National Bank of the virgin islands

ANNUAL **REPORT** 2022

Enduring the Present | Shaping the Future

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr Benedicta Samuels	Chairperson (Ag)
Dr Drexel Glasgow	Director
Mr 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

Ms Niayla Smith

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
CIBC FirstCaribbean International Bank
St Kitts-Nevis-Anguilla National Bank Limited

BROKER RELATIONSHIPS

Bank of America
Raymond James
Jamaica Money Market Brokers

INSURERS

Caribbean Insurers Limited (CIL)
Howden Insurance Brokers 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 HIGHLIGHTS
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OPERATING HIGHLIGHTS

	2018	2019	2020	2021	2022
Profit and Loss Account	($000)	($000)	($000)	($000)	($000)
Interest Income	11,817	13,662	11,643	12,277	12,496
Interest Expense	(2,495)	(3,656)	(3,715)	(2,140)	(1,370)
Net Interest Income	9,322	10,005	7,928	10,136	11,126
Total Operating Income	10,165	10,858	8,740	11,055	11,966
Other Expenses	(9,009)	(9,554)	(9,327)	(10,100)	(12,929)
Net Income (Loss) for the Year	1,156	1,303	(588)	955	(963)
EBIT	3,651	4,959	3,127	3,095	407
BALANCE SHEET					
Total Assets	245,278	279,965	282,337	278,183	273,851
Total Liabilities	204,753	238,198	241,221	236,173	232,866
Loans and advances to customers (Gross)	195,851	206,779	218,108	233,523	236,392
Financial Instruments	15,565	28,538	35,628	18,672	12,440
Average Loans and Investments	200,436	223,367	244,527	252,966	250,514
Deposits	199,314	228,761	232,006	227,291	223,679
Shareholders' Capital	24,611	24,611	24,611	24,611	24,611
Retained Earnings	15,915	17,156	16,506	17,400	16,375
KEY FINANCIAL RATIOS					
Operating Expenses/Total Income	89%	88%	107%	91%	108%
Net Interest Margin	5%	4%	3%	4%	4%
Return on Assets	0.47%	0.47%	-0.2%	0.3%	-0.4%
Return on Equity	2.9%	3.1%	-1.4%	2.3%	-2.3%
Interest Cover	146%	136%	84%	145%	30%
Loans and advances to deposits	98%	90%	94%	103%	106%
Tier 1 Capital	39,150	40,391	39,741	40,635	39,610
SOCIAL					
# of Employees that left	15	10	3	10	8
Average # of Employees	56	70	75	76	77
Number of Employees	57	74	75	77	79
Employee Turnover	27%	14%	3%	13%	10%
Women as % of Total Staff	60%	63%	70%	70%	71%
Women as % of the Executive Management Team	50%	43%	43%	43%	50%
# of persons on Executive Management Team	6	7	7	7	8
Corporate Social Responsibility Projects/ Initiatives	US$51	US$56	US$26	US$40	US$74

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 Thursday, 14 December 2023, at 10:00 am.

1. To read and confirm the Minutes of the Meeting held on 13 December 2022
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 31 December 2022
6. To appoint Auditors for the three (3) year period of 2023 to 2025;
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

Niayla Smith

Niayla Smith
Corporate Secretary
30 September 2023


Digital Distribution & Sales
Analysis
+89%
AR Consumption growth
02/11/2017
+33
+23
+18
Average user base
Social Networks gowth in marketing
Product relative effectiveness
89%
65%
72%
63%
Social netowks influence
Community involvement
Content Consumption

ABOUT THIS REPORT

REPORTING APPROACH

Welcome to NBVI's 2022 Integrated Annual Report. This Report aims to demonstrate how the Bank creates value for stakeholders as an organisation, employer, and responsible corporate citizen. It provides readers with essential information to assess the Bank's ability to generate value in the short, medium, and long term. NBVI emphasizes integrated thinking in its business operations and reporting practices.

To ensure transparency and adherence to best practices, the Report is prepared following the International Integrated Reporting Council's (IIRC) Framework. It is our main statutory disclosure document, which includes the Bank's audited financial statements and offers commentary on its operations for the financial year ended 31 December 2022. Additionally, this Report presents a comprehensive overview of NBVI's activities, corporate governance approach, and risk management strategies.

SCOPE AND BOUNDARY

Reporting Period

This Report covers the period 1 January 2022 to 31 December 2022 and includes material issues up to the date of Board approval.

Financial and Non-Financial Reporting

Our Report encompasses a range of vital information, such as stakeholder relationships, material matters, risks, and opportunities, and our forward-looking strategy. It goes beyond traditional financial reporting by capturing the significant activities of the Bank. Our Report also highlights the value we create for our main stakeholder groups, including shareholders, customers, employees, and the community we serve.

The accuracy of the information presented in this Report is reinforced by a rigorous internal review process. This is further validated by the assurance provided by our external auditors through their opinion on our financial statements.

Target Audience

While our primary audience for this report is our shareholders, we have also included pertinent information that is relevant to our various stakeholders, including our regulator, employees, customers, and the general public. For easy accessibility, a copy of this Report can be found at ***www.nationalbank.vg***.

KEY CONCEPTS

Materiality and Material Matters

Through this Report, we aim to provide a comprehensive understanding of our material matters - those issues that have influenced or have the potential to influence our ability to create value in the short, medium, and long term - and how we are actively responding to them. Material matters, which are detailed on page *51*, are evaluated based on their potential impact on NBVI's commercial viability, community relevance, and stakeholder relationships.

How We Define Value

At the core of our value creation process are our mission and vision. We strive to leverage and use various forms of capital inputs, including Financial, Human, Intellectual, Manufactured, Natural, Social and Relationship, to deliver value to our stakeholders.

FINANCIAL STATEMENTS

This Report includes our audited financial statements for the year ending 31 December 2022. These statements have been prepared in compliance 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 *105* of this Report.

At the core of our value creation process are our mission and vision.

BOARD RESPONSIBILITY AND APPROVAL

The Board takes full responsibility for ensuring the integrity of this Integrated Report. The Board also believes that this Report addresses all the material issues related to the Bank's value creation and provides a concise, fair, and true representation of the Bank's performance, strategy, and management. Furthermore, the Board confirms that this Report has been prepared in accordance with the International Integrated Reporting Framework.

The Board approved this Report on 30 November 2023.

Benedicta Samuels Chairperson (Ag.)	Jeanette Scatliffe Boynes	Drexel Glasgow
Hudson Carr	Icis Malone	Merlyn Hope
Everette Frazer	Joy Penn	

ABOUT NATIONAL BANK

WHO WE ARE

Established in the 1980s as the Development Bank of the Virgin Islands, our primary objective was to provide funding to micro-enterprises and support the aspirations of our local community.

Effective 28 February 2007, we underwent a significant transformation as our name changed from Development Bank of the Virgin Islands to National Bank of the Virgin Islands Limited. This strategic shift in focus marked our transition from development banking to commercial banking. Since then, our range of financial services has evolved to cater to the diverse needs of individuals, businesses, institutional customers, and the Government of the Virgin Islands. Today, as National Bank of the Virgin Islands, we are proud to play a pivotal role in empowering our community and driving economic growth in the Territory.

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

At the core of our Bank lies a set of values that form the foundation of our corporate culture and guide our purpose. These values define NBVI's identity and influence the expected conduct of our Directors and employees. By embracing and practising these values every day, we uphold our mission, implement our strategy, foster strong stakeholder relationships, and earn the trust of our community.

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	I	S	E
DEDICATION	**INTEGRITY**	**SOCIAL RESPONSIBILITY**	**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.

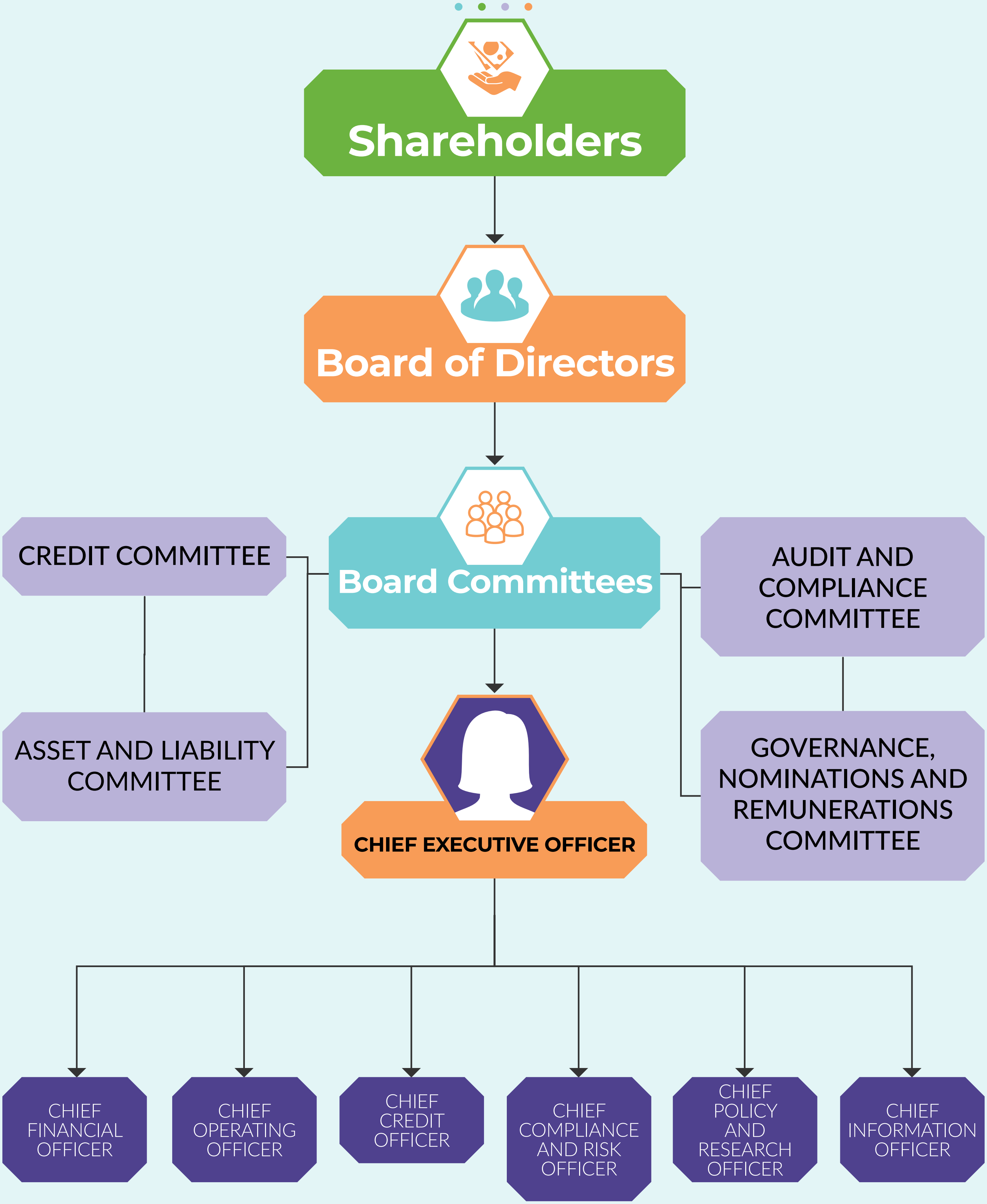
OUR KEY STAKEHOLDERS

Building and nurturing robust relationships with our stakeholders is crucial for NBVI to generate shared value. Our stakeholders include individuals, entities, and groups who have a vested interest in the success of NBVI and can be impacted by or influence our operations. Through active and continuous engagement, we seek to understand their evolving needs and expectations. We leverage social media as a platform for engagement and feedback, enabling us to gather valuable insights. Stakeholder input plays a vital role in shaping our strategic decisions, ensuring the creation and preservation of value, and safeguarding against any potential erosion of value.

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



MESSAGE FROM OUR CHAIR

On behalf of the National Bank of the Virgin Islands, I am pleased to present a synopsis of the Bank's performance for the past year.

OPERATING ENVIRONMENT

The financial year 2022 was marked by economic challenges stemming from the ongoing recovery of our Territory in the aftermath of the global pandemic. The local economy, though showing signs of rebounding, continues to grapple with uncertainties. These external factors significantly influenced our operational environment, putting our strategic and financial stability to the test. Despite these challenges, the Bank's performance may be described as encouraging, and its financial report paints a picture of resilience, showcasing the Bank's stability, focus, and determination to provide valuable services to its customers, whilst ensuring it remains compliant with its legal and regulatory obligations.

FINANCIAL PERFORMANCE

In the face of these challenges, NBVI maintains its status as a steadfast player in the local financial sector. Regrettably, this financial year our trading results reflect a net loss. This loss was primarily attributable to high non-performing loan (NPL) charge-offs. We confronted the harsh reality of economic hardships faced by our customers, leading to increased provisions for credit losses.

MANAGING THE NPL CHALLENGES

The issue of non-performing loans has been a critical concern, and we have addressed it with a combination of proactive measures. We initiated an intensified approach towards the restructuring of existing loans, allowing customers to manage their financial obligations under revised terms. Additionally, as a last resort, we have undertaken foreclosure proceedings to liquidate balances for long-outstanding non-performing loans.

BOARD AND MANAGEMENT

Our Board and Management Team have demonstrated unwavering dedication and skillful decision-making throughout these trying times. Their commitment to navigating NBVI through economic headwinds is commendable. We have closely monitored risk, adjusted strategies, and made prudent decisions to safeguard the long-term interests of the Bank and our shareholders.

Their commitment to navigating NBVI through economic headwinds is commendable.

COMMUNITY SUPPORT

As a responsible corporate citizen, the National Bank of the Virgin Islands places a strong emphasis on supporting various social activities and endeavours within the community. Our community support and philanthropic efforts are expounded on in the Corporate Social Responsibility section of this Report.

APPRECIATION

As we close this fiscal year, I extend sincere thanks to NBVI's immensely talented staff, its shareholders, loyal customers and service providers for their unwavering commitment and support to the Bank in fulfilling the essence of its mission: to be the local bank of choice for residents of and visitors to these beautiful islands. The Board and Management are deeply appreciative of the confidence placed in the Bank and pledge to safeguard and protect that trust.

OUTLOOK AND FUTURE STRATEGIES

Despite the current economic environment, the Bank anticipates a turnaround in its performance, foreseeing greater profitability and sustainability. This optimism is driven by our strategic focus on prudent risk management, expanding the Bank's suite of products and services, improving access to the Bank through technology and the Government's projected growth in the tourism, construction, and retail sectors.

The expressions "Semper Prorsum" and "Prorsum et Sursum" vividly convey the Bank's enduring aspirations to offer an enhanced suite of products and services to the community in an ethical, disciplined, and secure environment. To realise those aspirations, we look forward to receiving your support and patronage as we go ever forward and ever upward.

Benedicta Samuels

Dr. Benedicta Samuels

Chairperson (Ag.)

The expressions "Semper Prorsum" and "Prorsum et Sursum" vividly convey the Bank's enduring aspirations to offer an enhanced suite of products and services to the community in an ethical, disciplined, and secure environment.

DIRECTORS' REPORT

The Board of Directors brings a wealth of independent and diverse perspectives to NBVI, working towards creating long-term value for the Bank's shareholders. With expertise spanning various disciplines such as risk, operations, finance, legal, and engineering, the Board provides oversight of the Bank's strategic direction, financial and non-financial goals, resource allocation, and risk appetite. It also holds the Executive Management Team (EMT) accountable for executing the Bank's strategy and ensures a strong governance framework throughout the organisation. The Directors are pleased to report on their stewardship of the Bank for the period 1 January to 31 December 2022.

BENEDICTA SAMUELS

Chairperson (Ag.)

HUDSON CARR

DREXEL GLASGOW

ICIS MALONE

MERVYN HOPE

JEANETTE SCATLIFFE BOYNES

EVERETTE FRAZER

JOY PENN

From the Board's perspective, there has been a gradual improvement in economic conditions over the past two years since the pandemic, even as macroeconomic uncertainties persist. Although the complexity of the variables at play makes it difficult to forecast future performance, the Directors are proud of the Bank's resilience in navigating these uncertainties. This year's theme, "Enduring the Present, Shaping the Future," is an acknowledgement of the challenges presented by the current economic environment and the Board's unwavering commitment to seek growth opportunities to ensure the success of the Bank.

In the opinion of the Directors:

a. The financial statements of the Bank, along with the accompanying notes on ***pages 101*** to ***144***, present a true and fair view of the Bank's financial position, financial and non-financial performance, and changes in equity and cash flows for the year ended 31 December 2022.

b. There are reasonable grounds to believe that the Bank will be able to meet its financial obligations as they become due.

DIRECTORS

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

THE ROLE OF OUR BOARD

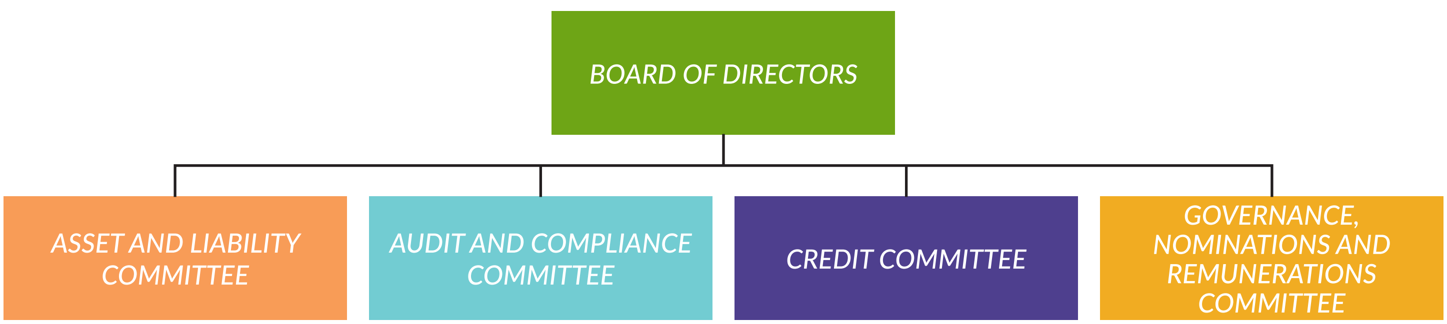
The Board fulfils three (3) primary roles:

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

The Board bears ultimate responsibility for the Bank's performance. It retains the authority to make key decisions during full Board meetings and delegates certain decisions to its committees and Management. Directors are expected to exercise independent judgment in line with their fiduciary obligations and act in the best interest of the Bank.

BOARD COMMITTEES

To properly perform its oversight function, four (4) committees support the Board:



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.

Board committees are guided by their Charters, which detail their duties and responsibilities in addition to procedures for member appointment, structure and operations and reporting to the full Board. The membership, and meetings of these committees are detailed on page ***81*** of this Report.

BOARD MEETING ATTENDANCE

Board meetings serve as the primary platform for Directors to exchange information and deliberate on matters concerning the Bank. In addition to committee meetings, the full Board convened seven (7) times in 2022.

To ensure effective communication and enable informed decision-making, relevant information and documents are promptly provided to Directors through a secure Board Portal ahead of each Board and Board Committee meeting. If a Director cannot attend a meeting in person, participation through telephone or video conference is facilitated. The table below presents the attendance record of each Director.

Director	Number of Meetings		Percentage of Attendance
	Required	Actual	
Benedicta Samuels (Chairperson, Ag.)	7	7	100%
Drexel Glasgow	7	5	71%
Hudson Carr	7	7	100%
Jeanette Scatliffe Boynes	7	7	100%
Joy Penn	7	6	86%
Mervyn Hope	7	7	100%
Icis Malone	7	7	100%
Everette Frazer	7	7	100%

BOARD TIME ALLOCATION

The Board's standard and regular agenda items include:

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

RECOGNITION AND REWARD

We highly value the feedback we receive from our customers, as it provides us with insights and opportunities for improvement and growth. We understand that the path of transformation is rarely without challenges, requiring resilience and determination to overcome obstacles. Our dedicated employees have consistently demonstrated these qualities, contributing significantly to the Bank's growth and development. In recognition of their exceptional commitment, this year, we proudly celebrate and honour ten (10) outstanding employees who embody our core values encapsulated in PARADISE.

CORPORATE SOCIAL RESPONSIBILITY

NBVI remains steadfast in its commitment to giving back to the communities we serve. Our purpose and core values continue to guide our philanthropic contributions. In the fiscal year, we invested a total of $74,344 in impactful social programs and community-based activities in the areas of culture, education, sports, health and well-being, and the environment. Further details on the allocation of these funds and related initiatives can be found in the Corporate Social Responsibility section of this Report.

FINANCIAL RESULTS

In the face of a challenging operating environment and difficult but necessary decisions, the Bank reported a net loss of $0.9m in 2022, compared to a profit of $0.9m in 2021. Despite this disappointing outturn, we anticipate improved results in the upcoming 2023 financial year. Bolstered by a positive global economic outlook and less non-performing loans, we fully expect to meet this deliverable. Our CFO's discussion and analysis on pages *36* to *44* of this Report, provide a detailed analysis of NBVI's financial performance and position.

DIVIDENDS

In accordance with the Bank's Articles of Association, the Directors recommend a dividend of 4.5% to the preference shareholder for the financial year ended 31 December 2022. This recommendation will result in a total dividend of $247,642.75 to be paid for the 2022 financial year.

ACKNOWLEDGEMENTS

We extend heartfelt gratitude to Mrs Wendy Lewis for her dedicated service as the Bank's Corporate Secretary. Her expertise and commitment have been invaluable to the Bank. As we bid farewell to Wendy, we warmly welcome Ms Niayla Smith as our new Corporate Secretary. With her experience in the Corporate Services Department and strong professionalism, we are confident that she will excel in this role and contribute to the continued success of NBVI. We look forward to working closely with Niayla and wish her a smooth transition into her new role.

FUTURE PROSPECTS

In 2022, we have demonstrated not only resilience, but also forward-thinking. We have not just weathered the pandemic storm, but more importantly, we have positioned the Bank for a more responsive, and results-driven future.

Our focus on corporate governance has been unwavering, reinforcing our commitment to transparency, accountability, and sustainable growth. We have strengthened NBVI's Enterprise Risk Management Framework, ensuring that the Bank is better prepared to address current and emerging risks in the course of business.

As a Board, we remain focused on prudently managing the Bank's balance sheet and exploring new avenues for growth. Despite its financial and emotional impact, COVID-19 has accelerated the demand for digital services, and we have embraced this trend by investing in technology to enhance customer service and access to the Bank. We believe investing in technology will fundamentally reshape NBVI and position it as the leading provider of financial services in the Virgin Islands.

We are optimistic about our future outlook and are confident that our strategic approach will continue to yield positive results. We extend our sincere gratitude to NBVI's valued customers for their support and patronage of the Bank. We also extend our appreciation to the Bank's employees and shareholders for their tireless work and dedication to NBVI, as we strive to ensure the continued success of the Territory's only indigenous Bank.

On behalf of the Board of Directors.

Niayla Smith

Corporate Secretary

We are optimistic about our future outlook and are confident that our strategic approach will continue to yield positive results.

CEO'S REPORT

Dear Shareholders and Other Stakeholders,

As I reflect on the 2022 financial year, I extend my heartfelt appreciation for your consistent support amidst the complex economic landscape that has defined our operating environment. Serving as the CEO of a bank so intricately interwoven with the lives of its customers and communities is both a great privilege and a significant responsibility. Our role as the community bank presents us with the opportunity to bring about positive change in the lives of numerous BVIslanders and residents throughout the Territory – whether it is assisting someone in achieving their dream of higher education, facilitating the purchase of their first home or vehicle, or empowering a young entrepreneur to launch a small business and contribute to the economic vitality of these Virgin Islands. It is against that backdrop and gratitude that I share the CEO's perspective on NBVI's journey through these challenging times.

NAVIGATING ECONOMIC HEADWINDS

The past year has been one of resilience and adaptability for our bank. Operating in a Territory still grappling with the aftermath of the pandemic and its economic repercussions, we faced headwinds that tested our mettle. The theme of this year's annual report, "Enduring the Present, Shaping the Future," encapsulates our journey. It reflects our commitment to weathering the challenges of the present while strategically moulding a future that aligns with our vision and mission. I want to express my gratitude to our loyal customers for their patience and understanding as we continue to navigate these challenges.

FINANCIAL PERFORMANCE

With a sense of sincere regret and disappointment, I must acknowledge the financial loss reported for the year. This outcome reflects the economic realities we faced, particularly the impact of our customers' inability to meet their financial obligations and the resulting tough decisions we had to make. Our decision to address the non-performing loans issue head-on, through restructuring initiatives and, when necessary, foreclosure proceedings and charge-offs, though painful in the short term, demonstrates our commitment to responsible banking, and is necessary to ensure the long-term success of NBVI.

STRATEGIC MEASURES AND VISION

Our strategic response to the economic and operational pressures has been multifaceted. We intensified our focus on risk management and cost cutting, ensuring that our decisions align with the long-term interests of our shareholders and the sustainability of the Bank. Despite the challenges, our vision to become the financial services provider of choice, with global access originating from the Virgin Islands, remains unwavering.

CUSTOMER-CENTRIC APPROACH

Our commitment to our customers is steadfast. We recognise the difficulties many have faced, and we have proactively worked towards solutions that provide relief and flexibility. As the only indigenous bank in the Territory, a customer-centric approach is integral to our mission, and we are dedicated to supporting our customers through these challenging times.

BOARD AND STAFF COMMITMENT

I want to express my deep appreciation to our Board for their strategic guidance and continued support. Our Management Team has shown commendable resilience, adapting swiftly to changing circumstances and leading the Bank's operations effectively on a daily basis. I also wish to thank my general staff body for their dedication and hard work over the course of the year, even as they faced their own difficulties post-pandemic. Together, we have faced the challenges and made tough decisions to safeguard the interests of the Bank and our stakeholders.

COMMUNITY IMPACT AND RESPONSIBILITY

As an indigenous bank rooted in the community, our commitment to being a responsible corporate citizen is enduring. True to our mission and dear to my heart, we will continue supporting social activities and endeavours that contribute to the betterment of our communities, as illustrated in the Corporate Social Responsibility section of this Report.

OUTLOOK AND FORWARD STRATEGIES

Looking ahead, we remain cautiously optimistic. The anticipated growth in the tourism, construction, and retail sectors, as projected by the government, aligns with our expectation of a more robust economic environment. Additionally, we are committed to expanding our geographical and digital footprints and suite of products and services to capitalise on emerging opportunities while managing risks prudently.

CONCLUSION

In closing, I want to assure you that NBVI is focused on navigating these challenges and emerging stronger. We appreciate your continued trust and partnership. The road ahead may be challenging, but with your ongoing support, we are confident in our ability to persevere and thrive.

Thank you for being an integral part of our journey.

Joy Penn

....

Joy Penn
Chief Executive Officer

MANAGEMENT TEAM

JOY PENN
Chief Executive Officer

STEPHANIE GEORGE-BRODIE
Chief Financial Officer

WADE RICHARSON
Chief Operating Officer

IRVIN MEADE
Chief Credit Officer

ETIENNE CHARLES
Chief Information Officer

ANNETTE BRAITHWAITE
Chief Compliance and Risk Officer

SOPHIA BERKELEY
Chief Human Resources Officer

BRIAN JAMES
Chief Policy and Research Officer

ANDY DAVIS

Commercial Credit Manager

MARSHA WOODLEY

Credit Administration Manager

IVOR DAWSON

Collections Manager

MARVIN HAZEL

Information Technology Manager

TRECHIA LAROCQUE

Branch Manager

CURTIS MENDEZ

Operations Manager

IAN NATHANIEL

Internal Auditor

MARICEL PICKERING

Accounting Manager

EBONY RHYMER

Retail Credit Manager

The Executive Management Team plays a crucial role in the Bank's daily operations. By leveraging their diverse expertise and fostering a collective knowledge base, they strive to propel the Bank forward. Despite the uncertainties in our operating environment, the team remained resolute in their commitment to executing the Bank's strategy and fulfilling their responsibilities.

We are delighted to welcome Sophia Berkeley to the Executive Management Team as our Chief Human Resources Officer. Having previously served as the Human Resources Manager, her experience and exceptional leadership skills will undoubtedly contribute to the continued growth and success of the Bank. Welcome aboard Sophia!

NBVI is fortunate to have a robust leadership team - a talented pool of individuals with diverse skills and expertise.

Our Senior Management Team, consisting of resolute and experienced professionals, plays a crucial role in ensuring the Bank's efficient operations and delivering excellent service to our customers. They are a vital link between the Bank and our valued customers, actively safeguarding and enhancing our brand and reputation.

The Board has complete confidence in Management's ability to steer the Bank towards continued success, under the leadership of CEO Penn.

CFO'S DISCUSSION AND ANALYSIS

During the fiscal year 2022, our primary focus was on enhancing the performance of the Bank's loan portfolio to stabilise earnings and improve liquidity. Simultaneously, we continued to invest in the Bank's infrastructure and develop partnerships to facilitate the expansion of our suite of products and services.

Despite these strategic efforts, we acknowledge that rebounding from COVID and other natural disasters will take time. Meanwhile, the Bank continues to support customers where needed. Management also recognises that some loans may be irreparable, necessitating the difficult decision to charge-off or liquidate as a last resort. In 2022, we charged-off a group of these loans, and this decision resulted in the Bank incurring a net loss. Albeit challenging, this decision was imperative for advancing towards our overarching goal of stabilising the Bank's earnings.

Notwithstanding the significant impact on earnings related to credit losses, the Bank was able to implement its 2022 strategy with some success, as improvements were observed in liquidity despite a decrease in deposits. Additionally, the team effectively managed liquid assets by closely monitoring operating expenses, which remained well below budget. Improvements to liquidity were also noted as long-term investments were converted to liquid assets with minimal loss of interest income.

Despite the tough conditions, the Bank will continue to support its customers as we see the potential to do great things within the Territory once we overcome the current challenges.

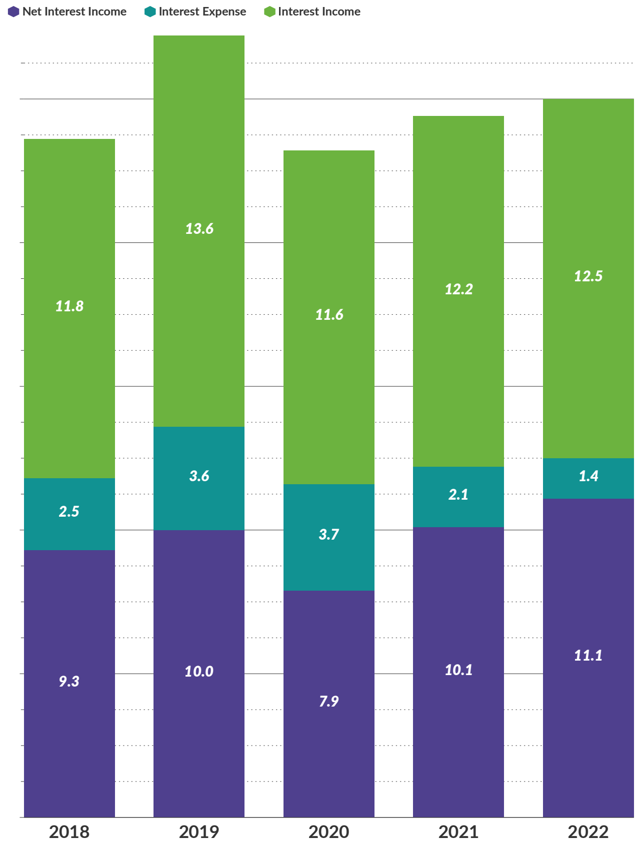
Net Interest Income

The Bank experienced a $1.0m or 9.8% increase in net interest income, which stood at $11.1m for 2022 compared to $10.1m in 2021. Interest income from loans showed a modest increase of $0.4m or 3.4% over 2021, attributed to the growth in the loan portfolio and a reduction in non-performing loans.

Conversely, income from investments saw a decrease of $0.2m or 24.3%, resulting from the liquidation of investments at maturity to fund loan commitments. The impact on investment income was mitigated by transferring available funds to bank placements, which yielded comparable or higher interest income, particularly with the rise in overseas interest rates.

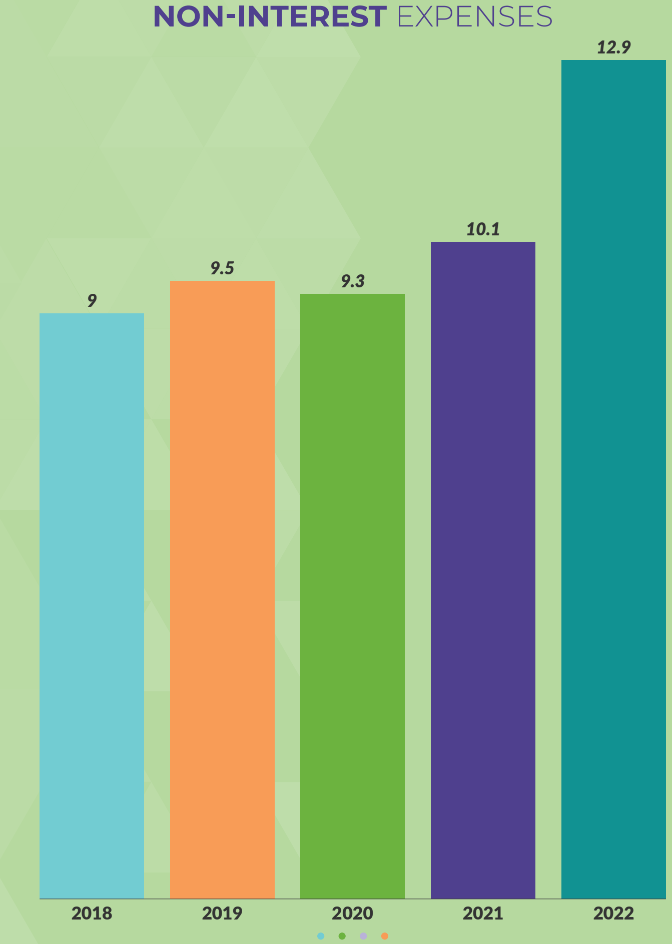
The Bank's total interest income reported a moderate increase of $0.2m or 1.8%, primarily driven by interest earned from loans. Meanwhile, other income which comprised fees and commissions, and other operating income, decreased slightly by 8.4% ($0.1m) mainly due to reduced recoveries from charged-off loans during the year.

NET INTEREST INCOME



Interest Expenses

Interest expense reflected a decrease of $0.8m or 36.0% to $1.4m in 2022, in line with an overall decrease of $3.6m or 1.6% in total deposits compared to 2021. The Bank's cost of funds also decreased in 2022, 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, increased by $3.5m or 5.0%, while current accounts, which are non-interest bearing, increased by $1.2m or 20.1%. The growth in demand and savings deposits outperformed the CD component of the deposit portfolio, which decreased by $8.4m or 5.5%. This decline in the CD component was primarily attributed to competitive rates offered both locally and internationally.



Non-Interest Expenses

Non-Interest Expenses totalled $12.9m, representing an increase of $2.8m or 28.0% above 2021. This increase was primarily due to higher credit loss expenses resulting from increased loan charge-offs to reduce the NPL portfolio. Additionally, there was a marginal uptick in operational expenses related to the introduction of new products and services.

Staff costs remain the largest single contributor (42.0%) to non-interest expenses and increased in line with the cost of new hires to support the implementation of additional products and services. This allocation of expenses reflects the characteristic pattern of institutions in the expansion phase, such as NBVI. Despite the increase noted in 2022, non-interest expenses remained well below budget estimates.

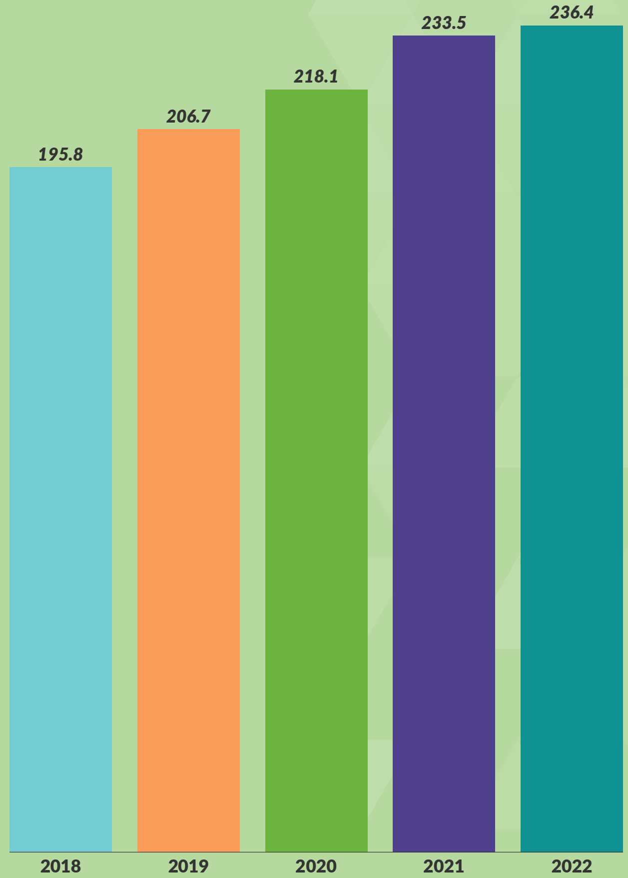
Assets Employed

Our balance sheet experienced a modest contraction of $4.3m or 1.6% to close the year at $273.9m. This reduction was primarily driven by a decrease in other customer receivables, attributed to the receipt of merchant income during the year. Additionally, capital assets declined in 2022, as depreciation costs outpaced new capital purchases.

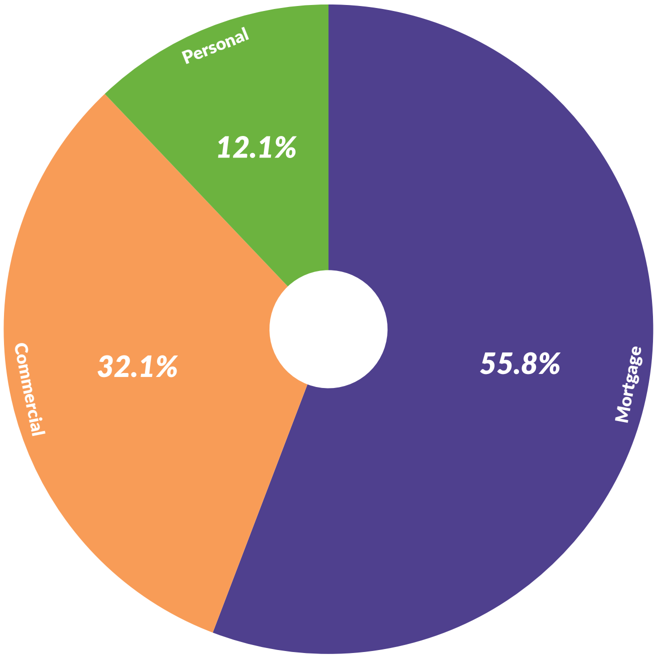
Loans and Advances

With our strategy to keep lending rates consistent for customers in a rising rate environment, while managing the growth of the loan portfolio, the loan portfolio increased to $236.4m or 1.2% ($2.9m) over its 2021 performance. This growth was distributed across all categories, with commercial, mortgages, and other personal loans increasing by $2.1m, $0.7m and $0.1m, respectively.

LOANS AND ADVANCES



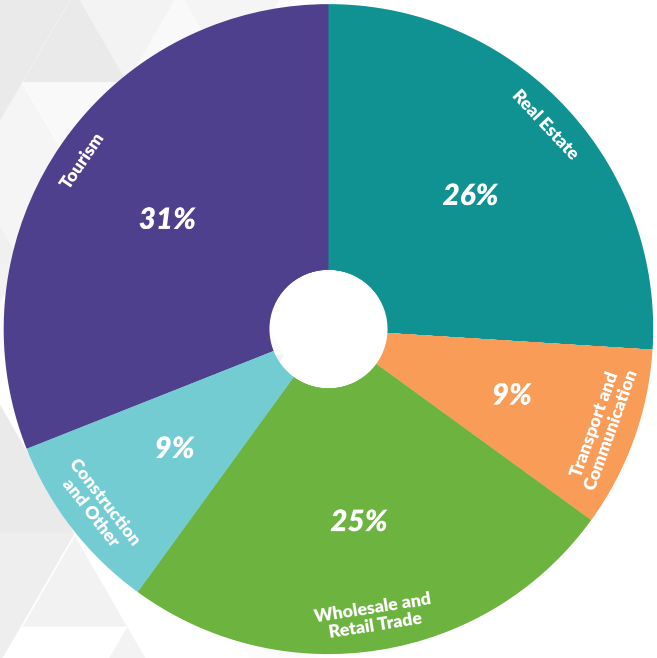
LOANS BY TYPE



Loans by Type

As at the 2022 year-end, our loan portfolio comprised Mortgage Loans at 55.8%, Commercial Loans at 32.1%, and Other Personal Loans at 12.1% respectively. Year on year, Commercial Loans reported the highest percentage increase in value at 2.8%, followed by Mortgage Loans at 0.6% and Other Personal Loans at 0.3%..

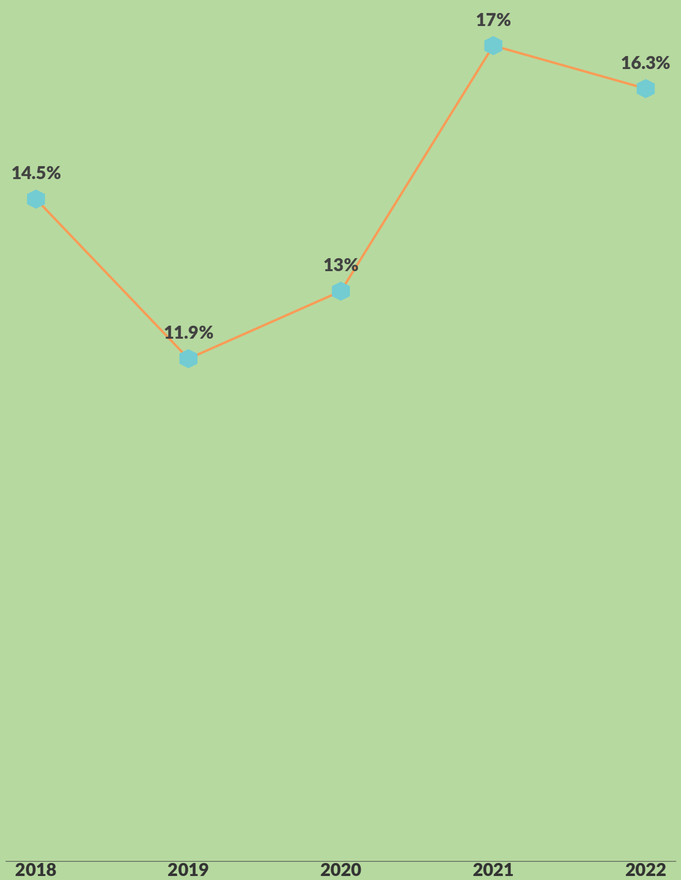
LOANS BY ECONOMIC SECTOR



Loans by Economic Sector

Further analysis of the portfolio by economic sector revealed a marginal movement in the composition relative to the prior year, 2021. The two (2) sectors that reported the highest growth in 2022 were Tourism at $3.7m or 18.3% and Real Estate at $2.5m or 14.7%, signalling the ongoing economic recovery from the pandemic.

NON-PERFORMING LOANS RATIO



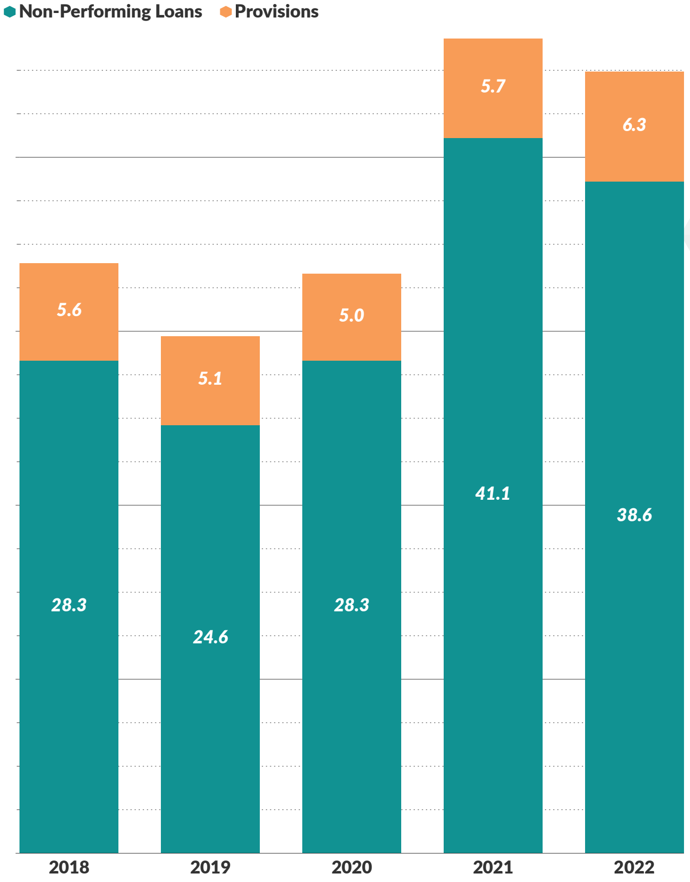
Non-performing Loans (NPLs) and Provisions

The non-performing loans ratio decreased to 16.3% at the close of 2022, reflecting a 6.1% decline compared to the preceding year. This reduction was a direct outcome of the Bank's intensified charge-off activities, as mentioned earlier.

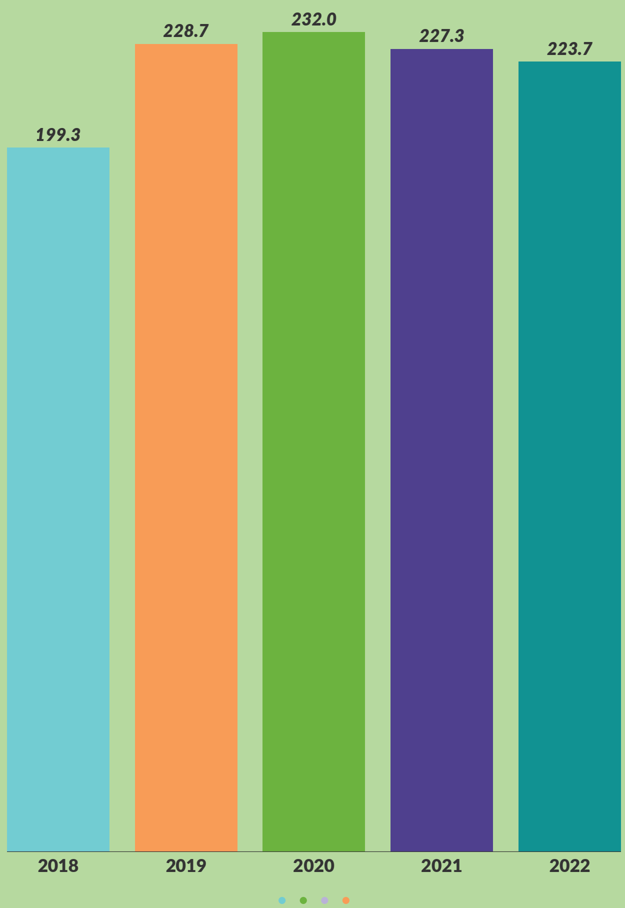
To reduce the non-performing loans, the Bank also focused its attention on restructuring existing loans. This allowed customers to service their loans based on revised terms. As a last resort, foreclosure proceedings were used to liquidate balances for long-outstanding non-performing loans.

Total estimated credit losses increased to $6.3m in 2022 compared to $5.7m in 2021. This increase is in line with the growth in the loan portfolio and increased exposure resulting from changes in collateral values. Additionally, our team successfully recovered $0.1m from loans that had been charged off in 2022.

NON-PERFORMING LOANS AND PROVISIONS

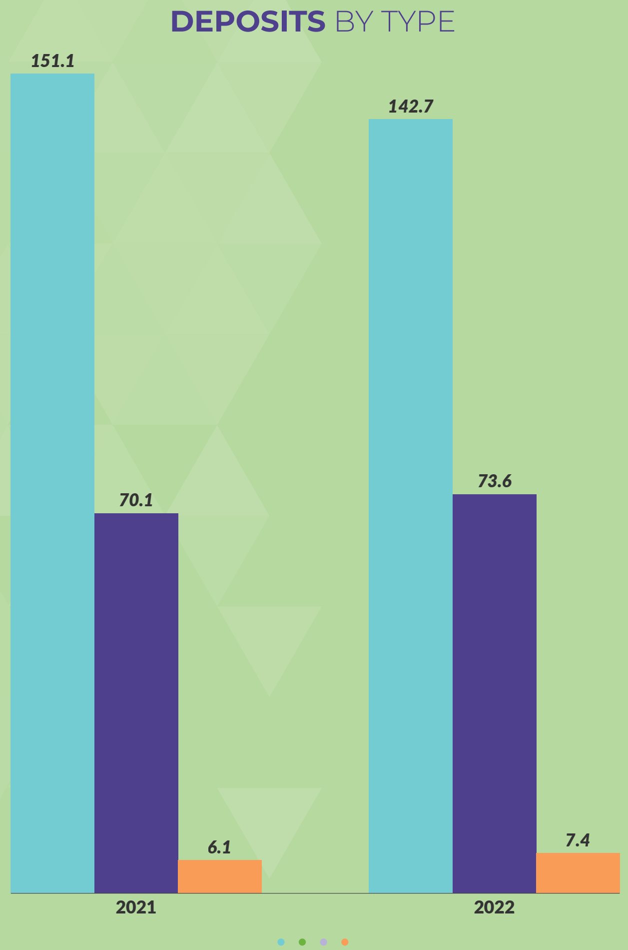


CUSTOMER DEPOSITS



Customer Deposits

Customer Deposits ($223.7m), accounted for 96.1% of the Bank's total liabilities, despite a decrease of $3.6m or 1.6% in 2022, compared to $227.3m in 2021. The Bank recognises the importance of increasing deposits and plans to continue offering competitive deposit rates to retain existing customers and attract new ones.



Deposits by Type

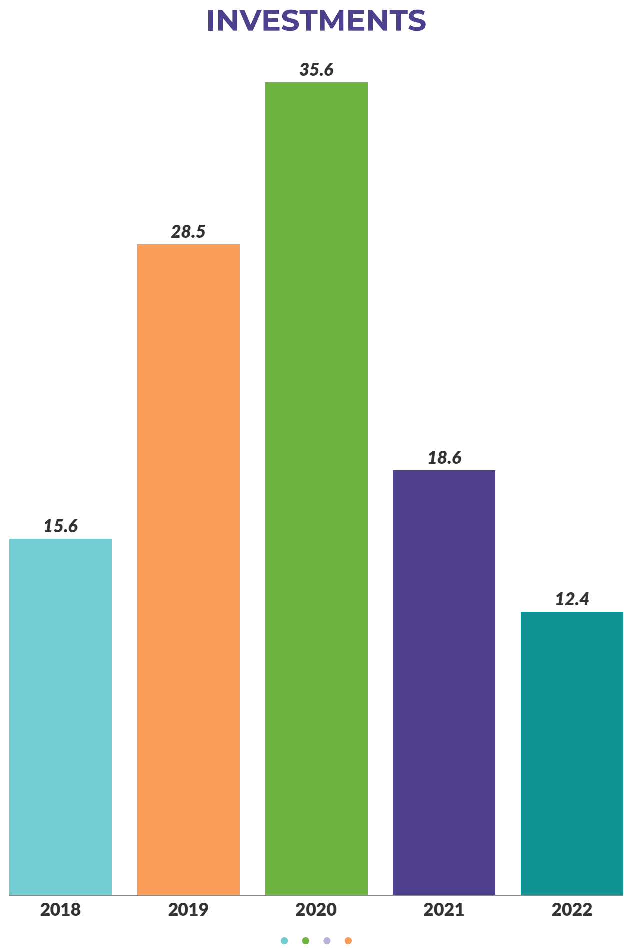
The decrease in deposits recorded in 2022 is due to customers utilizing CDs to meet financial obligations and the availability of competitive interest rates within the local and overseas markets.

A review of our deposit portfolio showed that CDs decreased by $8.4m or 5.5% to $142.7m, but remained the largest component of the portfolio. Savings deposits, which totalled $70.1m in 2021 increased by $3.5m or 5.0% to $73.6m in 2022. Demand deposits grew by 20.1% over 2021, which represented an increase of $1.2m, bringing the total demand deposit portfolio to $7.4m at the end of 2022.

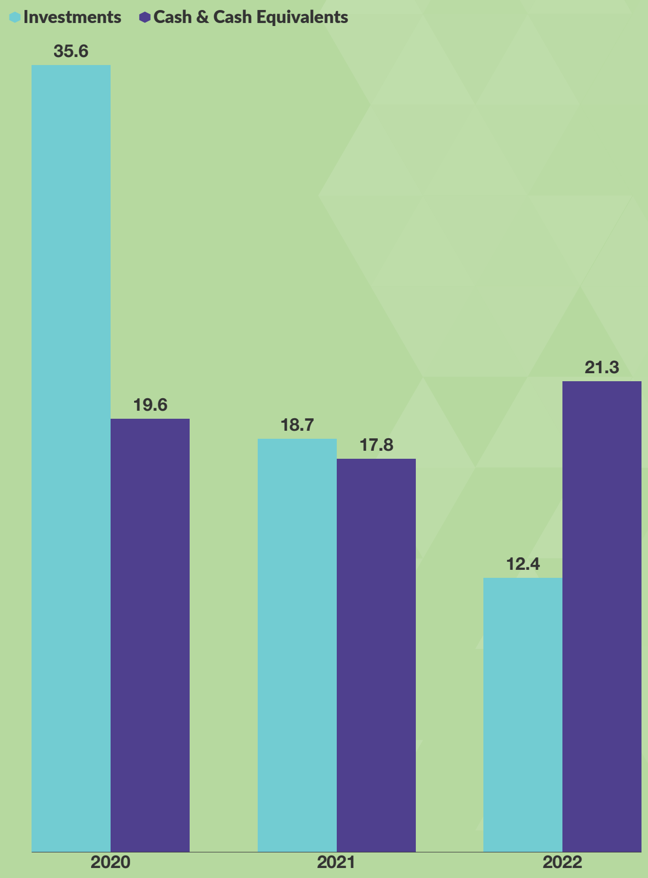
The Loans-to-Deposits ratio increased to 106% in 2022, reflecting growth in the loan portfolio coupled with the aforementioned decline in the deposit portfolio. This ratio exceeds the target range of 75% - 85%. In light of this, careful management of both loan and deposit growth will be a priority moving forward.

Investments

In 2022, the investment portfolio decreased by $6.2m to $12.4m. This reduction was a consequence of liquidating corporate bonds and partially liquidating a private placement at maturity. Funds were used to purchase placements with comparable or higher interest rates. The current investment balance consists of a private placement of $5.1m, short-term bonds of $4.2m, a repurchase agreement of $3.0m, and mortgage-backed securities of $0.1m.



LIQUIDITY



Liquidity

The Bank's liquidity improved in 2022 due to the transfer of funds from long-term investments to short-term placements or amounts due from banks, coupled with controlled growth of the loan portfolio. The modest increase in loans and operating expenses remained within the amounts budgeted for the year and did not have a negative effect on liquidity. The above activity resulted in an increase of $3.5m or 19.7% in cash and cash equivalents, inclusive of amounts due from banks totalling $21.3m, compared to $17.8m in 2021.

CORE CAPITAL

Core Capital

NBVI's core capital decreased by $1.0m from $42.0m in 2021 to $41.0m in 2022, reflecting the net loss reported for the year. Net interest income increased by 9.8% compared to a moderate increase of 4.5% in operating expenses. Despite effective management of the above items, the increase in credit losses of $2.4m or 236.3% surpassed the increase in earnings from operations and resulted in a net loss of $1.0m. This led to a decrease in return on equity and return on assets, reaching negative 2.3% and 0.4%, respectively, in 2022.

The Capital Adequacy Ratio (CAR) dipped from 23.0% to 22.0% in 2022 but remained well above the 12% minimum CAR mandated by the BVI Regulatory Code, 2009 (as amended). The decrease in CAR aligns with the decline in core capital attributed to the reported net loss for the year.

Outlook

As the sole indigenous bank in the Virgin Islands, the National Bank of the Virgin Islands looks forward to the years ahead with optimism that our persistent efforts to offer our loyal customers a comprehensive range of commercial banking products and services will come to fruition. Once this becomes a reality, we will be able to compete on a level playing field and better assist our customers in achieving their unique version of paradise.

The executive team expresses sincere gratitude for the stewardship and guidance extended by the Board throughout the year, and we look forward to their steadfast devotion and support in 2023.

> *...we will be able to compete on a level playing field and better assist our customers in achieving their unique version of paradise.*

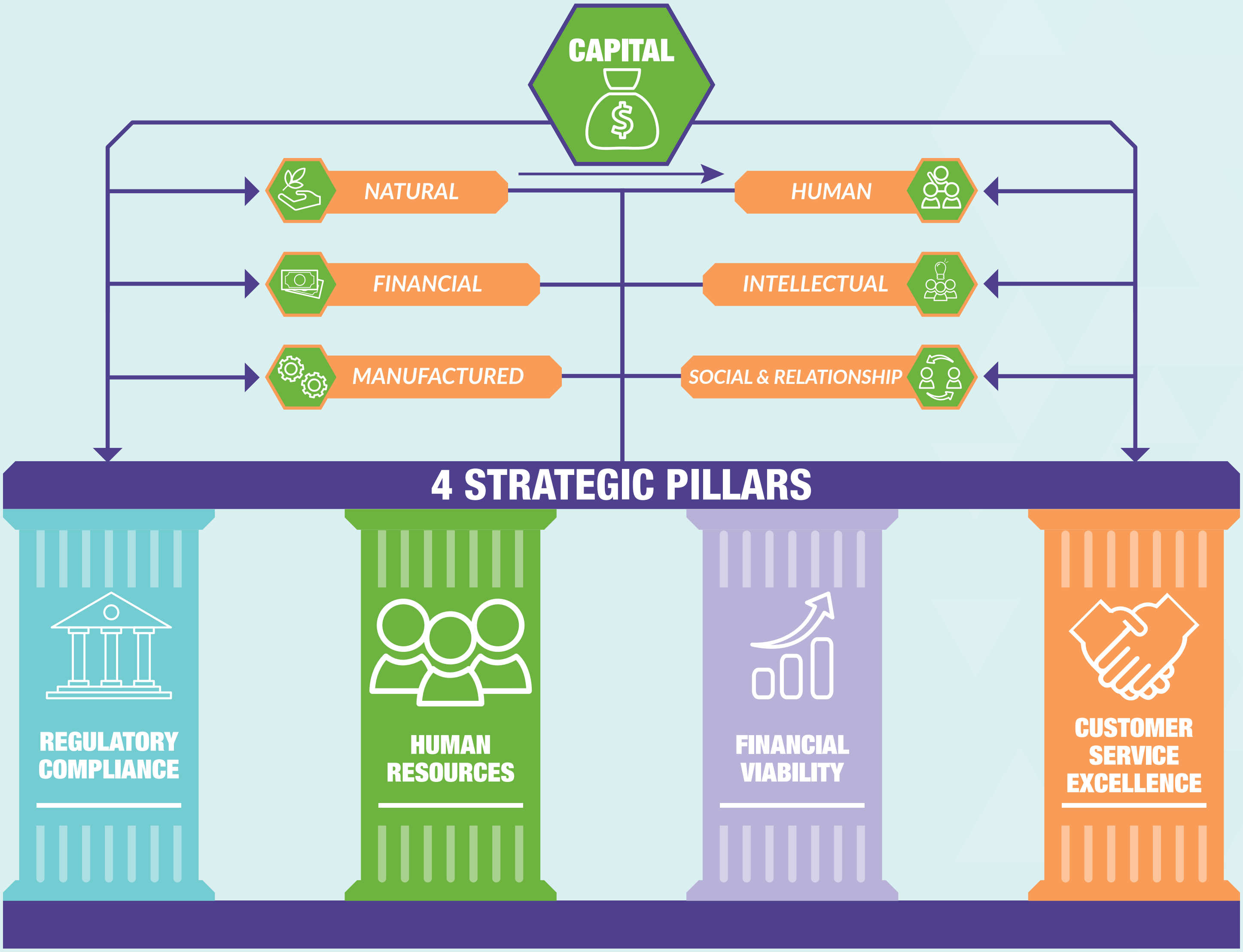
STRATEGY AND VALUE CREATION

A WORKING STRATEGY

Undoubtedly, the Bank's "Transformation for Growth" strategy, as introduced in 2019, before the pandemic, has gained even greater significance with the lessons learned from the ensuing years. The strategy employs the various capitals entrusted to us and rests upon four key pillars:

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

NBVI TRANSFORMATION FOR GROWTH



Natural Capital

We prioritise the protection of our natural capital by actively monitoring and reducing our environmental impact. Additionally, we support our customers in their transition towards environmentally sustainable practices.

Financial Capital

Regrettably, we incurred a net loss of $0.9 million in 2022, a decline from the $0.9 million profit in FY 2021.

Manufactured Capital

While we have encountered some setbacks, we made significant progress with our card services and ATM projects. Additionally, our market share of point-of-sale (POS) systems and merchant services continues to grow at a satisfactory rate.

Human Capital

At NBVI, we prioritise creating a positive and inclusive environment where respect and equal opportunities thrive. We recognise that our employees are our greatest assets, and we make substantial investments in their professional development. By empowering our workforce, we ensure their full engagement and unwavering dedication to executing the Bank's strategy. We firmly believe that our employees' hard work and determination are crucial to our success.

Social And Relationship Capital

We are committed to being a catalyst for both individual and collective growth, empowering people to unlock and realise their full potential. By actively listening to our customers and absorbing their feedback, we continuously strive to make necessary changes that result in outstanding service. Our goal is to build strong and lasting relationships with our customers, providing them with exceptional experiences and becoming a trusted financial partner. Furthermore, we understand that fostering strong social connections within the community is essential, and we actively contribute to its development and well-being. By leveraging our social and relationship capital, we aim to build a better bank that positively impacts the lives of all stakeholders.

Intellectual Capital

Digitalisation, data analysis and cyber security are integral to our transformation strategy and operational model. In the coming years, we will allocate more financial and human resources towards achieving our strategic objectives in these areas.

DELIVERING OUR STRATEGY

The delivery of our strategy hinges on, among other things, modern information technology infrastructure, capable human resources, and robust enterprise risk management. We know that adapting to meet the evolving banking needs of our customers is crucial for us to remain relevant. To that end, the modernisation of our core banking system plays a pivotal role in expanding our range of products and services and driving our strategy. Additionally, leveraging data now available through new technology can give us valuable insights into our customers' preferences and requirements.

During the COVID-19 lockdowns, individuals embraced digital behaviours and now expect the continuation of the convenience and personalisation they have become accustomed to, post-pandemic. A recent survey by McKinsey and Company, a global management consulting firm, found that seventy-one per cent (71%) of respondents expect personalised and curated services from businesses, and seventy-six per cent (76%) get frustrated when they do not receive them. Microsoft's Work Trend Index 2022, based on a survey of 31,000 people in thirty-one (31) countries, revealed a seven per cent (7%) rise in hybrid employees from 2021, with fifty-three per cent (53%) considering transitioning to hybrid work or working from home in the year ahead. Additionally, forty-seven per cent (47%) of respondents prioritise family and personal life over work compared to pre-pandemic times. To meet the evolving needs of customers and employees, small banks like NBVI must continue their focus on digital enablement and data-led innovation.

Notwithstanding the benefits of new technology, it is equally important to acknowledge that digital advancements also introduce new risks. To safeguard our IT systems and customer data from evolving cyber threats, we continue to make significant investments in cyber security. That approach revolves around four primary priorities:

- Protecting customer data.
- Strengthening our IT infrastructure to fortify against potential attacks.
- Testing to ensure swift recovery and resumption of operations in case of an attack.
- Enhancing the operational efficiency of our cyber security team to bolster our defence capabilities.

We remain vigilant in monitoring cyber threats and privacy concerns to safeguard our systems, customers' data, and money.

CREATING VALUE AND SHAPING THE FUTURE

Our value creation model serves as a blueprint for generating value for our stakeholders through our business operations. It encompasses the key drivers and inputs that enable us to achieve our strategic objectives and deliver value. Upholding our commitment to fostering strategic, constructive, and proactive dialogues, we strive to align our banking practices with industry best practices. Moreover, the fundamental principle on which NBVI was founded remains ingrained in our identity and purpose - offering Virgin Islands' residents a viable and trustworthy alternative to foreign-owned commercial banks. Recognising the significance of our role as a financial services provider, we are fully aware of our responsibility to promote the economic well-being of individuals and businesses and contribute to national development. Striving to become a more agile and efficient institution, we aim to serve as the preferred bank of BVIslanders and residents of the Territory residing in the diaspora.

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

RISK MANAGEMENT

GOVERNANCE

CUSTOMER FIRST

PEOPLE DEVELOPMENT

WHAT MATTERS MOST

NBVI's ability to generate value is influenced by various factors, including our operating environment, our responses to risks and opportunities, and our strategic direction. However, certain issues hold significant potential to impact the Bank's operation, its positive societal impact, and its ability to create and preserve value for its shareholders. These material matters shape the approach taken by the Directors and Executive Management in their decision-making and oversight roles.

As a financial services provider, we recognise the pivotal role we play in facilitating the economic activities of our customers and the broader community. Therefore, the identification of material issues primarily stems from engaging with our stakeholders to ensure that our operations align with their evolving needs. The framework we employ to determine materiality is outlined below, providing an overview of our approach.

MATERIAL MATTERS

Our Approach

1

Define

- Who is Impacted
- Who is Vested
- Who can Impact

2

Identify

- Seek Feedback
- Benchmark
- Assess Internally

3

Prioritise

- Seek Stakeholder Feedback
- Understand Sustainability Context
- Factor in the Intrinsic Worth

Amidst ongoing macroeconomic uncertainties, the Territory has shown encouraging signs of economic recovery over the past two (2) years post-pandemic. Notably, there has been an increase in the number of cruise ships and aircrafts calling at our ports, providing a much-needed boost to the tourism sector. Moreover, economic data for the broader Caribbean region reflects positive growth, driven by increased business activities and a resurgence in tourism.

NBVI continues to play an active role in supporting our customers and local businesses throughout their recovery journey, aiming to ensure they emerge stronger from the challenges faced. However, we also acknowledge the hurdles presented by the global rise in inflation, impacting both households and businesses, with shrinking consumer wallets and escalating operating costs. Our top five (5) material concerns and our treatment of them are outlined below.

TOP 5 MATERIAL ISSUES

FOCUS	RISKS	OUR RESPONSE
Employee Wellbeing	*Failure to ensure the physical and mental wellbeing of our employees can lead to reduced productivity, poor customer service and reputational damage.*	*In addition to a safe working environment and supplemental health insurance, we financed the cost of independent professional counselling services for employees.*
Adverse weather conditions, climate change and other environmental matters	*Stronger hurricanes, more frequent bush fires and prolonged dry season can affect the bank's operational hours and increase the risk of credit loss.*	*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.*

OUR MARKETS

As the sole indigenous bank in the Territory, our mission encompasses more than mere commercial success. It extends to the development of our community and safeguarding the financial integrity of the Virgin Islands, our primary market. Despite ongoing uncertainties caused by inflation and geopolitical conflicts, the Caribbean region showed promising progress in health and economic indicators. However, NBVI acknowledges the potential long-term effects of these events on market dynamics and customer behaviour, which can affect its business model and strategy.

As we navigate this landscape, we remain attuned to the needs of our stakeholders as we seize opportunities for business improvement through digitalisation. We recognise that the depth of our relationships and the quality of services we provide to our customers are paramount in realising our vision of becoming the preferred financial services provider in the Territory. To achieve this, enhancing access to the Bank and expanding our range of products and services are central components of our current strategy. In pursuit of these goals, NBVI will forge strategic alliances and cultivate new partnerships to explore diverse avenues of growth and expand our presence.

To achieve this, enhancing access to the Bank and expanding our range of products and services are central components of our current strategy.

The personal and business banking industry in the Territory is mature and highly competitive. As at 31 December 2022, our significant competitors were:

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

These major commercial banks offer a similar suite of products and services across various business lines. At the end of 2022, NBVI provided six (6) out of the (10) ten traditional banking products and services. As we continue to implement our transformative projects, we hold the confidence that the Bank will enhance its competitiveness and garner greater visibility in the market, particularly across web and digital platforms.

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 ACCOUNTS	SAVINGS ACCOUNTS	SAVINGS ACCOUNTS	SAVINGS ACCOUNTS		SAVINGS ACCOUNTS
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	

OUR HUMAN RESOURCES

HR STRATEGY

The Human Resources (HR) Department demonstrated a strong commitment to fulfilling the Bank's HR needs, even in the face of post-pandemic challenges. Drawn from the experiences and challenges encountered during the pandemic, the team has acquired invaluable insights on how to endure the present while shaping the future. In 2022, the HR Department had to adapt multiple times to meet the evolving needs of our colleagues, including placing greater emphasis on mental wellness. This shift in focus aligns with the department's overarching strategy to create a healthy working environment that empowers and engages team members.

The Department continues to work towards building a culture of excellence and teamwork that:

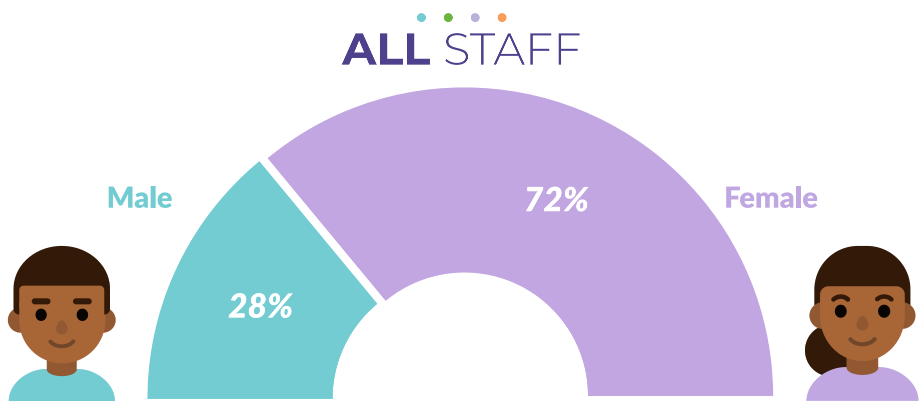
- *Embraces and adapts to change.*
- *Prioritises the physical and mental well-being of all team members.*
- *Upholds discipline and ethical behaviour.*
- *Aligns the compensation and reward system with business goals.*
- *Facilitates seamless succession planning.*
- *Encourages engagement, fairness, accountability, and confidentiality.*

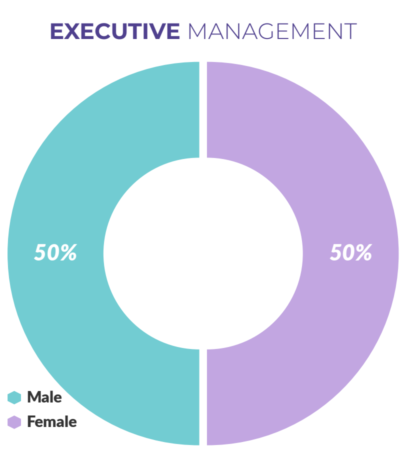
DIVERSITY AND EQUAL OPPORTUNITY

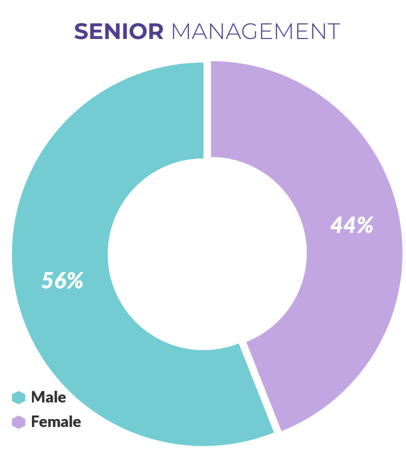
We continued to embrace diversity and inclusivity within our workforce, exploring new ways to appreciate, recognise, and reward exceptional performance, attract, and retain talented individuals, and support their physical, mental, and financial well-being.

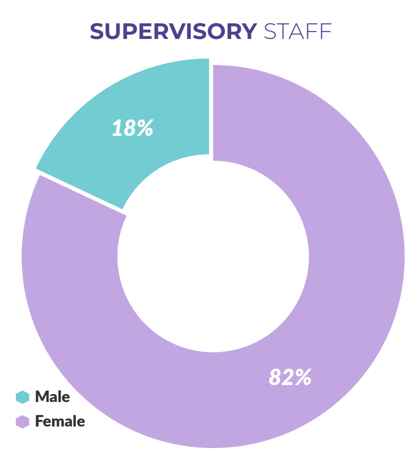
We firmly believe that diversity and inclusion not only foster unity but also enhance our ability as a Bank to endure the present and shape the future. Despite the challenges posed by the post-pandemic landscape, we remained committed to being an exceptional workplace. We continued to embrace diversity and inclusivity within our workforce, exploring new ways to appreciate, recognise, and reward exceptional performance, attract, and retain talented individuals, and support their physical, mental, and financial well-being. NBVI's inclusive environment provides employees with a sense of belonging and serves as a platform to drive outstanding performance and innovative solutions for the Bank. Throughout the year, we encouraged our employees to voice their opinions and contribute to strategically positioning the Bank for success.

In 2022, women comprised seventy-two per cent (72%) of our overall staff complement, reflecting a significant representation of females in our workforce. Furthermore, our commitment to gender diversity is evident in our leadership positions, with fifty per cent (50%) of our Executive Management roles and forty-four per cent (44%) of our Senior Management positions also held by women.









HR CORE VALUES

We recognise that our employees are a vital source of value that drives our performance, productivity, and reputation. The quality of our services sets us apart, and by engaging employees and providing them with a positive experience, we can better serve our customers and achieve our mission and strategy. The HR Department remains committed to meeting the evolving needs of the organisation, guided by our core values:

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

DELIVERING VALUE TO OUR STAFF

The success of NBVI's strategy relies on motivated employees equipped with the necessary knowledge and skills to contribute to its execution. Our focus is not only on attracting but also retaining the best talent. In that regard, the Bank continued to offer a competitive reward package and made necessary adjustments to remain competitive. As a result, we invested $5.4m in remuneration and benefits for our seventy-nine employees, while also prioritising their development through training programs aligned with the Bank's Strategic Plan.

RECOGNISING OUTSTANDING PERFORMANCE AND COMMITMENT

In 2022, as COVID-19 restrictions eased, the Bank resumed a wider range of social activities. Notable events were NBVI's annual family fun day, end-of-year staff party, and staff awards ceremony. These events served to acknowledge and celebrate the outstanding work and achievements of our team members. Under the umbrella of our “PARADISE STAR AWARDS”, the awardees for 2022 were as follows:

- Rising Star: Wayne Campbell
- Most Improved Performer: Aneika Smith
- Stars of Service: Aiesha Daniel and Jennica Thompson
- Best Team Player: Mia Francis
- Star of PARADISE: Joshua Rathanum
- Star of Sales: Deborah Wheatley
- Star Innovator: Marsha Woodley
- CEO's Star: Shoneda Alfred
- Star of Leadership Excellence: Maricel Pickering

TRAINING AND DEVELOPMENT

The Human Resources Department remains a key driver of growth and development within the organisation. To equip our employees to meet the needs of our stakeholders and prepare them for future opportunities, NBVI invested in several formal training courses in 2022, most of which were facilitated by Synergy HR VI. The training covered a broad range of topics that are relevant to banking, including:

- Emotional Intelligence in the Workplace
- Conflict Resolution
- Customer Service
- Finance for Non-Finance Managers
- AML for Fintechs
- Cyber security
- Office of Foreign Assets Control (OFAC) Sanctions
- Human Resource Management
- Organisational Skills
- Leadership & Influence

Additionally, the Compliance and Risk Department delivered the annual in-house Anti-Money Laundering training to all employees.

We extend congratulations to our colleagues on their academic accomplishments. Ms Aryana Barrett and Ms Zanalee Johnney, both Tellers, completed an Associate of Applied Science Degree in Accounting, while Ms Marsha Woodley, Credit Administration Manager, achieved a Bachelor of Arts with Distinction in Business and Enterprise.

HEALTH AND WELL-BEING

NBVI remains committed to ensuring the health and well-being of its employees. The review year, post-pandemic, presented several challenges related to employee mental well-being; and it emphasised how critical mental wellness is to the effective functioning of an organisation. The HR Department continued to emphasize the importance of maintaining a proper work-life balance.

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, the Bank contributes to its employees' supplemental health insurance, accidental death, and dismemberment (AD&D) insurance and MASA Air Ambulance, as part of its benefit package.

Financial

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

In 2022, NBVI's contributions to these employee well-being initiatives were four per cent (4%) of other operating expenses.

HEADCOUNT

As of 31 December 2022 our workforce consisted of seventy-nine (79) staff members, compared to seventy-seven (77) at the end of 2021.

HIRING AND INTERNAL CAREER MOBILITY

Offering opportunities for promotion is essential for employee retention, and in the year under review, we filled nineteen positions. Notably, we achieved a noteworthy internal hiring ratio while simultaneously seeking top external talent and investing in technology. Our emphasis on talent development and succession planning was evident, as we attained an internal mobility rate of fifty-eight per cent (58%) in 2022, enabling existing employees to grow and progress in their careers. The employee turnover rate was five per cent (5%) (2021:13.3%), with voluntary attrition at five per cent (5%) (2021:5.3%).

We maintain a policy of hiring and promoting employees based on merit, competencies, and alignment with NBVI's culture, without any prejudice related to attributes such as gender, race, or religion. We firmly believe that our approach to hiring, training, and developing our people is integral to embedding our culture and delivering best-in-class services to our valued customers.

SEPARATION

There were four (4) resignations in 2022.

LOOKING AHEAD TO 2023

Our new Human Resources Information System (HRIS) will undoubtedly influence the way work is organised and produced. We look forward to fewer restrictions, allowing the Bank to have its full staff complement on-site with minimal interruptions and a decreased need for remote work. We also look forward to the return of normalcy, including our monthly social activities, which serve as a cohesive force that binds our team.

OUR REGULATOR

THE BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Maintaining a transparent and trusting relationship with our regulator is of utmost importance as we strive to conduct our business responsibly and ensure compliance with all required regulations. NBVI operates under the regulation of the British Virgin Islands Financial Services Commission (FSC), an independent supervisory body established in 2001. The FSC oversees all financial institutions operating within the Territory, issuing licenses, conducting regulatory inspections and assessments, and supervising the industry as a whole. NBVI is dedicated to meeting all regulatory requirements and adhering to best practices in risk management and compliance. We actively engage and collaborate with the FSC to uphold the integrity of the banking industry in the BVI and strengthen the regulatory framework.

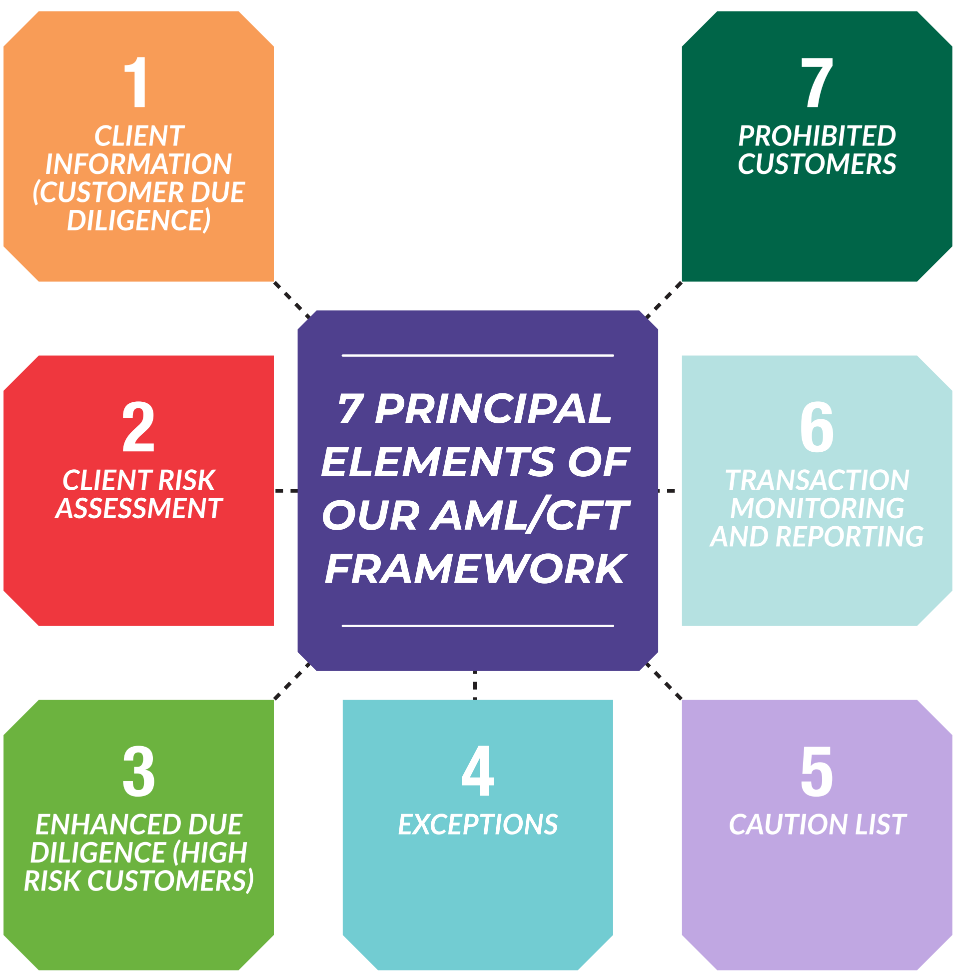
Throughout the year, key regulatory and reporting issues pertinent to the banking industry included the impact of COVID-19 on asset quality, financial crime, cyber security, credit risk management, and the identification of unlicensed entities falsely claiming to be regulated by the FSC.

SYSTEMS AND CONTROLS IN PLACE AT NBVI TO MEET THESE REQUIREMENTS

As we continue to expand our online and digital initiatives, we recognise the inherent cyber security risks involved. To mitigate that risk, we maintain a secure and flexible IT infrastructure and have bolstered our internal controls and Enterprise Risk Management Framework (ERMF). Our ERMF is detailed and includes the Bank's Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Policy, which is supported by our Know Your Customer (KYC) Standard and Training Guidelines. Additionally, we continue to monitor and update our internal control systems as needed to align with legal requirements and regulatory standards. These measures are aimed at preventing unauthorised access to our systems and ensuring compliance with regulatory obligations, particularly concerning AML/CFT, and sanctions enforcement.

AML/CFT FRAMEWORK

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



...we maintain a secure and flexible IT infrastructure and have bolstered our internal controls and Enterprise Risk Management Framework (ERMF).

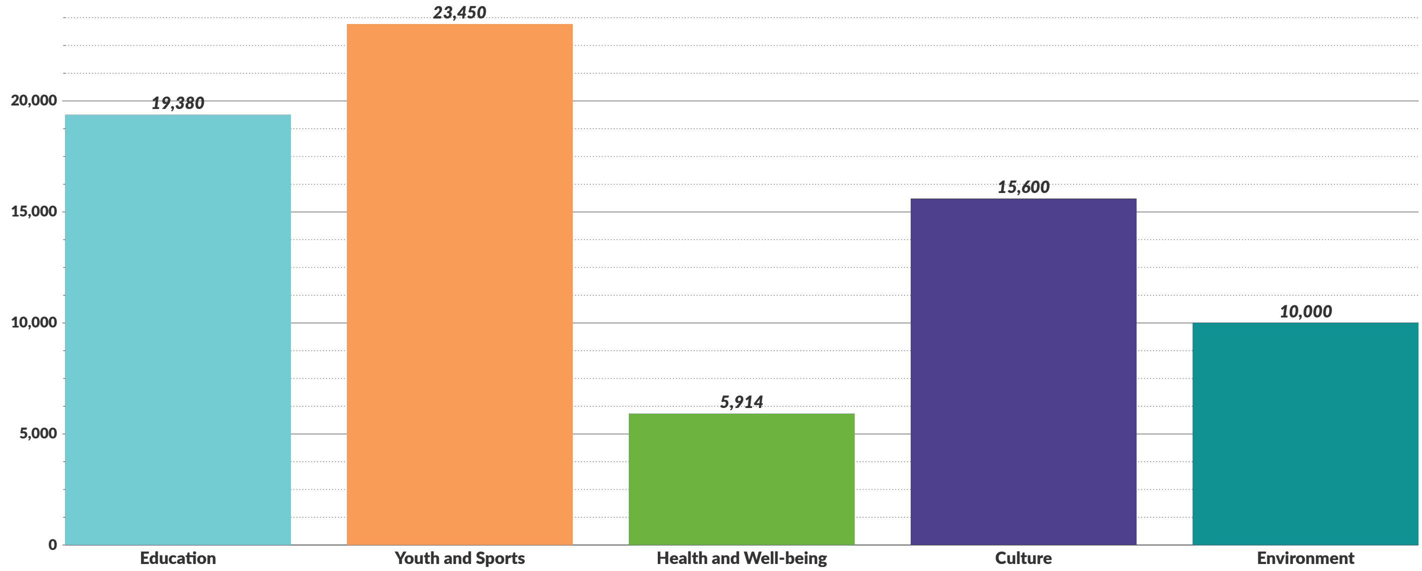
CORPORATE SOCIAL RESPONSIBILITY

INTRODUCTION

At NBVI, we firmly believe in the significance of Corporate Social Responsibility (CSR) and its role in shaping a better future. As a good corporate citizen, the Bank will continue to contribute to the well-being and development of the communities it serves. This report is a testament to our commitment to CSR, showcasing our support for education, youth and sports, health and well-being, the environment, and culture.

In 2022, we reaffirmed our commitment to our community by investing our resources to enrich our culture and society. We supported more than fifty (50) nonprofit organisations and individuals through our CSR outreach, demonstrating our active engagement with non-governmental, religious, and community organisations. Our CSR efforts are depicted in the chart below.

CSR EXPENDITURE



OUR PLEDGE

We pledge to uphold our commitment to CSR as an integral part of our values. It serves as a guiding principle in our business operations, shaping our conduct, driving the development of our products and services, and ensuring the fulfilment of our goals and commitments.

Our CSR program focuses on five (5) key areas (culture, education, youth and sports, health and well-being, and the environment), which form the foundation of our initiatives and philanthropic endeavours. By aligning our CSR program with these areas, we strive to make a meaningful and lasting impact on our communities. We continually evaluate and improve our CSR strategies to ensure they remain relevant and effective in addressing the evolving needs of the Territory.

CULTURE

We will contribute to the development of good citizens by promoting and conserving local traditions, and partnering with organisations that seek to preserve the cultural heritage of the Virgin Islands.

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.

CULTURE

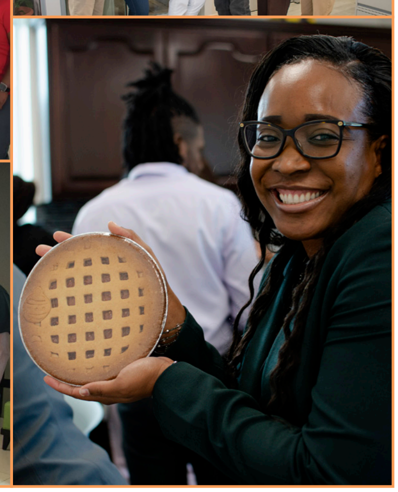
We recognise the significance of promoting and preserving the cultural heritage of the Virgin Islands. Our CSR efforts in this area involve supporting arts and cultural initiatives, such as sponsoring festivals, exhibitions, and performances. We also partner with organisations that preserve local traditions, promote diversity, and foster inclusion within our communities.

Arts and Cultural Support

Culture is integral to every community, representing its heritage, traditions, and diversity. We believe in the power of arts and culture to enrich society and foster creativity. Hence, we support cultural festivals, art exhibitions, and organisations involved in the performing arts. By preserving local traditions and providing platforms for artistic expression, we celebrate diversity and contribute to the vibrant cultural tapestry of our communities.

Heritage Preservation and Restoration

Preserving our cultural heritage is essential for maintaining historical significance and promoting our identity. Through partnerships with government organisations and local communities, we help to safeguard and revitalize historic landmarks and cultural treasures, ensuring their enduring legacy for future generations.



EDUCATION

Education is vital for empowering individuals and building a prosperous society. In line with our CSR commitment, we invest in educational initiatives, including providing scholarships, grants, and resources to support access to quality education. We collaborate with academic institutions, nonprofit organisations, and community stakeholders to create educational opportunities and enhance learning environments.

Providing helpful information

Education stands at the core of our efforts, as we firmly believe in the transformative power of knowledge. We strive to empower and develop the younger generation through collaborative partnerships, mentorship, and awareness programs. By providing access to adequate information and financial resources, we strive to enhance financial literacy and create opportunities for a brighter future for our populace.

Education is a fundamental right and a catalyst for personal and societal growth. NBVI is proud to support initiatives that promote literacy, skill development, and the improvement of educational infrastructure within our communities.

Financial Literacy Programs

We understand the importance of financial literacy in enabling individuals to make sound financial decisions. Through partnerships with organisations like Money Matters BVI, we actively participate in workshops, seminars, and online resources that promote financial education. These programs cover essential topics such as budgeting, saving, investing, and debt management, benefiting individuals of all ages and backgrounds.

School Partnerships and Infrastructure Development

We actively partner with schools and educational institutions, working together to enhance their curricula and introduce practical financial tools. Through these partnerships, we also contribute to infrastructure development projects that create an enriched learning environment for students.


Our
K&J
BASKETBALL


National Bank of the Virgin Islands


ATHLETICS


MANAGE YOUR GOALS

YOUTH AND SPORTS

We believe in the transformative power of youth development and the positive impact of sports on society. Through our CSR program, we actively support initiatives that empower young individuals, foster their personal growth, and promote inclusivity.

Youth Empowerment Initiatives

We believe in nurturing the potential of young individuals and supporting programs that encourage their personal and professional development. We seek out initiatives that provide skills development opportunities and encourage entrepreneurial vision and growth, pledging our financial support where possible. We are committed to equipping the youth with the necessary tools to become future leaders and active contributors to society.

Sports Sponsorships and Development

Sports play a vital role in promoting a healthy lifestyle, teamwork, and personal growth. We proudly sponsor local sports events, leagues, and development programs that encourage youth participation and talent development. By supporting sports, we aim to instil values such as discipline, resilience, and fair play in the younger generation.

Volunteerism and Community Engagement

We encourage our employees to engage in community service and volunteerism. Through our volunteer programs, we support youth development initiatives such as our Tola Swim Club, providing opportunities for young individuals to thrive in our blue environment. Additionally, we collaborate with community organisations to address social issues and contribute to local projects, including the Youth Empowerment Program (YEP) and Mentoring Anointed Leaders Everywhere (MALE).

Together, we strive to empower youth, create opportunities for personal and professional growth, and build a stronger, more inclusive society.


BUILD YOUR FUTURE, BE SMART ABOUT MONEY
BUILD YOUR FUTURE, BE SMART ABOUT MONEY
GLOBAL MONEY WEEK
GLOBAL MONEY WEEK
MONEY MATTERS BVI
Certificate of Completion

HEALTH AND WELL-BEING

At NBVI, we care deeply about the well-being of our communities. Through our CSR initiatives, we invest in programs that promote health and well-being, both for individuals in need and our team members. We aim to make a positive impact by partnering with healthcare organisations, raising awareness about important health issues, and prioritizing the wellness of our employees.

Healthcare Access

We believe that access to quality healthcare is a fundamental right. Through our CSR program, we actively collaborate with organisations like the BVI Red Cross to provide essential healthcare services to those in need. These initiatives encompass education, screenings, vaccinations, and other crucial healthcare provisions, ensuring individuals have the support they require.

Health Awareness Campaigns

Raising awareness about prevalent health issues is key to promoting a healthier community. As part of our CSR program, we actively support campaigns that educate the public on diseases, prevention measures, and early detection. We work closely with healthcare professionals, NGOs, and government agencies to disseminate accurate health information and organise impactful awareness drives within our communities.

Employee Wellness Initiatives

The well-being of our team members is of paramount importance to us. We prioritise their physical and mental health by implementing comprehensive wellness initiatives. This includes providing access to mental health support programs and promoting a healthy work-life balance. By fostering a supportive work environment that prioritises employee well-being, we aim to enhance productivity, job satisfaction, and overall happiness.

Through our dedication to promoting health and well-being, both in our communities and within our organisation, we strive to make a meaningful difference and contribute to a healthier and happier society.


DATE: 21st Oct. 2022
$ 1000 .00
00/100 DOLLARS
Tola The Turtle


National Bank of the Virgin Islands
DATE: 1st Dec. 2022
TO: Family Support Network $ 1000 .00
AMOUNT: One Thousand 00/100 DOLLARS
FOR: NBVI's Contribution
Tola The Turtle


National Bank of the Virgin Islands
National Bank of the Virgin Islands

THE ENVIRONMENT

Environmental sustainability occupies a prominent place in our CSR program. We are committed to reducing our ecological footprint and promoting conservation efforts. We actively collaborate with environmental organisations and encourage our employees and stakeholders to get involved in environmental stewardship.

Conservation Efforts

We are committed to protecting and preserving the environment for future generations. We provide significant support to organisations such as the Rotary Club, which focuses on conservation efforts. These initiatives aim to restore ecosystems, safeguard biodiversity, and create sustainable habitats, ensuring the long-term health and vitality of our natural world.

Sustainable Operations and Green Initiatives

Sustainability is a paramount concern for us, and we have actively integrated it into our strategy. This integration has empowered us to champion green initiatives and revamp our internal practices to ensure sustainable operations. These include waste reduction, recycling programs, and promoting digital platforms to minimize paper consumption.

Climate Change Mitigation Strategies

We acknowledge the urgent need to address climate change and its potential impact on our planet. Therefore, we prioritise initiatives that focus on reducing greenhouse gas emissions and fostering climate resilience. Through partnerships with organisations like GreenVI, we actively contribute to climate solutions and engage in awareness campaigns to promote sustainable lifestyles. By encouraging responsible choices and taking collective action, we strive to mitigate the effects of climate change and protect our environment.

Our dedication to environmental sustainability drives our commitment to making a positive impact on our planet. Through collaboration, innovation, and active engagement, we will do our part to create a sustainable future where both nature and communities thrive in harmony.


EGGFRUIT


How Does the Climate Crisis Impact Hurricanes?
1 Warmer oceans lead to more intense hurricanes
2 Hurricanes intensify much more rapidly
3 Warmer air holds more moisture, leading to heavier downpours
4 Storm surge increases due to sea level rise
HEINZ
VINEGAR


SOURSOP

INDUSTRY RECOGNITION

Receiving two industry awards in 2022 has been a moment of immense pride and gratification for NBVI. The first award, "Best Bank", reflects our team's dedication to providing outstanding financial services to our valued customers. The second accolade, "Best Corporate Social Responsibility Program," validates our commitment to creating a positive impact on the communities we serve. These awards also reaffirm our position as a key player in the banking sector and motivate us to continue raising the bar in customer satisfaction and social responsibility. We are humbled and inspired by our employees' collective efforts and passion, and we remain steadfast in our commitment to delivering exceptional financial services and making a meaningful difference in the lives of our customers and communities.

The first award, "Best Bank", reflects our team's dedication to providing outstanding financial services to our valued customers.

LOOKING AHEAD

As a bank rooted in the community, we are dedicated to creating a positive impact in the lives of the people we serve. Hence, our commitment to corporate social responsibility remains unwavering. We are resolute in our pursuit of a sustainable and inclusive future, focusing on key areas such as culture, education, youth and sports, health and well-being, and the environment. Through these initiatives, we aim to make a lasting positive impact on our communities.

In Culture, we celebrate the richness of our heritage and the diversity of our communities. We support arts and cultural events, festivals, and organisations that preserve traditions, foster creativity, and contribute to the cultural vibrancy of our society.

In Education, we understand the transformative power of knowledge and strive to empower individuals through educational initiatives that promote learning, skill development, and equal opportunities.

In Youth and Sports, we recognise the potential of young minds and the positive impact of sports on personal growth. Our support extends to mentorship programs, skills development workshops, and sports sponsorships, fostering fair play, teamwork, and holistic development.

In Health and Well-being, we prioritise the physical and mental well-being of individuals and communities. We believe that access to quality healthcare and promoting a healthy lifestyle are essential for overall wellness. By promoting a culture of well-being and providing support for holistic healthcare, we strive to create healthier and happier communities.

In the Environment, we are dedicated to preserving our natural resources and mitigating our ecological impact. Through collaborations with environmental organisations, we actively promote conservation, sustainable practices, and initiatives that address climate change.

Through this comprehensive approach, we go beyond banking to make a meaningful difference. Our continued dedication to CSR enables us to endure the present while shaping the future, creating a lasting legacy for generations to come.

CORPORATE GOVERNANCE

OUR APPROACH TO GOVERNANCE

Corporate governance encompasses the comprehensive framework of systems, policies, and processes that guide our operations and empower our people to make decisions that positively impact the Bank's business, our customers, and other stakeholders. It defines the roles and responsibilities of NBVI's Board, Management Team, and employees, while also setting the groundwork for monitoring and evaluating their performance. At the core of our governance framework lies competent leadership, effective internal controls, a robust risk culture, and a commitment to stakeholder accountability. The Board plays a vital role in establishing governance standards that align with our stakeholders' expectations. Our leadership model ensures a well-balanced distribution of power, accountability, and independence in decision-making throughout the Bank.

Our Board adopts a values-driven approach to corporate governance, guided by the Bank's core values. We firmly believe that good governance, characterised by an ethical culture and effective controls, is crucial for sustainability and success. Directors have a statutory duty to promote the Bank's success and consider various factors, including the long-term consequences of their decisions, the interests of employees, and the impact of NBVI's operations on the community and the environment. Additionally, they must foster strong relationships with shareholders, customers, and other stakeholders as part of their responsibilities. The Board's commitment to upholding high standards of business conduct remains steadfast as they steer the Bank towards continued success and positive contributions to society.

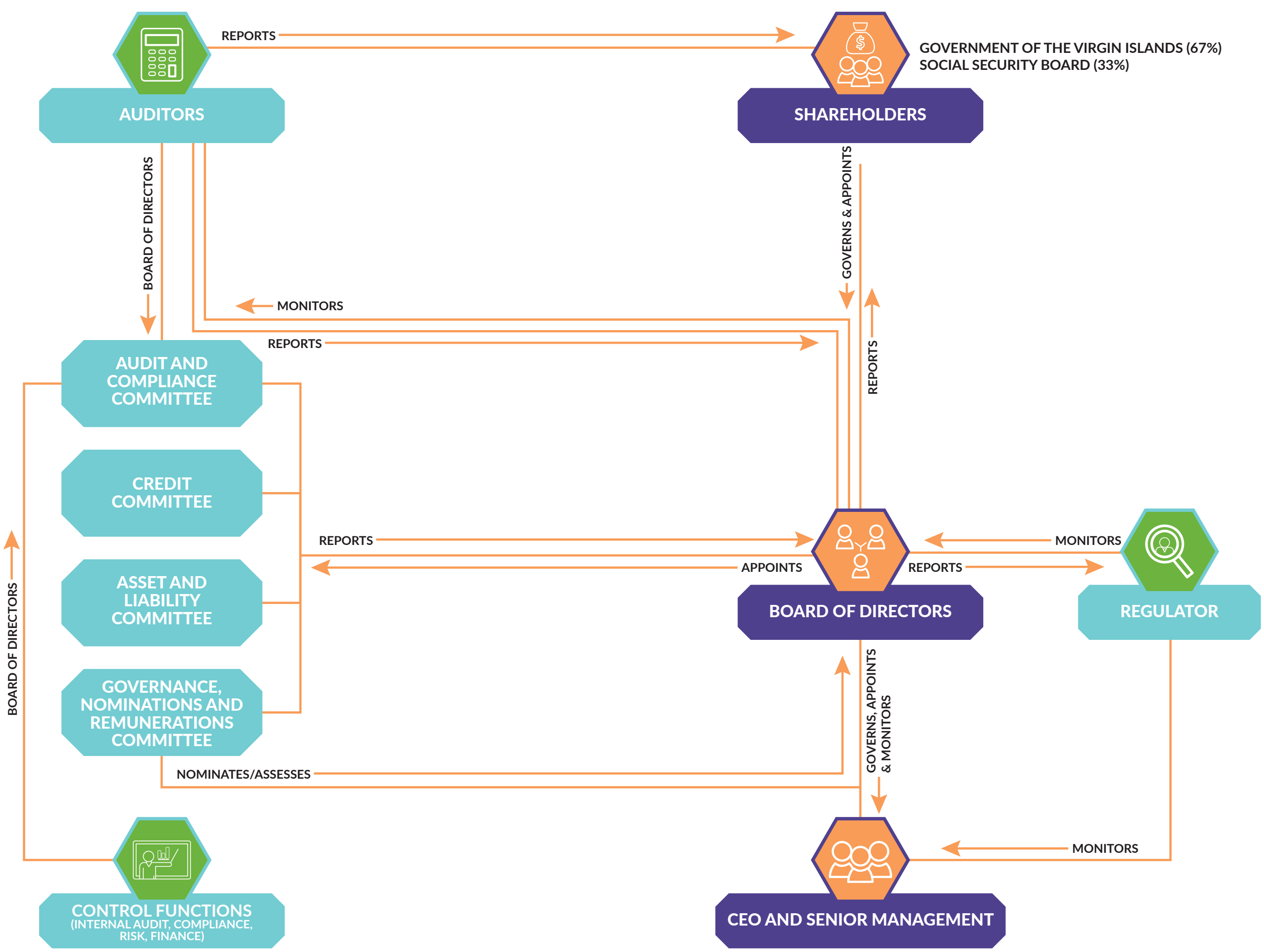
COMPLIANCE

In the financial year ended 31 December 2022, NBVI diligently complied with the Laws of the Virgin Islands, various regulations, principles, and industry guidelines that govern its business operations.

GOVERNANCE STRUCTURE

We firmly believe that good governance is fundamental to establishing and maintaining public trust and fostering positive relationships with our stakeholders. Our governance framework comprises the Bank's Articles of Association, Board Committee Charters, policies, and guidelines. This framework ensures delegated authority and clear lines of responsibilities among the Board, its Committees, and Executive Management, without relinquishing the Board's ultimate responsibility. This delineation also safeguards against interference by the Board in management functions while retaining their rights to hold Management accountable for the professional, prudent, and diligent discharge of their duties.

NBVI CORPORATE GOVERNANCE STRUCTURE



To effectively fulfil its obligations, the Board has assigned specific tasks to four (4) permanent committees, each consisting of suitably skilled Directors:

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

While each committee operates under its charter, which defines its specific roles and responsibilities according to best practices, the Bank's culture is fundamentally guided by overarching corporate governance principles. These principles are rooted in competent leadership, a "customer first" philosophy, effective risk management, and a commitment to continuous people development.

INDUCTION

When new Directors join the Board, they participate in an orientation program that outlines their duties, obligations, and available resources for their ongoing development. The program also provides an overview of the Bank's policies, expectations of its Directors and the responsibilities typically undertaken by the Board's committees. The resources provided to the Board ensure that it stays well-informed about the changes and trends in the financial services industry, enabling a comprehensive understanding of how these developments may impact the Bank.

During the induction exercise, the importance of time and commitment required to effectively serve the Bank's interests is emphasized. Directors must dedicate sufficient time to perform their duties adequately. The attendance records of all Directors are fully disclosed in this Annual Report.

KEY FEATURES OF OUR BOARD

The Board guides NBVI in its operations and provides sound leadership to the Management Team. Except for the CEO, all other Directors are Non-Executive. The composition of the Board reflects diversity in terms of gender, skills, and knowledge. Among our eight (8) Board members, four (4) are female Directors. The Board's collective experience and technical expertise are well-suited to the nature, size, and complexity of NBVI's business.

ROLE OF THE BOARD

The Board's role encompasses the following:

- Directing NBVI in the conduct of its affairs, ensuring that corporate responsibility and ethical standards underpin the Bank's operations.
- Appointing and guiding the CEO and Executive Management, setting the strategic vision, direction, and long-term goals of NBVI, and ensuring adequate resources are available to achieve these objectives.
- Assuming ultimate responsibility for NBVI's governance, risk management, fiscal prudence, financial performance, and strengthening of relationships with shareholders and other stakeholders.

OUR BOARD CHARTER

Our Board Charter, supported by our corporate governance framework, remains the cornerstone of our governance principles and practices. It serves as the constitution guiding the activities and decisions of the Board

The composition of the Board reflects diversity in terms of gender, skills, and knowledge.

There is a clear division of responsibilities, with the Chairperson leading the Board and the CEO assuming executive responsibility for the day-to-day management of NBVI's business.

and its committees, as well as their interactions with each other, Executive Management, and other stakeholders. The Charter:

- Outlines the mandates of our Board committees and specifies matters reserved for the full Board.
- Defines distinct roles for the Bank's Chairperson and Chief Executive Officer.
- Establishes the Board's expectations of the Directors and Chairpersons of our Board committees.
- Details the implementation of corporate governance provisions.

ANNUAL STRATEGIC PLANNING MEETING

The annual strategic planning meeting is a special event where the Board and Executive Management Team come together to exclusively focus on NBVI's long-term strategy. This separate forum allows for in-depth discussions, fostering a deeper understanding of the Bank's business environment and operations, and providing an opportunity to refine our strategic approach and ensure alignment with the Bank's objectives.

BOARD'S KEY AREAS OF FOCUS

The Board and its Committees actively engage in important strategic governance and oversight activities on an annual basis. Updates on NBVI's performance and prospects, both scheduled and ad hoc, are provided to the Board. For matters in the ordinary course of business, approvals are facilitated through written resolutions circulated among Board members, ad-hoc in-person meetings, and teleconferencing.

While not an exhaustive list, the following points highlight some of the areas that received attention from the Board:

- Reviewing the Bank's Strategic Plan.
- Monitoring the delegated responsibilities of committees to ensure effective oversight.
- Assessing Management's performance.
- Considering sustainability issues, including environmental and social factors, within NBVI's strategy.

SEPARATION OF CHAIR AND CEO ROLES

In accordance with the Bank's Articles of Association and Corporate Governance Charter, the roles of the Chairperson and CEO are separate. There is a clear division of responsibilities, with the Chairperson leading the Board and the CEO assuming executive responsibility for the day-to-day management of NBVI's business. Additionally, care is taken to ensure that no single Director has unfettered powers in the decision-making process. The Bank adheres to international best practice guidance in this regard. Despite the separation, the Chairperson and CEO maintain a very positive and constructive working relationship.

DELEGATION BY THE BOARD TO ITS COMMITTEES

The Board delegates authority to four (4) committees, each with specific responsibilities outlined in their respective charters, and chaired by non-Executive Directors. These committees are established in accordance with banking regulations and follow meeting

procedures, including quorum, voting requirements, and membership qualifications. Amendments to a committee's charter require full Board approval. The Chairperson considers the diverse skills of the Board members when appointing committee members, promoting a sense of shared responsibility.

Additionally, overlapping memberships in committees allow for valuable insights when matters raised in one committee have implications for another. Regular reviews of committee memberships are conducted, making changes as needed to maintain continuity of knowledge within each committee. The Chairperson of each committee provides updates on significant discussions and key decisions during subsequent Board meetings, ensuring the entire Board is informed about committee activities.

DIRECTORS ATTENDANCE - BOARD COMMITTEE MEETINGS

	CREDIT		AUDIT AND COMPLIANCE COMMITTEE		GOVERNANCE, NOMINATIONS AND REMUNERATIONS COMMITTEE		ASSET AND LIABILITY COMMITTEE	
								
	Hudson Carr		Benedicta Samuels				Mervyn Hope	
Position	Committee Chair		Committee Chair				Committee Chair	
Meetings Held	12		4		6		4	
DIRECTOR	MEETINGS ATTENDED							
Benedicta Samuels			4	100%	6	100%		
Drexel Glasgow	11	92%			6	100%		
Hudson Carr	12	100%					4	100%
Mervyn Hope			4	100%			4	100%
Jeanette Scatliffe Boynes					5	83%	3	75%
Icis Malone			3	75%	6	100%		
Everette Frazer	12	100%	4	100%				
Joy Penn	12	100%					4	100%

DIRECTORS' COMPETENCIES

To ensure effective governance and value creation for stakeholders, Boards need to consist of members with diverse skills. However, in addition to skills and experience, the individual attributes of each Director play a vital role in governance. NBVI expects its Directors to demonstrate sound business acumen, exhibit integrity, and be ready to question, challenge, and engage in constructive debates with their fellow Directors and the EMT. Furthermore, our Directors are expected to have a comprehensive understanding of the Bank's strategy and be knowledgeable about the industry in which we operate. Hence, we prioritise the continuous development and enhancement of our Directors' capabilities, enabling them to fully understand the challenges faced by the Bank and the industry. We encourage and support our Directors' participation in relevant training courses to fill any knowledge gaps and/or refresh their skills. To this end, all Directors attended AML/CFT seminars and workshops in the fiscal year.

NBVI expects its Directors to demonstrate sound business acumen, exhibit integrity, and be ready to question, challenge, and engage in constructive debates with their fellow Directors and the EMT.

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

DIRECTORS' EXPERTISE

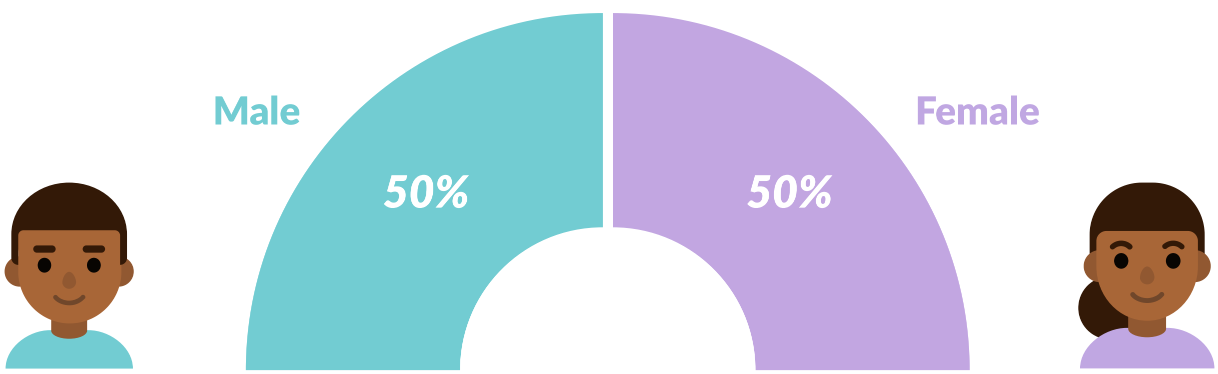
ACCESS TO INFORMATION AND INDEPENDENT ADVICE

The Board and its committees have the authority to seek any information they need from employees or relevant sources, and they can meet with employees and third parties without Management's presence. The Chairperson and Corporate Secretary have established procedures to ensure Directors can access all relevant Bank information and Executive Management to make informed decisions. Directors have the right to obtain independent professional advice at the Bank's expense and may conduct or direct investigations as needed to fulfil their responsibilities. Additionally, the EMT and External Auditor have direct access to committees and may request meetings with the full Board or any committee.

DIVERSITY

We believe in the importance of diversity in our Board composition, as it contributes to robust governance, informed decision-making, and strong technical insights. Our Board comprises members with diverse professional backgrounds, skills, ages, genders, and experiences, striking a harmonious balance between continuity and fresh perspectives. This fosters an environment conducive to discussion, debate, input, and challenge, resulting in thoughtful decisions aligned with the Bank's strategic objectives.

GENDER



AVERAGE AGE RANGE OF DIRECTORS

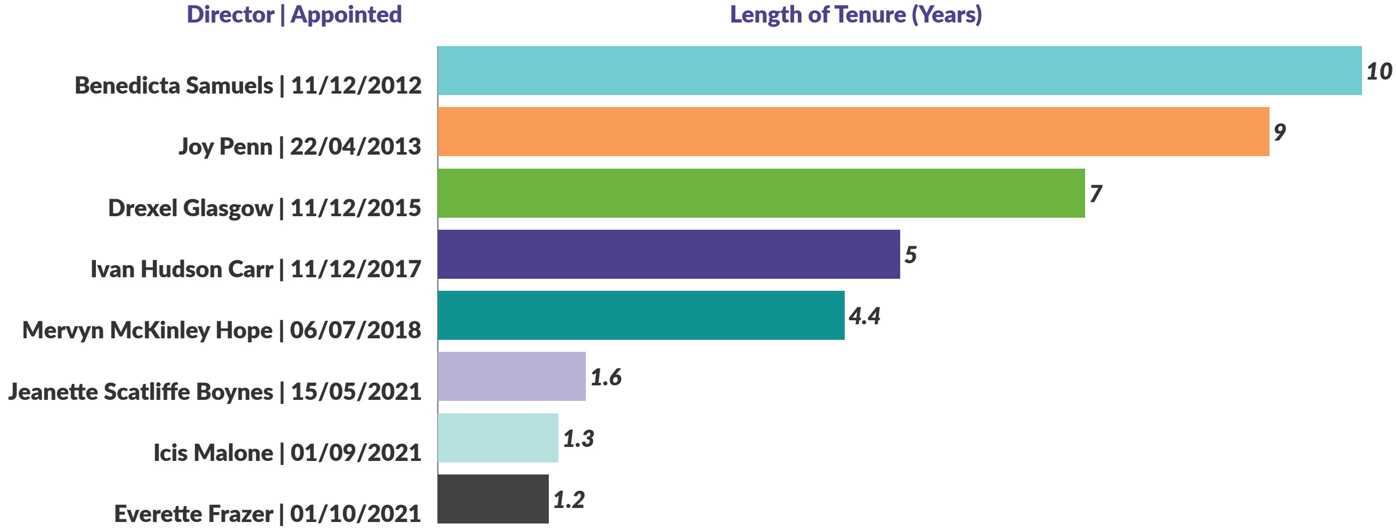
3 YOUNGER THAN 50 YEARS

5 OLDER THAN 50 YEARS

TENURE / TERM LIMITS

According to the Bank's Articles, each director holds office for a specified term or until their death, resignation, or removal. If no fixed term is determined at the time of appointment, the director serves indefinitely until their death, resignation, or removal.

DIRECTOR'S TENURE



CORPORATE SECRETARY

The Board is delighted to welcome Ms Niayla Smith as the Bank's new Corporate Secretary, succeeding Mrs Wendy Lewis, who served with distinction. Ms Smith has demonstrated her competence as a valuable member of the corporate services team and has successfully deputised for Mrs Lewis in the past. The Board has full confidence in her ability to excel in her new role.

COMPENSATION POLICY FOR BOARD AND MANAGEMENT

NBVI's Compensation Policy for the Board and Management is aligned with international best practices for remunerating Board members and senior officers. Compensation for the Chairperson and other Board members is determined in accordance with the Articles of Association and approved by the Governance, Nominations, and Remunerations Committee. The policy aims to attract, motivate, and retain high-calibre Directors and employees while adhering to prudent risk-taking principles, supporting the Bank's sustainability and long-term shareholder returns.

RELATED PARTY TRANSACTIONS

In the course of normal business operations, the Bank may engage in transactions with related parties. The Board follows the Bank's policies and corporate governance framework, which define related party transactions and establish the process for engaging in such transactions. These measures ensure that related party transactions are conducted on arm's length commercial terms, safeguarding stakeholder rights and prioritising the best interests of NBVI. Detailed information on related parties, including balances, can be found in Note 19 of the financial statements.

INDEPENDENCE

Independence is a crucial element in establishing and implementing an effective system of checks and balances. Our Board places a strong emphasis on Directors' independence, fostering a culture of independent judgment and diverse perspectives. Directors are expected to bring unbiased views to Board meetings, free from any conflicts of interest or circumstances that may compromise objective decision-making. Moreover, the Board must always be ready to constructively engage and challenge the management team. Each member is expected to act with independence, competence, diligence, and courage, ensuring the necessary insights and information are considered to determine what is in the best interest of NBVI.

At NBVI, we uphold an ethical business approach, nurturing a relationship of trust with our stakeholders.

CONFLICTS OF INTEREST

Directors have a responsibility to avoid situations where their interests conflict with their duties to the Bank. To address perceived or actual conflicts of interest, the Bank has established a formal Conflict of Interest Policy. This policy outlines the process for identifying, assessing, and managing conflicts of interest. All Bank Directors and employees have ready access to this policy, which defines conflicts of interest and provides guidance on disclosing such interests within specified timeframes. NBVI's Articles of Association also require Directors to immediately declare any actual or potential conflicts of interest. When conflicts are declared, affected Directors are required to recuse themselves from related discussions and abstain from participating in any corresponding Board decisions.

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. At NBVI, we uphold an ethical business approach, nurturing a relationship of trust with our stakeholders. We firmly believe that safeguards against unethical practices should surpass regulatory requirements and the law itself. Therefore, we prioritise ongoing training across the Bank to reinforce desired behaviours and discourage unwelcome ones. Our Customer Charter, which governs our interactions with our customers, embodies a comprehensive set of ethical principles that all Board members, agents, employees, suppliers, and other key stakeholders must adhere to.

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

CULTURE

As the ultimate governing body, at every level of the Bank's operations, the Board seeks to instil a culture that goes beyond mere compliance. Recognising our role as a gatekeeper of the BVI's financial system, we not only incorporate a broad range of ethical principles in our Code of Business Conduct but also actively promote unwritten safeguards that strengthen our risk and governance culture in our daily operations. These unwritten safeguards include ethical leadership at the highest level, aligning the Bank's strategy with incentive packages for the Board and employees, ensuring unimpeded and well-integrated control functions, and acknowledging and rewarding desired behaviours while swiftly addressing unwelcome ones. We aim to foster an understanding among our Directors and employees of the Bank's societal role and instil a sense of personal responsibility for their actions.

Recognising our role as a gatekeeper of the BVI's financial system, we not only incorporate a broad range of ethical principles in our Code of Business Conduct but also actively promote unwritten safeguards that strengthen our risk and governance culture in our daily operations.

WHISTLE-BLOWER POLICY

NBVI fosters a culture that encourages individuals to speak up and raise concerns about any issues or conduct that goes against the Bank's policies, values, culture, or legislative and regulatory commitments. Our formal whistle-blower policy guides how Board members, Management, staff, and other stakeholders can confidentially disclose such concerns. We maintain a zero-tolerance stance toward fraud, corruption, bribery, unethical behaviour, legal or regulatory non-compliance, and questionable accounting or auditing. The Board ensures the policy remains appropriate and establishes mechanisms to protect whistle-blowers while implementing disciplinary measures for baseless allegations.

SUCCESSION PLANNING

The unforeseen challenges posed by the COVID-19 pandemic highlighted the importance of active and continuous succession planning. To address this, NBVI has implemented a formal board renewal process led by the Governance, Nominations, and Remunerations Committee (GNRC). This process ensures a strong focus on succession planning and business continuity. The GNRC regularly evaluates the Board's size and composition to ensure that the knowledge, skills, experience, and values of individual Directors align with the Bank's nature, size, structure, and complexity.

The Board is also accountable for ensuring that the Bank has a full complement of Executives who are capable of effectively managing its daily operations. In this regard, the Board oversees the selection of the EMT, assessing their collective knowledge, expertise, and alignment with the Bank's risk profile. The CEO is responsible for actively developing succession plans for the executive and senior officers.

DISCLOSURE OF INFORMATION TO THE AUDITORS

All information presented in this Integrated Report has been thoroughly reviewed and approved by the Board. The Board acknowledges its responsibility for overseeing the preparation and presentation of financial information, as well as ensuring the maintenance of internal controls and compliance with legal and regulatory requirements. It also oversees the management of major risk areas and assesses significant related party transactions. The Directors confirm that, to the best of their knowledge, the Bank's internal and external auditors are aware of all relevant information, and each Director has fulfilled their duty to obtain all pertinent audit information.

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) serves as a valuable platform for shareholders to interact with us, and we actively encourage their participation. Shareholders have the opportunity to ask questions before the meeting, and during the meeting, they are provided with ample time to inquire about the management of the Bank or make comments related to the meeting's agenda. Effective communication with shareholders has always been a top priority for the Board, ensuring that their rights are safeguarded. Information is communicated to shareholders through the notice of the AGM, in accordance with the Articles of Association.

INTERNAL AUDIT

The Board holds the responsibility for the oversight and evaluation of the Bank's internal control system. The primary purpose of the Internal Audit function is to assist the Board and Management in safeguarding the Bank's assets and reputation. This is achieved through the provision of independent and objective assurance to the Board, through the Audit and Compliance Committee (ACC), about the effectiveness of governance, risk management, and internal controls. The ACC oversees the performance of the internal audit function and reviews management's actions to address deficiencies identified by the Internal and External Auditors and the Regulator.

The Internal Audit Department has unrestricted access to the Bank's staff, records, and documents, enabling it to fulfil its responsibilities. Additionally, no limitations have been placed on the department's scope of work. The Internal Audit function focuses its efforts on areas of highest risk, determined through a risk-based assessment methodology. Its activities are guided by the Bank's goals, strategies, and priorities set by the full Board and ACC.

As at 31 December 2022, the Board considers NBVI's internal control systems to be effective and sufficient.

AUDIT FRAMEWORK

Our Internal Audit Framework includes financial, operational, compliance, and risk management policies and systems. This framework outlines the purpose, objectives, and deliverables of the Internal Audit function and details the methodology and standards employed to achieve independent assurance outcomes. In developing and maintaining a robust and sustainable audit framework, the Bank's internal audit function adheres to the standards and guidelines established by the Institute of Internal Auditors (IIA). These internationally recognised standards serve as the foundation for an effective audit framework.

The internal audit function has developed an audit plan that incorporates various elements, including the goal, scope, and objectives of the audit program, the audit risk assessment program, and processes to ensure the program's efficiency.

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 safeguarded by the following controls:

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

The Board, through its Audit and Compliance Committee, holds the responsibility for managing the relationship with the Bank's External Auditor. This includes conducting an annual review of the External Auditor's performance and making recommendations regarding their appointment, re-appointment, or termination.

While NBVI's Directors are held accountable for ensuring the accuracy and fairness of the financial statements, the External Auditor is entrusted with the task of examining these statements and providing an opinion on their reasonableness.

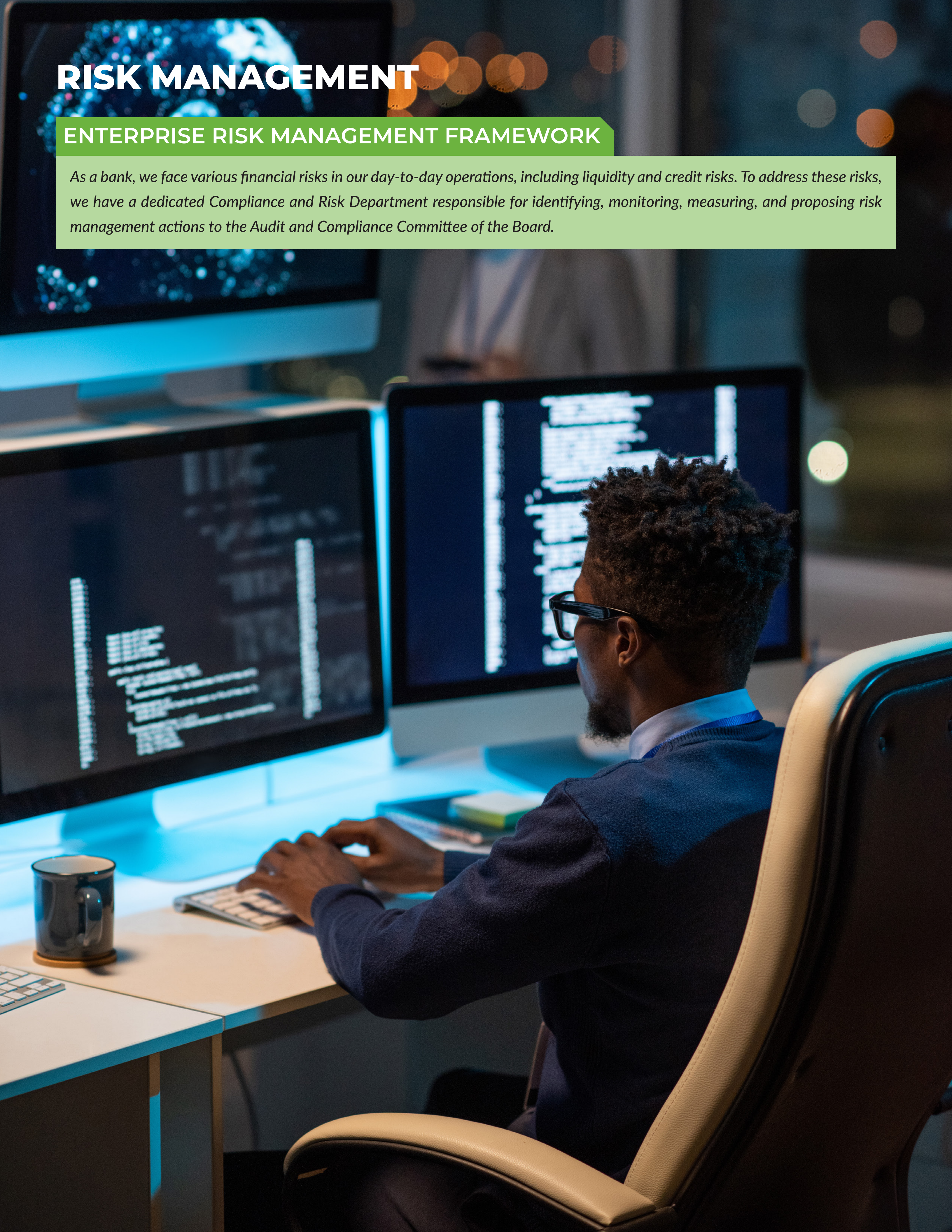
BDO Limited ("BDO") audited the Bank's financial statements for the year 2022 and is at the end of its current engagement with the Bank. The Board is satisfied that BDO has performed its duties effectively and free from any influence or duress. Nevertheless, the Bank will issue Requests for Proposals (RFPs) for the selection of external auditors who will undertake the financial audit responsibilities for the upcoming financial years - 2023 to 2025. Recognising the pivotal role that external auditors play in ensuring transparency, accuracy, and compliance within our financial reporting processes, we are committed to selecting a firm with proven expertise and a thorough understanding of both the banking industry and regulatory landscape in the Virgin Islands.

...the External Auditor is entrusted with the task of examining these statements and providing an opinion on their reasonableness.

RISK MANAGEMENT

ENTERPRISE RISK MANAGEMENT FRAMEWORK

As a bank, we face various financial risks in our day-to-day operations, including liquidity and credit risks. To address these risks, we have a dedicated Compliance and Risk Department responsible for identifying, monitoring, measuring, and proposing risk management actions to the Audit and Compliance Committee of the Board.



In addition to financial risks, NBVI is also exposed to non-financial risks, such as cyber security and unintentional non-compliance with laws, regulations, and guidelines related to Know Your Customer (KYC), Anti-Money Laundering and Terrorist Financing (AML/TF), sanctions enforcement, and data privacy. We closely monitor regulatory developments that impact the bank, particularly in light of the increasing challenges posed by electronic banking and other electronic service delivery channels. As we continue to transform our operations, we prioritise strengthening our procedures and processes to ensure compliance with regulations. Moreover, we are committed to developing our Enterprise Risk Management Framework (ERMF), investing in systems and personnel to embed global best practices to protect the Bank's assets.

Our ERMF is supported by our Code of Business Conduct, Customer Charter, and appropriate policies. The framework covers:

- The principal risks faced by NBVI
- The Bank's risk appetite
- Roles and responsibilities of employees in risk management
- The Bank's risk management structure

The 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 for assessing, measuring, monitoring, and reporting risks. We recognise that effective risk management relies on a strong risk culture, characterized by a high level of awareness among our employees and directors. The Board and Management Team play vital roles in ensuring the implementation and adherence to the ERMF and its supporting policies and procedures.

We recognise that effective risk management relies on a strong risk culture, characterized by a high level of awareness among our employees and directors.

Moreover, our ERMF adheres to international standards of best practice and reflects the nature, size, and complexity of our bank and its business. Our risk management activities are guided by the following principles:

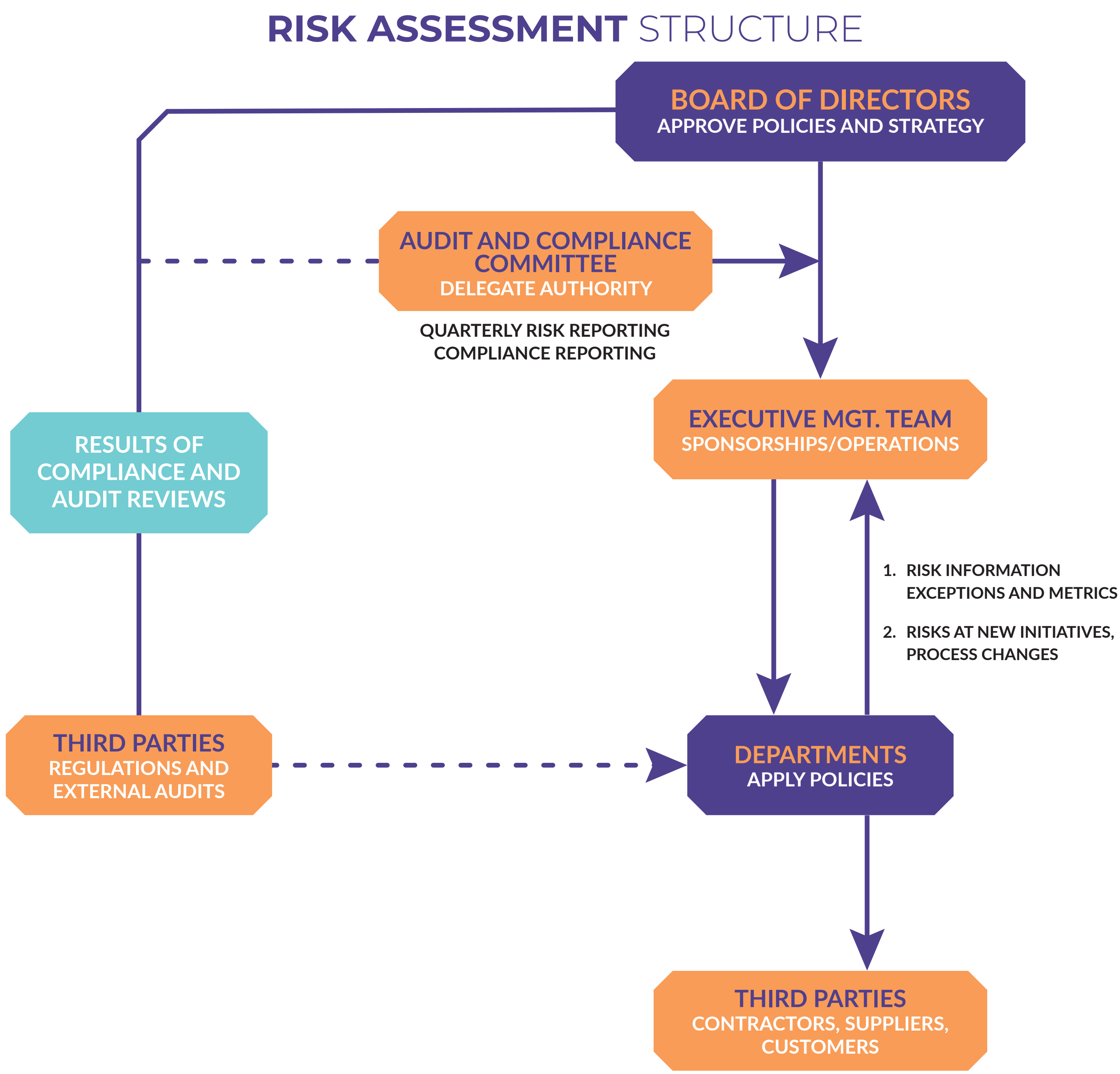
- Risk is taken within the Board-approved risk appetite.
- Risk taken requires approval within the ERMF.
- Risk taken needs to be justified, with documented rationale.
- Risk must be continuously monitored and managed.

RISK ASSESSMENT STRUCTURE

The Board oversees the Bank's strategic direction, risk culture, and internal control framework. Through delegated responsibility to Executive Management, they implement the ERMF to assess and manage various risk exposures of the Bank. Annually, the Board reviews and approves the Bank's risk appetite and related measures and monitors its risk profile and performance to ensure the Bank is operating within the approved limits.

While the Chief Compliance and Risk Officer serves as the first point of contact for the ERMF, the Audit and Compliance Committee is responsible for monitoring and evaluating its application and effectiveness. The committee also oversees financial reporting, internal controls (including those over financial reporting), and the activities of the Compliance and Risk and Internal Audit Departments.

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



RISK CULTURE

Risk awareness and management are deeply ingrained in NBVI's culture. It begins with the "tone at the top" set by the Board, CEO, and EMT. Our risk culture is supported by the Bank's vision, mission, and core values. Spearheaded by the Human Resources Department, in collaboration with the Compliance and Risk Department, we strive to cultivate a risk-awareness culture that emphasises accountability, learning from past experiences, and promoting open communication and transparency in all aspects of our business activities.

Our Code of Business Conduct serves as a guiding document for employees and directors, setting high standards of integrity, professionalism, and ethical behaviour. Employees and Directors are expected to assess business decisions and actions based on ethical and legal grounds.

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.

We recognise that effective risk management relies on a strong risk culture, characterized by a high level of awareness among our employees and directors.

RISK APPETITE

Under our robust Enterprise Risk Management Framework, the Board defines NBVI's risk appetite, establishes enterprise-wide risk management policies and processes, and sets risk limits to guide our risk-taking activities. Our risk appetite framework delineates the boundaries within which we conduct our business, both in normal and stressful scenarios. It provides an objective baseline for strategic decision-making, ensuring that our planned activities strike an appropriate balance between potential returns and acceptable risks. NBVI's risk appetite statement covers the scope and types of aggregate risk the Bank is willing to take to achieve its business goals.

NBVI maintains a firm stance on compliance with laws and regulations, adopting a zero-tolerance approach towards any breaches. Although incidents cannot be completely avoided, we remain committed to minimising them to the greatest extent possible. Our risk appetite reflects a delicate equilibrium between seizing growth opportunities and effectively managing the threats inherent in our expansion activities and operating environment.

RISK MANAGEMENT POLICY AND GUIDELINES

Practising prudent risk-taking is inherent in the banking industry, but effectively managing risks within NBVI's defined risk appetite is crucial for its survival. The ERMF serves as a reinforcement of the Bank's risk culture, placing strong emphasis on transparency, accountability, and fostering a shared understanding among stakeholders of how risk is managed within the organisation.

The Risk Management function, led by the Chief Compliance and Risk Officer (CCRO), plays a critical role in providing oversight of enterprise-wide risk management, risk governance, and control. This includes the formulation of risk strategies and policies aligned with the Bank's risk appetite and business strategy. The Compliance and Risk Department (CRD) continuously monitors and evaluates the effectiveness of these practices and processes, promptly escalating matters to the Audit and Compliance Committee of the Board when necessary. An important objective of the CRD is to support a comprehensive and initiative-taking approach to risk management and to nurture a robust risk management culture throughout the Bank.

At NBVI, risk management is deeply embedded through clear lines of accountability, adhering to the three lines of defence methodology outlined in the Corporate Governance Principles for Banks, released by the Basel Committee on Banking Supervision.

THREE (3) LINES OF DEFENCE

SECURITY

1 LINE OF DEFENCE
Risk Ownership

Process and control owners in customer-facing roles, responsible for managing end-to-end risks.

2 LINE OF DEFENCE
Challenge and Oversight

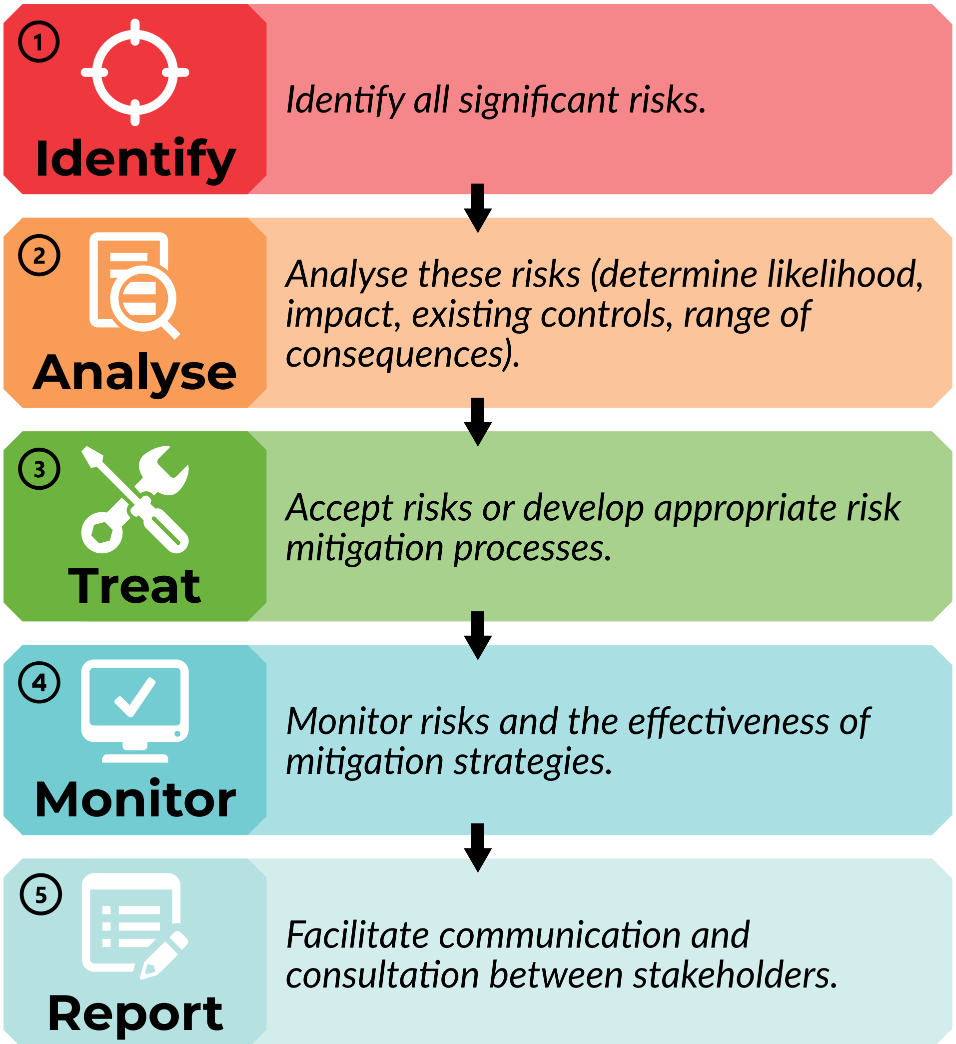
Independent risk, compliance, legal and control functions which formulate risk and control policies and review the 1st line's adherence to these policies.

3 LINE OF DEFENCE
Assurance

The internal audit function tests and reviews controls to ensure that the 1st and 2nd lines execute their responsibilities effectively.

RISK MANAGEMENT PROCESS

NBVI's approach to risk management is comprehensive and proactive, encompassing five key processes as illustrated below.



KEY RISKS IDENTIFIED

Risk identification is focused on recognising and understanding the risks faced by NBVI. This includes risks that may arise from new or evolving business initiatives, as well as aggregate risks and non-traditional or emerging risks resulting from the dynamic operating environment. Among these risks, credit risk stands out as the most significant risk that adversely affected NBVI's operations in 2022. Additionally, other risks inherent to banking and those stemming from our operating environment have remained consistent with risks identified in previous years.

To address these risks effectively, we ensured that the top risks received the necessary attention and resources for adequate mitigation. The CCRO employs a combination of risk assessment, monitoring of controls, and compliance assurance activities to ensure that policies are well-implemented and operating as expected, thereby mitigating the risks they are meant to cover.

The CCRO employs a combination of risk assessment, monitoring of controls, and compliance assurance activities to ensure that policies are well-implemented and operating as expected.

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

In line with our risk management framework, stress testing plays a pivotal role and serves as a key component of the Bank's capital, strategic, and financial planning processes. NBVI conducts scenario analysis using a forward-looking approach to anticipate potential impacts on the Bank's financial performance and position. This analysis considers factors such as the current economic conditions, future outlook, existing balance sheet, and strategic plan. Regular updates to our stress test scenarios help to assess key risk focal points in the Bank's operations.

The objectives of our stress testing include informing the setting of risk appetite, identifying risk concentrations and portfolio weaknesses, and evaluating the effects of strategic decisions. These stress tests are integrated into the planning process to assess potential exposures and financial robustness. Additionally, they help us understand the Bank's sensitivity to shocks and exceptional events while evaluating the materiality of various risks. The stress testing process ensures compliance with risk appetite and capacity, while ensuring adherence to regulatory and internal limits.

AUDITED FINANCIAL STATEMENTS

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Audited Financial Statements

For The Year Ended December 31, 2022

BDO

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Audited Financial Statements

For The Year Ended December 31, 2022

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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Road Town, Tortola VG1110
British Virgin Islands

BDO

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www.bdo.vg

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, 2022, 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, 2022, 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.

Independent Auditor's Report (Continued)

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
August 28, 2023

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Statement of Financial Position
As at December 31, 2022
Expressed in United States Dollars

	Notes	2022	2021
ASSETS			
Cash and cash equivalents		13,080,843	17,748,516
Due from banks	2	8,220,411	149,440
Loans and advances to customers	3	231,273,996	229,679,614
Other customer receivables	5	961,175	2,874,656
Financial investments	6	12,439,694	18,671,803
Prepayments		424,394	417,256
Property and equipment	8	6,950,621	8,142,214
Regulatory deposit	9	500,000	500,000
TOTAL ASSETS		**$273,851,134**	**$278,183,499**
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		16,374,865	17,399,711
Total capital and reserves		40,985,586	42,010,432
Liabilities			
Amounts owed to demand deposit holders		7,377,552	6,144,112
Amounts owed to savings depositors	11	73,581,670	70,054,992
Amounts owed to certificate of deposit holders	12	142,719,299	151,091,713
Preference shares - liability component	10	4,127,379	4,127,379
Lease liabilities	13	2,344,405	2,776,580
Trade and other payables	14	2,715,243	1,978,291
Total liabilities		232,865,548	236,173,067
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**$273,851,134**	**$278,183,499**

APPROVED BY THE BOARD

Benedicta Samuels ______ Director
Dr. Benedicta Samuels, *Chairman (Ag.)*

August 24, 2023 ______ Date approved

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

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NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Statement of Comprehensive Income
For The Year Ended December 31, 2022
Expressed in United States Dollars

	Notes	2022	2021
Interest and similar income	15	12,496,225	12,277,295
Interest expense	16	(1,370,073)	(2,140,361)
Net interest income		11,126,152	10,136,934
Fees and commissions	17	751,674	788,217
Other operating income		88,624	129,870
Total operating income		11,966,450	11,055,021
Credit loss expenses	4	(3,443,787)	(1,023,724)
Net operating income		8,522,663	10,031,297
EXPENSES			
Depreciation	8	(1,394,102)	(1,582,208)
Other operating expenses	18	(8,091,496)	(7,493,600)
Total operating expenses		(9,485,598)	(9,075,808)
NET (LOSS)/PROFIT FOR THE YEAR		**($962,935)**	**$955,489**

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, 2022
Expressed in United States Dollars

			2022		
	Note	**Share Capital**	**Additional Paid-in Capital**	**Retained Earnings**	**Total**
Balance at the beginning of the year		1,375,793	23,234,928	17,399,711	42,010,432
Net loss for the year		-	-	(962,935)	(962,935)
Preference share dividend	10	-	-	(61,911)	(61,911)
BALANCE AT THE END OF THE YEAR		**$1,375,793**	**$23,234,928**	**$16,374,865**	**$40,985,586**

			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**

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, 2022
Expressed in United States Dollars

	2022	2021
OPERATING ACTIVITIES		
Interest, commission and other income received	16,148,458	12,471,032
Interest paid to deposit holders	(1,196,817)	(5,529,970)
Interest paid on lease liabilities	(116,199)	(135,045)
General and administrative expenses paid	(7,361,682)	(7,439,642)
	7,473,760	(633,625)
Changes in operating assets and liabilities:		
Net increase in loans and advances to customers	(5,770,086)	(15,875,847)
Net increase in demand deposit holders	1,233,440	1,236,765
Net increase/(decrease) in savings deposit holders	3,526,678	(621,218)
Net decrease in certificate of deposit holders	(8,429,471)	(1,806,393)
Cash flows used in operating activities	(1,965,679)	(17,700,318)
INVESTING ACTIVITIES		
Net movement on amounts due from banks	(8,000,779)	(316)
Net movement on financial investments	5,995,380	16,889,807
Purchase of property and equipment	(212,859)	(466,798)
Disposal of property and equipment	10,350	8,393
Cash flows (used in)/from investing activities	(2,207,908)	16,431,086
FINANCING ACTIVITIES		
Payment of principal portion of lease liabilities	(432,175)	(422,220)
Preference shares dividend	(61,911)	(61,911)
Cash flows used in financing activities	(494,086)	(484,131)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,667,673)	(1,753,363)
CASH AND CASH EQUIVALENTS		
At the beginning of the year	17,748,516	19,501,879
At the end of the year	**$13,080,843**	**$17,748,516**
CASH AND CASH EQUIVALENTS:		
Cash in hand and current account balances with other banks	12,549,398	9,800,075
Fixed deposits with brokers	531,445	7,948,441
	$13,080,843	**$17,748,516**

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

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NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Notes to the Financial Statements
For The Year Ended December 31, 2022
Expressed in United States Dollars

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, 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, 2022, were authorised for issue in accordance with a resolution of the Board of Directors (the "Board", "Directors") on August 24, 2023.

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 gave rise to heightened uncertainty as it related 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.

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Notes to the Financial Statements
For The Year Ended December 31, 2022
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 26.5, 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

	2022	**2021**
Certificates of deposit	8,104,957	104,178
Add: interest receivable	115,454	45,262
	$8,220,411	$149,440

The Bank has pledged an amount of $100,000 (2021: $100,000) which is included in due from banks as security for corporate credit cards with an aggregate credit limit of $85,000 (2021: $85,000) as at December 31, 2022.

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.

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Notes to the Financial Statements
For The Year Ended December 31, 2022
Expressed in United States Dollars

3. LOANS AND ADVANCES TO CUSTOMERS (Continued)

The Bank analyses its loan portfolio by category as follows:

2022	Commercial	Residential Mortgages	Other Personal	Total
Performing loans	58,159,154	114,080,040	25,541,530	197,780,724
Non-performing loans	17,824,261	17,808,342	2,978,604	38,611,207
Gross loans	75,983,415	131,888,382	28,520,134	236,391,931
Less: allowance for expected credit losses (Note 4)	(3,558,979)	(2,403,001)	(318,187)	(6,280,167)
	$72,424,436	$129,485,381	$28,201,947	$230,111,764
Add: interest receivable				6,798,758
Less: interest provision on restructured and non-performing loans				(5,636,526)
				$231,273,996

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

In general, interest rates on loans and advances range between 3.50% and 12.25% (2021: 3.50% and 12.25%) per annum. The weighted average interest rate on these loans was 5.82% (2021: 5.72%).

Interest accruals on non-performing loans

The interest receivable includes interest on non-performing loans totaling $5,052,003 (2021: $4,333,091) and full provision has been made for the same. The corresponding provision is included within interest provision on restructured and non-performing loans.

Renegotiated loans

As at December 31, 2022, loans and advances to customers includes $584,523 (2021: $619,300) 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.

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Notes to the Financial Statements
For The Year Ended December 31, 2022
Expressed in United States Dollars

4. ALLOWANCE FOR EXPECTED CREDIT LOSSES

	2022	2021
Opening balance	5,703,151	5,014,464
Net change in credit loss allowance	1,865,728	1,023,724
Write-offs	(1,288,712)	(335,037)
Ending balance	$6,280,167	$5,703,151

The following table presents credit loss expenses.

	2022	2021
Net change in credit loss allowance	1,865,728	1,023,724
Write-offs	1,578,059	-
Ending balance	$3,443,787	$1,023,724

During the year loans totaling $2,866,771 (2021: $335,037) were written-off and of this amount $1,288,712 (2021: $335,037) was included in the prior year credit loss allowance.

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 exercised its power of sale over real estate collateral with a market value of $580,000 (2021: Nil).

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 26.5) 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 26.5).

Modified financial assets and customer relief moratorium programs

During the financial year, most countries were able to return to life as we know it before COVID-19 due to a significant decrease in severe cases and deaths related to COVID-19. On May 5, 2023, the World Health Organization ("WHO") declared "with great hope" an end to COVID-19 as a public health emergency, stressing however, that it does not mean the disease is no longer a global threat. The WHO noted that over the last 12 months, the pandemic "has been on a downward trend", with immunity increasing due to the highly effective vaccines developed in record time to fight the disease, and infections.

The Bank also saw a decrease in customers participating in the relief moratorium programs and shifted its focus to assisting customers with the transition from reduced or waived loan payments to full payments, in line with the revised loan amortization schedule.

As at December 31, 2022 the gross outstanding balance of loans in the moratorium program was $Nil (2021: $3.4 million) for commercial loans, $Nil (2021: $0.9 million) for residential mortgages, and $0.2 million (2021: $0.1 million) for other personal loans.

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Notes to the Financial Statements
For The Year Ended December 31, 2022
Expressed in United States Dollars

4. ALLOWANCE FOR EXPECTED CREDIT LOSSES (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. 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

	2022	2021
Merchant income	775,425	2,695,148
Insurance	126,618	150,652
Late charges	13,792	2,078
Other	45,340	26,778
	$961,175	$2,874,656

6. FINANCIAL INVESTMENTS

	2022	2021
Government note	5,000,000	10,000,000
Ultra-short bond fund	4,198,761	4,198,761
Repurchase agreement	3,000,000	-
Asset-backed securities	108,932	140,178
Corporate bonds	-	4,046,120
	12,307,693	18,385,059
Add: Interest receivable	132,001	286,744
	$12,439,694	$18,671,803

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

	2022	2021
Beginning balance	18,385,059	35,274,866
Purchases	3,000,000	5,448,779
Sales and repayments	(9,077,366)	(22,338,586)
	$12,307,693	$18,385,059

Interest rates on the asset-backed securities range from 3.0% to 6.5% (2021: 3.0% to 6.5%) per annum. The remaining life of these securities range from 7.63 to 20.08 (2021: 8.63 to 21.08) years.

Interest rates on corporate bonds included in the ultra-short bond fund averaged 2.9% (2021: 2.3%) per annum. These bonds have an average effective duration of 0.5 years (2021: 0.6 years).

Interest rate on the repurchase agreement was 4.75%, less withholding taxes of 12.5% (2021: Nil) per annum. The remaining life of this agreement is 0.43 years.

The government note is issued by the Government of St. Lucia and a reduced balance of $5,000,000 (2021: $10,000,000) was renewed for a term of 1 year. The government note matures on October 11, 2023, and carries an interest rate of 4.0% (2021: 4.0%).

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Notes to the Financial Statements
For The Year Ended December 31, 2022
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, 2022					
Financial instruments not measured at fair value					
Assets					
Cash and cash equivalents	13,080,843	-	-	13,080,843	13,080,843
Due from banks	8,220,411	-	-	8,220,411	8,220,411
Loans and advances to customers	-	-	226,082,000	226,082,000	231,273,996
Other customer receivables	-	961,175	-	961,175	961,175
Financial investments	-	12,311,982	-	12,311,982	12,439,694
General banking licence deposit	-	500,000	-	500,000	500,000
Total	$21,301,254	$13,773,157	$226,082,000	$261,156,411	$266,476,119
Liabilities					
Amounts owed to demand deposit holders	-	7,377,552	-	7,377,552	7,377,552
Amounts owed to savings depositors	-	73,702,000	-	73,702,000	73,581,670
Amounts owed to certificate of deposit holders	-	142,185,000	-	142,185,000	142,719,299
Preference shares - liability component	-	4,127,379	-	4,127,379	4,127,379
Lease liabilities	-	2,344,405	-	2,344,405	2,344,405
Trade and other payables	-	2,715,243	-	2,715,243	2,715,243
Total	-	$232,451,579	-	$232,451,579	$232,865,548

	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

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Notes to the Financial Statements
For The Year Ended December 31, 2022
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, 2022	125,985	1,172,093	4,698,250	4,218,754	1,210,000	1,373,922	4,016,087	16,815,091
Additions	-	-	28,610	-	-	184,249	-	212,859
Transfers	-	71,673	209,000	38,043	-	(318,716)	-	-
Write-downs	-	-	-	-	-	(10,350)	-	(10,350)
December 31, 2022	125,985	1,243,766	4,935,860	4,256,797	1,210,000	1,229,105	4,016,087	17,017,600
Accumulated Depreciation								
January 1, 2022	74,840	1,027,425	2,579,712	3,576,786	-	-	1,414,114	8,672,877
Depreciation	23,297	110,001	429,441	359,844	-	-	471,519	1,394,102
December 31, 2022	98,137	1,137,426	3,009,153	3,936,630	-	-	1,885,633	10,066,979
Net Book Value								
December 31, 2021	$51,145	$144,668	$2,118,538	$641,968	$1,210,000	$1,373,922	$2,601,973	$8,142,214
December 31, 2022	$27,848	$106,340	$1,926,707	$320,167	$1,210,000	$1,229,105	$2,130,454	$6,950,621

There are no capitalised borrowing costs related to the acquisition of property and equipment during the year (2021: $Nil). Transfer of assets from Work-in-Progress to Furniture & Fixtures comprised furniture to reconfigure the business support office ("BSO") for additional seating. Transfer of assets from Work-in-Progress to Computer Equipment comprised developments to the Core Banking software. The balance transferred from Work-in-Progress to Leasehold Improvements comprised installation of a fresh air intake unit at the BSO, replacement of the front door at the main branch and UPS units at both locations.

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NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Notes to the Financial Statements
For The Year Ended December 31, 2022
Expressed in United States Dollars

9. REGULATORY DEPOSIT

In accordance with the Banks and Trust Companies Act, a deposit of $500,000 (2021: $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, 2022 was 0.10% (2021: 1.22%).

10. CAPITAL AND RESERVES

	2022	2021
(a) Authorised share capital:		
• Golden share 1 (2021: 1) voting, no par value	-	-
• Ordinary shares 20,000,000 (2021: 20,000,000) voting, no par value	-	-
• Convertible redeemable preference shares 10,000,000 (2021: 10,000,000) voting, US $1 par value	10,000,000	10,000,000
• Non-voting common shares 10,000,000 (2021: 10,000,000) US$1 par value	10,000,000	10,000,000
(b) Issued and fully paid share capital:		
• 1 (2021: 1) Golden share of no par value issued to the Government	-	-
• Ordinary shares 14,534,478 (2021: 14,534,478)	-	-
• Convertible redeemable preference shares - equity component 5,503,172 (2021: 5,503,172)	1,375,793	1,375,793

Ordinary shares

As at December 31, 2022, the Government held 9,738,100 no par value ordinary shares for a consideration of $13,738,100 (2021: $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 (2021: $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:

	2022	2021
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
Total	$5,503,172	$5,503,172

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Notes to the Financial Statements
For The Year Ended December 31, 2022
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10. CAPITAL AND RESERVES (Continued)

(c) 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.

(d) Additional paid-in capital

	2022	2021
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

(e) Preference Share dividend

	Note	2022	2021
Interest expense component	16	185,732	185,732
Dividend component		61,911	61,911
		$247,643	$247,643

11. AMOUNTS OWED TO SAVINGS DEPOSITORS

	2022	2021
Individuals	64,751,708	60,468,466
Businesses	8,829,962	9,586,526
	$73,581,670	$70,054,992

The average effective rate of interest on customer deposits during the year was 0.22% (2021: 0.24%).

During the period ended December 31, 2022, the Bank transferred 65 (2021: 85) dormant accounts totaling $32,928 (2021: $88,515) to a special fund established for that purpose in accordance with the Dormant Accounts Act, 2011.

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NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Notes to the Financial Statements
For The Year Ended December 31, 2022
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12. AMOUNTS OWED TO CERTIFICATE OF DEPOSIT HOLDERS

	2022	2021
Individuals	36,700,289	39,777,184
Businesses	105,456,306	110,808,882
	142,156,595	150,586,066
Add: Interest payable	562,704	505,647
	$142,719,299	$151,091,713

The average effective rate of interest on certificates of deposit during the year was 0.4% (2021: 0.3%).

13. LEASE LIABILITIES

The following table presents movement in lease liabilities.

	Note	Equipment	Land and Buildings	Total
January 1, 2022		-	2,776,580	2,776,580
Interest expense	16	-	116,199	116,199
Lease payments		-	(548,374)	(548,374)
December 31, 2022		-	**$2,344,405**	**$2,344,405**

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

The table below presents the short-term leases.

	2022	2021
Low value lease expense	1,084	1,084
	$1,084	$1,084

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

2022	Within 3 months	Over 3 months but within 1 year	Over 1 year but within 5 years	Over 5 years	Total
Lease liabilities	137,169	411,505	2,038,335	58,550	2,645,559
	$137,169	$411,505	$2,038,335	$58,550	$2,645,559

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13. LEASE LIABILITIES (Continued)

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

14. TRADE AND OTHER PAYABLES

	Notes	2022	2021
Insurance escrow		1,183,508	1,155,738
Trade payables		1,245,372	433,584
Dividends payable	10	247,643	247,643
Bonuses payable		-	106,000
Accrued pension liability	18	38,720	35,326
		$2,715,243	$1,978,291

15. INTEREST AND SIMILAR INCOME

	2022	2021
Loans and advances to customers	11,968,901	11,580,391
Held-to-maturity investments	422,689	690,438
Cash and placements	104,134	362
Other	501	6,104
	$12,496,225	$12,277,295

16. INTEREST EXPENSE

	Notes	2022	2021
Certificate of deposit holders		903,184	1,651,279
Savings depositors		164,958	168,305
Preference share dividend - interest component	10	185,732	185,732
Lease liabilities	13	116,199	135,045
		$1,370,073	$2,140,361

17. FEES AND COMMISSIONS

	2022	2021
Commitment fees	223,945	282,674
Merchant service fees	128,399	83,348
Minimum balance charges	118,305	96,660
Late charges	78,502	2,877
Early repayment fees	70,677	38,536
Commission earned on administrative services	18,537	32,623
Other fees received	113,309	251,499
	$751,674	$788,217

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18. OTHER OPERATING EXPENSES

	2022	2021
Staff costs	5,415,659	5,256,827
Licence fees and bank charges	622,045	506,780
Repairs and maintenance	502,957	468,011
Professional fees	223,288	155,374
Marketing and advertising	204,965	177,998
Investment loss	186,729	-
Systems and communications	186,704	185,090
Business insurance	140,126	133,612
Security services	130,765	132,338
Electricity and water	130,066	83,102
Travel and entertainment	106,950	39,118
Stationery and postage	89,061	82,400
Staff training	58,995	23,924
Rent	37,155	37,346
Unrecoverable losses	33,413	196,288
Other	22,618	15,392
	$8,091,496	$7,493,600

Analysis of staff costs:

	2022	2021
Wages and salaries	4,260,242	4,064,489
Social security and payroll taxes	354,710	329,278
Pension expenses	332,086	306,660
Directors' expenses	180,292	164,911
National health insurance	150,723	144,801
Staff insurance	55,856	60,307
Staff uniforms	36,899	35,930
Bonuses	-	106,000
Other staff-related costs	44,851	44,451
	$5,415,659	$5,256,827

During the year ended December 31, 2022, wages and salaries of $4,260,242 (2021: $4,064,489) were paid to an average of 77 employees (2021: 76).

Pension

The Virgin Islands Labour Code, 2010, stipulates that the 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, 2022, pension expenses of $332,086 (2021: $306,660) were incurred. At December 31, 2022, there was an outstanding accrual of $38,720 (2021: $35,326).

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19. RELATED PARTY TRANSACTIONS

(a) During the year ended December 31, 2022, the Bank approved one (1) loan issued to current or former directors of the Bank and related persons. As at December 31, 2022, related party loans totaled $2,569,307 (2021: $2,628,949), which are included as part of loans and advances. The interest rates on these loans were recorded at 4.0% - 6.5% (2021: 4.0% - 6.5%).

(b) As at December 31, 2022, the Government held certificates of deposit totaling $28,782,609 (2021: $28,694,437). These certificates of deposit earn interest at rates ranging from 0.75% to 2.50% (2021: 0.50% to 0.75%) per annum. The Government also held savings deposits totaling $2,714,342 (2021: $3,828,666), which earned interest at a rate of 0.25% (2021: 0.3%) per annum. Demand deposits totaling $1,659,728 (2021: $634,935) were also held by the Government.

(c) As at December 31, 2022, SSB held certificates of deposit totaling $67,545,359 (2021: $72,254,553) at interest rates ranging from 0.5% to 2.0% (2021: 0.25% to 0.9%). SSB also held savings deposits totaling $45,274 (2021: $306,450), which earned interest at a rate of 0.25% (2021: 0.25%) per annum. Demand deposits totaling $261,428 (2021: $389,551) were also held by SSB. In addition to being a shareholder of the Bank, the SSB is a statutory body which is owned and controlled by the Government.

(d) As at December 31, 2022, other Government statutory bodies held certificates of deposit totaling $6,079,825 (2021: $6,258,922) at interest rates ranging from 0.25% to 2.0% (2021: 0.25% to 0.50%). Demand deposits totaling $980 (2021: $985) were also held by other Government statutory bodies.

(e) As at December 31, 2022, directors' allowances totaled $174,000 (2021: $156,000). These amounts are included within directors' expenses.

(f) As at December 31, 2022, commissions receivable totaled $46,095 (2021: $28,278), 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, 2022, the Bank had undrawn commitments under existing customer loan agreements totaling $7,516,397 (2021: $6,566,674).

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.

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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.

Asset and Liability Committee

The Asset and Liability 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 Asset and Liability 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.

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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, 2022 is the carrying amount of the financial assets in the statement of financial position.

As at December 31, 2022, the Bank's cash and cash equivalents and certificates of deposit were held with five (5) financial institutions.

Deposits totaling $8,131,393 (2021: $7,551,990) or 3.0% (2021: 2.7%) of total assets are currently held at Bank of America, which has a long-term credit rating of A2 (2021: A2) per Moody's rating agency.

Deposits totaling $6,760,526 (2021: $5,078,762) or 2.5% (2021: 1.8%) of total assets are currently held at Banco Popular de Puerto Rico (Banco Popular), which has a long-term credit rating of Ba1 (2021: B1) per Moody's rating agency.

Deposits totaling $4,598,813 (2021: $4,595,212) or 1.7% (2021: 1.7%) of total assets are currently held at Raymond James Financial, which has a long-term credit rating of A3 (2021: Baa1) per Moody's rating agency.

Deposits totaling $3,248,705 (2021: $2,224,559) or 1.2% (2021: 0.8%) 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 $390,468 (2021: $261,873) or 0.1% (2021: 0.1%) 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. In preparation for foreclosure proceedings, updated appraisals are requested for developed properties with valuations older than one (1) year in order to determine the appropriate forced sale value. 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 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.

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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 $38,611,207 (2021: $41,127,790).

As at December 31, 2022

	Less than 30 days	30 to 59 days	60 to 89 days	90 days or more	Total
Commercial	4,850,962	3,927,486	1,162,082	-	9,940,530
Residential Mortgages	4,776,765	3,234,345	431,611	-	8,442,721
Other Personal	558,595	704,259	150,656	-	1,413,510
	$10,186,322	$7,866,090	$1,744,349	-	$19,796,761

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

During the year, the Bank has renegotiated $8,001,552 in loans and advances to customers.

As at December 31, 2022, 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:

2022	CariBBB+ Rated	CariBBB- Rated	A2 Rated	A3 Rated	Total
Government note securities	-	5,050,015	-	-	5,050,015
Ultra-short bond fund	-	-	-	4,198,761	4,198,761
Repurchase agreement	3,081,986	-	-	-	3,081,986
Asset-backed securities	-	-	108,932	-	108,932
	$3,081,986	$5,050,015	$108,932	$4,198,761	$12,439,694

2021	CariBBB+ Rated	CariBBB- Rated	A2 Rated	Baa1 Rated	Total
Government note securities	-	10,100,015	-	-	10,100,015
Ultra-short bond fund	-	-	-	4,198,761	4,198,761
Corporate bonds	-	-	4,232,849	-	4,232,849
Asset-backed securities	-	-	140,178	-	140,178
	-	$10,100,015	$4,373,027	$4,198,761	$18,671,803

As detailed in Note 6, the government note was issued by the Government of St. Lucia and is repayable on October 11, 2023. The government note is 1.8% (2021: 3.6%) of total assets and therefore bankruptcy or insolvency of the issuer would have a moderate impact on the Bank's financial position.

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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. The Bank's financial investments balance includes an ultra-short bond fund totalling $4,198,761 (2021: $4,198,761), 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, 2022, the ratio of liquid assets over short-term deposit liabilities was recorded at 24% (2021: 21%).

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

Liquid assets	2022	2021
Cash and cash equivalents	13,080,843	17,748,516
Due from banks	8,220,411	149,440
Financial investments	4,198,761	4,198,761
	$25,500,015	$22,096,717

Concentration risk

As at December 31, 2022, the Government held certificates of deposit totaling $28,782,609 (2021: $28,694,437) and its statutory bodies held certificates of deposit totaling $73,625,184 (2021: $78,513,475). The Government and its statutory bodies also held savings deposits totaling $2,714,342 and $45,274 respectively (2021: $3,828,666 and $306,450). The Government and its statutory bodies held demand deposits totaling $1,659,728 and $262,408 respectively (2021: $634,935 and $390,536). Deposits issued to the Government and its statutory bodies represent 48% (2021: 49%) 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.

2022

	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	7,377,552	-	-	-	7,377,552
Amounts owed to savings depositors	73,581,670	-	-	-	73,581,670
Amounts owed to certificate of deposit holders	23,965,204	100,764,242	17,427,149	-	142,156,595
Trade and other payables	2,715,243	-	-	-	2,715,243
Total	$107,639,669	$100,764,242	$17,427,149	-	$225,831,060

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21. FINANCIAL RISK MANAGEMENT (Continued)

21.3 Liquidity risk and funding management (continued)

Analysis of financial liabilities by remaining contractual maturities (continued)

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

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

2022	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	3,934,655	3,581,742	-	-	7,516,397
	$3,934,655	$3,581,742	-	-	$7,516,397

2021	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	3,929,196	2,447,318	190,160	-	6,566,674
	$3,929,196	$2,447,318	$190,160	-	$6,566,674

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

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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, 2022, if market interest rates increased by 25 basis points (0.25%) (2021: 25 basis points), with all other variables held constant, the Bank's loss would have increased and total assets would have decreased by $485,881 (2021: $485,907). A decrease in market interest rates of 25 basis points (2021: 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.

2022	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	13,080,843	-	-	-	13,080,843
Due from banks	8,115,454	104,957	-	-	8,220,411
Gross loans and advances to customers	9,370,981	8,699,981	28,015,290	190,305,679	236,391,931
Regulatory deposit	-	-	-	500,000	500,000
Financial investments at amortised cost	4,198,761	8,132,001	-	108,932	12,439,694
Total	$34,766,039	$16,936,939	$28,015,290	$190,914,611	$270,632,879
Financial Liabilities					
Amounts owed to savings depositors	73,581,670	-	-	-	73,581,670
Amounts owed to certificate of deposit holders	24,016,768	101,213,488	17,489,043	-	142,719,299
Total	$97,598,438	$101,213,488	$17,489,043	-	$216,300,969
Total interest re-pricing gap	($62,832,399)	($84,276,549)	$10,526,247	$190,914,611	$54,331,910

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21. FINANCIAL RISK MANAGEMENT (Continued)

21.4 Market risk (Continued)

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 held-to-maturity	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	$49,446,447

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.

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.

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23. CAPITAL ADEQUACY REQUIREMENTS (Continued)

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, 2022:

	2022	2021
Tier 1 Capital	39,609,793	40,634,639
Tier 2 Capital	1,375,793	1,375,793
Total Capital	$40,985,586	$42,010,432
Risk Weighted Capital Adequacy Ratio	22%	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

Management evaluated all activity of the Bank from January 1, 2023 through the issuance date of the financial statements and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the related notes to the financial statements.

26. ACCOUNTING POLICIES

26.1 Changes in accounting policies

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

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
- Conceptual Framework for Financial Reporting (Amendments to IFRS 3).

The adoption of these amendments 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.

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Notes to the Financial Statements
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26. ACCOUNTING POLICIES (Continued)

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 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

  In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures;

- Definition of Accounting Estimates (Amendments to IAS 8)

  In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates;

- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

  In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously.

The following amendments are effective for the period beginning 1 January 2024:

- Lease Liability in a Sale and Leaseback (Amendment to IFRS 16);
  The Amendments provide a requirement for the seller-lessee to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

- IAS 1 Presentation of Financial Statements (Amendment - Classification of Liabilities as Current or Non-Current);
  The amendments require that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period.

- IAS 1 Presentation of Financial Statements (Amendment - Non-current Liabilities with Covenants).
  If an entity's right to defer is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period. The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current.

The Bank is currently assessing the impact of these amendments. The Bank does not believe that these amendments will have a significant impact on the financial statements.

The Bank does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the financial statements.

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.

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26. ACCOUNTING POLICIES (Continued)

26.2 Foreign currency translation (continued)

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.

26.3 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/or 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.

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Notes to the Financial Statements
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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).

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Notes to the Financial Statements
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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'.

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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.

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.

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

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26. ACCOUNTING POLICIES (Continued)

26.5 Impairment of financial assets (continued)

Measurement of ECL (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.

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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 whether 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.

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Notes to the Financial Statements
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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.

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Notes to the Financial Statements
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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, 2022 is $223,482 (2021: $291,527).

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.

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Notes to the Financial Statements
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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.

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Notes to the Financial Statements
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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.

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.

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

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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.

December 31, 2022	Lease Contracts Number	Fixed payments %	Variable payments %	Sensitivity
Property leases with payments linked to inflation	2	-	89.7%	173,722
Property leases with periodic uplifts to market rentals	2	-	10.3%	16,054
Total	**4**	**-**	**100%**	**$189,776**

December 31, 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%**	**$264,192**

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Notes to the Financial Statements
For The Year Ended December 31, 2022
Expressed in United States Dollars

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, 2022 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 $175,200 (2021: $1,190,629) are potentially avoidable were the Bank to exercise the 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.

“A budget tells us what we can’t afford, but it doesn’t keep us from buying it.”
– William Feather

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