NATIONAL BANK
OF THE VIRGIN ISLANDS LIMITED

Audited Financial Statements

For The Year Ended December 31, 2015

NATIONAL BANK
OF THE VIRGIN ISLANDS LIMITED

Audited Financial Statements

For The Year Ended December 31, 2015

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Table of Contents

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Bank Directory

Board of Directors

Mr. Clarence Faulkner	Chairman
Mrs. Sandra Scatliffe	Member
Mr. Rodney Herbert	Member
Mr. Audley Maduro	Member
Mrs. Benedicta Samuels	Member
Dr. Drexel Glasgow	Member
Ms. Joy Francis	Ex-Officio Member
Ms. Stephanie George	Ex-Officio Member

Registered Office

Blenheim Trust (BVI) Limited
125 Main Street
P.O. Box 144
Road Town, Tortola
British Virgin Islands

Tel: (284) 494 3783
Fax: (284) 494 2220
www.bdo.vg

PO Box 34
Sea Meadow House
TobaccoWharf
Road Town
Tortola VG1110
British Virgin Islands

Independent Auditor's Report

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

We have audited the accompanying financial statements of the National Bank of the Virgin Islands Limited, which comprise of the statement of financial position as at December 31, 2015 and the statements of comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the National Bank of the Virgin Islands Limited as at December 31, 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

BDO Limited

July 25, 2016
Tortola, British Virgin Islands

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Statement of Financial Position
As at December 31, 2015
Expressed in United States Dollars

	Notes	2015	2014
ASSETS			
Cash and cash equivalents		18,126,761	30,359,766
Due from bank	3	17,397,645	4,312,457
Loans and advances to customers	4	145,127,618	138,452,406
Other customer receivables	6	369,832	271,446
Other receivable	7	225,000	125,000
Financial investments held-to-maturity	8	904,163	1,136,788
Prepayments		278,908	180,035
Property and equipment	9	3,703,675	2,708,793
General banking licence deposit	10	500,000	500,000
TOTAL ASSETS		**$186,633,602**	**$178,046,691**
SHAREHOLDER'S EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	11	-	-
Additional paid-in capital	11	13,738,100	13,738,100
Retained earnings		13,390,835	13,262,284
Total share capital and reserves		27,128,935	27,000,384
Liabilities			
Amounts owed to savings depositors	12	42,942,252	39,930,672
Amounts owed to certificate of deposit holders	13	116,085,406	110,806,639
Trade and other payables	14	477,009	308,996
Total liabilities		159,504,667	151,046,307
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		**$186,633,602**	**$178,046,691**

APPROVED BY THE BOARD

_______________________ Director
Clarence Faulkner, *Chairman*

July 25, 2016 Date approved

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

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Statement of Comprehensive Income
For The Year Ended December 31, 2015
Expressed in United States Dollars

	Notes	2015	2014
Interest and similar income	15	8,313,945	7,866,480
Interest expense	16	(1,610,875)	(1,578,022)
Net interest income		6,703,070	6,288,458
Fees and commissions	17	600,763	625,362
Other operating income		40,895	11,710
Total operating income		7,344,728	6,925,530
Credit loss expenses	5	(1,474,070)	(476,130)
Net operating income		**5,870,658**	**6,449,400**
EXPENSES			
Depreciation	9	(573,766)	(576,315)
Other operating expenses	18	(5,168,341)	(5,099,755)
Total operating expenses		(5,742,107)	(5,676,070)
NET PROFIT FOR THE YEAR		**$128,551**	**$773,330**

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, 2015
Expressed in United States Dollars

	2015			
	Share Capital	Additional Paid-in Capital	Retained Earnings	Total
Balance at beginning of the year	**-**	**13,738,100**	**13,262,284**	**27,000,384**
Net profit for the year	-	-	128,551	128,551
BALANCE AT THE END OF THE YEAR	**$ -**	**$13,738,100**	**$13,390,835**	**$27,128,935**

	2014			
	Share Capital	Additional Paid-in Capital	Retained Earnings	Total
Balance at beginning of the year	-	13,738,100	12,488,954	26,227,054
Net profit for the year	-	-	773,330	773,330
BALANCE AT THE END OF THE YEAR	**$ -**	**$13,738,100**	**$13,262,284**	**$27,000,384**

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, 2015
Expressed in United States Dollars

	2015	2014
OPERATING ACTIVITIES		
Interest and commission income received	7,362,992	8,175,581
Interest paid	(1,607,856)	(1,571,814)
General and administrative expenses paid	(5,099,201)	(5,090,107)
Changes in operating assets and liabilities:	655,935	1,513,660
Net increase in loans advanced to customers	(6,655,057)	(8,183,581)
Net (increase) decrease in other receivable	(100,000)	125,000
Net increase in savings deposits	3,011,580	4,517,525
Net increase in certificates of deposit	5,275,748	18,497,100
Cash flows from operating activities	2,188,206	16,469,704
INVESTING ACTIVITIES		
Net movement on amounts due from bank	(13,085,188)	(11,896)
Net movement on held-to-maturity investments	232,625	252,293
Purchase of fixed assets	(1,568,648)	(493,710)
Sales proceeds from disposal of fixed assets	-	207,378
Cash flows used in investing activities	(14,421,211)	(45,935)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(12,233,005)	16,423,769
CASH AND CASH EQUIVALENTS		
At beginning of year	30,359,766	13,935,997
At end of year	**$18,126,761**	**$30,359,766**
CASH AND CASH EQUIVALENTS:		
Cash in hand and current account balances with other banks	9,228,832	16,196,494
Fixed deposits with brokers	381,064	109,898
Certificates of deposit with other banks	8,516,865	14,053,374
	$18,126,761	**$30,359,766**

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

1. ORGANIZATION AND ACTIVITIES

The National Bank of the Virgin Islands Limited (the "Bank") was incorporated in the British Virgin Islands under the Companies Act, Cap. 285 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 commercial banking services in the British Virgin Islands. The Bank is wholly owned by the Government of the Virgin Islands (the "Government"). The Bank's registered office was located at Blenheim Trust (BVI) Limited, 125 Main Street, P.O. Box 144, Road Town, Tortola VG1110, British Virgin Islands up to July 14, 2016. Effective July 15, 2016 the Bank's registered office was changed to Harneys Corporate Services Limited, Craigmuir Chambers, P.O. Box 71, Road Town, Tortola VG1110, British Virgin Islands. The Bank operates out of its sole branch on Wickham's Cay I, Road Town, Tortola, British Virgin Islands.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") 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 organized and operates as one segment (both in terms of business and geography). Consequently, no segment reporting is provided in the Bank's financial statements.

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

- **Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32**. These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Bank, since the Bank has no offsetting arrangements.

- **IFRIC 21 Levies.** IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Bank as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

- **Annual Improvements 2011-2013 cycle.** In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Bank, since the Bank is an existing IFRS preparer.

  The application of the above-mentioned amendments and standards had no significant effect on the current period or any prior period. None of the other new standards, interpretations and amendments effective for the first time from January 1, 2014, have had a material effect on the financial statements.

2. ACCOUNTING POLICIES (Continued)

2.3 Standards, amendments and interpretations to existing standards in issue but not yet effective and relevant to the Bank

The following new standards, interpretations and amendments, which have not been applied in these financial statements will or may have an effect on the Bank's future financial statements:

- **IFRS 9, Financial Instruments.** This new standard completes the first part of a three-part project to replace IAS 39, Financial Instruments: Recognition and Measurement. The classification of financial instruments will be based on how an entity manages its financial instruments and the contractual cash flows. IFRS 9 will also permit a single impairment method. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. As a result, this new standard will increase comparability, enhance the ability of the users to understand the accounting of financial instruments and reduce the complexity (effective for annual periods beginning on or after January 1, 2018).

- **IFRS 15 Revenue from Contracts with customers.** IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Bank is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required date.

- **IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets***

  The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

- **IAS 24 *Related Party Disclosures***

  The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- **Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation***

  The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

  The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Bank given that the Bank has not used a revenue-based method to depreciate its non-current assets.

2. ACCOUNTING POLICIES (Continued)

2.3 Standards, amendments and interpretations to existing standards in issue but not yet effective and relevant to the Bank

None of the other new standards, interpretations and amendments, which are effective for periods beginning after January 1, 2016 and which have not been adopted early, are expected to have a material effect on the Bank's future financial statements.

2.4 Comparative figures

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

2.5 Significant accounting judgments and estimates

The preparation of financial statements in conformity with International Financial Reporting Standards 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

Impairment losses on loans and advances

The Bank reviews its non-performing loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, judgment by management is required in the estimation of the collateral value and current financial standing of the customer when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

2.6 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 realized gains and losses on disposals or settlements of monetary assets and liabilities are recognized in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies which are stated at historical cost are translated at the foreign currency exchange rate ruling at the date of the transaction, or if impaired, at the date of the impairment recognition. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into United States dollars at the foreign currency exchange rates ruling at the dates that the values were determined.

2. ACCOUNTING POLICIES (Continued)

2.7 Financial instruments – initial recognition and subsequent measurement

Date of recognition

All 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.

Financial assets

The Bank classifies its financial assets into one of the categories discussed below. The Bank's accounting policy for each category is as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured initially at fair value plus transaction costs that are directly related to their acquisition on issue.

After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in '*Interest and similar income'* in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in 'Credit loss expenses'.

The Bank's loans and receivables comprise of due from bank, loans and advances to customers, other customer receivables and other receivable.

Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables that the Bank's management has the positive intention and ability to hold to maturity. These assets are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of debt securities held to maturity is established when there is objective evidence that the Bank will not be able to collect all amounts due according to their original terms.

Borrowed funds

These are financial instruments where the substance of the contractual arrangement results in the Bank having an obligation to deliver cash or another financial asset to the counterparty, in order to satisfy their obligation. The Bank recognizes its financial liabilities on the date it becomes a party to the contractual provisions of these instruments. Financial liabilities are not recognized unless one of the parties has performed.

Financial liabilities are measured initially at fair value (transaction price) plus transaction costs that are directly attributable to the issue of the financial liability. After initial measurement, borrowings are subsequently measured at amortised cost using the effective interest rate method.

2. ACCOUNTING POLICIES (Continued)

2.8 Derecognition of financial assets and financial liabilities

Financial assets

A financial asset is derecognized when the Bank loses control over the contractual rights that comprise that asset. This occurs when the rights are realized, expired or are surrendered.

Financial liabilities

The Bank derecognizes 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.

2.9 Impairment of financial assets

The Bank assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and the loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in principal or interest payments.

Loans and advances to customers

Allowance for impairment of loans and advances is established when there is objective evidence that the Bank will not be able to collect all amounts due according to the original terms of the loans and advances. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loan or receivable is impaired. When assessing loans individually for impairment, the amount of the allowance is the difference between the asset's carrying value and an estimated foreclosure value based on the appraised value of the collateral in accordance with IAS 39 AG 84. Loans and advances that have been individually assessed, and found not to be impaired, are then grouped with assets having similar credit risk characteristics for further review. Categories utilized by the Bank to perform a collective assessment of impairment for the remaining loans are satisfactory, special mention, substandard, doubtful, loss and non-accrual. Each category is assigned a level of provision (currently up to 50%), which is multiplied by the current balance to determine the allowance assigned to the loan category.

The amount of the allowance is recognised in the statement of comprehensive income and is based on estimates made by management. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements of future periods could be material.

The Bank's loans and advances include a sub-type classification identified as non-performing (or non-current) loans, which are classified as non-performing when payment of principal or interest is contractually 90 days (2014: 90 days) or more past due or the loan matures with a balance.

Loans and advances are also classified in the "Watch List" when:

- payment of principal or interest is contractually 60 – 89 days (2014: 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.

2. ACCOUNTING POLICIES (Continued)

2.9 Impairment of financial assets (continued)

When a loan is classified as non-performing, all accrued and unpaid interest is reversed and charged against interest income in the period in which the loan is classified as non-performing. When a repayment is received against a non-current loan, the repayment is recorded as a reduction, first, against any outstanding interest receivable on the loan, and second, against the outstanding principal balance. Non-performing loans may revert to performing status when all payments become fully current and remain fully current for 90 consecutive days.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the Statement of Comprehensive Income.

As part of its operating activities, the Bank also restructures loans where the terms of contract or contracts have been modified as a result of the weakened financial position of the borrower.

When a loan is restructured, all accrued and unpaid interest is either rolled up into a new loan contract along with the outstanding principal, or converted into a new separate loan or all interest, or portion thereof, is forgiven. Subsequent payments received on restructured loans are applied in the same way as for normal loans, and a portion of the interest previously capitalized is recognized as interest income based on the capitalized interest as a percentage of the total restructured loan.

Restructured loans are moved to performing status, after remaining current for 90 consecutive days. Thereafter, loans are transferred to the Watch List for continued monitoring for a minimum of 90 days, during which time they must remain current. If the loans do not remain current, they will remain on the Watch List or be reclassified to non-performing status, as applicable.

Held-to-maturity investments

For held-to-maturity investments, the Bank assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. In the absence of estimated future cash flows, the Bank uses the instrument’s fair value using an observable market price when calculating impairment.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to the statement of comprehensive income.

2.10 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 recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.11 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.

2. ACCOUNTING POLICIES (Continued)

2.12 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, any uncollected interest is reversed against interest income. Interest is calculated using the simple interest method on daily balances of the principal amount outstanding.

For all financial instruments measured at amortized 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 or financial liability.

Fee and commission income

Fees and commissions are recognized 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 customer. Fees and commissions that are linked to provision of a service are recognized after fulfilling the requisite service.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, deposits held at call, cash held with broker and short-term highly liquid investments with maturities of three months or less from the date of acquisition.

2.14 Pension

The Bank is a member of a defined contribution pension plan. A defined contribution plan is 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.

2.15 Taxation

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

2.16 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated 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:

Motor vehicles	5 years
Furniture and fixtures	3-10 years
Computer equipment	2-5 years
Leasehold improvements	3-10 years

Assets are depreciated from the date that the asset is available for use. Expenditure on repairs and maintenance of fixed assets made to restore or maintain future economic benefits expected from the assets is recognized as an expense when incurred.

Expressed in United States Dollars

2. ACCOUNTING POLICIES (Continued)

2.17 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 recognized 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 amortization, if no impairment loss had been recognized.

2.18 Collateral Valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms, such as cash or real estate. The fair value of collateral is generally assessed, at a minimum, at inception 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.

2.19 Operating Lease Agreement

Lease agreements which do not transfer substantially all the risks and benefits incidental to ownership of the leased items are classified as operating leases. Operating lease payments are recorded in the statement of comprehensive income on a straight line basis over the lease term.

3. DUE FROM BANK

	2015	**2014**
Certificates of deposit	17,369,670	4,305,057
Add: interest receivable	27,975	7,400
	$17,397,645	$4,312,457

Due from bank relates to placements whose maturity is less than one year from date of the statement of financial position but more than three months from placement date.

The Bank has pledged $100,000 of amounts due from bank as security for corporate credit cards with an aggregate credit limit of $77,500 (2014: $85,000) as at December 31, 2015.

Expressed in United States Dollars

4. LOANS AND ADVANCES TO CUSTOMERS

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

The Bank analyses its loan portfolio by category as follows:

2015

	Commercial	**Mortgages**	**Personal**	**Total**
Performing loans	26,560,732	80,575,954	13,939,275	121,075,961
Non-performing loans	16,222,382	10,192,428	1,066,909	27,481,719
Gross loans	42,783,114	90,768,382	15,006,184	148,557,680
Less: allowance for credit losses	(949,204)	(1,433,809)	(135,915)	(2,518,928)
	$41,833,910	$89,334,573	$14,870,269	$146,038,752
Add: interest receivable				458,670
Less: interest provision on restructuring				(1,369,804)
				$145,127,618

2014

	Commercial	**Mortgages**	**Personal**	**Total**
Performing loans	20,058,219	76,940,940	13,060,434	110,059,593
Non-performing loans	19,688,283	10,211,651	834,881	30,734,815
Gross loans	39,746,502	87,152,591	13,895,315	140,794,408
Less: allowance for credit losses	(471,338)	(756,998)	(97,616)	(1,325,952)
	$39,275,164	$86,395,593	$13,797,699	$139,468,456
Add: interest receivable				438,515
Less: interest provision on restructuring				(1,454,565)
				$138,452,406

In general, interest rates on loans and advances range between 5.0% and 14.0% (2014: 5.5% and 14.0%) per annum. Of the loans in the portfolio, 467 (2014: 434) totaling $126,313,952 (2014: $116,822,736) had an interest rate of less than 8.0%. The weighted average interest rate on these loans was 6.0% (2014: 6.0%).

Expressed in United States Dollars

4. LOANS AND ADVANCES TO CUSTOMERS (Continued)

Renegotiated loans

As at December 31, 2015, the loans and advances to customers includes $1,369,804 (2014: $1,454,565) of interest which was outstanding at the date of restructuring. This interest is included as part of the restructured loans and advances as principal or converted into new loans. A corresponding provision has been recorded, which offsets the interest capitalized. As payments on these restructured loans are received, this provision is reduced in proportion to balance received, in the same manner as the interest recognized to income.

5. ALLOWANCE FOR CREDIT LOSSES

	2015	2014
Opening balance	1,325,952	916,280
Provision for loan losses	1,474,070	476,130
Releases	(26,463)	(60,055)
Write-offs	(254,631)	(6,403)
Ending balance	$2,518,928	$1,325,952

Collateral repossessed

During the year, the Bank exercised its power of sale over real estate collateral with a market value of $422,000 (2014: $40,000).

6. OTHER CUSTOMER RECEIVABLES

	2015	2014
Late charges	116,884	124,989
Insurance	63,245	63,245
Other	189,703	83,212
	$369,832	$271,446

7. OTHER RECEIVABLE

This amount relates to a short term advance to the Scholarship Trust Fund (the “Fund”). The Bank acts as the administrator of the Fund. The outstanding balance at year end is unsecured, interest free and has no fixed repayment terms. For the year ended December 31, 2015, the Bank has not recorded any impairment relating to this other receivable.

Expressed in United States Dollars

8. HELD-TO-MATURITY INVESTMENTS

	2015	**2014**
Asset-backed securities	901,002	1,133,627
Add: Interest receivable	3,161	3,161
	$904,163	$1,136,788

The following table presents movement in held-to-maturity investments (excluding interest receivable).

	2015	**2014**
Beginning balance	1,133,627	1,385,920
Net losses recognized in the statement of comprehensive income	-	-
Purchases	-	-
Sales and repayments	(232,625)	(252,293)
	$901,002	$1,133,627

Interest rates on the asset-backed securities range from 4.0% to 6.5% per annum. The weighted average life of these securities range from 0.12 to 5.36 (2014: 0.72 to 5.85) years.

8.1 Fair value information

2015	**Book value**	**Market value**
Government and asset-backed securities	$901,002	$872,518

2014	**Book value**	**Market value**
Government and asset-backed securities	$1,133,627	$1,123,262

NATIONAL BANK OF THE VIRGIN ISLANDS LIMITED

Notes to the Financial Statements
For The Year Ended December 31, 2015
Expressed in United States Dollars

9. PROPERTY AND EQUIPMENT

	Motor Vehicles	Furniture & Fixtures	Computer Equipment	Leasehold Improvements	Land & Buildings	Work in Progress	Total
Cost							
January 1, 2015	62,895	909,765	1,220,417	2,584,963	-	222,430	5,000,470
Additions	-	575	173,783	203,640	1,210,000	-	1,587,998
Transfers In	-	-	-	5,625	-	190,616	196,241
Transfers Out	-	(5,625)	-	-	-	(209,966)	(215,591)
December 31, 2015	$ 62,895	$904,715	$1,394,200	$2,794,228	$1,210,000	$203,080	$6,569,118
Accumulated Depreciation							
January 1, 2015	37,232	482,095	807,510	964,840	-	-	2,291,677
Charge	7,699	62,516	230,762	272,789	-	-	573,766
December 31, 2015	$44,931	$544,611	$1,038,272	$1,237,629	-	-	$2,865,443
Net Book Value							
December 31, 2015	$17,964	$360,104	$355,928	$1,556,599	$1,210,000	$203,080	$3,703,675
December 31, 2014	$25,663	$427,670	$412,907	$1,620,123	-	$222,430	$2,708,793

Expressed in United States Dollars

10. GENERAL BANKING LICENCE DEPOSIT

In accordance with the Banks and Trust Companies Act, 1990 (as amended), a deposit of $500,000 (2014: $500,000) has been lodged with the British Virgin Islands Financial Services Commission (BVI 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 of December 31, 2015 was 0.04% (2014: 0.09%).

11. SHARE CAPITAL

	2015	2014
Authorized:		
15,000,000 (2014: 15,000,000) no par value shares	-	-
Issued and fully paid:		
9,738,100 (2014: 9,738,100) no par value shares	-	-

As at December 31, 2015, the Bank has issued 9,738,100 no par value shares for a consideration of $13,738,100. The Bank is wholly owned by the Government. The liability of the sole shareholder is limited by shares.

The shareholder is entitled 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.

12. AMOUNTS OWED TO SAVINGS DEPOSITORS

	2015	2014
Individuals	37,199,625	35,288,361
Businesses	5,742,627	4,642,311
	$42,942,252	$39,930,672

The average effective rate of interest on customer deposits during the year was 0.50% (2014: 0.61%).

During the period ended December 31, 2015, the Bank transferred 73 (2014: 101) dormant accounts totaling $36,898 (2014: $55,341) to a special fund established for that purpose in accordance with the Dormant Accounts Act, 2011.

13. AMOUNTS OWED TO CERTIFICATE OF DEPOSIT HOLDERS

	2015	2014
Individuals	39,127,364	34,655,414
Businesses	76,408,078	75,605,279
	115,535,442	110,260,693
Add: Interest payable	549,964	545,946
	$116,085,406	$110,806,639

The average effective rate of interest on certificates of deposit during the year was 1.22% (2014: 1.24%)

Expressed in United States Dollars

14. TRADE AND OTHER PAYABLES

	2015	2014
Insurance escrow	196,536	191,139
Accrued pension liability (Note 18)	22,976	-
Trade payables	257,497	117,857
	$477,009	$308,996

15. INTEREST AND SIMILAR INCOME

	2015	2014
Loans and advances to customers	8,187,909	7,757,348
Held-to-maturity investments	45,076	56,683
Cash and placements	80,769	51,991
Other	191	458
	$8,313,945	$7,866,480

16. INTEREST EXPENSE

	2015	2014
Certificate of deposit holders	1,418,786	1,364,057
Savings depositors	192,089	213,965
	$1,610,875	$1,578,022

17. FEES AND COMMISSIONS

	2015	2014
Commitment fees	246,758	201,657
Late charges	101,321	48,823
Other fees received	146,213	309,920
Commission earned on administrative services	106,471	64,962
	$600,763	$625,362

Expressed in United States Dollars

18. OTHER OPERATING EXPENSES

	2015	2014
Staff costs	3,367,276	3,133,433
Rent	417,922	404,147
Repairs and maintenance	236,455	262,184
Professional fees	221,193	248,701
Marketing and advertising	180,835	146,647
Systems and communications	171,723	127,764
License fees and bank charges	123,546	107,822
Business insurance	103,947	75,819
Electricity and water	97,768	110,108
Travel and entertainment	77,828	78,827
Security services	75,628	100,088
Stationary and postage	44,517	36,717
Staff training	35,671	83,194
Other	14,032	16,131
Write-off of fixed assets	-	168,173
	$5,168,341	$5,099,755

Analysis of staff costs:

	2015	2014
Wages and salaries	2,689,351	2,452,352
Social security and payroll taxes	211,484	195,339
Pension expenses	203,286	180,544
Directors’ expenses	142,526	158,723
Staff insurance	110,560	99,666
Other staff-related costs	10,069	46,809
	$3,367,276	$3,133,433

During the year ended December 31, 2015, wages and salaries of $2,689,351 (2014: $2,452,352) were paid to an average of 48 employees (2014: 46).

Pension

The Virgin Islands Labour Code, 2010, stipulates that 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, 2014, the Bank became a member of the Multi-Employer Pension Plan (MEPP) established by the BVI Chamber of Commerce and Hotel Association (BVICCHA). 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, 2015, pension expenses of $203,286 (2014: $180,544) were incurred.

Expressed in United States Dollars

19. RELATED PARTY TRANSACTIONS

(a) During the year ended December 31, 2015, the Bank approved loans issued to current and former directors of the Bank and related persons totaling $100,200 (2014: $875,595). As at December 31, 2015, related party loans totaled $2,112,061 (2014: $1,266,095), which are included as part of loans and advances. The interest rates on these loans were recorded at 4.0% - 8.5% (2014: 4.0% - 8.5%).

(b) As at December 31, 2015, the Government held certificates of deposit totaling $21,101,549 (2014: $18,438,186). These certificates of deposit earn interest at rates ranging from 0.7% to 1.35% (2014: 0.8% to 1.4%) per annum. Additionally, government statutory bodies held certificates of deposit totaling $54,118,497 (2014: $54,728,476) at interest rates ranging from 1.0% to 1.5% (2014: 1.1% to 1.6%).

(c) As at December 31, 2015, directors' allowances totaled $126,000 (2014: $128,020). These amounts are included within directors' expenses.

20. COMMITMENTS

Undrawn loan commitments

As at December 31, 2015, the Bank had undrawn commitments under existing customer loan agreements totalling $3,221,394 (2014: $2,849,985).

Lease commitments

As at December 31, 2015, the future minimum rental payments for the Bank for the next five (5) years under operating lease agreements for the Bank's current premises and its Business Continuity Premises (BCP) are as follows:

2015	397,252
2016	398,332
2017	398,332
2018	398,332
2019	359,689
	$1,951,937

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 continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk, market risk and operational risk.

Risk Management Structure

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

Board of Directors

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

21. FINANCIAL RISK MANAGEMENT (Continued)

21.1 Risk Management Structure (continued)

Assets and Liabilities Committee

The Assets and Liabilities Committee ("ALCO") has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

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 should monitor the control 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 Auditor and Compliance Department 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 of Directors 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 of Directors on a 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, which now allows for loans to be categorized by loan type, collateral and other variables in the Bank's Management Information System. This information can now be utilized by Management to identify the Bank's excess risk concentration by the categories noted above.

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. 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.

Expressed in United States Dollars

21. FINANCIAL RISK MANAGEMENT (Continued)

21.2 Credit risk (continued)

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, 2015 is the carrying amount of the financial assets in the statement of financial position.

As at December 31, 2015, the Bank's cash and cash equivalents and certificates of deposit were held with two (2) financial institutions.

Deposits totalling $18,356,235 (2014: $29,955,968) or 10% (2014: 17%) of total assets are currently held at Banco Popular de Puerto Rico (Banco Popular), which has a long-term credit rating of Ba2 (2014: Ba1) per Moody's rating agency.

Deposits totalling $15,717,863 (2014: $2,999,102) or 8% (2014: 2%) of total assets are currently held at Bank of America, which has a long-term credit rating of Baa1 (2014: Baa2) per 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 their customers.

Management monitors the market value of collateral on non-performing loans during its review of the adequacy of the allowance for impairment losses.

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 held-to-maturity investments, the Bank determines the internal rating based on Moody's external rating of the respective 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 loan, capital invested, collateral and other conditions. The Bank's management is actively reassessing the existing loan rating system.

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 $27,481,719 (2014: $30,734,815):

As at December 31, 2015

	Less than 30 days	**30 to 59 days**	**60 to 89 days**	**90 days or more**	**Total**
Commercial	2,714,371	7,912,090	1,840,410	-	12,466,871
Mortgages	10,495,795	5,168,523	1,591,700	-	17,256,018
Personal	988,542	402,560	268,772	-	1,659,874
	$14,198,708	$13,483,173	$3,700,882	$ -	$31,382,763

During the year, the Bank renegotiated loans totaling $4,687,518 (2014: $6,789,078).

Expressed in United States Dollars

21. FINANCIAL RISK MANAGEMENT (Continued)

21.2 Credit risk (continued)

As at December 31, 2014

	Less than 30 days	30 to 59 days	60 to 89 days	90 days or more	Total
Commercial	3,730,456	4,772,723	437,884	-	8,941,063
Mortgages	8,238,582	5,741,696	1,413,434	-	15,393,712
Personal	1,776,590	669,229	292,652	-	2,738,471
	$13,745,628	$11,183,648	$2,143,970	$ -	$27,073,246

As at December 31, 2015, the credit rating of the Bank's held-to-maturity investments (excluding interest receivable) are as follows, based on Moody's Rating Agency.

2015	CAA1	CAA3	Not Rated	Total
Government and asset-backed securities	-	-	901,002	901,002
	$ -	$ -	$901,002	$901,002

2014	CAA1	CAA3	Not Rated	Total
Government and asset-backed securities	-	-	1,133,627	1,133,627
	$ -	$ -	$1,133,627	$1,133,627

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are past due by 90 days or more, whether there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment assessment for loans both individually and collectively.

The Bank first determines the allowances appropriate for each non-performing loan or advance. Items considered when determining allowance amounts include the sustainability of the customer's income, the customer's ability to improve performance once a financial difficulty has arisen, projected income, the availability of other financial support and the realisable value of collateral, and the timing of expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require enhanced attention.

Loans and advances that have been individually assessed and found not to be impaired are then grouped with assets having similar credit risk characteristics for further review. Categories utilized by the Bank to perform a collective assessment of impairment for the remaining loans are satisfactory, special mention, substandard, doubtful, loss and non-accrual. Each category is assigned a level of provision (currently up to 50%), which is multiplied by the current balance to determine the allowance assigned to the group of loans.

Expressed in United States Dollars

21. FINANCIAL RISK MANAGEMENT (Continued)

21.3 Liquidity risk and funding management

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

The Bank maintains liquid assets that can be drawn upon as needed, in the event of unforeseen interruption of cash flows. Liquid assets consist of cash and short-term bank deposits. The Board of Directors has determined that liquid assets held as the Bank's cash reserve, must be at least twenty percent (20%) of deposit liabilities net of deposits from the shareholder. As at December 31, 2015, the ratio of liquid assets over deposit liabilities (net of deposits from the shareholder) remained at 26% in comparison to 2014.

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.

2015

	Within 3 months	Over 3 months, but within 1 year	Over 1 year but within 5 years	Over 5 years	Total
Assets					
Cash and cash equivalents	18,126,761	-	-	-	18,126,761
Due from bank	12,249,794	5,147,851	-	-	17,397,645
Gross loans and advances to customers	8,234,588	17,976,821	8,359,644	113,986,627	148,557,680
Other customer receivables	369,832	-	-	-	369,832
Other receivable	225,000	-	-	-	225,000
Financial investments held-to-maturity	3,161	-	901,002	-	904,163
Total assets	39,209,136	23,124,672	9,260,646	113,986,627	185,581,081
Liabilities					
Amounts owed to savings depositors	42,942,252	-	-	-	42,942,252
Amounts owed to certificate of deposit holders	47,809,946	68,275,460	-	-	116,085,406
Trade and other payables	477,009	-	-	-	477,009
Total liabilities	91,229,207	68,275,460	-	-	159,504,667
Net assets/(liabilities)	$(52,020,071)	$(45,150,788)	$9,260,646	$113,986,627	$26,076,414

Expressed in United States Dollars

21. FINANCIAL RISK MANAGEMENT (Continued)

21.3 Liquidity risk and funding management (continued)

2014	**Within 3 months**	**Over 3 months, but within 1 year**	**Over 1 year but within 5 years**	**Over 5 years**	**Total**
Assets					
Cash and cash equivalents	30,359,766	-	-	-	30,359,766
Due from bank	4,211,707	100,750	-	-	4,312,457
Gross loans and advances to customers	5,935,633	10,334,468	15,606,612	108,917,695	140,794,408
Other customer receivables	271,446	-	-	-	271,446
Other receivable	125,000	-	-	-	125,000
Financial investments held-to-maturity	3,161	104,287	1,029,340	-	1,136,788
Total assets	40,906,713	10,539,505	16,635,952	108,917,695	176,999,865
Liabilities					
Amounts owed to savings depositors	39,930,672	-	-	-	39,930,672
Amounts owed to certificate of deposit holders	50,290,453	60,516,186	-	-	110,806,639
Trade and other payables	308,996	-	-	-	308,996
Total liabilities	90,530,121	60,516,186	-	-	151,046,307
Net assets/(liabilities)	$(49,623,408)	$(49,976,681)	$16,635,95	$108,917,695	$25,953,558

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

2015	**On Demand**	**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	-	2,498,809	722,586	-	-	3,221,395
Rent	-	99,583	298,749	1,716,100	1,679,242	3,793,674
	$ -	$2,598,392	$1,021,335	$1,716,100	$1,679,242	$7,015,069

2014	**On Demand**	**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	-	1,299,363	1,550,622	-	-	2,849,985
Rent	-	99,313	297,939	1,567,407	2,044,426	4,009,085
	$-	$1,398,676	$1,848,561	$1,567,407	$2,044,426	$6,859,070

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

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 cash and cash equivalents, savings and certificates of deposit, while loans and advances to customers and held-to-maturity investments expose the Bank to fair value interest rate risk. The interest rates on mortgage and personal loans and advances and balances owed to savings depositors are generally fixed. The interest rates on certificates of deposit are fixed over their periods to maturity; however due to the short-term nature of their maturities and based on the fact that these certificates of deposit automatically roll over if they are not cancelled, this exposes the Bank to interest rate risk similar to being subject to variable interest rates. Variable interest rates are utilized for most commercial loans which are based on the US Prime Rate plus a fixed margin determined at the inception of the loan. The Bank has a negative interest rate gap 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, 2014, if market interest rates increased by 25 basis points (0.25%) (2014: 25 basis points), with all other variables held constant, the Bank's profit and total assets would have decreased by $274,987 (2014: $329,289). A decrease in market interest rates of 25 basis points (2014: 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 assumption for the reasonably possible change in interest rates.

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. The penalty is 3 months interest on the outstanding principal balance or 1% of the outstanding principal balance, whichever is greater.

21.5 Operational risk

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

Expressed in United States Dollars

22. 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 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.

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, 2015:

	2015	**2014**
Tier 1 Capital	27,128,935	27,000,384
Total Capital	27,128,935	27,000,384
Risk Weighted Capital Adequacy Ratio	22.91%	25.98%
Leverage Ratio	14.65%	15.97%