NBVI has complied with the Laws of the Virgin Islands, various regulations, principles, and industry guidelines in the conduct of its business.

GOVERNANCE STRUCTURE

Our management structure and system of governance is clear because we know that good governance is the bedrock of public trust and positive relations with our stakeholders. The Board is accountable for the performance and affairs of the Bank and seeks to entrench a 'total compliance' approach throughout NBVI. This approach promotes high standards of professional conduct and allows for prudent and diligent discharge of duties, as well as compliance with local and industry regulations, guidelines, and best practice. The framework includes the Bank's Articles of Association, Board Committee Charters, policies, and guidelines, which provides a clear delineation and separation of the rights and responsibilities of the Board, its Committees and Executive Management. This is to ensure that there is non-interference of the Board in management functions, while allowing full disclosure of information to shareholders. The Board and its committees reviewed and considered regular reporting on emerging risks, the Bank's performance, execution of strategy and actions taken by the EMT.

NBVI Corporate Governance Structure



We believe that having Directors with an independent mindset is important for a Board to be effective.

While retaining overall responsibility, the Board assigns certain tasks to four (4) permanent committees comprising suitably skilled Directors, namely:

1. Audit and Compliance Committee
2. Credit Committee
3. Governance, Nominations and Remunerations Committee
4. Asset and Liability Committee.

Each Committee has its own charter setting out its roles and responsibilities in accordance with best practice. Notwithstanding, the Board's over-arching tenet is that good corporate governance principles are embedded and pervade the Bank's corporate culture – a culture anchored in:

- Competent leadership;
- A "customer first" philosophy;
- Risk management; and
- People development.

INDUCTION

The onboarding of new Directors includes an orientation programme in which all new Directors are required to participate. The programme clearly outlines the Bank's expectations of its Directors, their duties, and obligations, as well as the resources available for their continuous development. Availability and use of these resources ensure that the Board is kept abreast of changes and trends in the financial services industry, both locally and globally. The programme also includes an overview of the Bank's policies, the duties and obligations of NBVI's Directors, as well as the responsibilities, and work usually undertaken by the Board's committees.

The time and commitment required to adequately serve the Bank's interests are heavily emphasised in the induction exercise as Directors need to be able to dedicate sufficient time to adequately perform their duties. The meeting attendance records of all Directors are fully disclosed in our Annual Report.

KEY FEATURES OF OUR BOARD

The Board directs NBVI in the conduct of its affairs and provides sound leadership to Management. With the exception of the CEO, all other Directors are non-Executive. The composition of our Board reflects diversity of gender, skills, and knowledge. We have eight (8) Board members, of which four (4) are female Directors, and whose combined experience and technical knowledge are suitable for the nature, size, and complexity of NBVI's business. We believe that having Directors with an independent mindset is important for a Board to be effective.

ROLE OF THE BOARD

- Direct NBVI in the conduct of its affairs – Ensures that corporate responsibility and ethical standards underpin the Bank's operation.
- Appoint and provide guidance to the CEO and Executive Management – set the strategic vision, direction, and long-term goals of NBVI and ensure that adequate resources are available to meet these objectives.
- Bear ultimate responsibility for NBVI's:
  - Governance
  - Risk management
  - Fiscal prudence and financial performance
  - Shareholder and other stakeholder relations

OUR BOARD CHARTER

Our Board Charter, supported by our corporate governance framework, continues to anchor our governance principles and practices. It is the constitution that guides our Board and its committees in their activities and decisions, as well as in their dealings with each other, Executive Management, and our other stakeholders. The Charter:

- outlines our Board committees' mandates and specifies which matters are reserved for the full Board;
- defines separate roles for the Bank's Chairman and Chief Executive Officer;
- outlines the Board's expectations of the Directors and Chairpersons of its committees; and
- sets out how the corporate governance provisions will be implemented.

BOARD'S KEY AREAS OF FOCUS

The Board and its Committees engage in key strategic governance and oversight activities each year. Both scheduled and ad hoc updates on the performance and prospects of NBVI are provided to the Board. Board approvals for matters in the ordinary course of business are facilitated via the circulation of written resolutions, adhoc in-person meetings and teleconferencing.

Although not a comprehensive list of all matters addressed by the Board, the following points illustrate some areas of focus:

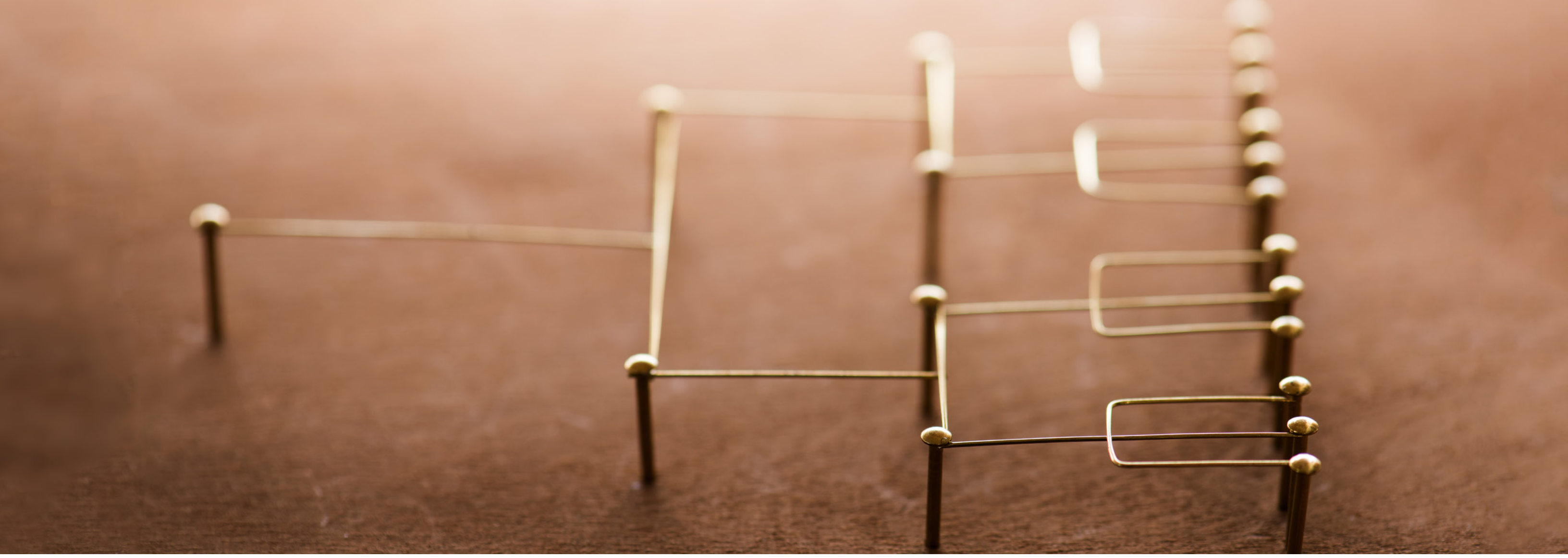
- Reviewed the Bank's Strategic Plan;
- Considered the lingering impact of COVID-19 on the economy (local and international), on various industries, and the effectiveness of NBVI's response;
- Monitored the responsibilities delegated to its committees to ensure proper and effective oversight;
- Reviewed Management's performance; and
- Considered sustainability issues (including environmental and social factors) as part of NBVI's strategy.

Additionally, each year, the Board and Executive Management Team attend an off-site strategic planning retreat, which allows them to:

- Focus on NBVI's long-term strategy apart from the agenda at the regular meetings.
- Engage in in-depth discussions to promote deeper understanding of the Bank's business environment and operations, and to refine its strategy, if necessary.

SEPARATION OF CHAIR AND CEO ROLES

As mandated by the Bank's Articles of Association and its Corporate Governance Charter, the roles of Chairman and CEO are separate. There is a clear division of responsibilities between the leadership of the Board by the Chairman, and the executive responsibility for day-to-day management of NBVI's business, which is undertaken by the CEO. The Bank fully subscribes to international best practice guidance in this regard. Notwithstanding, our Chairperson and CEO have an excellent working relationship.



DELEGATION BY THE BOARD TO ITS COMMITTEES

The Board has delegated authority to various Board committees to be able to undertake the full scope of responsibilities mandated by its oversight function. Each committee has a charter outlining its responsibilities and is chaired by a non-Executive Director. The Board committees are constituted in accordance with banking regulations and set out guidance for meetings, including quorum, voting requirements and qualifications for Board committee membership. Amendments to the charter of any Board committee require full Board approval. In deciding committee memberships, the Chairperson endeavours to make the best use of the range of skills across the Board and share responsibility. The Chairperson of each committee is required to update the full Board on significant areas of discussion and key decisions at the subsequent Board meeting.

BOARD COMMITTEES

CREDIT COMMITTEE (CC)

Ivan Hudson Carr

Director	Number of Meetings		Percentage of Attendance
	Required	Actual	
Ivan Hudson Carr (Chair)	12	12	100%
Drexel Glasgow	12	11	92%
Antoinette Skelton	2	2	100%
Michelle Todman Smith	9	9	100%
Joy Penn	12	12	100%
Everette Frazer	3	3	100%

The Credit Committee (CC) met twelve (12) times during the year to deliberate issues under its purview. The Committee maintains oversight of the credit risk management function of the Bank. As at the reporting date, the credit risk in our loan portfolio remains manageable. A majority of loan moratoriums ended during 2021, despite extending loan moratoriums on a minimal, case-by-case basis into 2022. The effect on credit loss is expected to be minimal given the low take-up rate.

The Committee is accountable to the Board and in performing its duties, among other matters, it reviews and oversees the development and application of loan loss provisioning policy, reviews Management reports, and reviews the classification of loans and advances. The Committee also ensures that appropriate disclosures are made to the relevant authorities as required by law or regulation.

ASSET AND LIABILITY COMMITTEE (ALCO)

Mervyn Hope

Director	Number of Meetings		Percentage of Attendance
	Required	Actual	
Mervyn Hope (Chair)	4	4	100%
Benedicta Samuels	3	3	100%
Ivan Hudson Carr	1	1	100%
Joy Penn	4	4	100%
Jeanette Scatliffe Boynes	3	3	100%

The Asset and Liability Committee (ALCO) met four (4) times during the year to deliberate issues under its purview. The Committee maintains oversight of the asset and liability management function of NBVI. The ALCO is responsible for, among other matters, providing key oversight of the strategic asset and liability management issues of the Bank, as set out in the Committee's Charter and the Asset and Liability Management Manual. This entails inter alia, regular review of the composition and trajectory of the balance sheet, quarterly review of interest rates on loans and deposit accounts and refining the Bank's funding strategy according to business momentum, prevailing market conditions, and available contingency options.

The Committee is accountable to the Board and in performing its duties, the ALCO also reviews and recommends policies to mitigate asset and liability management risks associated with the Bank's operations, in addition to monitoring the application and effectiveness of such policies.

AUDIT AND COMPLIANCE COMMITTEE (ACC)

Michelle Todman Smith

Director	Number of Meetings		Percentage of Attendance
	Required	Actual	
Michelle Todman Smith (Chair)	3	3	100%
Benedicta Samuels	4	3	75%
Ivan Hudson Carr	3	3	100%
Mervyn Hope	4	4	100%
Icis Malone	1	1	100%
Everette Frazer	1	0	0%

The Audit and Compliance Committee (ACC) met four (4) times during the year to deliberate issues under its purview. The Committee is responsible for overseeing the audit and compliance management functions of the Bank. Among other matters, the ACC oversees the regulatory reporting, financial reporting and compliance processes to ensure the transparency, accuracy and integrity of the reporting systems as set out in the Committee's Charter. The Bank operates a three (3) Lines of Defence Model in regard to risk and compliance management that helps embed a culture of shared responsibility for risk management.

The Committee is accountable to the Board and in performing its duties, the ACC reviews the effectiveness of the Bank's internal control and risk management system to handle both known and emerging risks. The Committee reviews the internal and external audit function and process, and the Bank's compliance with applicable laws, regulations, internal standards (including the Code of Conduct) and policies, and expectations of key stakeholders. The ACC also receives updates on significant incidents of non-compliance with laws and regulations, and reviews management's investigations of such incidents. Reviewing and monitoring remedial action plans to address significant internal control deficiencies identified by the internal and the external auditors and/or regulators also falls under the remit of the ACC.

GOVERNANCE, NOMINATIONS AND REMUNERATIONS COMMITTEE (GNRC)

Benedicta Samuels

Director	Number of Meetings		Percentage of Attendance
	Required	Actual	
Benedicta Samuels (Chair)	2	2	100%
Drexel Glasgow	2	2	100%
Michelle Todman Smith	2	2	100%
Jeanette Scatliffe Boynes	1	1	100%

The Governance, Nominations and Remunerations Committee (GNRC) met twice during the year to deliberate issues under its purview. Among other matters, the GNRC oversees the corporate governance function of the Bank. The Committee is also responsible for overseeing the Board's operations and effectiveness, as well as the Bank's compliance with all relevant legal and regulatory requirements and internal policies and values, as set out in its Charter. Director induction, training, and continuous development programmes are also within the Committee's remit.

The GNRC oversees the principles, parameters, and governance of NBVI's remuneration policy and ensures the alignment of compensation with prudent risk taking. This involves remuneration of the Executive Management Team and the Board, as well as Management development and succession planning, to deepen core competencies and strengthen leadership capabilities.

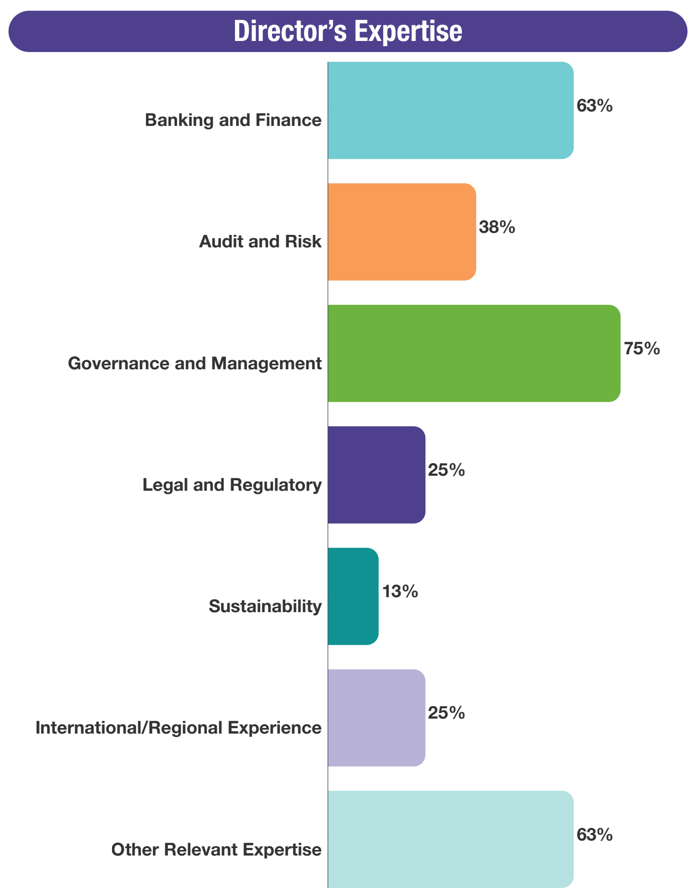
The Committee is accountable to the Board and in performing its duties, the GNRC takes a leadership role in shaping and monitoring the corporate governance and ethical practices of the Bank.

DIRECTORS' COMPETENCIES

Banks are best led by a Board which is comprised of members with a broad range of skills. To ensure the creation of value for stakeholders, the Board must have a deep understanding of governance, appropriate technical, financial, and non-financial knowledge, and the highest levels of integrity. Having the appropriate mix of skills and experience ensures that the Board as a collective is well equipped to oversee and guide the Bank's strategy.

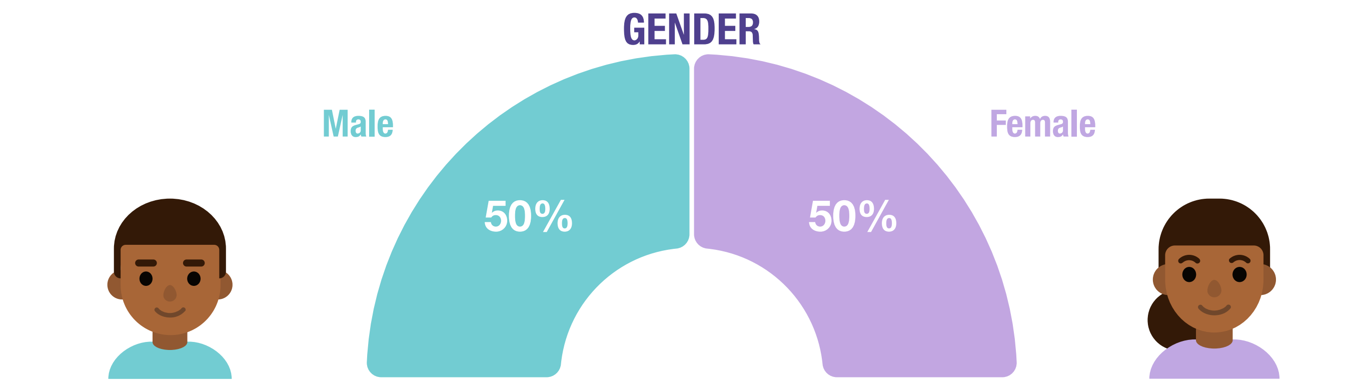
At NBVI, we remain committed to continuous refreshers and skill enhancement of our Directors to ensure they have a complete appreciation of the challenges faced by the Bank and industry. All Directors are expected to avail themselves of appropriate training courses, where necessary and at the earliest opportunity, to fulfill their competency requirements. During the fiscal year, our Directors participated in AML/CFT seminars and workshops, aimed at maintaining and developing the knowledge, experience and skills needed in the performance of their duties and responsibilities.

The current skills and industry experience represented on the Board are as follows:



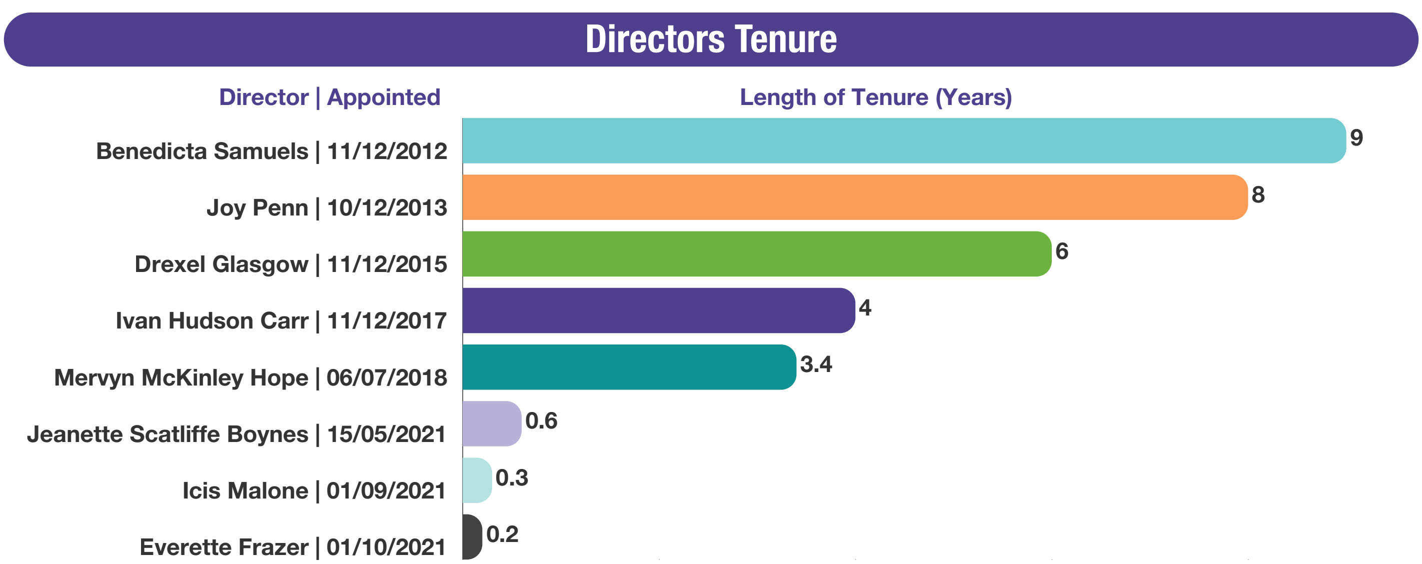
DIVERSITY

NBVI strives for diversity in its Board composition to ensure robust governance, keen commercial decision-making, and strong technical inputs. Hence, the make-up of the Board reflects diversity of professional background and skills, age, gender, and experience. Further, we have a good balance between continuity and fresh perspectives on the Board. Each Director must demonstrate sound business acumen and preparedness to question, advise and constructively critique management. This provides an ideal environment for discussion, debate, input, and challenge, resulting in more thoughtful decisions needed to achieve the Bank's strategic objectives.



TENURE / TERM LIMITS

Pursuant to the Bank's Articles of Association, each director holds office for the term, if any, fixed by the Resolution of Shareholders or the Resolution of Directors appointing him/her, or until his/her death, resignation, or removal. If no term is fixed at the time a director is appointed, that director serves indefinitely until the earlier of his/her death, resignation, or removal.



CORPORATE SECRETARY

The Board evaluated the performance of Mrs. Wendy Lewis, the Bank's Corporate Secretary, and remains satisfied that she is qualified for the role, having confirmed her independence and arm's length relationship with the Board and its members.

The Board is guided by the Bank's policies and corporate governance framework, which determine how the Bank defines related party transactions and the process for engaging in such transactions.

Mrs. Lewis attends all Board meetings and assists Directors in the discharge of their duties. Among other responsibilities, she facilitates communication between the Board, its committees and management, assists with the induction of new Directors, and records the critical decisions and context of the Board's deliberations. She has the necessary access to the Chairperson, and her office is sufficiently resourced to perform its duties.

COMPENSATION PHILOSOPHY FOR BOARD AND MANAGEMENT

The Bank's Compensation Policy for the Board and Management is in keeping with international best practice for remunerating Board members and senior officers. Accordingly, the Chairman and other Board members are remunerated as prescribed by the Articles of Association and approved by the Governance, Nominations and Remunerations Committee. The policy also seeks to ensure that NBVI can attract, motivate, and retain high-calibre employees, while adopting prudent risk-taking principles to build a sustainable bank and deliver long-term shareholder returns.

RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank may enter transactions with related parties. The Board is guided by the Bank's policies and corporate governance framework, which determine how the Bank defines related party transactions and the process for engaging in such transactions. These documents help to ensure that related party transactions are at arm's length commercial terms, the rights of stakeholders are protected, and that transactions are in the best interest of NBVI. Details and balances pertaining to related parties are provided in Note 19 of the financial statements.

INDEPENDENCE

Independence is an essential element in creating and implementing a proper system of checks and balances. Our Board emphasises Directors' independence and sets the tone for independent judgement and acceptance of diverse opinions. Directors are expected to bring views to Board meetings that are independent of management and free of any business relationship or circumstances that would materially interfere with the exercise of objective judgement. Moreover, the Board must always be ready to constructively engage and challenge the management team. This means that individual members must act with independence, competence, diligence, and courage, to demand the necessary insights and information to help them decide what is in the best interest of NBVI.

CONFLICTS OF INTEREST

Directors have a responsibility to avoid situations that place, or may be perceived to place, their personal interests in conflict with their duties to the Bank. The Bank has a formal Conflict of Interest Policy which outlines the process for identifying, assessing, and managing perceived or actual conflicts of interests. All members of the Bank are provided with a copy of this policy, which defines conflicts of interest and guidance on the process for disclosing such interests to the Bank within the stated timeframe. Additionally, NBVI's Articles of Association require Directors to declare any actual or potential conflict of interest immediately, when they become aware of such a situation. Where actual or potential conflicts are declared, affected Directors are required to recuse themselves from discussions on matters presenting the declared conflict and abstain from participating in any related Board decision.

…our Bank maintains a zero-tolerance posture towards all forms of corruption, bribery, and unethical business practices.

ETHICS AND BUSINESS CONDUCT

Our Code of Business Conduct covers a broad range of principles including professional integrity, confidentiality, conflicts of interest, fair dealings with customers, and whistleblowing. We boast of an ethical business built on a trusting relationship with our stakeholders. At NBVI, we believe that the safeguards against unethical business practices must always out-strip banking regulation and the law. Hence, our Bank maintains a zero-tolerance posture towards all forms of corruption, bribery, and unethical business practices. With full awareness that legal business is not always ethical business, we engage in continuous training across the Bank to emphasise the behaviours we reward and the behaviours we discourage. Our Customer Charter, which governs our interactions with our customers, covers a non-exhaustive range of ethical principles, by which all Board members, agents, employees, suppliers, and other key stakeholders must abide.

The Board and Executive Management are responsible for embedding ethical conduct throughout the organisation. However, the Chief Compliance and Risk Officer is responsible for monitoring compliance with the Code of Conduct and day-to-day business practices.

CULTURE

The Board has ultimate responsibility for the affairs of the Bank and seeks to embed a beyond-compliance culture at every level of its operations. We understand and fully embrace our role as a gatekeeper of the BVI's financial system. In addition to the broad range of ethical principles included in our Code of Business Conduct, we actively promote other unwritten safeguards to strengthen and entrench our risk and governance culture in our day-to-day operations. These unwritten safeguards include:

- Ethical leadership at the highest level of the Bank;
- Careful alignment of the Bank's strategy with Board and employee incentive packages;
- Unhindered and well-integrated control functions; and
- Recognition and rewards for desired behaviours while taking swift corrective actions to address unwelcomed ones.

Ultimately, we want our Directors and employees to understand the Bank's role in society and take responsibility for their actions.

NBVI has a formal board renewal process, led by the Governance, Nominations and Remunerations Committee ("GNRC"), to ensure a keen focus on succession planning and continuity of the Bank's business.

WHISTLE-BLOWER POLICY

NBVI is committed to a culture that encourages everyone to speak up about issues or conduct that concerns them. We have a formal whistle-blower policy which provides guidance to all members of the Board, management, staff, and other stakeholders on how to confidentially disclose any issues that they believe are contrary to the Bank's policies, values, culture, or legislative and regulatory commitments. Fraud, corruption, bribery, unethical behaviour, legal or regulatory non-compliance or questionable accounting or auditing by parties involved in overseeing or running the affairs of NBVI, is not tolerated.

The Board is responsible for ensuring that this policy remains appropriate and mechanisms are established to protect whistle-blowers, as well as disciplinary measures for baseless allegations.

SUCCESSION PLANNING

The unexpected loss of life at the height of COVID-19 emphasised the need for active and continuous succession planning. NBVI has a formal board renewal process, led by the Governance, Nominations and Remunerations Committee ("GNRC"), to ensure a keen focus on succession planning and continuity of the Bank's business. The GNRC continuously evaluates whether the Board's size and composition are such that the values, knowledge, skills, and experience of the individual Directors are consistent with the nature, size, structure, and complexity of the Bank's operations.

The Board is also accountable for ensuring that the Bank has a full complement of Executives to effectively manage its daily affairs. In this regard, the Board oversees the selection of the Executive Management Team (EMT), including:

- Assessing whether the EMT's collective knowledge and expertise remain appropriate for the size, nature and complexity of the Bank and is aligned with its risk profile.
- Actively developing a succession plan for the CEO and ensuring that appropriate succession plans are in place and managed by the CEO for Executive and senior officers.

DISCLOSURE OF INFORMATION TO THE AUDITORS

All information contained in this Integrated Report was reviewed and approved by the Board. The Board also acknowledges its responsibility for the preparation and presentation of financial information, maintenance of appropriate internal controls, compliance with legal and regulatory requirements, management and control of major risk areas, and assessment of significant and related party transactions. The Directors confirm that, as far as they are aware, there is no relevant information of which the Bank's internal and external auditors are unaware, and that each Director has taken all the steps that he/she ought to have taken as a Director to obtain all relevant audit information.

INTERNAL AUDIT

The Board is responsible for maintaining and reviewing the effectiveness of the Bank's internal control system. Internal Audit's primary role is to help the Board and Management protect the assets, reputation, and sustainability of the Bank. This is achieved by providing independent and objective assurance to the Board, through the Audit and Compliance Committee (ACC), on the effectiveness of governance, risk management and internal controls. The ACC is responsible for the internal audit function and oversees its performance. The committee also reviews measures taken by Management to remediate deficiencies identified by the Internal Auditor, External Auditor, and Regulator. The Internal Audit Department has full and unrestricted access to the Bank's staff, records, and documents to enable it to properly carry out its function, and no restrictions were placed on the scope of the Department's work. The work of Internal Audit is focused on areas of greatest risk as determined by a risk-based assessment methodology, and guided by the goals and strategies of the Bank, as well as priorities determined by the Board and ACC.

The Board considers NBVI's internal control systems to be effective and adequate, as at December 31, 2021.

AUDIT FRAMEWORK

Our Internal Audit Framework covers financial, operational, compliance and risk management policies and systems. The Framework details the purpose, objectives and deliverables of Internal Audit and explains the methodology and standards used to achieve independent assurance outcomes. In building and maintaining a feasible, sustainable, and robust audit framework, the Bank's internal audit function continues to model the Institute of Internal Auditors' (IIA) standards and guidelines. These international standards are considered the cornerstone of an audit framework. The audit function developed an internal audit plan that considered several aspects, such as the goal, scope and objectives of the audit program, the audit risk assessment program, and the processes to sustain the efficiency of the audit program.

STRUCTURE AND MANDATE OF THE INTERNAL AUDIT FUNCTION

BOARD OVERSIGHT

AUDIT AND COMPLIANCE COMMITTEE

INTERNAL AUDIT FUNCTION

PROFESSIONAL STANDARDS	INDEPENDENCE	OBJECTIVITY	GOVERNANCE

TOTAL ASSURANCE

MANDATE

- Reviews the activities, resources and organisational structure of the internal audit function to ensure there are no unjustified restrictions or limitations;
- Reviews the performance of the Internal Auditor and makes recommendations to the Board for the appointment, re-appointment or termination of the Internal Auditor;
- Discusses with the External Auditor the standard of work of internal audit staff;
- Reviews the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors' "standards for the professional practice of internal auditing";
- Meets separately with the Internal Auditor to discuss matters that the Audit and Compliance Committee or Internal Auditor believes should be discussed privately;
- Ensures that significant findings and recommendations made by the Internal Auditor and Management's proposed responses are received, discussed and implemented, as appropriate; and
- Reviews the proposed internal audit plan for the coming year and ensures that it addresses key areas of risk, being appropriately coordinated with the external audit schedule.

EXTERNAL AUDIT

The integrity of our financial reporting to our Shareholders is protected through the following controls:

- *Board oversight*
- *Oversight from the Audit and Compliance Committee*
- *External audit engagement*

Through its Audit and Compliance Committee, the Board is responsible for managing the relationship with the Bank's External Auditor. Specifically, the Board is charged with reviewing the performance of the External Auditor on an annual basis, and making recommendations for the firm's appointment, re-appointment, or termination.

Whereas NBVI's Directors are responsible for ensuring the preparation and presentation of financial statements which show a true and fair view of the Bank's financial position, the External Auditor is charged with the responsibility of examining these financial statements and providing an opinion on their reasonableness.

BDO Limited ("BDO") is in its last year of a three (3) year (2019 – 2021) engagement as NBVI's External Auditor. The Board is satisfied that BDO has performed its duties effectively and free from any influence or duress. The External Auditor has not engaged in any non-audit work for the Bank during the 2021 fiscal year.

RISK MANAGEMENT

ENTERPRISE RISK MANAGEMENT FRAMEWORK

In our day-to-day business, NBVI is exposed to multiple financial risks. These include liquidity and credit risks. However, we have an adequately staffed Compliance and Risk Department charged with identifying, monitoring, measuring, and proposing actions for risk management to the Audit and Compliance Committee.

In addition to financial risks, NBVI is also subject to non-financial risks. These primarily pertain to cybersecurity and compliance with laws, regulations, and guidelines (particularly in relation to Know Your Customer, anti-money laundering and terrorist financing, sanctions enforcement and data privacy), as well as the ethical norms that apply to the banking industry.

We pay keen attention to the major developments in the regulatory space and the implications for the Bank. For example, the preponderance of electronic channels and service options have increased compliance and cybercrime challenges. As we transform our operations, we will continue to strengthen our procedures and processes to ensure compliance with regulations. To respond to other risks in our operating environment, we will continue to develop our Enterprise Risk Management Framework (ERMF) and make the needed investments in systems and personnel to entrench enterprise risk management, global best practices, and protect the Bank's assets.

Our ERMF is supported by our Code of Business Conduct which is outlined in our Customer Charter and other policies.

The ERMF sets out:

- the principal risks faced by NBVI
- the Bank's risk appetite
- employees' roles and responsibilities for risk management
- the Bank's risk management structure

Our ERMF provides a structured approach to risk taking and risk management activities across the Bank, supporting our long-term revenue, earnings, and capital growth strategy. It is supported by policies and procedures formulated for assessing, measuring, monitoring, and reporting risks. NBVI remains cognizant that effective risk management is based on sound risk culture, characterised by a high level of awareness of risks affecting, or that can affect the Bank. The Board and entire management team play significant roles in ensuring the implementation and adherence to the ERMF and its suite of supporting policies and procedures, which aim to embed effective risk management.

Additionally, our ERMF has been designed in accordance with international standards of best practice and reflect the nature, size and complexity of the Bank and its business. It provides explicit guidance about the risk management policy, the risk assessment process, standards, steps for reporting, and lines of accountability for risk management at the Bank. The Bank's risk management activities are hinged on the following principles:

- Risk is taken within the Board-approved risk appetite;
- Risk taken requires approval within the ERMF;
- Risk taken needs to be justified, with documented rationale; and
- Risk must be continuously monitored and managed.

NBVI remains cognizant that effective risk management is based on sound risk culture, characterised by a high level of awareness of risks affecting, or that can affect the Bank.

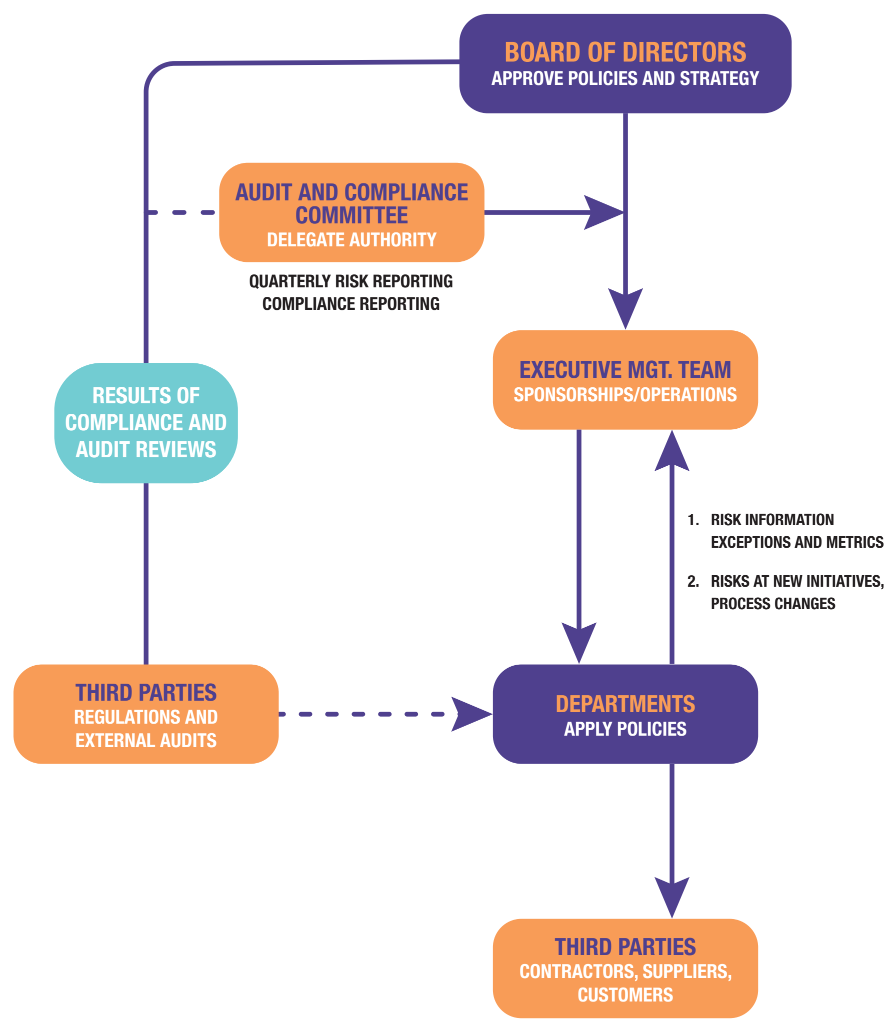
RISK ASSESSMENT STRUCTURE

The Board oversees the Bank's strategic direction, the implementation of an effective risk culture, and the internal control framework. Through delegated responsibility to Executive Management, they implement the ERMF that assesses and manages various risk exposures of the Bank. The Board also reviews and approves the Bank's risk appetite and related measures annually, and monitors its risk profile and performance against risk appetite measures.

The Chief Compliance and Risk Officer is the first point of contact for the ERMF, but the Audit and Compliance Committee is responsible for monitoring and evaluating the framework's application and effectiveness. The Committee also oversees financial reporting and the adequacy of internal controls, including internal controls over financial reporting, and the activities of the Compliance and Risk, and Internal Audit Departments.

The framework and underlying risk policies and procedures are reviewed annually by the Audit and Compliance Committee to ensure continued application and relevance.

Risk Assessment Structure



RISK CULTURE

Risk awareness and management are integral attributes to NBVI's overall organisational culture. The Human Resources Department (HRD), in partnership with the Compliance and Risk Department, oversees the culture of the Bank. However, the Bank's risk culture starts with the "tone at the top" set by the Board, Chief Executive Officer (CEO), and the Executive Management Team. This culture is supported by the Bank's vision, mission, and core values. The ethos of NBVI's organisational objectives describes the behaviours that the Bank seeks to foster, among its Directors and employees. The Bank's risk culture embraces accountability, learning from past experiences, and encourages open communication and transparency on all aspects of risk taking. Our Code of Business Conduct guides employees and Directors to make decisions that meet the highest standards of integrity, professionalism, and ethical behaviour. Every Bank employee and Director is expected and required to assess business decisions and actions on behalf of the organisation, in light of whether it is ethical, legal, and fair.

HOW WE DEFINE RISK

HOW WE DEFINE RISK	
RISK	Any potential event or happening, which could prevent the achievement of an objective. Risk can be considered in three (3) distinct senses - as threats, uncertainties, or lost opportunities.
THREATS OR HAZARDS	The risk of loss or negative things happening. Typical examples include system failure, fraud, financial loss or a lawsuit.
UNCERTAINTY	The distribution of all possible outcomes, both positive and negative. In this context, risk management seeks to reduce the variance between anticipated outcomes and actual results.

RISK APPETITE

Under our Enterprise Risk Management Framework, the Board sets NBVI's risk appetite, oversees the establishment of enterprise-wide risk management policies and processes, and sets risk limits to guide risk-taking. Our risk appetite outlines the boundaries for conducting the Bank's business, both on an ongoing basis and under stress scenarios. It is an objective baseline to guide strategic decision making, helping to ensure that planned business activities provide an appropriate balance of return for the risk assumed, while remaining within acceptable risk levels. The Bank has no tolerance for breaches in laws and regulations. Recognizing that while incidents are unwanted, they cannot be entirely avoided, the Bank strives to reduce these instances to an absolute minimum. Our risk appetite represents the delicate balance between opportunities and the threats associated with expansion, our operating environment and the Bank's capacity to accept certain risks in pursuit of our strategic objectives.

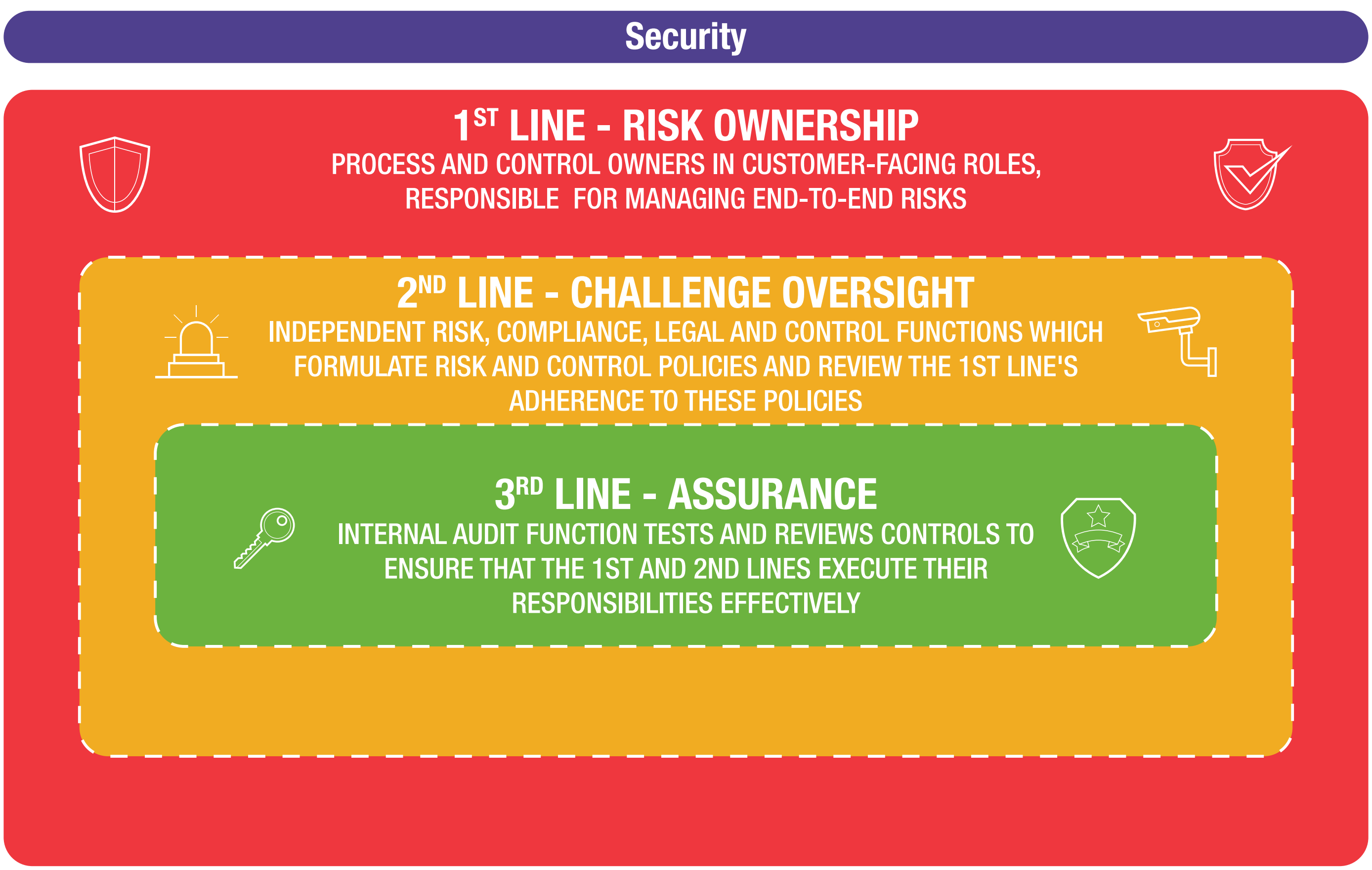
RISK MANAGEMENT POLICY AND GUIDELINES

Prudent risk taking is inherent in banking but managing risks within the Bank's risk appetite is crucial to survival. NBVI's ERMF reinforces the Bank's risk culture, which emphasises transparency and accountability, and supports a common understanding among stakeholders of how the Bank manages risk. The Risk Management function, headed by the Chief Compliance and Risk Officer (CCRO), provides oversight of enterprise-wide risk management, risk governance, and control. This includes the setting of risk strategy and policy to manage risk, in alignment with the Bank's risk appetite and business strategy. The Risk Management function also monitors and evaluates the effectiveness of these practices and processes and escalates matters to the Audit and Compliance Committee of the Board as required. Risk Management's primary objective is to support a comprehensive and proactive approach to risk management that promotes a strong risk management culture.

Prudent risk taking is inherent in banking but managing risks within the Bank's risk appetite is crucial to survival.

Risk management is embedded at NBVI through clear accountabilities in accordance with the three (3) lines of defence methodology, as outlined in the Corporate Governance Principles for Banks, released by the Basel Committee on Banking Supervision.

THREE (3) LINES OF DEFENCE



RISK MANAGEMENT PROCESS

NBVI's comprehensive and proactive approach to risk management is comprised of five processes as depicted below.

1 Identify	2 Analyse	3 Treat	4 Monitor	5 Report
Identify all significant risks.	Analyse these risks (determine likelihood, impact, existing controls, range of consequences).	Accept risks or develop appropriate risk mitigation processes.	Monitor risks and the effectiveness of mitigation strategies.	Facilitate communication and consultation between stakeholders.

KEY RISKS IDENTIFIED

Risk identification is focused on recognising and understanding existing risks - risks that may arise from new or evolving business initiatives, aggregate risks, and non-traditional or emerging risks from the changing operating environment. Credit risk remains the most significant risk that adversely affected NBVI's operations in 2021. Other risks inherent to banking and those resulting from our operating environment, remained consistent with risks identified in previous years. Despite the repetition of some previously identified risks in this year's Integrated Report, we ensured that the top risks received the attention and resources needed for adequate mitigation. Through a combination of risk assessment, monitoring of controls and compliance assurance activities, the Chief Compliance and Risk Officer seeks to ensure that all policies are implemented and operating as expected, to mitigate the risks that they cover.

KEY RISKS	RISK CATEGORISATION	LEVEL	MITIGATING FACTORS
Data phishing, data fraud, data privacy breaches	Information Risk	**MEDIUM**	IT security policy, IT operations and monitoring, firewalls, strong business continuity plan, stringent information protection processes and policies. Ensuring all employees are aware of cybersecurity risks and how to report incidents.
NBVI's failure to effectively manage any or all of the other risk types. e.g. Negative publicity.	Reputational Risk	**MEDIUM**	Strong risk management and ethics culture. Monitoring of print, electronic and social media. Effective and timely resolution of issues. Senior management oversight.
Credit Growth and Non-Performing Loans	Credit Risk	**HIGH**	Monitoring and reporting of loan book. Responding to customer needs by providing support and information. Setting of appetite limits and sector concentration limits. Improved underwriting practices.
Failure to adhere to new or existing legislation, regulations, prudential guidelines as well as key internal compliance policies. e.g. Managing Money Services Business (MSB) Relationships	Compliance Risk Regulatory Risk	**MEDIUM**	Qualified and experienced compliance team. Keeping abreast of changes to the regulatory compliance universe. Enhancement of the internal policy environment. Identification and analysis of compliance gaps. Continuous compliance training for staff. Engaging MSBs through site visits and quarterly reviews of account transactions.
Natural Disasters	Environmental Risk Financial Risk	**HIGH**	Revision of Business Continuity Plan.
Money Laundering and Terrorist Financing	Money Laundering Risk (inherent in banking and present in ALL financial institutions) Regulatory Risk Reputational Risk Financial Risk	**MEDIUM**	Competent compliance team. Workflow that ensures appropriate compliance procedures. Appropriate and updated AML Policies and screening tools. Improved screening procedures in the recruitment process. Staff training. Embedding the "3 Lines of Defense" risk management culture and methodology. Internal and external audits.

STRESS TESTING

Stress testing is an integral component of the Bank's risk management framework and serves as a key component of the Bank's capital, strategic and financial planning processes. NBVI performs stress tests on various aspects of its operations under a forward-looking approach. The intent of stress testing is to develop a comprehensive understanding of the potential impacts of on- and off- balance sheet risks at the Bank and how they impact financial resilience. Stress testing also provides the Bank with the opportunity to spot emerging risks, uncover areas of our operations that require strengthening, and take preventive action. Stress tests to assess the possible impacts of COVID-19 on our credit portfolio, liquidity, and capital adequacy had been conducted. The results indicated a moderate impact on the Bank's positions.

AUDITED FINANCIAL STATEMENTS

NATIONAL BANK
OF THE VIRGIN ISLANDS LIMITED

Audited Financial Statements

For The Year Ended December 31, 2021

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Audited Financial Statements

For The Year Ended December 31, 2021

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

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NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Bank Directory

Board of Directors

Dr. Benedicta Samuels	Chairman (Ag.)
Dr. Drexel Glasgow	Member
Mr. Ivan Hudson Carr	Member
Mr. Mervyn Hope	Member
Mrs. Jeanette Scatliffe Boynes	Member
Mrs. Icis Malone	Member
Mr. Everette Frazer	Member
Mrs. Joy Penn	Ex-Officio Member

Registered Office

Harneys Corporate Services Limited
Craigmuir Chambers
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British Virgin Islands

BDO

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Fax: (284) 494 2220
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PO Box 34
Sea Meadow House
Tobacco Wharf
Road Town
Tortola VG1110
British Virgin Islands

Independent Auditor's Report

To the Board of Directors
National Bank of the Virgin Islands Limited
Tortola, British Virgin Islands

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Bank of the Virgin Islands Limited (the "Bank"), which comprise of the statement of financial position as at December 31, 2021, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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.

Report on the Audit of the Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Limited

Tortola, British Virgin Islands
September 30, 2022

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Statement of Financial Position
As at December 31, 2021
Expressed in United States Dollars

	Notes	2021	2020
ASSETS			
Cash and cash equivalents		17,748,516	19,501,879
Due from banks	2	149,440	148,763
Loans and advances to customers	3	229,679,614	214,671,828
Other customer receivables	5	2,874,656	2,240,080
Financial investments	6	18,671,803	35,627,860
Prepayments		417,256	381,029
Property and equipment	8	8,142,214	9,266,017
Regulatory deposit	9	500,000	500,000
TOTAL ASSETS		**$278,183,499**	**$282,337,456**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	1,375,793	1,375,793
Additional paid-in capital	10	23,234,928	23,234,928
Retained earnings		17,399,711	16,506,133
Total capital and reserves		42,010,432	41,116,854
Liabilities			
Amounts owed to demand deposit holders		6,144,112	4,907,347
Amounts owed to savings depositors	11	70,054,992	70,676,210
Amounts owed to certificate of deposit holders	12	151,091,713	156,422,760
Preference shares - liability component	10	4,127,379	4,127,379
Lease liabilities	13	2,776,580	3,198,800
Trade and other payables	14	1,978,291	1,888,106
Total liabilities		236,173,067	241,220,602
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**$278,183,499**	**$282,337,456**

APPROVED BY THE BOARD

____________________Director
Dr. Benedicta Samuels, *Chairman (Ag.)*

September 30, 2022 Date approved

The accompanying notes form an integral part of these financial statements.

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Statement of Comprehensive Income
For The Year Ended December 31, 2021
Expressed in United States Dollars

	Notes	2021	2020
Interest and similar income	15	12,277,295	11,643,351
Interest expense	16	(2,140,361)	(3,715,068)
Net interest income		10,136,934	7,928,283
Fees and commissions	17	788,217	532,778
Other operating income		129,870	278,667
Total operating income		11,055,021	8,739,728
Credit loss expenses	4	(1,023,724)	(600,419)
Net operating income		10,031,297	8,139,309
EXPENSES			
Depreciation	8	(1,582,208)	(1,341,952)
Other operating expenses	18	(7,493,600)	(7,385,472)
Total operating expenses		(9,075,808)	(8,727,424)
NET PROFIT/(LOSS) FOR THE YEAR		**$955,489**	**$(588,115)**

The accompanying notes form an integral part of these financial statements.

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Statement of Changes in Equity
For The Year Ended December 31, 2021
Expressed in United States Dollars

		2021			
	Note	**Share Capital**	**Additional Paid-in Capital**	**Retained Earnings**	**Total**
Balance at the beginning of the year		1,375,793	23,234,928	16,506,133	41,116,854
Net profit for the year		-	-	955,489	955,489
Preference share dividend	10	-	-	(61,911)	(61,911)
BALANCE AT THE END OF THE YEAR		**$1,375,793**	**$23,234,928**	**$17,399,711**	**$42,010,432**

		2020			
	Note	**Share Capital**	**Additional Paid-in Capital**	**Retained Earnings**	**Total**
Balance at the beginning of the year		1,375,793	23,234,928	17,156,159	41,766,880
Net loss for the year		-	-	(588,115)	(588,115)
Preference share dividend	10	-	-	(61,911)	(61,911)
BALANCE AT THE END OF THE YEAR		**$1,375,793**	**$23,234,928**	**$16,506,133**	**$41,116,854**

The accompanying notes form an integral part of these financial statements.

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Statement of Cash Flows
For The Year Ended December 31, 2021
Expressed in United States Dollars

	2021	2020
OPERATING ACTIVITIES		
Interest, commission and other income received	12,471,032	9,002,316
Interest paid to deposit holders	(5,529,970)	(1,785,504)
Interest paid on lease liabilities	(135,045)	(135,058)
General and administrative expenses paid	(7,439,642)	(6,890,076)
	(633,625)	191,678
Changes in operating assets and liabilities:		
Net increase in loans and advances to customers	(15,875,847)	(12,058,732)
Net increase in demand deposit holders	1,236,765	1,279,737
Net (decrease)/increase in savings deposit holders	(621,218)	6,058,356
Net decrease in certificate of deposit holders	(1,806,393)	(5,886,537)
Cash flows used in operating activities	(17,700,318)	(10,415,498)
INVESTING ACTIVITIES		
Net movement on amounts due from banks	(316)	19,471,872
Net movement on financial investments	16,889,807	(7,003,498)
Purchase of property and equipment	(466,798)	(2,177,709)
Disposal of property and equipment	8,393	131,018
Cash flows from investing activities	16,431,086	10,421,683
FINANCING ACTIVITIES		
Payment of principal portion of lease liabilities	(422,220)	(500,950)
Preference shares dividend	(61,911)	(61,911)
Cash flows used in financing activities	(484,131)	(562,861)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,753,363)	(556,676)
CASH AND CASH EQUIVALENTS		
At the beginning of the year	19,501,879	20,058,555
At the end of the year	**$17,748,516**	**$19,501,879**
CASH AND CASH EQUIVALENTS:		
Cash in hand and current account balances with other banks	9,800,075	6,293,337
Fixed deposits with brokers	7,948,441	13,208,542
	$17,748,516	**$19,501,879**

The accompanying notes form an integral part of these financial statements.

1. ORGANISATION AND ACTIVITIES

The National Bank of the Virgin Islands Limited (the "Bank") was incorporated in the British Virgin Islands ("BVI") under the Companies Act, Cap. 285 on February 1, 2005 and re-registered under the BVI Business Companies Act, 2004 on February 29, 2008.

The Bank operates under a general banking licence in accordance with the Banks and Trust Companies Act, 1990 (as amended). The principal activity of the Bank is to provide personal and commercial banking services in the BVI. The Bank is jointly owned by the Government of the Virgin Islands (the "Government") and the Social Security Board ("SSB"). The Bank's registered office is located at Harneys Corporate Services Limited, Craigmuir Chambers, P.O. Box 71, Road Town, Tortola VG1110, BVI. The Bank operates out of its sole branch on Wickham's Cay I, Road Town, Tortola, BVI.

The financial statements for the year ended December 31, 2021, were authorised for issue in accordance with a resolution of the Board of Directors (the "Board", "Directors") on September 30, 2022.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB"), under historical costs convention, with adjustments for fair value where applicable. The financial records and statements are maintained and presented in United States ("US") dollars.

The Bank is organised and operates as one segment (both in terms of business and geography). Consequently, no segment reporting is provided in the Bank's financial statements.

Comparative figures

Certain comparative figures in the financial statements have been reclassified to conform with the current year's presentation.

Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The COVID-19 pandemic gives rise to heightened uncertainty as it relates to accounting estimates and assumptions and increases the need to apply judgment in evaluating the economic and market environment and its impact on significant estimates. This particularly impacts estimates and assumptions relating to allowance for credit losses, valuation of financial instruments and asset impairment.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a 'going concern' basis.

Expressed in United States Dollars

1. **ORGANISATION AND ACTIVITIES (Continued)**

Significant accounting judgments and estimates (continued)

Impairment losses on loans and advances

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of a borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that is overdue for 90 days or more is considered credit impaired. For information on the calculation of impairment losses, refer to note 26.8, Impairment of financial assets.

Leases

Application of IFRS 16 ***Leases*** requires assumptions and estimates in order to determine the value of the right-of-use assets and lease liabilities, the implicit and incremental borrowing rates, as applicable, and whether renewal options are reasonably certain of being exercised.

Depreciation Methods

Depreciation methods for property and equipment, including right-of-use assets, are based on management's estimate of the most appropriate method to reflect the pattern of an asset's future economic benefit. This includes judgment of what asset components constitute a significant cost in relation to the total cost of an asset.

2. **DUE FROM BANKS**

	2021	**2020**
Certificates of deposit	104,178	103,862
Add: interest receivable	45,262	44,901
	$149,440	$148,763

The Bank has pledged an amount of $100,000 (2020: $100,000) which is included in due from banks as security for corporate credit cards with an aggregate credit limit of $85,000 (2020: $95,000) as at December 31, 2021.

Expressed in United States Dollars

3. LOANS AND ADVANCES TO CUSTOMERS

The Bank lends funds for commercial and development purposes for periods primarily between 5 and 30 years. These funds are largely secured by commercial real estate, business assets and residential property.

The Bank analyses its loan portfolio by category as follows:

2021	Commercial	Residential Mortgages	Other Personal	Total
Performing loans	55,937,938	111,104,839	25,352,826	192,395,603
Non-performing loans	17,986,332	20,049,354	3,092,104	41,127,790
Gross loans	73,924,270	131,154,193	28,444,930	233,523,393
Less: allowance for expected credit losses (Note 4)	(2,710,186)	(2,714,092)	(278,873)	(5,703,151)
	$71,214,084	$128,440,101	$28,166,057	$227,820,242
Add: interest receivable				6,811,763
Less: interest provision on restructured and non-performing loans				(4,952,391)
				$229,679,614

2020	Commercial	Residential Mortgages	Other Personal	Total
Performing loans	56,769,208	111,682,447	21,343,384	189,795,039
Non-performing loans	11,651,280	15,241,664	1,419,814	28,312,758
Gross loans	68,420,488	126,924,111	22,763,198	218,107,797
Less: allowance for expected credit losses (Note 4)	(2,197,582)	(2,582,580)	(234,302)	(5,014,464)
	$66,222,906	$124,341,531	$22,528,896	$213,093,333
Add: interest receivable				4,013,858
Less: interest provision on restructured and non-performing loans				(2,435,363)
				$214,671,828

In general, interest rates on loans and advances range between 3.50% and 12.25% (2020: 3.50% and 12.50%) per annum. The weighted average interest rate on these loans was 5.72% (2020: 5.71%).

Interest accruals on non-performing loans

The interest receivable includes interest on non-performing loans totaling $4,333,091 (2020: $1,690,850) and the same has been fully provided. The corresponding provision is included within interest provision on restructured and non-performing loans.

Expressed in United States Dollars

3. LOANS AND ADVANCES TO CUSTOMERS (Continued)

Renegotiated loans

As at December 31, 2021, loans and advances to customers includes $619,300 (2020: $744,513) of interest which was outstanding at the date of restructuring. This interest is included as part of the restructured loans and advances as principal converted into new loans. A corresponding provision has been recorded, which offsets the interest capitalised. As payments on these restructured loans are received, this provision is reduced in proportion to the restructured balance and a corresponding amount of interest is recognised as income.

4. EXPECTED CREDIT LOSSES ALLOWANCE

	2021	2020
Opening balance	5,014,464	5,093,139
Credit loss expenses	1,023,724	600,419
Write-offs	(335,037)	(679,094)
Ending balance	$5,703,151	$5,014,464

During the calculation of expected credit losses ("ECLs") the Bank has made certain assumptions that were based amongst others, on: a) physical inspection findings of collateral with significant values; b) delinquency rates; and c) estimated time and efforts to liquidate collateral.

Collateral repossessed

During the year, the Bank has not exercised its power of sale over real estate collateral.

Impact of COVID-19 pandemic on expected credit losses for loans and advances to customers

As a result of the impact of the COVID-19 pandemic and the potential negative impact on the Bank's loan portfolio arising from the decline in economic activity, a heightened application of judgment in a number of areas was required in the determination of whether a significant increase in credit risk (SICR) has occurred. This included the careful evaluation of the evolving macroeconomic environment and the various customer relief programs that were provided to our customers. Interest or principal deferments pursuant to various relief programs provided in some cases resulted in a SICR, that would trigger migration to stage 2 (See Note 26.8) as the Bank determined that there was a SICR based on assessment of related forward-looking indicators. Customers who failed to recommence blended payments within three (3) months of the moratorium ceasing, were classified as non-performing and moved to stage 3 (See Note 26.8).

Modified financial assets and customer relief moratorium programs

On March 11, 2020, the outbreak of COVID-19 was officially declared a pandemic by the World Health Organization. During the financial year, the COVID-19 pandemic continues to have an adverse impact on the global economy. All territories across the region were negatively affected, and the Bank was able to respond by providing support to our customers via its COVID-19 relief program.

As at December 31, 2021 the gross outstanding balance of loans in the moratorium program was $3.4 million (2020: $39.0 million) for commercial loans, $0.9 million (2020: $48.3 million) for residential mortgages, and $0.1 million (2020: $5.5 million) for other personal loans.

Several of the regional regulators have provided guidance stating that customers who have entered into the COVID-19 moratorium programs should be frozen at their days past due position prior to entry into the program until expiry of the moratorium period. Additionally, no loans which have greater than 90 days past due (non-performing) should be granted entry into the program.

Expressed in United States Dollars

4. EXPECTED CREDIT LOSSES ALLOWANCE (Continued)

Impact of relief moratorium programs on interest income

During the moratorium period, customers with variable interest rate loans received a moratorium on principal payments, while interest payments remained due. For blended payment loans with fixed interest rates, interest continued to accrue to the general ledger, but neither principal or interest was due until the end of the moratorium period. Therefore, interest income in 2021 was not significantly affected by the moratorium relief program, which generally came to an end on March 31, 2021. Customers who still require assistance are considered for moratorium extensions on a case-by-case basis. Where customers accrued a significant interest balance due to the size of the loan facility and/or extended moratorium period, consideration will be given to the capitalisation of interest on a case-by-case basis, which could affect the interest income balance (See Note 15).

5. OTHER CUSTOMER RECEIVABLES

	2021	2020
Merchant income	2,695,148	2,154,892
Insurance	150,652	83,415
Late charges	2,078	973
Other	26,778	800
	$2,874,656	$2,240,080

6. FINANCIAL INVESTMENTS

	2021	2020
Asset-backed securities	140,178	21,930
Corporate bonds	8,244,881	25,252,936
Government note	10,000,000	10,000,000
	18,385,059	35,274,866
Add: Interest receivable	286,744	352,994
	$18,671,803	$35,627,860

The following table presents movement in financial assets at amortised cost (excluding interest receivable).

	2021	2020
Beginning balance	35,274,866	28,271,368
Purchases	5,448,779	43,423,844
Sales and repayments	(22,338,586)	(36,420,346)
	$18,385,059	$35,274,866

Interest rates on the asset-backed securities range from 3.0% to 6.5% (2020: 3.0% to 6.5%) per annum. The remaining life of these securities range from 8.63 to 21.08 (2020: 9.63 to 22.75) years.

Interest rates on the corporate bonds range from 2.85% to 3.13% (2020: 2.5% to 5.0%) per annum. The remaining life of these bonds range from 0.35 - 0.46 years (2020: 0.04 to 3.59 years).

The government note is issued by the Government of St. Lucia and the balance of $10,000,000 was renewed for a term of 1 year. The government note matures on October 11, 2022 and carries an interest rate of 4.0% (2020: 4.0%).

Notes to the Financial Statements
For The Year Ended December 31, 2021
Expressed in United States Dollars

7. FAIR VALUE INFORMATION

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each measurement is categorised:

	Level 1	Level 2	Level 3	Total	Carrying Value
At December 31, 2021					
Financial instruments not measured at fair value					
Assets					
Cash and cash equivalents	17,748,516	-	-	17,748,516	17,748,516
Due from banks	149,440	-	-	149,440	149,440
Loans and advances to customers	-	-	239,083,000	239,083,000	229,679,614
Other customer receivables	-	2,874,656	-	2,874,656	2,874,656
Financial investments	-	18,542,562	-	18,542,562	18,671,803
General banking licence deposit	-	500,000	-	500,000	500,000
Total	$17,897,956	$21,917,218	$239,083,000	$278,898,174	$269,624,029
Liabilities					
Amounts owed to demand deposit holders	-	6,144,112	-	6,144,112	6,144,112
Amounts owed to savings depositors	-	71,538,000	-	71,538,000	70,054,992
Amounts owed to certificate of deposit holders	-	150,734,000	-	150,734,000	151,091,713
Preference shares - liability component	-	4,127,379	-	4,127,379	4,127,379
Lease liabilities	-	2,776,580	-	2,776,580	2,776,580
Trade and other payables	-	1,978,291	-	1,978,291	1,978,291
Total	-	$237,298,362	-	$237,298,362	$236,173,067

	Level 1	Level 2	Level 3	Total	Carrying Value
At December 31, 2020					
Financial instruments not measured at fair value					
Assets					
Cash and cash equivalents	19,501,879	-	-	19,501,879	19,501,879
Due from banks	148,763	-	-	148,763	148,763
Loans and advances to customers	-	-	222,745,000	222,745,000	214,671,828
Other customer receivables	-	2,240,080	-	2,240,080	2,240,080
Financial investments	-	35,627,860	-	35,627,860	35,627,860
General banking licence deposit	-	500,000	-	500,000	500,000
Total	$19,650,642	$38,367,940	$222,745,000	$280,763,582	$272,690,410
Liabilities					
Amounts owed to demand deposit holders	-	4,907,347	-	4,907,347	4,907,347
Amounts owed to savings depositors	-	73,900,259	-	73,900,259	70,676,210
Amounts owed to certificate of deposit holders	-	154,056,544	-	154,056,544	156,422,760
Preference shares - liability component	-	4,127,379	-	4,127,379	4,127,379
Lease liabilities	-	3,198,800	-	3,198,800	3,198,800
Trade and other payables	-	1,888,106	-	1,888,106	1,888,106
Total	-	$242,078,435	-	$242,078,435	$241,220,602

Expressed in United States Dollars

8. PROPERTY AND EQUIPMENT

	Motor Vehicles	Furniture & Fixtures	Computer Equipment	Leasehold Improvements	Land	Work in Progress	Right-of-use Assets	Total
Cost								
January 1, 2021	126,140	1,172,798	4,486,236	4,050,470	1,210,000	1,091,340	4,016,087	16,153,071
Additions	-	1,081	83,151	-	-	382,566	-	466,798
Transfers	-	163	36,463	54,965	-	(91,591)	-	-
Write-downs	-	-	-	-	-	(8,393)	-	(8,393)
Adjustments	(155)	(1,949)	92,400	113,319	-	-	-	203,615
December 31, 2021	125,985	1,172,093	4,698,250	4,218,754	1,210,000	1,373,922	4,016,087	16,815,091
Accumulated Depreciation								
January 1, 2021	49,798	932,166	1,933,673	3,028,823	-	-	942,594	6,887,054
Depreciation	25,197	97,208	553,639	434,644	-	-	471,520	1,582,208
Adjustments	(155)	(1,949)	92,400	113,319	-	-	-	203,615
December 31, 2021	74,840	1,027,425	2,579,712	3,576,786	-	-	1,414,114	8,672,877
Net Book Value								
December 31, 2020	$76,342	$240,632	$2,552,563	$1,021,647	$1,210,000	$1,091,340	$3,073,493	$9,266,017
December 31, 2021	$51,145	$144,668	$2,118,538	$641,968	$1,210,000	$1,373,922	$2,601,973	$8,142,214

There are no capitalised borrowing costs related to the acquisition of property and equipment during the year (2020: $Nil). Transfer of assets from Work-in-Progress to Computer Equipment comprised of new Internal Audit software and a firewall device. The balance transferred from Work-in-Progress to Leasehold Improvements comprised construction costs for the extension of the night deposit room and installation of another ATM. Adjusting entries, with a zero effect on net book value, were included to agree the fixed assets general ledger balances to the audited financial statements.

Expressed in United States Dollars

9. REGULATORY DEPOSIT

In accordance with the Banks and Trust Companies Act, 1990 (as amended), a deposit of $500,000 (2020: $500,000) has been lodged with the BVI Financial Services Commission ("FSC"). The deposit is in the form of a non-negotiable certificate of indebtedness. Interest is earned semi-annually at a rate fixed periodically by the BVI FSC. The average rate of interest as at December 31, 2021 was 1.22% (2020: 0.98%).

10. CAPITAL AND RESERVES

	2021	2020
(a) Authorised share capital:		
• Golden share 1 (2020: 1) voting, no par value	-	-
• Ordinary shares 20,000,000 (2020: 20,000,000) voting, no par value	-	-
• Convertible redeemable preference shares 10,000,000 (2020: 10,000,000) voting, US $1 par value	10,000,000	10,000,000
• Non-voting common shares 10,000,000 (2020: 10,000,000) US$1 par value	10,000,000	10,000,000
(b) Issued and fully paid share capital:		
• 1 (2020: 1) Golden share of no par value issued to the Government	-	-
• Ordinary shares 14,534,478 (2020: 14,534,478)	-	-
• Convertible redeemable preference shares - equity component 5,503,172 (2020: 5,503,172)	1,375,793	1,375,793

Ordinary shares

As at December 31, 2021, the Government held 9,738,100 no par value ordinary shares for a consideration of $13,738,100 (2020: $13,738,100). The Government is the majority shareholder with a 67% interest in the Bank.

In December 2017, the Bank issued 4,796,378 ordinary shares at US$1.98 per share and 5,503,172 preference shares at US$1.00 per share to the SSB ("minority shareholder") for a consideration of $15,000,000 (2019: $15,000,000). This share purchase represents a 33% interest in the Bank.

Preference shares

The Bank issued 5,503,172 convertible redeemable preference shares of $1 par value to the SSB. The preference shares are:

- Redeemable as they can be repurchased by the Bank under agreed terms
- Convertible as they can be exchanged for non-voting common shares of $1 par value.

Under IAS 32, redeemable shares should be assessed to determine if they are equity or liability. Based on an IAS 32 assessment, preference shares have been split into the following components:

	2021	2020
Liability - the value of the liability component was determined by a discounted cash flow calculation	4,127,379	4,127,379
Equity - the value of the equity component was determined by deducting the value of the liability component from the total	1,375,793	1,375,793
	$5,503,172	$5,503,172

Expressed in United States Dollars

10. CAPITAL AND RESERVES (Continued)

Preference Share dividend	Note	2021	2020
Interest expense component	16	185,732	185,732
Dividend component		61,911	61,911
		$247,643	$247,643

(c) Additional paid-in capital:

	2021	2020
9,738,100 ordinary shares of no-par value issued to the Government	13,738,100	13,738,100
4,796,378 ordinary shares of no-par value issued at $1.98 per share to SSB	9,496,828	9,496,828
Total additional paid-in capital	$23,234,928	$23,234,928

(d) Share rights

The Golden share has a right of decision to vote in certain specified circumstances. The holder does not participate in the payment of dividends.

The Ordinary shares give the holder the right to receive dividends as declared from time to time and to one vote per share at a meeting or on any resolution of the members and to an equal share in the distribution of the surplus assets of the Bank on liquidation.

The Convertible redeemable preference shares give the holder a right to cumulative preference share dividends of 4.5% per annum on the par value of the preference shares. Payment of dividends on any preference shares is subject to the Bank satisfying the statutory solvency test at the relevant time. The preference shares do not have other distribution or voting rights. Preference shares have the right to convert into Ordinary shares based upon valuation at conversion but subject to a capped ratio of 1:1. The holder shall have the right to convert (i) on each 5-year anniversary date of the issue of the preference share, or (ii) at any other time with the consent of the other shareholders.

11. AMOUNTS OWED TO SAVINGS DEPOSITORS

	2021	2020
Individuals	60,468,466	57,727,286
Businesses	9,586,526	12,948,924
	$70,054,992	$70,676,210

The average effective rate of interest on customer deposits during the year was 0.24% (2020: 0.25%).

During the period ended December 31, 2021, the Bank transferred 65 (2020: 85) dormant accounts totaling $32,928 (2020: $88,515) to a special fund established for that purpose in accordance with the Dormant Accounts Act, 2011.

Expressed in United States Dollars

12. AMOUNTS OWED TO CERTIFICATE OF DEPOSIT HOLDERS

	2021	2020
Individuals	39,777,184	39,904,903
Businesses	110,808,882	112,487,556
	150,586,066	152,392,459
Add: Interest payable	505,647	4,030,301
	$151,091,713	$156,422,760

The average effective rate of interest on certificates of deposit during the year was 0.3% (2020: 1.9%).

13. LEASE LIABILITIES

The following table presents movement in lease liabilities.

	Note	Land and Buildings	Equipment	Total
At 1 January 2021		3,189,917	8,883	3,198,800
Interest expense	16	134,928	117	135,045
Lease payments		(548,265)	(9,000)	(557,265)
At 31 December 2021		**$2,776,580**	**-**	**$2,776,580**

The table below presents the undiscounted commitments for short-term leases.

	2021	2020
Short-term lease expense	-	36,410
Low value lease expense	542	542
Aggregate undiscounted commitments for short-term leases	$542	$36,952

The table below shows the undiscounted lease obligations by maturity of the Bank's lease liabilities.

2021	Within 3 months	Over 3 months but within 1 year	Over 1 year but within 5 years	Over 5 years	Total
Lease liabilities	136,868	411,505	2,199,795	445,764	3,193,932
	$136,868	$411,505	$2,199,795	$445,764	$3,193,932

Expressed in United States Dollars

13. LEASE LIABILITIES (Continued)

The table below shows the undiscounted lease obligations by maturity of the Bank's lease liabilities.

2020	Within 3 months	Over 3 months But within 1 year	Over 1 year but within 5 years	Over 5 years	Total
Lease liabilities	141,218	416,155	2,197,695	999,688	3,754,756
	$141,218	$416,155	$2,197,695	$999,688	$3,754,756

14. TRADE AND OTHER PAYABLES

	Note	2021	2020
Insurance escrow		1,155,738	890,537
Trade payables		433,584	653,714
Dividends payable	10	247,643	247,643
Bonuses payable		106,000	-
Commissions payable		-	58,463
Accrued pension liability	18	35,326	37,749
		$1,978,291	$1,888,106

15. INTEREST AND SIMILAR INCOME

	2021	2020
Loans and advances to customers	11,580,391	10,542,647
Held-to-maturity investments	690,438	938,669
Cash and placements	362	157,151
Other	6,104	4,884
	$12,277,295	$11,643,351

16. INTEREST EXPENSE

	Note	2021	2020
Certificate of deposit holders		1,651,279	3,203,737
Savings depositors		168,305	190,541
Preference share dividend - interest component	10	185,732	185,732
Lease liabilities	13	135,045	135,058
		$2,140,361	$3,715,068

17. FEES AND COMMISSIONS

	2021	2020
Commitment fees	282,674	204,584
Merchant service fees	83,348	65,393
Commission earned on administrative services	32,623	46,604
Late charges	2,877	25,101
Other fees received	386,695	191,096
	$788,217	$532,778

Expressed in United States Dollars

18. OTHER OPERATING EXPENSES

	2021	2020
Staff costs	5,256,827	5,168,775
Licence fees and bank charges	506,780	418,070
Repairs and maintenance	468,011	448,168
Unrecoverable losses	196,288	20,179
Systems and communications	185,090	193,616
Marketing and advertising	177,998	101,762
Professional fees	155,374	477,608
Business insurance	133,612	133,307
Security services	132,338	116,891
Electricity and water	83,102	91,234
Stationery and postage	82,400	80,605
Travel and entertainment	39,118	39,086
Rent	37,346	28,426
Staff training	23,924	45,962
Other	15,392	21,783
	$7,493,600	$7,385,472

Analysis of staff costs:

	2021	2020
Wages and salaries	4,064,489	4,060,817
Social security and payroll taxes	329,278	348,782
Pension expenses	306,660	324,548
Directors' expenses	164,911	183,621
National health insurance	144,801	143,811
Bonuses	106,000	3,000
Staff insurance	60,307	64,543
Staff uniforms	35,930	8,280
Other staff-related costs	44,451	31,373
	$5,256,827	$5,168,775

During the year ended December 31, 2021, wages and salaries of $4,064,489 (2020: $4,063,817) were paid to an average of 76 employees (2020: 75).

Pension

The Virgin Islands Labour Code, 2010, stipulates that Bank as the employer should make a provision for retirement benefits to be paid to its permanent employees by means of a pension plan, an annuity, provident fund or other form of retirement plan which may be contributory.

Effective January 1, 2015, the Bank became a member of the Multi-Employer Pension Plan established by the BVI Chamber of Commerce and Hotel Association. On January 1, 2021, the Bank's pension plan (the "Plan") was transferred to the Multi-Employer (BVI) Pension Plan as established by Pension Management Interactive. The Plan is a defined contribution plan, with contributions from pensionable earnings at a rate of 8% by the Bank and voluntary contributions of at least 4% by employees.

For the year ended December 31, 2021, pension expenses of $306,660 (2020: $324,548) were incurred. At December 31, 2021, there was an outstanding accrual of $35,326 (2020: $37,749).

19. RELATED PARTY TRANSACTIONS

(a) During the year ended December 31, 2021, the Bank approved one (1) loan issued to current or former directors of the Bank and related persons. As at December 31, 2021, related party loans totaled $2,628,949 (2020: $1,968,409), which are included as part of loans and advances. The interest rates on these loans were recorded at 4.0% - 6.5% (2020: 4.0% - 6.5%).

(b) As at December 31, 2021, the Government held certificates of deposit totaling $28,694,437 (2020: $28,107,611). These certificates of deposit earn interest at rates ranging from 0.50% to 0.75% (2020: 0.75% to 2.5%) per annum. The Government also held savings deposits totaling $3,828,666 (2020: $6,892,405), which earned interest at a rate of 0.3% (2020: 0.3%) per annum. Demand deposits totaling $634,935 (2020: $611,631) were also held by the Government.

(c) As at December 31, 2021, SSB held certificates of deposit totaling $72,254,553 (2020: $73,437,127) at interest rates ranging from 0.25% to 0.9% (2020: 2.7% to 2.9%). SSB also held savings deposits totaling $306,450 (2020: $306,223), which earned interest at a rate of 0.25% (2020: 0.25%) per annum. Demand deposits totaling $389,935 (2020: $97,958) were also held by SSB. In addition to being a shareholder of the Bank, the SSB is also a statutory body which is owned and controlled by the Government.

(d) As at December 31, 2021, other Government statutory bodies held certificates of deposit totaling $6,258,922 (2020: $7,657,038) at interest rates ranging from 0.25% to 0.50% (2020: 0.25% to 0.75%). Demand deposits totaling $985 (2020: $Nil) were also held by Government statutory bodies.

(e) As at December 31, 2021, directors' allowances totaled $156,000 (2020: $176,000). These amounts are included within directors' expenses.

(f) As at December 31, 2021, commissions receivable totaled $28,278 (2020: $720) and commissions payable totaled $Nil (2020: $58,463), in line with revised contract terms. The Bank earns commissions for administrative services provided to Government agencies.

20. COMMITMENTS

Undrawn loan commitments

As at December 31, 2021, the Bank had undrawn commitments under existing customer loan agreements totaling $6,566,674 (2020: $11,370,429).

21. FINANCIAL RISK MANAGEMENT

21.1 Introduction

Risk is inherent in the Bank's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank's risk exposure includes credit risk, liquidity risk, market risk and operational risk.

Risk Management Structure

The Board is ultimately responsible for identifying and controlling risks; however, there are sub-committees of the Board responsible for managing and monitoring specific risk areas.

21. FINANCIAL RISK MANAGEMENT (Continued)

21.1 Introduction (continued)

Board of Directors

The Board is responsible for the overall risk management approach and for approving the risk strategies and policies of the Bank.

Assets and Liabilities Committee

The Assets and Liabilities Committee is responsible for reviewing policies with respect to the management of asset and liability risks associated with the Bank's operations and monitoring the application and effectiveness of such policies, with recommended amendments for approval by the Board, as needed. The Assets and Liabilities Committee is authorised by the Board to undertake the strategic management of the Statement of Financial Position, aimed at achieving sustained growth, profitability, liquidity and solvency. This includes, but is not necessarily limited to, the formulation of long-term strategic goals and objectives and the management of various risks, including liquidity risk, interest rate risk and market risk.

Audit and Compliance Committee

The Audit and Compliance Committee is responsible for evaluating whether management is setting the appropriate 'control culture' by communicating the importance of internal control and management of risk. The Audit and Compliance Committee monitors the controls and processes which ensure that the financial statements derived from the underlying financial systems comply with relevant standards and requirements, and are subject to appropriate management review. In summary, the Audit and Compliance Committee is responsible for the evaluation of the overall effectiveness of the internal control and risk management frameworks. Currently, the Bank's Audit and Compliance Committee depends primarily on the reviews of its Internal Audit and Compliance Departments to determine any operational deficiencies, and thereafter, ensures implementation of requisite corrective measures.

Credit Committee

The Credit Committee is responsible for overseeing the credit risk management function of the Bank and approval of credit requests exceeding Management's lending authority. The Credit Committee establishes the credit risk strategy, as well as significant credit risk policies, on an annual basis at minimum. The Committee is also responsible for ensuring, through inputs to the capital planning processes, that the Bank's capital level is adequate for the risks assumed and assessing the appropriateness of the allowance for credit losses regularly.

Risk measurement and reporting systems

The Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss. The Bank also runs worst-case scenarios that would arise if extreme events were likely to occur. If these events in fact do occur, the Board feels that the Bank is adequately covered.

Reports compiled by the Bank (such as, non-performing loans reports and monthly management accounts) are prepared and reviewed to identify and assess risks at an early stage and effectively mitigate and control such risks. These reports are presented to the Board on a bi-monthly basis. The monthly management accounts include budget variances, liquidity requirements, loan assets movements, interest rate spread and capital adequacy calculations.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Management has recorded all loans and advances in a manner which allows for loans to be categorised by loan type, collateral and other variables in the Bank's Management Information System. This information can therefore be utilised by management to identify the Bank's excess risk concentration by the categories noted above.

21. FINANCIAL RISK MANAGEMENT (Continued)

21.2 Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations to the Bank. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, and by monitoring exposures in relation to such limits.

Maximum exposure to credit risk without taking account of collateral and other credit enhancements

The maximum exposure to credit risk before any credit enhancement at December 31, 2021 is the carrying amount of the financial assets in the statement of financial position.

As at December 31, 2021, the Bank's cash and cash equivalents and certificates of deposit were held with five (5) financial institutions.

Deposits totaling $7,551,990 (2020: $11,206,652) or 3% (2020: 4%) of total assets are currently held at Bank of America, which has a long-term credit rating of A2 (2020: A2) per Moody's rating agency.

Deposits totaling $5,078,762 (2020: $4,093,788) or 2% (2020: 1%) of total assets are currently held at Banco Popular de Puerto Rico (Banco Popular), which has a long-term credit rating of B1 (2020: B1) per Moody's rating agency.

Deposits totaling $4,595,212 (2020: $2,001,890) or 2% (2020: 1%) of total assets are currently held at Raymond James Financial, which has a long-term credit rating of Baa1 (2019: Baa1) per Moody's rating agency.

Deposits totaling $2,224,559 (2020: $138,308) or 0.8% (2020: 0.05%) of total assets are currently held at St. Kitts-Nevis-Anguilla National Bank Limited, which is currently not rated by Moody's rating agency.

Deposits totaling $261,873 (2020: $133,884) or 0.10% (2020: 0.05%) of total assets are currently held at CIBC FirstCaribbean International Bank, which is currently not rated by Moody's rating agency.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the customer. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main type of collateral obtained is mortgages over residential properties. The Bank also obtains guarantees from third parties related to its customers.

Management reviews the market value of collateral on non-performing loans during its review of the adequacy of the allowance for impairment losses. Updated appraisals are requested for developed properties with valuations older than one (1) year in order to determine the appropriate forced sale value for foreclosure proceedings. If the customer demonstrates their ability to remedy the loan without foreclosure, an updated appraisal is not obtained, unless requested by management.

It is the Bank's policy to dispose of repossessed properties as per legal guidelines. The proceeds are used to repay the outstanding loan balances and related expenses. In general, the Bank does not occupy repossessed properties for business use.

Credit risk exposure for each internal risk rating

For issuers of held-to-maturity investments, the Bank determines the internal rating based on external ratings of the respective issuers of the securities.

In respect of loans and advances to customers, the Bank currently assesses credit risk on loan applications using an internal risk rating based on capacity to repay the loan, capital invested, collateral and other conditions.

Expressed in United States Dollars

21. FINANCIAL RISK MANAGEMENT (Continued)

21.2 Credit risk (continued)

The Bank's past due loans and advances to customers which are not considered impaired by management are noted below, excluding non-performing loans totaling $41,127,790 (2020: $28,312,758).

As at December 31, 2021

	Less than 30 days	30 to 59 days	60 to 89 days	90 days or more	Total
Commercial	6,273,703	760,321	4,302,167	-	11,336,191
Residential Mortgages	5,950,239	4,632,363	2,525,764	-	13,108,366
Other Personal	1,080,140	654,461	218,155	-	1,952,756
	$13,304,082	$6,047,145	$7,046,086	-	$26,397,313

As at December 31, 2020

	Less than 30 days	30 to 59 days	60 to 89 days	90 days or more	Total
Commercial	1,551,361	10,359,880	19,509,317	-	31,420,558
Residential Mortgages	9,894,939	5,461,793	14,346,344	-	29,703,076
Other Personal	782,830	504,634	2,437,051	-	3,724,515
	$12,229,130	$16,326,307	$36,292,712	-	$64,848,149

During the year, the Bank has not renegotiated any loans and advances to customers.

As at December 31, 2021, the credit ratings of issuers of the Bank's held-to-maturity investments (including interest receivable) as provided by the CariCRIS and Moody's rating agencies are as follows:

2021	CariBBB Rated	A2 Rated	Baa1 Rated	Total
Government note securities	10,100,015	-	-	10,100,015
Corporate Bonds	-	4,232,849	4,198,761	8,431,610
Asset-backed securities	-	140,178	-	140,178
	$10,100,015	$4,373,027	$4,198,761	$18,671,803

2020	CariBBB Rated	A2 Rated	Baa1 Rated	Total
Government note securities	10,100,015	-	-	10,100,015
Corporate Bonds	-	11,855,494	13,650,421	25,505,915
Asset-backed securities	-	21,930	-	21,930
	$10,100,015	$11,877,424	$13,650,421	$35,627,860

As detailed in Note 6, the government note was issued by the Government of St. Lucia and is repayable on October 11, 2022. The government note is 3.6% (2020: 3.5%) of total assets and therefore bankruptcy or insolvency of the issuer would have a moderate impact on the Bank's financial position.

Expressed in United States Dollars

21. FINANCIAL RISK MANAGEMENT (Continued)

21.3 Liquidity risk and funding management

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stressed circumstances. To date, the Bank's liquidity risk management has been confined to the monitoring approach, specifically, the liquid assets approach.

The Bank maintains liquid assets that can be drawn upon as needed, in the event of unforeseen interruption of cash flows. Liquid assets consist of cash and cash equivalents, short-term bank deposits and financial investments held-to-maturity. The Bank's financial investments held-to-maturity balance includes an ultra-short bond fund totalling $4,198,761 (2020: $12,900,006), which is open ended and allows investors to enter and exit at their convenience. The Board has determined that liquid assets held as the Bank's cash reserve, must be at least twenty percent (20%) of the Bank's short-term (less than 90 days) deposit liabilities. As at December 31, 2021, the ratio of liquid assets over short-term deposit liabilities was recorded at 21% (2020: 28%).

The table below shows a breakdown of the Bank's liquid assets:

Liquid assets	2021	2020
Cash and cash equivalents	17,748,516	19,501,879
Due from banks	149,440	148,763
Financial investments held-to-maturity	4,198,761	12,900,006
	$22,096,717	$32,550,648

Concentration risk

As at December 31, 2021, the Government held certificates of deposit totaling $28,694,437 (2020: $28,107,611) and its statutory bodies held certificates of deposit totaling $78,513,475 (2020: $81,094,165). The Government and its statutory bodies also held savings deposits totaling $3,828,666 and $306,450 respectively (2020: $6,892,405 and $306,223). Deposits issued to the Government and its statutory bodies represent 49% (2020: 50%) of deposits held, and withdrawal of these deposits would have a significant impact on the Bank's financial position.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial assets and liabilities based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, based on its deposit retention history, the Bank does not expect that many customers will request repayment at the contractual maturity date.

2021	Within 3 months	Over 3 months, but within 1 year	Over 1 year but within 5 years	Over 5 years	Total
Financial liabilities					
Amounts owed to demand deposit holders	6,144,112	-	-	-	6,144,112
Amounts owed to savings depositors	70,122,311	-	-	-	70,122,311
Amounts owed to certificate of deposit holders	51,026,029	77,632,505	25,059,400	-	153,717,934
Trade and other payables	1,978,291	-	-	-	1,978,291
Total	$129,270,743	$77,632,505	$25,059,400	-	$231,962,648

Expressed in United States Dollars

21. FINANCIAL RISK MANAGEMENT (Continued)

21.3 Liquidity risk and funding management (continued)

Analysis of financial liabilities by remaining contractual maturities (continued)

2020	Within 3 months	Over 3 months, but within 1 year	Over 1 year but within 5 years	Over 5 years	Total
Financial liabilities					
Amounts owed to demand deposit holders	4,907,347	-	-	-	4,907,347
Amounts owed to savings depositors	70,752,575	-	-	-	70,752,575
Amounts owed to certificate of deposit holders	40,016,177	109,675,245	8,726,205	-	158,417,627
Trade and other payables	1,888,106	-	-	-	1,888,106
Total	$117,564,205	$109,675,245	$8,726,205	-	$235,965,655

The table below shows the contractual expiration by maturity of the Bank's commitments.

2021	Within 3 months	Over 3 months, but within 1 year	Over 1 year but within 5 years	Overs 5 years	Total
Commitments:					
Loans and advances	3,929,196	2,447,318	190,160	-	6,566,674
	$3,929,196	$2,447,318	$190,160	-	$6,566,674

2020	Within 3 months	Over 3 months, but within 1 year	Over 1 year but within 5 years	Over 5 years	Total
Commitments:					
Loans and advances	6,878,183	2,619,086	1,873,159	-	11,370,428
	$6,878,183	$2,619,086	$1,873,159	-	$11,370,428

The Bank usually assigns a fixed term for disbursement of loan commitments as per project schedules.

Expressed in United States Dollars

21. FINANCIAL RISK MANAGEMENT (Continued)

21.4 Market risk

Market risk arises from the Bank's use of interest-bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Bank has no significant exposure to foreign currency risk and other price risk. It has minimal foreign currency denominated financial instruments and its investments are held-to-maturity.

Interest rate risk

The Bank is exposed to cash flow interest rate risk from floating rates on commercial loans and advances. The interest rates on residential mortgages, other personal loans and advances and balances owed to savings depositors and certificate of deposit holders are generally fixed.

Variable interest rates are utilised for some commercial loans which are based on the US Prime Rate plus a fixed margin determined at the inception of the loan. Interest rates on other commercial loans are fixed for an agreed term, subject to renegotiation thereafter. The Bank has a negative interest rate gap within a year as it holds long-term loans and advances to customers; however, the balances owed to savings depositors and certificate of deposit holders are short-term. During periods of rising interest rates, interest rate movements generally will adversely affect the Bank. The Bank manages its interest rate risk by actively monitoring fluctuations in rates on earnings from investments placed with reputable financial institutions. On a periodic basis, the Bank also obtains comparable rates from local and regional banks, which are evaluated by Management prior to interest rate adjustments.

As at December 31, 2021, if market interest rates increased by 25 basis points (0.25%) (2020: 25 basis points), with all other variables held constant, the Bank's loss would have increased and total assets would have decreased by $485,907 (2020: $484,014). A decrease in market interest rates of 25 basis points (2020: 25 basis points), with all other variables held constant, would have an equal but opposite effect on the profit or loss and total assets of the Bank. A 25-basis point shift in market interest rates represents management's reasonable assumption for the possible change in interest rates.

The following table details the Bank's exposure to interest rate risk. It includes the Bank's interest-bearing financial assets and liabilities, stated at their carrying value, gross of any allowance for credit losses, categorised by the earlier of their contractual re-pricing or maturity date.

2021	Within 3 months	Over 3 months, but within 1 year	Over 1 year but within 5 years	Over 5 years	Total
Financial Assets					
Cash and cash equivalents	17,748,516	-	-	-	17,748,516
Due from banks	-	149,440	-	-	149,440
Gross loans and advances to customers	9,571,756	11,525,198	29,231,825	183,194,614	233,523,393
Regulatory deposit	-	-	-	500,000	500,000
Financial investments at amortised cost	4,198,761	14,332,864	-	140,178	18,671,803
Total	$31,519,033	$26,007,502	$29,231,825	$183,834,792	$270,593,152
Financial Liabilities					
Amounts owed to savings Depositors	70,054,992	-	-	-	70,054,992
Amounts owed to certificate of deposit holders	50,823,135	76,713,740	23,554,838	-	151,091,713
Total	$120,878,127	$76,713,740	$23,554,838	-	$221,146,705
Total interest re-pricing gap	$(89,359,094)	($50,706,238)	$5,676,987	$183,834,792	$46,446,447

Expressed in United States Dollars

21. FINANCIAL RISK MANAGEMENT (Continued)

21.4 Market risk (Continued)

2020

	Within 3 months	Over 3 months, but within 1 year	Over 1 year but within 5 years	Over 5 years	Total
Financial Assets					
Cash and cash equivalents	19,501,879	-	-	-	19,501,879
Due from banks	-	148,763	-	-	148,763
Gross loans and advances to customers	16,852,655	5,979,386	27,614,139	167,661,617	218,107,797
Regulatory deposit	-	-	-	500,000	500,000
Financial investments held-to-maturity	13,650,421	11,383,324	10,572,185	21,930	35,627,860
Total	50,004,955	17,511,473	38,186,324	168,183,547	273,886,299
Financial Liabilities					
Amounts owed to savings depositors	70,676,210	-	-	-	70,676,210
Amounts owed to certificate of deposit holders	40,007,746	108,368,075	8,046,939	-	156,422,760
Total	$110,683,956	$108,368,075	$8,046,939	-	$227,098,970
Total interest re-pricing gap	$(60,679,001)	($90,856,602)	$30,139,385	$168,183,547	$46,787,329

Prepayment risk

Prepayment risk is the risk that the Bank will incur a financial loss because its customers and counterparties repay or request payment earlier than expected.

There are cases where loans and advances to customers are paid out by other banks or repaid by the customer from their deposit accounts before the due date. To mitigate the possible loss in interest income, the Bank may implement an early repayment penalty clause built into the commitment letter. Based on the outstanding principal balance, the typical penalties are 6 months interest for prepayments made within one (1) year and 3 months interest for prepayments made after one (1) year or 1% of the outstanding principal balance, whichever is greater.

22. OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When there is a breakdown in controls, operational risk can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff training and assessment processes.

Expressed in United States Dollars

23. CAPITAL ADEQUACY REQUIREMENTS

The Bank is currently subject to financial supervision by the BVI FSC. The regulatory capital guidelines are intended to give effect to the Basel Capital Accord, which is primarily focused on ensuring that the capital resources of a bank are adequate to cover the credit risk associated with the on- and off- balance sheet exposures. For the Bank, Tier 1 (core) capital includes capital contributions and retained earnings and Tier 2 (supplementary) capital includes the component of preference shares classified as equity.

To meet minimum adequately capitalised regulatory requirements, an institution that holds a general banking licence must maintain a Tier 1 capital amount equal to or greater than $2,000,000 and a minimum risk weighted capital adequacy ratio of 12%. The Bank has adopted the regulatory requirements as its minimum standards. In addition, the Bank has further supplemented the risk-based capital adequacy guidelines by adopting a leverage ratio, defined as Tier 1 capital divided by average assets. The leverage ratio guidelines establish a minimum of 10% of the average assets.

The following presents the actual capital ratios and amounts for the Bank as at December 31, 2021:

	2021	2020
Tier 1 Capital	40,634,639	39,741,061
Tier 2 Capital	1,375,793	1,375,793
Total Capital	42,010,432	41,116,854
Risk Weighted Capital Adequacy Ratio	23%	23%
Leverage Ratio	14%	14%

24. CONTINGENCIES

Based on legal advice, the Bank has determined that there are no contingent liabilities resulting from pending legal cases.

25. SUBSEQUENT EVENTS

On March 29, 2022, the Board of the Bank resolved to pay a preference share dividend to the minority shareholder after confirming that the requisite solvency test was completed and satisfied. Payment of the preference share dividend in an aggregate amount of $247,643 was settled on May 18, 2022.

26. ACCOUNTING POLICIES

26.1 Changes in accounting policies

Standards, amendments, and interpretations to existing standards effective and relevant to the Bank

The adoption of new standards or amendments effective January 1, 2021, by the Bank did not have a significant effect on the financial statements.

New standards, interpretations, and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Bank has decided not to adopt early.

26. ACCOUNTING POLICIES

26.1 Changes in accounting policies (continued)

New standards, interpretations, and amendments not yet effective (continued)

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

In response to feedback and enquiries from stakeholders, in December 2020, the IFRS Interpretations Committee (IFRIC) issued a Tentative Agenda Decision, analysing the applicability of the amendments to three scenarios. However, given the comments received and concerns raised on some aspects of the amendments, in April 2021, IFRIC decided not to finalise the agenda decision and referred the matter to the IASB. In its June 2021 meeting, the IASB tentatively decided to amend the requirements of IAS 1 with respect to the classification of liabilities subject to conditions and disclosure of information about such conditions and to defer the effective date of the 2020 amendment by at least one year.

The Bank is currently assessing the impact of these new accounting standards and amendments. The Bank will assess the impact of the final amendments to IAS 1 on classification of its liabilities once the those are issued by the IASB. The Bank does not believe that the amendments to IAS 1, in their present form, will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability.

26.2 Foreign currency translation

Transactions in foreign currencies are converted at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at the foreign currency exchange rate ruling at the Statement of Financial Position date. Foreign currency exchange differences arising on conversion or translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the Statement of Comprehensive Income. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign currency exchange rate ruling at the date of the transaction, or if impaired, at the date of the impairment recognition. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into United States dollars at the foreign currency exchange rates ruling at the dates that the values were determined.

26. ACCOUNTING POLICIES (Continued)

26.3 Financial assets and financial liabilities

Date of recognition

The Bank recognises loans and advances and deposits on the date on which they are originated. All other financial assets and liabilities are initially recognised on the trade date, i.e. the date the Bank becomes a party to the contracted provisions of the instrument.

Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value. In the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue are also included.

Classification of financial assets and financial liabilities

Financial assets

IFRS 9 contains three principal classification categories for financial assets. When an entity first recognises a financial asset, it classifies it based on the entity's business model for managing the asset and the asset's contractual cash flow characteristics, as follows:

1. Amortised cost — a financial asset is measured at amortised cost if both of the following conditions are met:
   - the asset is held within a business model which has an objective to hold assets in order to collect contractual cash flows; and
   - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") based on the principal amount outstanding.
2. Fair value through other comprehensive income ("FVOCI") — financial assets are classified and measured at fair value through other comprehensive income if both of the following conditions are met:
   - they are held in a business model where the objective is achieved by collecting contractual cash flows and selling financial assets; and
   - the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.
3. Fair value through profit or loss ("FVTPL") — any financial assets that are not held in one of the two business models mentioned above are measured at FVTPL.

When, and only when, an entity changes its business model for managing financial assets, it must reclassify all affected financial assets. After initial measurement, financial assets are subsequently measured at amortised cost based on the business model within which the assets are held and an assessment of whether contractual terms of the financial asset are SPPI on the principal amount outstanding.

26. ACCOUNTING POLICIES (Continued)

26.3 Financial assets and financial liabilities (continued)

Business model assessment

The Bank assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and how information is provided to management.

The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's Management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing its financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows and/or held for future sale of the financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodic reset of interest rates).

26. ACCOUNTING POLICIES (Continued)

26.3 Financial assets and financial liabilities (continued)

Financial liabilities

All financial liabilities are measured at amortised cost, except for financial liabilities at FVTPL. Such liabilities include derivatives (other than derivatives that are financial guarantee contracts or are designated and effective hedging instruments), other liabilities held for trading, and liabilities that an entity designates to be measured at FVTPL (see 'fair value option' below).

After initial recognition, an entity cannot reclassify any financial liability.

Fair value option

An entity may, at initial recognition, irrevocably designate a financial asset or liability that would otherwise have to be measured at amortised cost or FVOCI to be measured at FVTPL if doing so would eliminate or significantly reduce a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') or otherwise results in more relevant information.

26.4 Derecognition of financial assets and financial liabilities

Financial assets

A financial asset is derecognised when the Bank's contractual rights to receive the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which all of the risks and rewards of ownership of the financial asset are transferred.

Financial liabilities

The Bank derecognises financial liabilities when the obligation specified in the contract is discharged, cancelled, expired or surrendered. This is generally considered to be the trade date or transaction date.

26.5 Impairment of financial assets

Loans and advances to customers

The Bank recognises loss allowances for expected credit losses ("ECL") on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments; and
- loan commitments issued.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank does not apply the low credit risk exemption to any other financial instruments.

The Bank considers 12-month ECL as the portion of ECL that results from default events on a financial instrument that are possible within the 12 months immediately after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

26. ACCOUNTING POLICIES (Continued)

26.5 Impairment of financial assets (continued)

Loans and advances to customers (continued)

Lifetime ECL results from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

Based on information readily available, the Bank has implemented a simplified ECL method for calculation of impairment losses on loan assets as detailed below:

Profile Segmentation:

The Bank's loan portfolio was segmented into categories to capture data points, prevent outlier loans from skewing the data, and identify risk factors between the various categories. First, the loans were broken down by loan type: commercial, residential mortgage, and other personal loans. Based on information readily available from the Bank's system, residential mortgages and other personal loans were further segmented by loan purpose, and commercial loans were segmented by industry.

Staging:

The ECL model introduces the concept of "staging", as all financial assets subject to the impairment provisions of IFRS 9 are initially classified as "stage 1", and then move through the stages (which affect the measurement of impairment) based on various triggers linked to credit risk and default. Movement into the various stages is initially based on the number of days delinquent, as noted below:

- Stage 1: 0 - 60 Days
- Stage 2: 61 - 89 Days
- Stage 3: 90 Days and over

A financial asset also moves to stage 2 of the impairment model once there has been a significant increase in credit risk ("SICR") compared to the credit risk present at the time of initial recognition. One such factor identified as causing a significant increase in credit risk, is the customer's inability to renew insurance coverage for collateral pledged.

Movement to stage 3 in the impairment model occurs when a financial asset becomes credit impaired or non-performing after payment of principal or interest is contractually 90 days or more past due or the loan matures with a balance.

Credit risk at initial recognition:

Management will only extend credit to customers that have a sound credit rating. With strong controls in place during the application process, credit risk at initial recognition of applicants is deemed to be low. Hence, no factors of credit impairment are present on initial recognition.

Credit risk at subsequent measurement:

To assess the increase in credit risk subsequent to initial recognition, management focuses primarily on the rebuttable assumption concerning past due status. The Bank monitors all loans on a monthly basis to identify loans that have increased or decreased in credit risk and/or have become impaired.

26. ACCOUNTING POLICIES (Continued)

26.5 Impairment of financial assets (continued)

Credit risk at subsequent measurement (continued):

The Bank categorises loans on the “Watch List” or as stage 2 based on the following factors:

- Payment of principal or interest is contractually 60 – 89 days past due; or
- In the opinion of management there is reasonable doubt as to the ultimate collectability of principal or interest; or
- The loan was recently brought current and de-classified from the non-performing loan portfolio, but requires continued monitoring for a minimum 90-day period; or
- A related loan is classified as non-performing.

Any loans that are credit impaired are deemed non-performing and classified as stage 3.

Migration Analysis:

The Bank is also mindful that there may be loans initially classified in stage 1 or 2 that would be experiencing a significant increase in credit risk, even though they have not been included on the Watch List or classified as impaired. Furthermore, based on historical results, the Bank has determined a percentage of total loans in stage 1 or 2 that have a probability of rolling into stage 2 or 3 based on historical loan movement. These percentages were used by Management to project the final loan amounts used to calculate the ECL for stages 1 - 3 and the various loan categories.

Estimated Credit Loss Calculation:

In addition to the items above, the Bank’s estimated credit loss for loan assets ultimately considers the following factors:

- Historical Credit Losses
- Estimated Future Write-offs
- Uninsured Collateral
- Other Macro-Economic Factors

Historical Credit Losses:

Actual credit losses incurred for a 5-year period were used to determine the credit loss percentage for each loan category. The credit loss percentage was calculated by dividing the loss incurred by the year-end loan balance for each category. Historical loss percentages were then used to calculate the first portion of the ECL, by multiplying the projected balance by the 5-year loan loss percentage.

Estimated Future Write-offs:

Management reviewed the portfolio of stage 1 loans to identify loans with a high probability of default (“PD”) over the next 12-month period. Loans categorised as stage 2 and stage 3 were reviewed for a high PD over the life of the loan. The future ECL was calculated by subtracting the estimated value of collateral held at the time of liquidation, from the loan balance. Any shortfall was recorded as a projected loss and added to the total ECL.

26. ACCOUNTING POLICIES (Continued)

26.5 Impairment of financial assets (continued)

Measurement of ECL (continued)

Uninsured Collateral:

Further adjustments to ECL included the calculation of loan impairment due to uninsured collateral. To determine the PD, the Bank applied the majority Shareholder's (i.e. Government of the Virgin Islands) credit rating per Caricris.com ("CariCRIS"), to Issuer-weighted cumulative sovereign default rates provided by Moody's. It is Management's assumption that the credit rating of its majority Shareholder is an indicator of the state of the BVI economy, which also correlates with the customers' ability to service loans issued by the Bank. The PD was then applied to the loan amount equal to or below the forced sale value of uninsured collateral. Any portion of the loan balance secured by other collateral not requiring insurance was excluded. The loan amount identified as being impaired due to lapsed insurance, was then added to the Bank's ECL.

Other Macro-Economic Factors:

Finally, the Bank considered macro-economic factors affecting the BVI, including the unemployment rate and gross domestic product, which were obtained from the Government's Central Statistics Office. Macro-economic factors would be reviewed to determine if the overall outlook was positive or negative; if negative, an adjusting factor was used to increase the ECL accordingly.

Presentation of allowance for ECL in the Statement of Financial Position

Loss allowances for ECL are presented in the Statement of Financial Position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: as a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

26. ACCOUNTING POLICIES (Continued)

26.6 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if, and only if, there is a current enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

26.7 Fair value measurements

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique which has variables that only include data from observable markets.

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price. Any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument, but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Any difference between the fair value at initial recognition and the amount that would be determined at that date using a valuation technique dependent on unobservable parameters is not recognised in profit or loss immediately. Rather, the difference is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price. Where the Bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or ask price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Bank believes a third-party market participant would take them into account in pricing a transaction.

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price. Any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument, but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

26. ACCOUNTING POLICIES (Continued)

26.7 Fair value measurements (continued)

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category also includes instruments that are valued based on prices quoted for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations.

26.8 Administrative services

The Bank provides administrative services that result in the holding of assets on behalf of Government agencies. Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of the Bank. The value of such assets as at December 31, 2021 is $291,527 (2020: $474,504).

26.9 Recognition of revenue

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

Interest and similar income

Interest income on loans and advances to customers are recorded in the Statement of Comprehensive Income as it accrues until such time as the loan is classified as non-performing. At that time, a provision is raised for all accrued but non-recoverable interest. Interest is calculated using the simple interest method on daily balances of the principal amount outstanding. For all financial instruments measured at amortised cost, interest income or expense is recorded at the effective interest rate, which is the exact rate for discounting estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Fee and commission income

Fees and commissions are recognised on an accrual basis when the service has been provided. The Bank earns fees and commissions from a range of services it provides to its customers. Fees and commissions that are linked to provision of a service are recognized at the point in time when the requisite service is fulfilled.

Expressed in United States Dollars

26. ACCOUNTING POLICIES (Continued)

26.10 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call, cash held with brokers and short-term, highly liquid investments with maturities of three months or less from the date of acquisition. Bank deposits with maturities of more than three months from date of acquisition are classified as due from banks.

26.11 Pension plan

The Bank is a member of a defined contribution pension plan. A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate legal entity. Once the contributions have been paid, the Bank has no further obligations. The Bank's contributions to the defined contribution pension plan are charged to the Statement of Comprehensive Income in the year to which they relate.

26.12 Taxation

The Bank is not subject to income taxes within the British Virgin Islands. Accordingly, no provision has been made for income taxes.

26.13 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment in value. Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

Computer equipment	2-5 years
Motor vehicles	5 years
Furniture and fixtures	3-10 years
Leasehold improvements	3-10 years
Right-of-use assets	2-15 years

Assets are depreciated from the date that the asset is available for use. Land is not depreciated. Expenditure on repairs and maintenance of fixed assets made to restore or maintain future economic benefits expected from the assets is recognised as an expense when incurred.

26.14 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the Statement of Comprehensive Income whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is estimated as the greater of an asset's net selling price and value in use. If in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down or allowance is reversed through the Statement of Comprehensive Income. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

26.15 Collateral Valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms, but primarily as cash or real estate. The fair value of collateral is generally assessed at inception, at a minimum, and periodically updated based on the Bank's policies and type of collateral.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Non-financial collateral, such as real estate, is valued based on data provided by third parties, such as independent appraisers and quantity surveyors.

26. ACCOUNTING POLICIES (Continued)

26.16 Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability, except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Initial recognition

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Bank's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Right of use assets are initially measured as equal to the amount of the lease liability.

Subsequent measurement

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

Subsequent measurement (continued)

When the Bank revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

Renegotiation of contractual terms

When the Bank renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the stand-alone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.

- In all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of use asset being adjusted by the same amount.

- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Expressed in United States Dollars

26. ACCOUNTING POLICIES (Continued)

26.16 Leases (continued)

For contracts that both convey a right to the Bank to use an identified asset and require services to be provided to the Bank by the lessor, the Bank has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and accounts separately for, any services provided by the supplier as part of the contract.

Nature of leasing activities (in the capacity as lessee)

The Bank leases a number of properties from which it operates. In some instances, lease contracts provide for payments to increase each year by inflation, and in others to be reset periodically to market rental rates. In other instances, the periodic rent is fixed over the lease term.

The Bank also leases certain items of plant and equipment and will, on occasion, lease vehicles. Leases of plant, equipment and vehicles comprise only fixed payments over the lease terms.

The percentages in the table below reflect the current proportions of lease payments that are either fixed or variable. The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there was an uplift of 5% on the balance sheet date to lease payments that are variable.

Nature of leasing activities (in the capacity as lessee) (continued)

31 December 2021	Lease Contracts Number	Fixed payments %	Variable payments %	Sensitivity
Property leases with payments linked to inflation	2	-	89.7%	260,866
Property leases with periodic uplifts to market rentals	2	-	10.3%	3,326
Total	**4**	**-**	**100.0%**	**$264,192**

31 December 2020	Lease Contracts Number	Fixed payments %	Variable payments %	Sensitivity
Property leases with payments linked to inflation	2	-	89.6%	260,866
Property leases with periodic uplifts to market rentals	2	-	10.1%	3,326
Leases of plant and equipment	1	0.3%	-	-
Total	**5**	**0.3%**	**99.7%**	**$264,192**

26. ACCOUNTING POLICIES (Continued)

26.16 Leases (continued)

The Bank sometimes negotiates break clauses in its property leases. On a case-by-case basis, the Bank will consider whether the absence of a break clause would expose the Bank to excessive risk.

Typical factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the Bank.

As at December 31, 2021 the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because on both dates it was considered reasonably certain that the Bank would not exercise its right to exercise any right to break the lease. Total lease payments of $1,190,629 (2020: $1,095,428) are potentially avoidable were the Bank to exercise break clauses at the earliest opportunity.

26.17 Related Parties

For the purposes of these financial statements, a party is considered to be related to the Bank if:

- the party has the ability, directly or indirectly through one or more intermediaries, to control the Bank or exercise significant influence over the Bank in making financial and operating policy decisions, or has joint control over the Bank;
- the Bank and the party are subject to common control;
- the party is an associate of the Bank;
- the party is a member of key management personnel of the Bank, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals; or
- the party is a close family member of a party referred to in the first point or is an entity under the control, joint control or significant influence of such individuals.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the Bank.

26.18 Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

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