

Schedule I
FORM ECSRC – K
ANNUAL REPORT
PURSUANT TO SECTION 98(1) OF THE SECURITIES ACT, 2001

For the financial year ended June 30 2019

Issuer Registration number
NBD25102003DM

National Bank of Dominica Ltd

(Exact name of reporting issuer as specified in its charter)

Commonwealth of Dominica

(Territory of incorporation)

64 Hillsborough Street, Roseau, Dominica

(Address of principal office)

REPORTING ISSUER'S:

Telephone number (including area code): 767-255-2320/255-2620/255-2300

Fax number: 767-448-3982

Email address: eedwards@nbd.dm/mbethel@nbd.dm

(Provide information stipulated in paragraphs 1 to 14 hereunder)

Indicate whether the reporting issuer has filed all reports required to be filed by section 98 of the Securities Act, 2001 during the preceding 12 months

Yes

No

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report.

CLASS	NUMBER
Ordinary	24,000,000

SIGNATURES

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer:

Ellingworth Edwards

SIGNED AND CERTIFIED

January 10, 2020

Date

Name of Director:

Brenton Hilaire

SIGNED AND CERTIFIED

January 10, 2020

Date

Name of Chief Financial Officer:

Linda Toussaint-Peter

SIGNED AND CERTIFIED

Signature

January 10, 2020

Date

INFORMATION TO BE INCLUDED IN FORM ECSRC-K

1. Business.

Provide a description of the developments in the main line of business including accomplishments and future plans. The discussion of the development of the reporting issuer's business need only include developments since the beginning of the financial year for which this report is filed.

The Bank completed and commenced implementation of its Enterprise Risk Management (ERM) framework.

An IFRS#9 Loan Loss Provisioning Model was developed to guide the preparation of the Financial Statements as at year end June 2019.

Work continued on the upgrading of our Card business infrastructure.

Plans were advanced towards Functional Cooperation initiatives between ourselves and some other ECCU indigenous banks.

2. Properties.

Provide a list of properties owned by the reporting entity, detailing the productive capacity and future prospects of the facilities. Identify properties acquired or disposed of since the beginning of the financial year for which this report is filed.

1. Hillsborough Street Branch, Roseau
2. National Bank of Dominica Financial Centre, Canefield
3. Portsmouth Branch, Portsmouth
4. Certificate of Title No. 564 of 2016 Reg. Bk. H20 Folio 68 over a portion of land known as lots 24 and 25 at Macoucherie Estate in the Parish of St Joseph in the Commonwealth of Dominica containing 1.545 acres and registered in the name of the National Investment Corporation Inc.
5. Certificate of Title No. 563 of 2016 Reg. Bk. H20 Folio 67 over a portion of land known as agricultural lot 3 at Macoucherie Estate in the Parish of St Joseph in the Commonwealth of Dominica containing 1.26 acres and registered in the name of the National Investment Corporation Inc.
6. Certificate of Title No 562 of 2016 Reg. Bk. H20 Fol. 66 over a portion of land known as Agricultural lots 4 & 5 at Macoucherie Estate in the Parish of St Joseph in the Commonwealth of Dominica containing 2.192 acres and registered in the name of the National Investment Corporation Inc.

3. Legal Proceedings.

Furnish information on any proceedings that were commenced or were terminated during the current financial year. Information should include date of commencement or termination of proceedings. Also include a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

Gina Dyer-Munro v National Bank of Dominica Ltd
Date commenced: 12th December 2019
Date Ended: Ongoing
Cause of Action: Breach of Contract

Summary:

Gina Dyer Munro is the attorney of fact of Suzanne Penelope De Grunchy. The power of attorney naming her as attorney in fact was registered on March 12th 2018 and presented to the bank on the 17th of September 2019. Mrs. Munro wanted to withdraw monies from the account and purported to rely on the power of attorney as giving her the authority to do so. An issue arose as to the interpretation of Clause 10 (which is the clause she relies on as granting her the power of withdrawal) of the power of attorney which states:

" To collect and receive and deposit any monies on my behalf or by virtue of these presents with any Banking Institution in my name, and to withdraw such monies or any monies which are now deposited or which shall be deposited in my name or on my behalf with any Banking Institution especially in respect of my account at the National Bank of Dominica."

the bank interprets this clause as giving Mrs. Munro the power to withdraw any monies that she would have collected and deposited into the account, or any monies which would have been deposited into the account after the 12th of March 2018. Mrs. Munro disagreed and claims that she is entitled to withdraw all monies in the account, including monies existing in the account before the 12th of March 2018. Bank did not allow her to withdraw the monies.

Also, when Mrs. Munro presented the bank with the power of attorney she also had with her a payment order from the customer. The payment order was dated the 7th June 2019 and requested that the money in the customer's account be

Properties

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7. A portion of land at Macoucherie Estate in the Parish of St Joseph in the Commonwealth of Dominica containing 0.957 acres and registered in the name of the National Investment Corporation Inc. (Certificate of Title in progress.)
8. A portion of land at Macoucherie Estate in the Parish of St Joseph in the Commonwealth of Dominica containing 3.897 acres and registered in the name of the National Investment Corporation Inc. (Certificate of Title in progress.)
9. A portion of land at Macoucherie Estate in the Parish of St Joseph in the Commonwealth of Dominica containing 8.30 acres and registered in the name of the National Investment Corporation Inc. (Certificate of Title in progress.)

10. Certificate of Title No. 154 of 1999 Reg. Bk. B13 Folio 80 over a portion of land at Glanvillia, Portsmouth in the Parish of St John in the Commonwealth of Dominica containing 43,560 sq ft and registered in the name of the National Investment Corporation Inc.

Legal Proceedings

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Also, when Mrs. Munro presented the bank with the power of attorney she also had with her a payment order from the customer. The payment order was dated the 7th June 2019 and requested that the money in the customer's account be transferred to the customer's U.K. account. The instructions noted in the payment order contravened the instructions that Mrs. Munro was giving. Mrs. Munro was advised that we could act on the payment order and not on the power of attorney and she refused to process the payment order. she left with the original payment order and so the bank could not act on it. Mrs. Munro later sued the bank for Breach of Contract.

- (e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

None

5. Market for Reporting issuer's Common Equity and Related Stockholder Matters.

Furnish information regarding all equity securities of the reporting issuer sold by the reporting issuer during the period covered by the report.

The National Bank of Dominica Ltd did not sell any equity securities during the relevant period; securities are sold by security holders by private treaty and are not publicly traded.

6. Financial Statements and Selected Financial Data.

Attach Audited Financial Statements, which comprise the following:

For the most recent financial year

- (i) Auditor's report; and
- (ii) Statement of Financial Position;

For the most recent financial year and for each of the two financial years preceding the date of the most recent audited Statement of Financial Position being filed

- (iii) Statement of Profit or Loss and other Comprehensive Income;
- (iv) Statement of Cash Flows;
- (v) Statement of Changes in Equity; and
- (vi) Notes to the Financial Statements.

7. Disclosure about Risk Factors.

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

The implementation of the Enterprise Risk Management framework has been on-going, but at a slower pace than anticipated. Nevertheless, all risks are reported, though not in one comprehensive report. Training is on-going to ensure all Departments are on board with this project.

Operational Risk:

The Bank being non-EMV compliant, is exposed to fraud risk stemming from card transactions. During the period of March 20 – April 14 2019, foreign nationals used counterfeit cards to obtain cash from NBD ATMs. The estimated value of the fraudulent transactions amounted to XCD 289,140. The amounts have not been recovered nor settled through insurance payments. As a mitigating measure, the Bank restricted foreign card daily withdrawals limit to EC500.00.

The Fiserv (First Data Project) being currently undertaken by NBD will result in full EMV compliance which includes the issuing of chip cards.

During the year, the Bank strengthened the replication and back-up capacity of its information systems. An off-site Disaster Recovery site is being explored, as the Bank is at risk in the event of an incident affecting its three major physical locations simultaneously.

Credit Risk

Credit administration was identified as a major risk impacting the Bank. Improvements have been made to related processes including management of insurance related issues. Risks related to credit administration are on the decline.

The NPL ratio decreased from 22.79% at the start of the financial year to 18.99% at June 30th 2019. Charge-Offs were effected in the amount 65.6M. The effect was a decrease in the NPL ratio. This ratio still exceeds the regulatory 5% requirement. Large exposures exhibiting delinquency are being closely monitored.

Increasing Government exposure has been a cause of concern during the year. The Bank is formulating a framework for managing sovereign exposure.

The exposure to one insurance company is being carefully managed, as this company presents risks related to NBD's insured customers, as well as direct exposure to the Bank. The Bank has restructured its group mortgage insurance composition, and this company no longer covers NBD's customers within its mortgage group.

Counterparty Risk

Repayment of one large regional exposure has not been forthcoming. This involves a regional bank which is in liquidation. NBD is following this issue closely. Provision was applied for year ending June 2019.

Liquidity Risks

Draw-down of funds throughout the year (mainly government funds for projects), has resulted in a lower deposit base. The Bank has reduced correspondent Bank balances, in order to source funds needed. The liquidity risk is not high, however the Bank will take proactive steps towards replenishing its deposit base.

Compliance / Regulatory/AML Risks

The ECCB is spare-heading migration to Basel II / III. This will present the challenge of augmenting capital levels to comply with new capital requirements.

The Bank successfully reported on FATCA persons. Reporting commenced in April 2019. The Bank began preparation for new reporting requirements for ECCB's revised prudential returns. There are some medium risks with coding to facilitate reporting, however the reports will be completed manually.

The Bank commenced provisioning using IFRS9 standards. The Bank is compliant with its first reporting taking place in June 2019. The Bank's capital adequacy ratio did not fall below requirements as a result of the new provisioning standards.

8. Changes in Securities and Use of Proceeds.

- (a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

No change in Securities

- (b) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

- Offer opening date (provide explanation if different from date disclosed in the registration statement)

N/A

- Offer closing date (provide explanation if different from date disclosed in the registration statement)

N/A

- Name and address of underwriter(s)

N/A

N/A

- Amount of expenses incurred in connection with the offer N/A

- Net proceeds of the issue and a schedule of its use

N/A

- Payments to associated persons and the purpose for such payments

N/A

- (c) Report any working capital restrictions and other limitations upon the payment of dividends.

None

9. Defaults upon Senior Securities.

- (a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 per cent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.

None

- (b) If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

None

10. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the financial year of the filing. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

1. The quality of earnings;
2. The likelihood that past performance is indicative of future performance; and
3. The issuer's general financial condition and outlook.

It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

General Discussion and Analysis of Financial Condition

During the 2018/2019 year the Bank adopted IFRS9 which impacted the recognition of impairment of financial instruments. With the increase in the level of loss provisions under IFRS9, the Bank's capital base was reduced by 2.47%, however, the Bank continues to exceed the regulatory CAR requirement; reporting CAR of 14.5% at the end of the reporting period. Management remains mindful of the changing regulatory requirements and the raising of additional capital in the near future to ensure that it remains in compliance with regulatory and international guidelines is a key objective.

Total assets reduced by \$209M or 12.81% due largely to reduction in balances at corresponding banks through the usage of funds by customers. Customers deposits decreased by \$200M.

The Bank generated profits of \$13.01M for the period ended June 30, 2019. The Bank realized growth in interest income while interest expense remained relatively flat. As a result, the increase in net interest income was reported at 19.73%. Additionally there was also growth in non-interest income with year on year increase of 34.82%.

The Bank, in recent years has positioned itself for growth through review and implementation of effective credit policies, procedures and strategies, the monitoring and addressing key risk areas, prudent assets and liabilities management, investment in technology and human capital and through functional cooperation with key stakeholders.

Liquidity and Capital Resources

Provide a narrative explanation of the following (but not limited to):

- i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.
- ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.
- iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.
- iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.
- v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.
- vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.
- vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
- viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.
- ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

Discussion of Liquidity and Capital Resources

At the end of the period the Bank's liquidity ratio was 39%. During the year the Bank has had significant reduction in its liquid resources to meet customers demands but continues to remain sufficiently liquid for ongoing demands.

The Bank continues to exceed the regulatory CAR requirement; reporting CAR of 14.5% at the end of the reporting period. Management remains mindful of the changing regulatory requirements and the raising of additional capital in the near future to ensure that it remains in compliance with regulatory and international guidelines is a key objective.

Off Balance Sheet Arrangements

Provide a narrative explanation of the following (but not limited to):

- i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.
- ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.
- iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.
- iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

Loans and advances committed but not yet drawn as at June 30, 2019 amounted to \$70M and increase of \$19M over 2018

The sectors with high level of undrawn funds are:

Construction and land development	\$29.5M
Home construction and renovation	\$11.6M
Tourism	\$10.8M
Utilities	\$11.5M

The Bank also held acceptances, guarantees and letter of credit outstanding at the end of the year in the amount of \$3.1M.

The Bank periodically reviews its off-balance sheet commitments to ensure that there is no material change to business activity and earnings of the borrower, as well as threats and economic conditions which may effect the credit.

Results of Operations

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

Provide a narrative explanation of the following (but not limited to):

- i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.
- ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.
- iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.
- v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.
- vi) Matters that will have an impact on future operations and have not had an impact in the past.
- vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations
- viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.
- ix) Performance goals, systems and, controls,

Overview of Results of Operations

For the year ended June 30, 2019 the Bank recorded net profit of \$13.17M compared to a loss of \$5.34M in the previous year.

Interest income experienced growth of 12.4% or \$6.27M. The main contributor to this growth was interest income short term deposits at banks which increased by \$3.49M, followed by income from investments which increased by \$2.13M.

Interest expense remain relatively flat with a \$754K reduction of last year. While deposits decreased by \$200M, the significant decrease was in non-interest earning deposits which decreased by \$182.6M. The Bank continues to realign rates on longer term deposits as they mature contributing to reduced interest expense.

The Bank reported increase in all income categories with the exception of foreign exchange trading income which reduced by 9.3% or \$943K. The performance of the investments securities at fair value through profit and loss are directly linked to the performance of the US securities markets and have surpassed last years performance by 221% or \$3.55M. During the year the Bank also recovered \$1.13M in respect to investments for which, based on the prospects of recoverability, 100% provisioning had been made.

In the previous year, post Hurricane Maria, the Bank prioritized, focusing only on critical tasks and deferring expenses and some strategic initiatives. As a result 2018 reported reduced expenses from prior years (7.8%). For the period ended June 30, 2019 the Bank reported operating expenses of \$26.0M an increase of \$4.2M over the previous year.

While there was significant reduction in the Bank's asset base for the reporting period, the reduction was attributed mainly to a reduction in balances at corresponding banks to meet customers demands. Loans and advances as well as investment securities showed growth in spite of additional provisions and significant write-offs. Gross loans reported 9.26% growth over last year. Deposits showed 13.63% reduction as customers completed restorative works post Hurricane Maria.

11. Changes in and Disagreements with Auditors on Accounting and Financial Disclosure.

Describe any changes in auditors or disagreements with auditors, if any, on financial disclosure.

None

12. Directors and Executive Officers of the Reporting Issuer. (*Complete Biographical Data Form attached in Appendix 1 and Appendix 1(a) for each director and executive officer*)

Furnish biographical information on directors and executive officers indicating the nature of their expertise.

13. Other Information.

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report provided that the material change occurred within seven days of the due date of the Form ECSRC – K report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information.

14. List of Exhibits

List all exhibits, financial statements, and all other documents filed with this report.

2018/2019 audited financial statements
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APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: _____ Position: _____

Mailing Address: _____

Telephone No.:

List jobs held during past five years (include names of employers and dates of employment).
Give brief description of **current** responsibilities

Education (degrees or other academic qualifications, schools attended, and dates):

Use additional sheets if necessary.