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annual report 2019


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Chairman

Mr. Ian Tarutia, OBE

board of directors

Director

Mr. William Lamur, OBE

Director

Mr. Murray Woo, OBE

Director

Mr. Hulala Tokome

Director

Mr. Vera Raga

Director

Mr. Christopher Elphick

Secretary

Mr. Noel Larupa Ako

management team

Chief Executive Officer

Vari Lahui

Manager E-banking

Vavine Iamo

Manager Member Services

Robert Thadeus

Manager Risk

Nosuau Kini

Manager Finance

Jackraho Morea

Manager Human Resource

Henry Pupu

Manager IT

Richard Flatt Lesa

Manager Lending

Bernard Geita

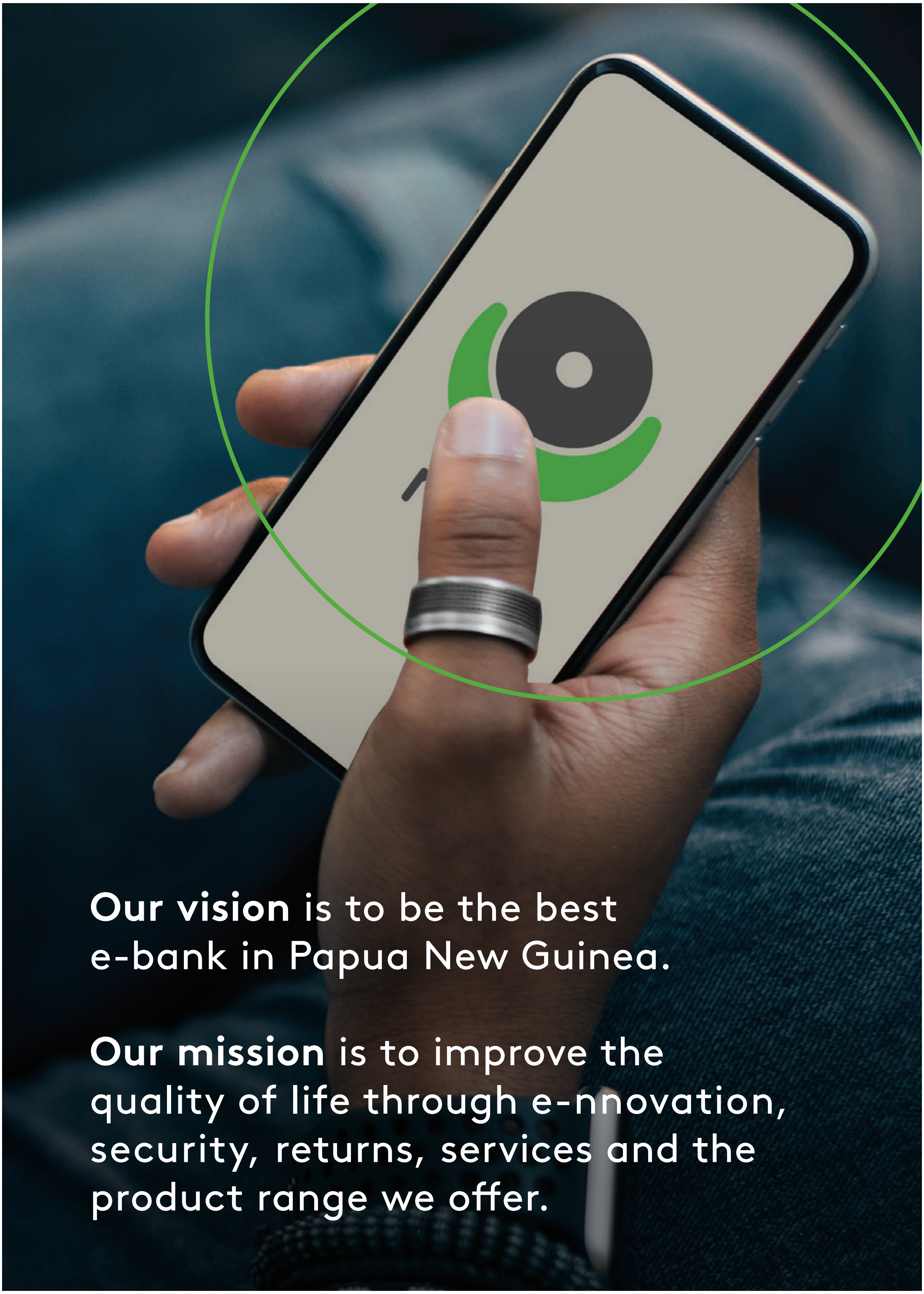
Team Leader - Marketing & Client Relations

Evelove Farapo

Projects Coordinator

Joshua Isimel

The directors have pleasure in presenting their report together with the financial statements of ncsl (the Society) for the year ended 31 December 2019 and the auditor's report thereon.



Our vision is to be the best e-bank in Papua New Guinea.

Our mission is to improve the quality of life through e-nnovation, security, returns, services and the product range we offer.

chairman's message

Dear Members,

It is my pleasure once again to present to you my Chairman's report for 2019.

This year your Board made a bold decision to become the best e-bank in Papua New Guinea, as part of its new five year Strategic Plan to continue supporting the nasfund membership with non-superannuation financial services but moving away from its traditional role as a Savings & Loan society. This was considered a best fit for ncsl, considering the significant progress we have made over the years in embracing technology to drive efficiency in the business and putting in place, electronic channels for service delivery.

Our self service member kiosks installed in various shopping outlets such as the Brian Bell stores are testament of our desire to improve your customer experience without the need for face to face interaction. Banking needs of the future are about security and convenience at your fingertips. No more standing in long queues. That is our aspiration for your Society.

Financial

I am pleased to report 2019 was the best year for your Society since its establishment in 2003. Audited financial statements highlight the following key indicators;

Gross Assets increased by 24% to
K230,644,382

Net Asset Value increased by 27% to
K25,576,654

General Reserves up by 19% to
K15,178,090

Total Income increased by 38% to
K28,247,618

Net Income increased by just under 43% to
K12,088,027

6.7% interest paid to member accounts equating to
K11,716,332

At a time when PNG's economy was already under stress pre COVID 19, the financial results are significant and reflect the commitment by our team to achieve greater efficiency in the roll out of our core lending products and services to members.

Member Services

After more than 12 months of planning, I am pleased that in June we successfully launched our debit card, Poro Card and in the process, became the first non-commercial bank to be an issuer and acquirer of debit card transactions.

In July, the following month, the Central Bank launched the first ever National Payment Switch known as Retail Electronic Payment System (REPS) which enabled the interoperability of debit cards between the Automatic Teller Machines (ATMs) and Point of Sale (POS) terminals of the participating financial institutions.

Only three (3) financial institutions successfully took part in the first phase of the REPS rollout and again, I am delighted to announce that ncsl became the first non-commercial bank to successfully participate in this milestone development for the banking industry in the country.

Consequently, ncsl members can now use their Poro debit card which is linked to their transaction account to take care of every day financial transactions just the same as offered by other major banks.

Another added benefit is the high annual interest rates we pay on member savings which has averaged 5.5% over the last 5 years and the low account keeping fees.

In all of these, our focus remains on delivering quality service to our members and enhancing the customer experience at every touch point with the Society.

At this time our depositors base of 122, 616 members makes us the largest society in PNG by membership size and this is not by coincidence. The membership base reflects the growing satisfaction and referrals of our customers and we are proud of this fact. But by no means will we take for granted this good membership growth and will continuously endeavour to keep our members satisfied through effective service delivery.

Processes / Risk

Risk management continues to be an integral part of the Boards governance of your Society and this year we appointed a Manager Risk & Compliance as part of our capacity building to undertake this important function. We continue to engage reputable accounting firms to provide internal and external audit services while we build internal capacity to undertake testing of internal risk controls.

We will continue to review our policies and processes and ensure that they remain relevant in an ever evolving business environment as these form the first line of defence in the management of risk within our business.

People

The Board strongly believes that the Society will continue to be successful if we look after our staff and ensure we have the right people in the right places to drive the Board’s strategic objectives.

During the year, your Board approved a revised organisational structure to ensure that ncsl is appropriately resourced to manage the growing and evolving needs of our members.

We also commissioned an independent review of staff remuneration and approved a revised remuneration package for key risk positions as part of our “attract and retain talent” strategy.

I am also pleased that we elevated the position of general manager to CEO status and the incumbent GM, Vari Lahui made history by being the first ever person to be appointed CEO of ncsl.

Industry

Ncsl was one of a few societies that was fully compliant with the requirements of the revised Savings and Loan Societies Act 2015 and was granted a full licence by the regulator, Bank of PNG in September 2019.

As part of complying with the revised Act, ncsl was also incorporated under the Companies Act which is administered by the Investment Promotion Authority (IPA).

Board Changes

Your Board has a Board Transition Plan which has been approved by Bank of PNG. A few directors including myself have served on the Board for over 15 years and to comply with the new Act we will be required to retire shortly. The plan ensures that as we retire, replacement independent Directors are appointed to ensure continuity and stability of your society.

Accordingly, Mr William Lamur, a pioneer Director since October 2003 will end his tenure as a Board member on the 31st December 2019. Mr Lamur has contributed immensely to the rapid growth of the Society to what it is today.

I sincerely thank William for sharing his knowledge and experience over the last 16 years towards the success of ncsl and wish him well in his future endeavours.

The process to find Mr Lamur's replacement pursuant to the Boards skills matrix and strategic objectives has commenced and an announcement will be made in the New Year.

Looking Ahead

With the looming threat of COVID 19 and its impact on our members, we face 2020 with a belief that if we stick to basics and support our members as best we can, we will continue to be the first choice provider of non superannuation services for nasfund members. Importantly that we will start laying the down the foundations to build the best e bank in Papua New Guinea for our members by 2024.

In closing, I take this opportunity to thank my fellow board members for their hard work, counsel and fellowship throughout the year. I also want to thank the CEO Vari Lahui, management and all our staff for their hard work and commitment towards delivering this year's impressive results.

2019 is now history. It is 2020 and the future that we look forward to. I assure you of our continued commitment in delivering services that improves quality of life for members and their loved ones.

Yours sincerely,

Ian A. Tarutia, OBE
Board Chairman

Dear Members,

It is again my pleasure to report on the activities and results of your Society for the 2019 financial year, one which saw another successful year for ncsl with growth experienced in all aspects of the business.

As I have done in the past years, I will cover the cover the activities under the four (4) key pillars of Financial, Member, Risk / Processes and People.

Financial

As a result of the changes made to the loan approval process for systematic approval, ncsl recorded a significant increase in the number and volume of loan applications. This resulted in the income from the core business of lending increasing by more than 35.4% to K11.8M. Interest income from loans represented 41.8% of Total Income.

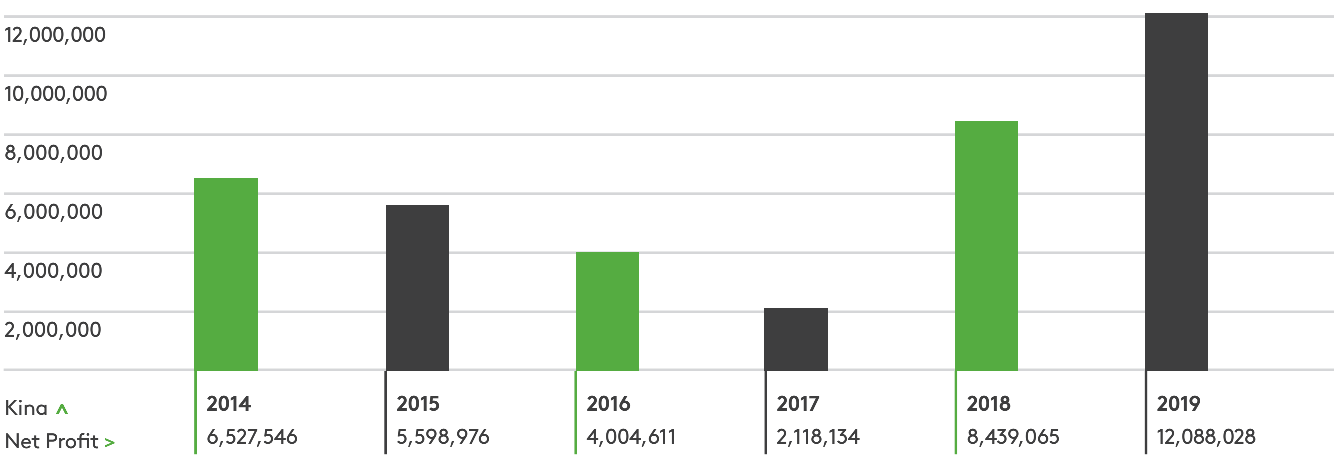
The total number of loans processed went up by 48.6% to 108,482 which also saw the total volume increased by 35.9% to K113.1Million

Breakdown of the Total Income was as follows;

	2019 PGK	2018 PGK
Lending	11,843,686	8,743,391
Investments (including rental and dividend)	10,097,977	8,742,091
Fee Income	3,301,449	2,225,258
Others	3,004,506	731,986
	28,247,618	20,442,726

As a result of the increase in revenue, your Society posted a Net Income (after all expenses) of K12.1 Million which is a 43.2% increase on the result of K8.4 Million recorded in 2018.

Net Profit



The graph shows the results of 2019 against that recorded in the prior years going back to 2014. It should also be noted that the Net Income in 2019 is the best ever recorded by your Society since inception and this was achieved on the back of the following;

- 37% net growth in the loan portfolio – from K81.1 million to K111.3 million
- 48% growth in the number loan applications – from 73,211 to 108,442

We managed to continue the growth in revenue from our core business and below is a comparative analysis of the year on year figures;

Revenue Source (K'000)	2019	2018	Movement
Loan Interest	11,844	8,743	3,101 (+36%)
Investments	9,893	8,529	1,364 (+16%)
Fees	3,302	2,225	1,077 (+48%)
Rental / Dividend	505	427	78 (+18%)
*Other	2,703	-518	2,185 (+420%)
Total	28,247	20,442	7,805 (+38%)

* Other represents movements in the valuation of properties and share investments as well as Account Keeping Fee (+K478k) which we started collecting during the year

Revenue from Loans as a percentage of total revenue continues to increase which is in line with our objective of seeing a greater contribution from our core business activities.

We achieved a sound financial performance on the back of good growth in the revenue from our core operation despite the significant increase in loan write-offs in the loan portfolio. We continue to address this legacy issue.

We continued the payment of monthly interest to members that we began in 2016. During the course of 2019, we paid a total of just over K2.1 million in interim interest to members which was topped up by another K9.6 million after the auditing of our year-end financial statements. This was also another record where we paid the highest return yet to our members.

ncsl will continue to pay monthly interest to its members and top it up at the end of the financial year.

While growing our revenue, we also managed to keep our operating expenses down which resulted in a higher net income. This enabled us to pay a highest interest crediting rate since the inception of ncsl in 2003.

Below are the comparative figures for the last six (6) years;

Statistical Information	2014	2015	2016	2017	2018	2019
Assets & Liabilities						
Loans to Members	30,264,292	46,052,923	50,145,426	61,473,676	81,161,927	111,387,206
Gross Assets	123,606,310	129,618,081	145,066,824	157,897,415	185,495,475	230,644,382
Growth in Gross Assets	13.8%	4.9%	11.9%	8.8%	17.5%	24.3%
Member Savings	107,201,046	112,628,736	127,173,195	142,802,558	159,185,825	197,473,045
Net Assets	15,574,108	15,933,798	14,410,474	13,414,566	20,180,300	25,576,654
Profitability						
Loan Interest Income	3,115,995	4,252,834	5,505,159	6,543,034	8,743,390	11,843,686
Total Income	11,983,332	12,510,381	14,896,043	15,843,220	20,442,723	28,247,618
Interest Paid to Members	5,243,275	5,535,306	4,540,657	5,684,708	8,787,212	11,716,065
Net Profit	6,527,546	5,598,976	4,004,611	2,118,134	8,439,065	12,088,027
Interest Crediting Rate	5.5%	5.2%	3.9%	4.2%5	5.8%	6.7%
Active Members/Staff						
New Members registered	8,844	9,007	7,869	16,160	20,725	16,457
Total Members	72,355	76,344	83,715	98,833	106,159	122,616
No. of fulltime staff	53	64	69	69	69	77

Member Services

Maintaining consistent and good quality services to our members continues to be our key focus and we continue to invest a lot of time and energy in this area to ensure that our members are happy.

As part of the ongoing review of all our touch points and enhance efficiency, we continue drive for automation in our processes to achieve quicker turn-around times on applications received from our members.

We continue to see increasing number of transactions via the electronic channels and the number of paper applications over the counter at our branches continues to reduce which is very pleasing to see.

During the year in June, ncsl introduced its debit card offering called Poro (means friend in tok pisin) and in process, became the first non-commercial to become an issuer and acquirer of debit card transactions in the country.

We have commenced the rolling out of our Point of Sale (POS) terminals right across the country and look to have around 1,000 terminals in all the locations where we have a presence.

In the following month, ncsl also became the first non-bank to successfully participate in PNG's first ever national payment switch called Retail Electronic Payment System (REPS) which was launched by Bank of PNG.

This important and game-changing development in the banking and financial industry now enables interoperability of debit and credit cards issued by all participating financial institutions on all payment devices – ATMs and POS terminals.

With the rollout of the undersea cable which is expected to increase the speed and reduce the cost of internet, we expect a greater increase in the number of online and electronic transactions and we hope to phase out the use of paper in the future.

Process / Risk

There is now greater focus on better management of risk within business with a greater level of due diligence now in place.

The internal audit program is continuing with more focus on areas that are perceived to require more oversight and our internal auditor has direct dialogue with the Board's Audit and Risk Committee as necessary.

We also maintain a good working relationship with our regulator, Bank of PNG, who also maintains regular oversight of our business operation.

We continue work on the approved Business Continuity and Disaster Recovery Plans and we are now very close finalising this matter.

We managed to successfully finalise the transition to the revised Savings and Loan Societies Act, culminating in the granting of our license by Bank of PNG. It was a very pleasing outcome after all the work that we had put into the process and we thank our regulator for their assistance in this successful outcome.

People

The business continues to grow as indicated by the numbers stated earlier. Our members' needs also continues to evolve and ncsl needs to respond to these changing dynamics in all its offerings.

The Boards approved a revised organisational structure in response to the demands on the business and we will continue to make sure that we have the right people in each of the roles within the Society to meet the evolving needs of our members.

I am pleased to advise that the staff have responded very well to these challenges and we will continue to strive for excellence in all that we do to deliver the best services to you, our valued members.

We will continue our staff learning and development programs in concert with the changes happening within the business while ensuring that we retain the experience and skillsets required for a very successful business into the future.

Future

We are always looking at all opportunities that will bring value to our members and enhance their livelihood. We will again be looking at new developments especially in the technology front to enhance efficiency and improve the way we do things and importantly, bring a smile to our members. We have some exciting initiatives planned for the new year which will further enhance ncsl's reputation as the most progressive savings and loan society. Watch this space for those announcements.

I would like to thank the Board of Directors for their continued guidance and counsel as well as the staff for their wonderful contributions in achieving the record results during the year and I look forward to another successful year in 2020.

Vari Lahui
Chief Executive Officer

corporate governance

The NCSL Board is responsible for the corporate governance of the Society and is committed to the highest standards of Corporate Governance and disclosure in Papua New Guinea. The Corporate Governance matrix consists of four distinct governance objectives:

- Implementing the vision and values of ncsl;
- Meeting financial targets;
- Compliance with the Savings & Loan Societies Act 2015 and directives from the Registrar of Savings & Loan Societies;
- Training of staff to best practice standards to meet performance goals.

Role of Board

Under the ncsl Constitution, the management of the Society is vested in the Board. The Board is charged with the following responsibilities:

- Corporate governance
- Approving and monitoring strategies, policies and plans
- Monitoring compliance with Bank of Papua New Guinea directives and in particular the Savings & Loan Societies Act 2015
- Review of human resources, information technology and the resources of the business

Name of Director	Designation	Year Joined ncsl Board	Tenancy (Years)	Board Meeting Attendance in 2019	Special ARC Meeting Attendance in 2019	ARC Meeting Attendance in 2019	IITOC Board Meeting Attendance in 2019
Ian Tarutia, OBE	Chairman	2003	17	4	-	-	-
Christopher Elphick	Deputy Chairman	2016	4	4	1	4	1
Hulala Tokome	Director	2009	11	4	1	3	1
Vera Raga	Director	2011	9	4	1	4	1
Murray Woo, OBE	Director	2011	9	2	-	-	-
William Lamur	Director	2003	17	2	-	-	-

The Board of Directors receive a sitting fee of K500.00 per board meeting.

- The Chairman receives K16,574 per annum
- The Chairman of IITOC receives K15,588 per annum, Chairman of ARC receives K15,260 per annum and other Directors receive K14,510 per annum
- In 2019, the Board met on four occasions. Prior to each meeting, all available information on matters to be discussed at the meeting was provided to each director and senior officers at least 7 days in advance.

There are two (2) Board committees;

Audit and Risk Committee (ARC)

The ARC is appointed and authorized by the Board. The objectives of ARC are to assist the Board in discharging its statutory, fiduciary, governance and regulatory responsibilities in relation to audit and risk matters. There are three (3) members on the ARC who are appointed by the Board for a term of two (2) years. In 2019, the ARC met on four occasions.

Members of Audit and Risk Committee (ARC)

- Murray Woo, OBE – Chairman
- Christopher Elphick - Director
- Vera Raga – Director

Innovation, IT issues & Organization Development Committee (IITOC)

The IITOC is appointed and authorized by the Board. The objectives of the IITOC are to assist the Board in discharging its statutory, fiduciary, governance and regulatory responsibilities in relation to audit and risk matters. There are three (3) members on the ARC who are appointed by the Board for a term of two (2) years. In 2019, the ARC met on four occasions.

Members of Innovation, IT issues & Organization Development Committee (IITOC)

- Christopher Elphick – Chairman
- Hulala Tokome - Director
- Vera Raga – Director

Codes of Conduct & Ethical Standards

Ncsl recognizes the need for directors and employees to observe the highest standards of behavior and business ethics in conducting their business. All directors and senior management have signed a code of conduct.

Communication to Members

The NCSL Board communicates to members via emails through employers for employer notice boards. An education and awareness program is rolled out annually to all members through on site visitations on the benefits and services associated with the Society. We aim to have direct meetings with employees of the top 100 employers annually.

Contingent Liabilities

As at the 31st December 2019, there were no contingent liabilities.

Crediting Rate Policy

Crediting of interest to members' accounts for 2019 was 5.5 % equating K9,585,646.00 which is in addition to the 1.2% (equating to K2,130,686.00) paid during the course of 2019 financial year. The interest is determined on a time-weighted basis on member balances throughout the year. This is in accordance with international standards on return accreditation.

Bad and Doubtful Debts

At the end of 2019, the provision for bad and doubtful debts was K1,675,069.

Donations

There were no donations by the Society over 2019.

Independent Professional Advice

With the approval of the Chairman, a director is entitled to seek independent professional legal and accounting advice at the Society's expense, concerning any aspect of that director's duties and or aspects of concern about the Society's operation. It is a requirement that any such legal opinion obtained is distributed to fellow directors. No external legal advice was sought in 2019 by the Chairman.

Loans to NCSL staff

All loans to Staff were conducted on the same basis as all members of the Society.

Member Statements

Member Statements are available to members upon request.

Access to Board Minutes

The Board minutes can be personally inspected at the NCSL Head Office in Downtown, Port Moresby on written request and appointment.

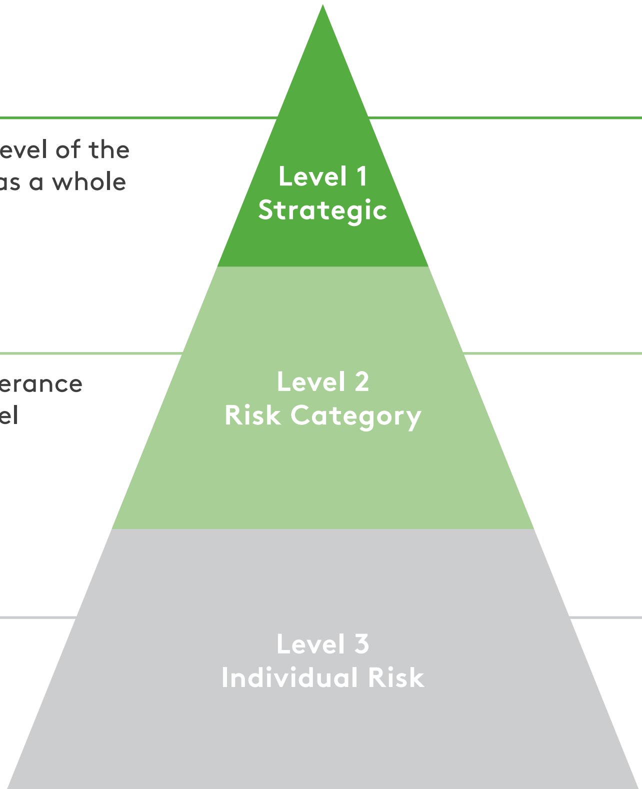
1.The Risk Appetite Statement (RAS)

1.1 The RAS is an integral part of the Risk Management Framework and represents the type and degree of risk that the Society is willing to accept in pursuit of its business objectives, considering its capacity to bear risk and philosophy on risk taking.

Key definitions relevant to the Risk Appetite Statement are as follows:

- Risk capacity: means the amount and type of risk an organisation is able to support in pursuit of its business objectives.
- Risk appetite: means the amount and type of risk an organisation is willing to accept in pursuit of its business objectives, having regard to its risk capacity.
- Risk tolerance: means the specific maximum risk that an organisation is willing to take regarding each relevant risk.

In developing the risk appetite the Board has expressed the risk appetite at three levels which are interlinked:



Risk Appetite at the level of the Society's operations as a whole	Level 1 Strategic	A statement of the Society's appetite for risk in pursuing of achieving long term returns for its members and access to funds at competitive prices through a sustainable business
Risk Appetite and tolerance at a risk category level	Level 2 Risk Category	A statement of the Society's appetite and tolerance for risk in pursuing specific business strategies
Appetite and tolerance for individual risks	Level 3 Individual Risk	A statement of the Society's tolerance to bear specific risks after treatments in order to achieve its objectives

All three levels of risk appetite are interlinked as the:

- Risk appetite at the strategic level (Level 1) expresses an appetite for activity in the context of the strategic direction and organizational purpose of the Society;
- Risk appetite at the risk category level (Level 2) expresses risk appetite in the context of operational activities or functions of the Society undertaken to achieve business strategies;
- Risk appetite at the individual risk level (Level 3) expresses risk appetite in the context of desired tolerances for each material risk encompassing both strategic and operational risks.

Within each level, risk appetite is expressed as qualitative statements and quantitative measures which are intended to guide decision making. Further quantitative measures are expected to be incorporated into the risk appetite statement and embedded in the organisation as risk management continues to mature throughout all levels of the organisation.

Principal Place of Business

Section 4, Allotment 3
Douglas Street, Downtown
Port Moresby, NCD
Papua New Guinea

Auditors

KPMG, Level 3, Credit House,
Cuthbertson Street,
Port Moresby, NCD

Bankers

Bank South Pacific Limited
ANZ PNG Limited
Westpac PNG Limited
Kina Bank

Lawyer

Mr. Noel Larupa Ako

Activities

The nature of operations and principal activities of the Society are maintaining membership of its members for the purpose of a savings and loan society, processing contributions and loans, and management of investments of the Society.

Commentary on operating results

This is the first set of the Society's annual financial statements in which IFRS 16 Leases has been applied. Under the transition method chosen, comparative information has not been restated. The 2019 results are therefore not directly comparable to prior years.

Interest

Interest will be credited to Members' Savings Accounts on 27th day of March 2020.

Directors

The Directors of the Society at the date of the report of the Society are listed on pages 4-5. No director of the Society had any material interest in any contract or arrangement with the Society or any related entity during the year ended 31 December 2019.

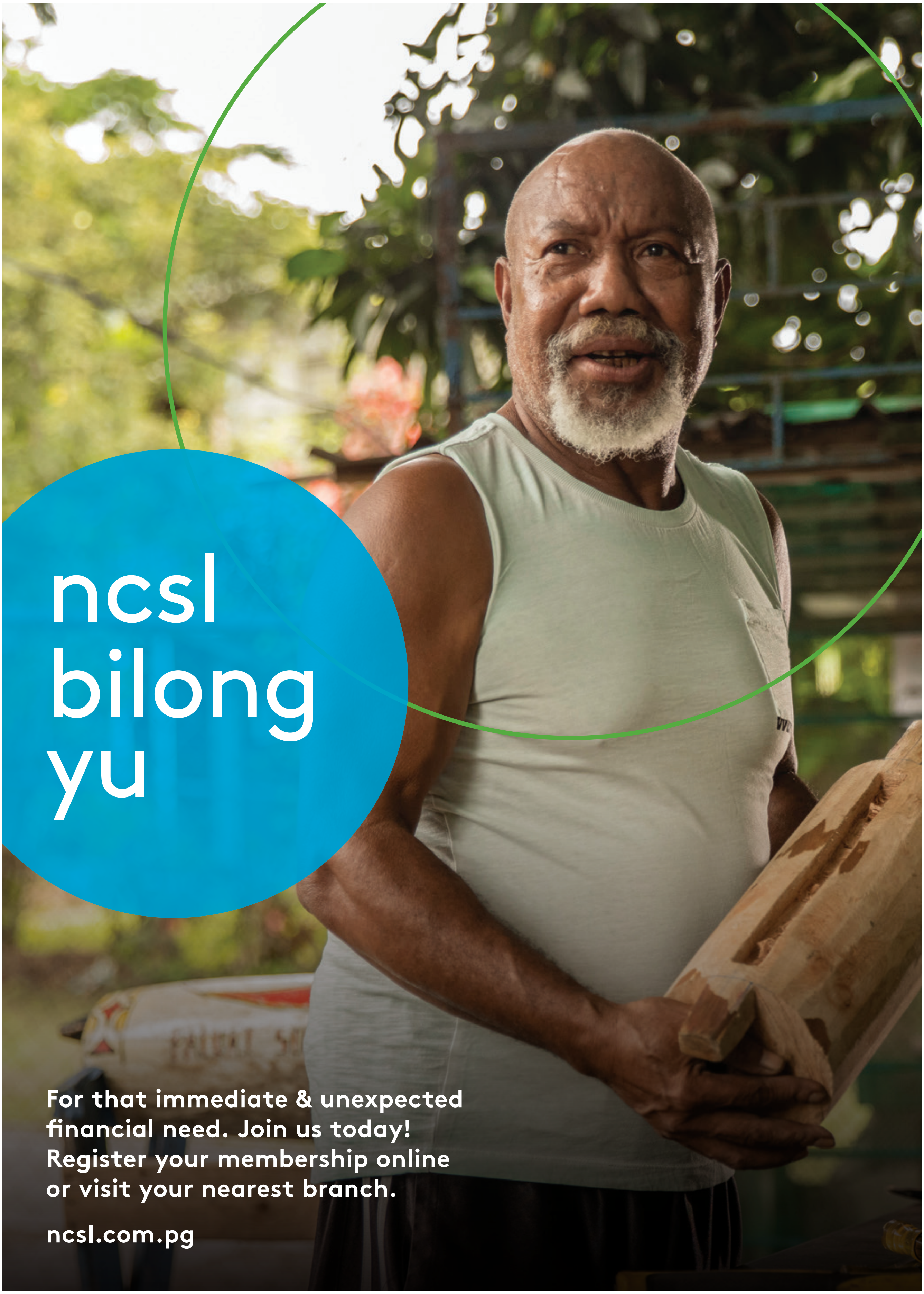
Results

The net profit for the year ended 31 December 2019

K12,088,027

Net profit 2018

K8,439,067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financial need. Join us today!
Register your membership online
or visit your nearest branch.
ncsl.com.pg

Directors of the Society's remuneration, including the value of benefits, received during the year, is as follows:

Directors' name	2019 PGK		2018 PGK	
	Directors fees	Sitting allowance	Directors fees	Sitting allowance
Mr. William Lamur, OBE	14,510	1,000	5,000	1,500
Mr. Murray Woo, OBE	15,260	3,500	5,000	2,500
Mr. Hulala Tokome	14,510	4,500	5,000	4,500
Mr. Vera Raga	14,510	6,000	5,000	5,000
Mr. Christopher Elphick	15,578	6,500	5,000	5,000
	74,368	21,500	25,000	18,500
Chairman of the Society				
Mr. Ian Tarutia, OBE	16,574	3,000	5,500	3,000
	90,942	24,500	30,500	21,500

Directors' Report

Signed at Port Moresby

For and on behalf of the Board of Directors

Chairman: ______________________ Director: ______________________

Ian Tarutia, OBE Christopher Elphick

Date at FRI on this 3RD day of APRIL 2020

Directors' Declaration

The directors of the Company declare that:

In our opinion, the financial statements set out on pages 18 to 57 are drawn up so as to give a true and fair view of the state of affairs as at 31 December 2019 and the profit for the year ended on that date of the ncsl in so far as they concern members of the Society. Further, all Risk Management Systems are in place and operating effectively.

The financial statements have been drawn up in accordance with the requirements of the Papua New Guinea Companies Act 1997 as amended and the requirements of ncsl's Board policies.

Signed at Port Moresby

For and on behalf of the Board of Directors

Chairman: ______________________ Director: ______________________

Ian Tarutia, OBE Christopher Elphick

Date at FRI on this 3RD day of APRIL 2020

Independent Auditor's Report

To the shareholders of NASFUND Contributors Savings and Loan Society Limited

Report on the audit of the Financial Report

Opinion

We have audited the Financial Report of NASFUND Contributors Savings and Loan Society Limited (the Company or Society).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Savings and Loan Societies Act 2015* and *Companies Act 1997*, including:

- giving a true and fair view of the Society's financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and
- complying with *International Financial Reporting Standards*.

The Financial Report comprises:

- Statement of financial position as at 31 December 2019;
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended; and
- Notes including a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the *International Standards on Auditing*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the ethical requirements of the International Ethics Standards Board for Accountants' (IESBA) that are relevant to our audit of the Financial Report in Papua New Guinea. We have fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that we have remained independent as required by the Code throughout the period of our audit and to the date of this Auditor's Report.

KPMG

Other Information

Other Information is financial and non-financial information in NASFUND Contributors Savings and Loans Society Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with the *International Financial Reporting Standards, Savings and Loan Societies Act 2015* and the *Companies Act 1997*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *International Standards on Auditing* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

As part of the audit in accordance with *International Standards on Auditing*, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of Those Charged with Governance (TCWG)'s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

Report on other legal and regulatory requirements

The *Savings and Loan Societies Act 2015* and *Companies Act 1997* requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the Financial Report for the year ended 31 December 2019:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

KPMG
Chartered Accountants

Suzaan Theron
Partner
Registered under the Accountants Act 1996

Port Moresby
4 May 2020

Statement of Financial Position
As At 31 December 2019

Assets		2019 PGK	2018 PGK
Cash and cash equivalents	23	26,296,540	8,188,442
Prepayments and other receivables	9	2,373,043	2,129,115
Quoted equity investments at FVTPL	7(b)	2,540,000	2,152,500
Unquoted equity investments at FVTPL	7(c)	160,000	160,000
Government inscribed stock at amortised cost	7(a)	71,590,141	79,735,484
Loans due from members	8	111,387,206	81,161,927
Investment properties	6	831,591	2,716,591
Property and equipment	5	15,465,861	9,251,415
Total Assets		230,644,382	185,495,474

Liabilities			
Trade and other payables	12	3,326,097	5,471,832
Rental bonds payable	14	6,712	11,046
Employee provisions	10	1,034,426	646,472
Lease liabilities	14	3,227,448	-
Member savings	11	197,473,045	159,185,825
Total Liabilities		205,067,728	165,315,175
Net Assets		25,576,654	20,180,299

Equity		2019 PGK	2018 PGK
Issued capital	15	122,616	106,159
Reserves	16	15,178,090	12,760,485
Retained earnings		10,275,948	7,313,655
		25,576,654	20,180,299
Total Equity		25,576,654	20,180,299

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2019

Income from lending	Note	2019 PGK	2018 PGK
Income from lending		11,843,686	8,743,391
Income from investments			
Finance income		387,500	-
Fees income		9,505,511	8,994,431
Rental income		92,966	163,280
Dividend income		412,000	263,500
Movement in fair value of quoted equity investments	7	-	(465,000)
Movement in fair value of investment properties	6	(300,000)	(214,120)
		10,097,977	**8,742,091**

Other income		
Loan fees	2,741,703	1,830,874
New membership fees	407,057	213,157
Withdrawal fees	152,689	181,227
Reversal of provision for doubtful debts	47,711	55,491
Sundry income	2,956,795	676,495
	6,305,955	2,957,244
Total Income	28,247,618	20,442,726

Statement of Profit or Loss and Other Comprehensive Income (continued)

For the Year Ended 31 December 2019

Expenditure	Note	2019 PGK	2018 PGK
Administration expenses	17	(6,053,992)	(4,726,391)
Finance lease expenses		(210,655)	(1,372)
Employee benefits expense	18	(5,488,853)	(4,411,827)
Provision for doubtful debts and bad debts	8	(488,313)	(285,693)
Depreciation	5	(1,769,267)	(786,188)
Property repairs and maintenance		(17,825)	(6,694)
Interest to members		(2,130,686)	(1,785,494)
Total expenses		**(16,159,591)**	**(12,003,659)**
Profit from operations before interest and tax		12,088,027	8,439,067
Income tax expense	2(e)	-	-
Profit for the year		**12,088,027**	**8,439,067**
Other comprehensive income		-	-
Total comprehensive income for the year		12,088,027	8,439,067

Statement of Changes in Equity

For the Year Ended 31 December 2019

2018	Note	Ordinary Shares	Statutory Reserve	Retained Earnings	Total PGK
Balance at 1 January 2018	15	98,833	11,072,672	2,243,059	13,414,564
Total comprehensive income for the year		-	-	8,439,066	8,439,066
Net member contributions received		7,326	-	-	7,326
Net transfer between reserves		-	1,687,813	(1,687,813)	-
Interest credited to member savings deposits relating to 2017 profits		-	-	(1,680,657)	(1,680,657)
Balance at 31 December 2018		106,159	12,760,485	7,313,655	20,180,299

Statement of Changes in Equity (continued)
For the Year Ended 31 December 2019

2019	Note	Ordinary Shares	Statutory Reserve	Retained Earnings	Total PGK
Balance at 1 January 2019	15	106,159	12,760,485	7,313,655	20,180,299
Total comprehensive income for the year		-	-	12,088,027	12,088,02
Net member contributions received		16,457	-	-	16,457
Net transfer between reserves		-	2,417,605	(2,417,605	-
Interest credited to member savings deposits relating to 2018 profits		-	-	(6,708,128)	(6,708,128)
Balance at 31 December 2019		122,616	15,178,090	10,275,949	25,576,655

Statement of Cash Flows
For the Year Ended 31 December 2019

Cash Flows From Operating Activities	2019 PGK	2018 PGK
Interest received from members' loans	12,230,906	8,623,346
Interest received from government debt securities	9,505,511	8,994,431
Rental income received	108,212	161,618
Dividend income received	412,000	263,500
Fee income received	6,258,245	2,663,399
Net loans issued to members	(30,225,279)	(19,688,251)
Net investment in interest bearing deposits	-	4,515,148
Net purchase of equity investments	(387,500)	(6,861,256)
Net purchase debt investments	8,145,343	-
Expenses paid to suppliers	(8,839,926)	(365,941)
Interest paid to members	(2,130,686)	(1,785,494)
Expenses paid to staff	(5,441,512)	(4,442,656)
Lease payments	(763,225)	-
Net cash provided by/(used in) operating activities	(11,127,911)	(7,922,156)

Statement of Cash Flows (continued)

For the Year Ended 31 December 2019

Cash Flows From Investing Activities	2019 PGK	2018 PGK
Acquisition of property and equipment	(10,652,666)	(4,534,257)
Proceeds from sale of investment property	1,585,000	790,000
Net cash provided by/(used in) investing activities	(9,067,666)	(3,744,257)

Cash Flows From Financing Activities	Note	2019 PGK	2018 PGK
Net member capital contribution received		16,457	7,326
Change in finance lease		-	(11,639)
Net member savings and deposits received		38,287,220	16,383,267
Net cash provided by/(used in) financing activities		38,303,677	16,378,954
Net increase/(decrease) in cash and cash equivalents held		18,108,100	4,712,541
Cash and cash equivalents at beginning of year	23	8,188,440	3,475,899
Cash and cash equivalents at end of financial year		26,296,540	8,188,440

Notes to the Financial Statments
For the Year Ended 31 December 2019

1 Reporting

ncsl (The 'Society') is domiciled in Papua New Guinea. The Society's registered office is at Section 4, Allotment 3, Douglas Street, Downtown, Port Moresby, NCD, Papua New Guinea The Society is primarily involved in retail banking activities including receiving deposits and issuing loans.

2 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

The financial statements are presented in Kina, and all amounts are expressed in Kina unless otherwise stated. Fair value accounting is used for investments at fair value through profit and loss, and investment properties. In all other cases, a historical cost basis of accounting is used. Revenues and expenses are brought to account on an accrual basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its≈judgement in the process of applying the Society's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

This is the first set of the Society's financial statements in which IFRS 16 Leases has been applied. The related changes to significant accounting policies are described in Note 13.

The Society operates as one segment and in one geographical location being Papua New Guinea.

Statement of compliance

The financial statements of the Society have been prepared in accordance with the accounting provisions of the IFRS and the Papua New Guinea Companies Act 1997. IFRS are Standards and Interpretations adopted by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and investment in subsidiaries at fair value through profit or loss.

IFRSs form the basis of International Accounting Standards adopted by the International Accounting Standards Board ("IASB"). The preparation of financial statements in accordance with IFRS requires management to exercise its judgement in the process of applying the Society's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(b) Judgement

Information about judgement made in applying≈accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of model used to measure ECL.
- Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

Use of judgement and estimates

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Society's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(c) Revenue recognition

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

Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Society estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

Fees and Commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

If loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fees and commission income-including account servicing fees, investment management fees, sales commission, placement fees and syndication fees-is recognised as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the Society's financial statements may be partially in the scope of IFRS 15. If this is the case, then the Society first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Dividend Income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instrument at FVTPL or other revenue based on the underlying classification of the equity investment.

(d) Leases

The Society has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IFRS 117 and IFRS interpretation 4.

Policy applicable from 01 January 2019

At inception of a contract, the Society assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in, exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Society uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 01 January 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Society allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, The Society has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimated of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Society by the end of the lease term or the cost of the right-of use asset reflects that the Society will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Society's incremental borrowing rate. Generally, the Society uses its incremental borrowing rate as the discount rate. The Society determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- Fixed payments, including in-substance payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Society is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Society is reasonably certain no to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Society's estimate of the amount expected to be payable under a residual value guarantee, if the Society changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Society presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Society has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Society recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At inception or on modification of a contract that contains a lease component, the Society allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Society recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Policy applicable before 01 January 2019.

For contracts entered into before 01 January 2019, the Society determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement has convey a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - The purchase had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - The purchase had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

In the comparative period, as a lessee the Society classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to the asset.

Assets held under other leases where classified as operating leases and were not recognised in the Society's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(e) Tax exemption

The Society is exempt from income tax under section 40A of the Income Tax Act 1959.

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, cash at Society, and other short-term highly liquid investments with initial maturities of less than three months, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are initially and subsequently recorded at fair value in the Statement of Financial Position.

(g) Property and equipment

Property, plant and equipment is measured on the cost basis less depreciation and impairment losses. The cost of improvements to leasehold premises is capitalised and amortised over the estimated useful life of the improvement concerned.

Expenditure on internally developed software is recognised as an asset when the Society is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliable measure the costs to complete the development the capitalised costs of internally developed software include all costs directly attributable to developing the software and are amortised over its useful life.

Depreciation is calculated on a straight line basis from the date of acquisition at rates appropriate to the estimated useful lives as follows:

Office equipment	4 to 10 years
Furniture and fittings	5 to 15 years
Motor vehicles	3 to 6 years
Leasehold improvements	10 to 14 years

Gains or losses on disposal (being the difference between the carrying amount at the time of sale or disposal and the proceeds of disposal) are taken to income in the year.

(h) Computer software

Computer software licences are acquired and are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software is carried at cost less accumulated amortisation and impairment losses.

Costs associated with developing and maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the creation of identifiable and systems products controlled by the Society, and that will probably generate economic benefits beyond 1 year, are recognised as intangible assets. Other development expenditures are recognised as an expense as incurred.

Amortisation on computer software is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives which range between 4 and 10 years.

The assets' useful lives are annually reviewed and adjusted where appropriate.

(i) Investment property

Investment property is initially measured at cost and subsequently at fair value, with any change therein recognised in profit or loss within change in fair value of investment. When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Rental income from investment property is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(j) Impairment of non-financial assets

Equipment and other non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Provisions

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

(l) Employee benefits

Employee provisions comprise liabilities for employee benefits arising from services rendered by employees to balance date. Employee benefits have maturities of both less than one year and greater than one year and have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Superannuation contributions are made by the Society to defined contribution superannuation funds and are charged as expenses when incurred.

(m) Reserves

The Society maintains the following equity positions:

Member capital represents contributions members have made to the Society on initiation or creation of their savings account. Member capital is refundable to the member on cessation of their membership with the society.

General reserve/ statutory reserve represents a statutory minimum of twenty percent (20%) of each year's net earnings before declaring interest on deposits and dividends. If the reserve is greater than 10% of total liabilities then 20% of net earnings is not required to be transferred.

(n) Financial assets and financial liabilities

(i) Recognition and initial measurement

The Society initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated.

All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Society becomes a party to the contractual provisions of the instrument at initial recognition differs from the transaction price.

(ii) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and it not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect
- The contractual terms of the financial asset give rise on specific dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and it not designation as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition, of an equity investment that is not held for trading, the Society may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL

In addition, on initial recognition, the Society may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Society makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

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

The Society's retail and corporate banking business comprises primarily loans to customers that are held for collecting contractual cash flows. In the retail business the loans comprise mortgages, overdrafts, unsecured personal lending and credit card facilities. Sales of loans from these portfolios are very rare.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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

For the purpose of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition.

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

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

Contingent events that would change the amount and timing of cash flows;

- Leverage features
- Prepayment and extension terms
- Terms that limit the Society's claim to cash flows from specified assets (e.g. non-recourse loans); and
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Society holds a portfolio of long-term fixed-rate loans for which the Society has the option to propose to revise the interest rate at periodic reset dates. These reset results are limited to the market rate as the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Society has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

(iii) Derecognition

Financial assets

The Society derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Society neither transfers nor retains substantially all of the risks and rewards of ownership and it does retain control of the financial asset.

On Derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/ loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Society is recognised as a separate asset or liability.

Financial liabilities

The Society derecognises a financial liability when it contractual obligations are discharged or cancelled, or expire.

(iv) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Society evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired.

In the case, the original financial asset is decognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Society plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place.

This approach impacts the result of the quantitative evaluation and mean that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Society first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities

The Society derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value.

The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining terms of the modified financial liability by re-computing the effective interest rate on the instrument.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Society currently has a legally enforceable right to set off the amounts and it intends either to settle them on a basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS Standards, or for gains and losses arising from a group of similar transactions such as in the Society's trading activity.

(vi) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Society has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Society measures the fair value of the instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information or an ongoing basis.

If there is no quoted price in an active market, then the Society uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument or initial recognition is normally the transaction price-i.e. the fair value of the consideration given or received.

If the Society determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Society recognises transfers between levels of the value hierarchy as of the end of the reporting period during which the change has occurred.

(vii) Impairment

The Society recognises the loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Lease receivables;
- Financial guarantee contracts issued; and
- Loan commitment issued

No impairment loss is recognised on equity investments

The Society measures loss allowances at an equal to lifetime ECL, except for the following, for which they are measured as 12 months ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

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

12-month ECL are portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12-months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected file of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised by that are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

Measurement of ECL

ECL are a probability-weighted-estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Society expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Society if the commitment is drawn down and the cash flows that the Society expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Society expects to recover.

When discounting future cash flows, the following discount rates are used:

- Financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
- POCI assets: a credit-adjusted effective interest rate;
- Lease receivables: the discount rate used in measuring the lease receivable;
- Undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
- Financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

Credit-impaired financial assets

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

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

Significant financial difficulty of the borrower or issuer;

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

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit impaired, the Society considers the following factors.

The market's assessment of creditworthiness as reflected in bond yields.

The rating agencies' assessment of creditworthiness.

The country's ability to access the capital markets for new debt issuance.

The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

Write-off

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

Recoveries of amounts previously written off are recognised when cash is received and are included in 'impairment losses on 'financial instruments' in the statement of profit or loss and OCI.

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

(viii) Designation at fair value through profit or loss

Financial assets

On initial recognition, the Society has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities

The Society has designated certain financial liabilities as at FVTPL, in either of the following circumstances:

- The liabilities are managed, evaluated and reported internally on a fair value basis; or
- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(o) Loans and advances

'Loans and advances' captions in the statement of financial position include:

Loans and advances measured at amortised cost, they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

Loans and advances mandatory measured at FVTPL, or designated as at FVTPL, these are measured at fair value with changes recognised immediately in profit or loss, and lease receivables

When the Society purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at afixed price on a future date, the consideration paid is accounted for as a loan or advance, and the underlying asset is not recognised in the Society's financial statements.

3 Changes in accounting policy

Except for the changes below, the Society has consistently applied the accounting policies to all periods presented in these financial statements.

(a) IFRS 16 Leases

The Society initially applied IFRS 16 Leases from 01 January 2019. A number of other new standards are also effective from 01 January 2019 but they do not have a material effect on the Society's financial statements.

The Society applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 01 January 2019.

Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IA'S 17 and related interpretations. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Society determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Society now assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Society applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IA'S 17 and IFRIC 4 were not assessed for whether there is a lease under IFRS 16.

Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 01 January 2019.

There has also been changes in the accounting over the life of the lease. In particular, the Society will now recognise a downloaded pattern of expense for most leases, even when they pay constant annual returns.

As a lessee

The Society leases many assets including property, equipment and IT equipment. The Society previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Society. Under IFRS 16, the Society recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet. At commencement or on modification of a contract that contains a lease component, the Society allocates the consideration in the contract that contains a lease component, the Society allocates the consideration in the contract to each lease component on the basis of its relative stand – alone price. However, for a leases of property the Society has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under IAS 17

Previously, the Society classified property leases as operating leases under IA'S 17. On transition for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Society's incremental borrowing rate as at 01 January 2019. Right-of–use assets are measured at either:

- Their carrying amount as if IFRS 16 has been applied since the commencement date, discounted using the Society's incremental borrowing rate at the date of initial application: the Society applied this approach to its largest property lease; or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Society applied this approach to all other leases.

The Society has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Society used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IA'S 17. In particular, the Society:

Did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;

Did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);

Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and

Used hindsight when determining the lease term.

As a lessor

The Society leases out its investment property. The Society has classified these leases as operating leases.

The Society is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease.

The Society has also entered into a sub-lease during 2019, which has been classified as a finance lease.

The Society has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

Impact on transition

On transition to IFRS 16, the Society recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	2019 PGK
Right-of-use assets - property, plant and equipment	3,780,019
Lease liabilities	(3,780,019)
Operating lease commitments at 31 December 2018 as disclosed under IAS 17 in the Society's financial statements	688,714
Discounted using incremental borrowing rate 01 January 2019	6.25%
Finance lease liabilities recognised as at 31 December 2019	3,227,449
Undiscounted Lease liabilities recognised at 01 January 2019	3,780,019

4 Critical accounting and judgement in applying accounting policies

In conformity with IFRS, the preparation of financial statements for the Society requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes.

Although these estimates are based on management's knowledge of current events and actions that may be undertaken in the future, actual results may ultimately differ from estimates.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Going concern

The financial statements have been prepared on a going concern basis which assumes that the Society will be able to meet its liabilities and obligations as and when they fall due in the normal course of the business. As at 31 December 2019 the Society had an at call liquidity net deficiency of K171 million (2018: K151 million). This net deficiency is predominately due to member deposits being fully categorised as liability exposure at call.

Funds received from members savings have been invested in long term investment opportunities, resulting in the apparent maturity mismatch. The savings are fully secured or partially secured against Loans to members (where members have taken out Loans with the Society) as such those savings secured to loans cannot be fully withdrawn.

While member savings are at call, there are processes in place to control the volume of withdrawals.

Having assessed the Society's ability to generate positive cash flows as well as the likely timing of member withdrawals, of which there has been no history of significant withdrawals, the at call liquidity net deficiency is not expected to affect the Society's ability to meet its operational and financial obligations and the going concern assumption is considered appropriate in the preparation of these financial statements

5 Property and equipment

In 2018, the Society invested in a new debit card project which required the upgrade of the server hardware (K1.9m) and the implementation of a new core banking technology (K2.1m) which was launched in June 2019.

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

Cost	Capital Works in Progress	Furniture, Fixtures and Fittings	Motor Vehicles	Computer Equipment	Computer Software	Leasehold Improve-ments	Right-of-Use - Property	Total PGK
At 01 January 2018	4,315,530	306,598	144,100	2,053,106	3,836,399	1,378,865	-	12,034,598
Additions	-	13,263	1,346,844	2,259,313	584,274	-	3,780,018	7,983,712
Reclassification	(1,537,295)	-	-	-	1,537,295	-	-	-
At 31 December 2019	2,778,235	319,861	1,490,944	4,312,419	5,957,968	1,378,865	3,780,018	20,018,310
Accumulated depreciation								
At 01 January 2019	-	69,855	126,287	1,602,200	792,084	192,757	-	2,783,183
Charges for the year	-	23,108	12,155	444,099	430,486	103,415	756,003	1,769,266
At 31 December 2019	-	92,963	138,442	2,046,299	1,222,570	296,172	756,003	4,552,449
Carrying amount at 31 December 2019	2,778,235	226,898	1,352,502	2,266,120	4,735,398	1,082,693	3,024,015	15,465,861

Cost	Capital Works in Progress	Furniture, Fixtures and Fittings	Motor Vehicles	Computer Equipment	Computer Software	Leasehold Improve-ments	Total PGK
At 01 January 2018	392,357	286,350	144,100	1,777,142	3,615,824	1,284,569	7,500,342
Additions	3,923,173	20,248	-	275,964	220,575	94,296	4,534,256
At 31 December 2018	4,315,530	306,598	144,100	2,053,106	3,836,399	1,378,865	12,034,598
Accumulated depreciation							
At 01 January 2018	-	46,617	102,125	1,261,854	422,211	164,189	1,996,996
Charges for the year	-	23,238	24,162	340,346	369,873	28,568	786,187
At 31 December 2018	-	69,855	126,287	1,602,200	792,084	192,757	2,783,183
Carrying amounts at 31 December 2018	4,315,530	236,743	17,812	450,906	3,044,315	1,186,108	9,251,414

6 Investment properties

	Note	2019 PGK	2018 PGK
Investment property (Fair value model)	(a)	831,591	2,716,591
Opening balance		2,716,591	3,959,064
Charges in fair value		(300,000)	(214,120)
Asset disposal		(1,585,000)	(1,028,353)
		831,591	2,716,591

(a) Investment properties (at fair value)

Summary of movement in revaluation of investment properties as follows:

Residential Properties	Valuation model	Capitalisation rates	2018 PGK	Revaluation PGK	2019 PGK
Sec 57 Lot 35 Alotau	Third party offer	0%	1,131,591	(300,000)	831,591
Sec 147 Lot 22 8 Mile	Third party offer	0%	800,000	Sold	-
Sec 147 Lot 26 8 Mile	Third party offer	0%	785,000	Sold	-
			2,716,591	(300,000)	831,591

Residential Properties	Valuation model	Capitalisation rates	2017 PGK	Revaluation PGK	2018 PGK
Sec 57 Lot 35 Alotau	Third party offer	12.00%	1,131,591	-	1,131,591
Sec 147 Lot 16 8 Mile	Third party offer	10.00%	1,028,000	Sold	-
Sec 147 Lot 22 8 Mile	Third party offer	10.00%	900,000	(100,000)	800,000
Sec 147 Lot 26 8 Mile	Third party offer	10.00%	900,000	(100,000)	800,000
			3,959,591	(200,000)	2,731,591

Each of the leases is for a period of one year with options to renew. Annual rent increases are normally indexed to consumer prices.

In 2019, section 147 lot 22 was sold for a total remuneration of K800, 000 and section 147 lot 26 8 Mile was sold for a total remuneration of K785, 000.

Investment properties comprise a number of residential properties that are leased to third parties.

Investment properties are stated at fair value. The last valuation was carried out in 2017 and to be revalued every 3 years.

7 Investment securities and government inscribed stock

	Notes	2019 PGK	2018 PGK
Government inscribed stock at amortised cost	(a)	71,590,141	79,735,484
Quoted equity investments at FVTPL	(b)	2,540,000	2,152,500
Unquoted equity investments at FVTPL	(c)	160,000	160,000
		74,290,141	82,047,984

(a) Government inscribed stock at amortised cost

The book value comprises of:

	2019 PGK	2018 PGK
Face value of Government inscribed stock	69,660,000	77,660,000
Unamortised premiums	2,017,654	2,336,944
Unamortised discounts	(87,513)	(261,459)
	71,590,141	79,735,485

Government inscribed stock are shown net of Unamortised discounts/ premiums on acquisition which are amortised over the life of the stock.

Government inscribed stock have coupon rates ranging from 9% to 14% and yield rates ranging from 8.5% to 14%.

Maturity Year	Coupon rates %	Yield rates %	Face value PGK
2022	10.0	8.5	1,750,000
2023	9.0 to 12.0	9 to 11.5	11,000,000
2025	11.5	11.45 to 12.3	4,000,000
2027	14.0	11.2 to 14.0	24,160,000
2028	12.5	11.5 to 12.5	20,000,000
2029	11.0 to 12.0	10.5 to 11.0	7,750,000
2031	12.0	15.4	1,000,000
			69,660,000

(b) Quoted equity investments at FVTPL

Summary of revaluation of quoted investments is as follows:

	2018 PGK	Revaluation PGK	Disposal PGK	2019 PGK
Credit Corporation (PNG) Limited	2,092,500	387,500	--	2,480,000
PNG Air Limited	60,000	-	-	60,000
	2,152,500	387,500	-	2,540,000

Reconciliation of movement in quoted investments is as follows:

	2019 PGK	2018 PGK
Balance at 01 January	2,152,500	2,617,500
Net loss on financial assets at FVTPL	387,500	(465,000)
Share disposal	-	-
Balance at 31 December	2,540,000	2,152,500

(c) Unquoted equity investments at FVTPL

	2019 PGK	2018 PGK
Investment in CloudApp Limited	160,000	160,000
	160,000	160,000

The Society acquired 51% of the shares in CloudApp Limited ('CloudApp') at no consideration in 2017. CloudApp is a software development and retail company. There were no changes in the fair value for 2019.

8 Loans due from members

	2019 PGK	2018 PGK
Loans due from members	113,062,275	83,151,963
Less: provision for doubtful debt	(1,675,069)	(1,990,036)
	111,387,206	81,161,927

Interest of 1% per month is charged on members loans. Repayments are received on a fortnightly and monthly basis. The minimum loan is K200. Board approval is required for loans granted over K100,000.

The movement in the provision for doubtful debts was as follows:

	2019 PGK	2018 PGK
Balance at 01 January	1,990,036	2,536,350
Provision charges to profit and loss	488,313	285,693
Bad debts written off during the year	(803,280)	(832,007)
Balance at 31 December	1,675,069	1,990,036

The exposure on overdue balance as at 31 December 2019 is K3, 734,037 (2018: K 3,435,691). The ageing of the exposure on overdue balances is as follows:

	2019 PGK	2018 PGK
Not due	24,518,302	14,734,651
1 - 29 days overdue	2,183,898	1,816,487
30 -59 days overdue	974,968	484,357
60 - 89 days overdue	281,692	235,567
90+ days overdue	293,479	899,280
	28,252,339	18,170,342

9 Prepayments and other receivables

	2019 PGK	2018 PGK
Accrued interest	1,581,596	1,581,316
Staff related receivables	56,961	104,302
Rent receivable	33,620	48,866
Security deposits	46,250	46,250
Prepayments	654,616	348,381
	2,373,043	2,129,115

Accrued interest represents interest accrued on Government inscribed stock (Note 7) and interest bearing deposits (Note 22). Accrued interest on loans is captured in the loan balance. Interest received after year end predominantly relate to member contributions for 2018 December received in 2019 January. Refer to note 11 for further information.

10 Employee provisions

	2019 PGK	2018 PGK
Provision for annual leave	382,938	235,907
Provision for long service leave	651,489	410,565
	1,034,427	646,472

11 Members' savings

	2019 PGK	2018 PGK
Members' savings	196,612,713	158,241,560
Unallocated contributions	860,332	944,265
	197,473,045	159,185,825

During the year, the Society commenced payment of monthly interest to members. This interest differs from the year end distributions declared the Society, as its purpose is to attract and retain member savings and capital.

As at 27 March 2020, the Board of Directors declared and distributed to members interest at a rate of 5.5% (2019: 4.6%) totalling K9, 585,379 (2019: K6, 708,128). The distribution made in 2019 was out of 2018 year end profits. This profit distribution is apportioned based on the daily savings balance of the members' accounts for the year. This distribution differs from the month interest payments and is equity in nature.

The Society has a policy of actively chasing the details of unallocated deposits. It is not always possible to obtain these if the appropriate details have not been included in the transactions.

12 Trade and other payables

	2019 PGK	2018 PGK
Creditors and accruals	2,849,082	4,780,639
Amounts payable to nasfund	458,457	672,080
Other payables	18,559	19,112
	3,326,098	5,471,831

13 Leases

(a) Leases as lessee (IFRS 16)

The Society leases investment property. The leases typically run for a period of 5 years, with an option to renew the lease after that date. Lease payments are renegotiated every 5 years to reflect market rentals.

Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Society is restricted from entering into any sub-lease arrangements.

The property leases were entered into many years ago as combined leases of land and buildings. Previously, these leases were classified as operating leases under IAS 17.

Information about leases for which the Society is a lessee is presented below:

(i) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

	2019 PGK	2018 PGK
Balance at 01 January	3,780,019	3,780,019
Depreciation charge for the year	-756,003	-756,003
Balance at 31 December	**3,024,016**	**3,024,016**

At 31 December 2018, the future minimum lease payments under non-- cancellable operating leases were payable as follows.

Maturity analysis- Contractual undiscounted cash flow	
Less than one year	763,225
Between one and five years	3,016,794
More than five years	-
Total undiscounted lease liabilities at 31 December	**3,780,019**

(ii) Amount recognised in profit or loss

2019 - Leases under IFRS 16	
Interest on lease liabilities	210,655

2018 - Operating leases under IAS 17	
Lease expense	688,714

(iii) Amounts recognised in statement of cash flows

Total cash outflow for leases	763,225

(iv) Extension options

The property lease contain extension option exercisable by the Society before the end of the lease period. The Society have considered all extension option in the lease calculation.

b Leases as lessor

The Society leases out its investment property consisting of its owned commercial properties as well as leased property. All leases are classified as operating leases from a lessor perspective with the exception of a sub-lease, which the Society has classified as a finance sub-lease.

(i) Operating lease

The Society leases out its investment property. The Society has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the Society during 2019 was K92,966 (2018: K163,280).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

2019 - Operating leases under IFRS 16	
Less than one year	120,445
One to two years	33,540
Total	153,985

2018 - Operating leases under IAS 17	
Less than one year	137,826
Between one and five years	33,540
Total	171,366

14 Finance Liabilities

	2019 PGK	2018 PGK
Lease liabilities	3,227,448	-
Rental bond payable	6,712	11,046
	3,234,160	11,046

15 Share Capital

	2019 PGK	2018 PGK
Issued ordinary share capital		
Share on issue at 01 January	106,159	98,833
Net movement in share capital	16,457	7,326
	122,616	106,159

Under the Savings and Loan Societies (Amendment) Act 1995, each member is required to purchase a share at K1 on joining the Society. Upon exiting the Society, the member may redeem the K1.

16 Statutory reserve

	2019 PGK	2018 PGK
Balance at 01 January	12,760,485	11,072,672
Statutory transfer of net profit for the year	2,417,605	1,687,813
	15,178,090	12,760,485

The Savings and Loan Societies (Amendment) Act 1995, requires a Society to transfer 20% of its profits earned in a financial year to the statutory reserve. The Society is not required to maintain a reserve balance exceeding 10% of total liabilities.

During the current period, only statutory reserve was only adjusted as required under the Savings and Loans Societies Act Par 47(2), to the minimum required amount per year of 20% of net earnings.

17 Administration expenses

	2019 PGK	2018 PGK
Advertising and marketing	664,701	316,540
Auditors remuneration - statutory audit	199,601	235,863
Bank charges	221,239	176,290
Computer, software support and communication	2,714,513	1,815,473
Directors fees	115,441	52,000
Directors sitting fees and expenses	169,863	38,839
Motor vehicle expenses	191,674	170,104
Printing and postage	127,932	48,662
Professional and consulting fees	-8,211	-450
Rental expenses	-	688,714
Security charges	46,909	40,763
Travel	98,162	91,054
Insurance	128,252	121,976
Telecommunication	498,998	345,340
Promotion and merchandising	104,806	60,340
Other office expenses	780,113	524,882
	6,053,993	4,726,390

18 Staff expenses

	2019 PGK	2018 PGK
Basic	3,650,495	2,457,549
Superannuation	334,369	216,508
Long service leave	387,019	174,579
Other benefits and expenses	1,116,970	1,563,191
	5,488,853	4,411,827

19 Employee benefits plans

The Society contributes to the National Superannuation Fund of Papua New Guinea ("nasfund") on behalf of its employees.

All employees are members of nasfund. This fund is an accumulation benefit fund whereby the Society matches contributions to the fund made by employees up to 10% of the employee's base salary. Employee contributions are based on 6% of their gross salaries. During 2019, the Society expensed K334, 369 in contributions (2018: K216, 508).

20 Related party transactions

Related parties represent major shareholders, directors and key management personnel of the Society and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Board of Directors.

Transactions with related parties during the year are as follows:

(a) Loans to staff and directors

Member loans made to ncsl staff and directors are in the ordinary course of business in accordance with the Society Rules. The total value of these loans as at 31 December 2019 was as follows:

	2019 PGK	2018 PGK
Loans to related parties	1,051,328	860,576
	1,051,328	860,576

The interest rate, security and repayment terms on these loans are no different to the normal terms and conditions extended to the general membership.

(b) National Superannuation Fund (nasfund)

nasfund is a related party due to common Directors between nasfund and the Society. Further, only nasfund members are eligible to be members of the Society.

	2019 PGK	2018 PGK
Amount payable to nasfund (Note 12)	458,457	672,080
	458,457	672,080

Rent of K712,087 (2018: K688,714) was charged to the Society by nasfund.

Other receivables from nasfund were recognised in relation to the work in progress carried out by the Society on behalf of nasfund (Note 11). All amounts shown above are unsecured, interest free and payable on demand.

(c) CloudApp Limited

CloudApp is related party of the Society. The society holds 51% of the shares of the entity and there are common directors between the entities. In 2016, the Society purchased a Core Banking System valued K3.5 million from CloudApp, which was further enhanced throughout 2018 and 2019 after been launched in late 2016.

(d) Compensation of key management personnel

The remuneration of directors and members of key management during the period was as follows:

	2019 PGK	2018 PGK
Salaries, wages and other short- term benefits	3,380,194	2,281,227
Long service leave	285,369	113,924
Superannuation	334,369	216,508
	3,999,932	2,611,659

The number of employees whose total remuneration and other benefits received, exceeding K100,000 and falling within each relevant K50, 000 banding.

	2019 PGK	2018 PGK
K100,000 - K149,999	2	2
K150,000 - K199,999	5	6
K200,000 - K249,999	3	-
K250,000 - K299,999	-	-
K300,000 - K349,999	-	-
K350,000 - K399,999	-	1
K400,000 - K449,000	1	-
	11	9

Directors during the year	Executives during the year
Mr. Ian Tarutia, OBE (Chairman)	Vari Lahui (Chief Executive Officer)
Mr William Lamur, OBE	Noel Larupa Ako (Legal Manager)
Mr. Murray Woo, OBE	Bernard Geita (Manager Lending)
Mr. Hulala Tokome	Henry Pupu (HR Manager)
Mr. Vera Raga	Robert Thadeus (Member Services Manager)
Mr. Christopher Elphick	Jackraho Morea (Finance Manager)
	Richard Lesa (IT Manager)
	Nosuau Kini (Risk and Compliance Manager)
	Vavine Iamo (E- Banking Manager)

21 Contingencies and commitments

The Society did not have any commitments or contingencies at the date of approving these financial statements (2018: nil).

22 Subsequent events

No material subsequent events have occurred between the end of the financial year and the date of signing of the financial statements. However, following the date of the financial statements, the Society's Board of Directors are to approve a distribution to members.

On the 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

For the Society's 31 December 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Society cannot reasonably estimate the impact these events will have on the Society's financial position, results of operations or cash flows in the future.

23 Notes to the statement of cash flow

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash and cash equivalents as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	2019 PGK	2018 PGK
Cash at bank	9,696,540	8,188,442
Term deposits	16,600,000	-
	26,296,540	8,188,442

Terms deposits has a maturity less than 3 months.

24 Financial instruments

Risk management framework

The Society's board of directors has overall responsibility for the establishment and oversight of the Society's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Society's risk management policies. The committee reports regularly to the board of directors on its activities.

The Society's risk management policies are established to identify and analyse the risks faced by the Society, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Society's activities. The Society, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk for loans and receivables at the reporting date is concentrated in Papua New Guinea.

Credit risk is the risk of financial loss to the Society if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Society's receivables from customers and investments in debt securities.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows.

(i) Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on the financial instrument has increased significantly since initial recognition, the Society considers reasonable and supporting information that is relevant and available without undue cost or effort. This includes both quantitative based on the Society's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure to comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where appropriate for changes in prepayment expectations).

The Society uses three criteria for determining whether there has been a significant increase in credit risk:

a quantitative test based on movement in PD;

qualitative indicators; and

a backstop of 30 days past due, for which a backstop of 15 days past due is applied.

Definition of default

The Society considers a financial asset to be a default when:

- The borrower is unlikely to pay its credit obligations to the Society in full, without recourse by the Society to action such as realising security;
- The borrower is more than 90 days past due on any material credit obligation to the Society. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limited smaller than the current amount outstanding; or
- It is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Society considers indicators that are:

- Qualitative: e.g. breaches of covenant;
- Quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Society; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is a default and their significance may vary over time to reflect changes in circumstances

The definition of default largely aligns with that applied by the Society for regulatory capital purposes

Incorporation of forward-looking information

The Society incorporates forward- looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Society formulates three economic scenarios: a base case, which is the central scenario developed internally based on consensus forecasts, and two less likely scenarios, one upside and one downside scenario. The central scenario is aligned with information used by the Society for other purposes such as strategic planning and budgeting.

2019	Upside PGK	Central PGK	Downside PGK
Scenario probability weighting	1,092,481	1,605,242	2,816,270

2018	Upside PGK	Central PGK	Downside PGK
Scenario probability weighting	1,257,347	1,935,049	3,162,625

Sensitivity of ECL to future economic conditions

The ECL are sensitive to judgments and assumptions made regarding formulation of forward- looking scenarios and how much scenarios are incorporated into the calculations. Management performs a sensitivity analysis on the ECL recognised on material classes of its assets.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

ECL for exposures in Stage 1 are calculated by multiplying the 12- month PD by LGD and EAD Lifetime ECL are calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. The Society estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property LTV ratios are a key parameters in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for lending collateralized by property, to reflect possible changes in property prices. They are calculated on a discounting factor.

EAD represents the expected exposure in the event of a default. The Society derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation.

The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EAD are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantees becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Society measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Society has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Loss allowance

The Following tables shows reconciliation's from the opening to the closing balance of the loss allowance by class of financial instrument. The basis for determining transfers due to changes in credit risk is set out in our accounting policy:

(b) Liquidity risk

(i) Maturity analysis for financial liabilities and financial assets

The following tables set out the remaining contractual maturities of the Society's financial liabilities and financial assets.

31 December 2019 (PGK)	Carrying amount	At call	0-3 months	Less than 1 year	1-5 years
Financial liability by type					
Non- derivative liabilities					
Member savings	197,473,045	197,473,045	-	-	-
Other financial liabilities- lease liabilities	6,413,401	-	-	804,935	5,608,466
	203,886,446	197,473,045	-	804,935	5,608,466
Financial asset by type					
Non- derivative assets					
Cash and cash equivalents	26,296,540	26,296,540	-	-	-
Quoted equity investments	2,540,000	-	-	-	2,540,000
Government inscribed stock	71,590,141	-	-	-	71,590,141
Loans due from members	111,387,206	-	-	33,569,560	77,817,646
	211,813,887	26,296,540	-	33,569,560	151,947,787

31 December 2018 (PGK)	Carrying amount	At call	0-3 months	Less than 1 year	1-5 years
Financial liability by type					
Non- derivative liabilities					
Member savings	159,185,825	159,185,825	-	-	-
	159,185,825	159,185,825			
Financial asset by type					
Non- derivative assets					
Cash and cash equivalents	8,188,442	8,188,442	-	-	-
Quoted equity investments	2,152,500	-	-	-	2,152,500
Government inscribed stock	79,735,484	-	-	-	79,735,484
Loans due from members	81,161,927	-	-	-	81,161,927
	171,238,353	8,188,442	-	-	163,049,911

(c) Other market risk

Investments of the Society (other than cash held for liquidity purposes and investment properties) comprise fixed interest securities and shares and promissory notes in listed companies. The value of investment are below 5% of the total assets. The Society's exposure therefore is limited.

The classification of fair value hierarchy has been discussed in Note 3. The valuation of financial investments based on their classification is as follows:

Level 1: quoted prices in active markets for identical assets or liabilities,

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices), and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyses financial instruments carried at fair value, by valuation method.
The different levels have been defined as follows (no transfers between levels between the periods):

	Level 1	Level 2	Level 3	Total PGK
31 December 2019				
Quoted equity investments	2,540,000	-	-	2,540,000
Unquoted equity investments	-	160,000	-	160,000
Investment properties	-	-	831,591	831,591
	2,540,000	160,000	831,591	3,531,591

	Level 1 PGK	Level 2 PGK	Level 3 PGK	Total PGK
31 December 2018				
Quoted equity investments	2,152,500	-	-	2,152,500
Unquoted equity investments	-	160,000	-	160,000
Investment properties	-	-	2,716,591	2,716,591
	2,152,500	160,000	2,716,591	5,029,091

Other market price risk is mitigated by constructing a diversified portfolio of instruments which are traded on various markets. All investment managers are subject to extensive due diligence prior to being appointed and removed by the Board.

(d) Interest risk

Interest on members' loans is fixed by the Society at 1% per month and therefore no significant interest rate risk is associated with members' loans.

FAQ

Who is eligible to join ncsl to become a member?

Any interested person who intends to save for short to medium term financial needs.

Is membership compulsory?

No. Membership with ncsl is not compulsory. It is a voluntary savings scheme that gives members flexibility to access savings to fulfil their financial commitments such as school fees, customary obligations, funeral expenses, etc.

What does ncsl provide?

ncsl offers 4 savings accounts. The minimum deposit for each account is K20.00 paid fortnightly or monthly.

These are;

Education Savings Account (ES)

- A minimum balance of K50.00 must always remain in the account.
- Withdrawals are allowed for only education related purposes. Payments are directly made into bank accounts of education institutions or supplier of education related materials.
- Relevant documentation with bank account details of the institution or supplier must be attached or forwarded to withdrawals@ncsl.com.pg with each application.
- Monthly Transfer is allowed to other Savings/ Loan accounts (excluding the Poro Account).
- Only one withdrawal is allowed per month.

General Savings Account (GS)

- Minimum monthly transfer of K200 is allowed.
- Members can transfer up to 50% of their total net savings balance in their General Savings account.

Christmas Savings (XS)

- Transfers are only allowed in November, December and January of each year.
- A minimum balance of K50.00 must always remain in the account.
- Savings can be used as security against loans.

Kids Savings Account (KSA)

- A trustee can open this account on behalf of his Child (infant to 18 years).
- Withdrawals are restricted until the child reaches 18 years of age.
- An exit fee of K20.00 is charged if the Trustee applies for a refund of savings before the legal age of 18.

Does ncsl pay interest on Savings?

Yes. Monthly and Annual interest is paid based on the surplus funds (profit) made each year.

What are ncsl loan products?

ncsl offers personal loans and the minimum loan is K200.00. Maximum is based on the members available savings balance.

Lending Guidelines for Loan Eligibility

The member is eligible for a loan if he/she:

- Has had a continuous payroll deduction for a minimum period of 3 months.
- Has a minimum of K200.00 in their savings account.
- Is honest and of good character and has had no prior conviction for fraud or theft.
- Has a good credit rating.
- Member is allowed only on loan transaction per month.

Current Loan types;

- 1:1 Ratio
  This is a Kina for a Kina lending product. Example, if you have K1,000.00 as your total savings, you are allowed to borrow a minimum of K200.00 up to a maximum of K1,000.00.
- 1:2 Ratio
  This is borrowing twice your total savings. Example, if you have K1,000.00 as your total savings, you are allowed to borrow a maximum of K2,000 provided all loan requirements are met.
  This is subject to assessment and to the member employees of approved 1:2 ratio employers only.
- Interest on Loans
  Interest is charged at 1% per calendar month on the unpaid balance on all existing and current loan accounts.

Loan Repayments

- All loans must strictly adhere to the approved loan repayment schedule.
- Any interest rate in excess of 1% per month on the unpaid balance may be charged subject to the approval of the Registrar.

Lending Priorities

- Loan priority is available on a first come first served basis and availability of liquid funds.

How can I get more information on ncsl's Lending service?

You can email loans@ncsl.com.pg or call 3132010/3132016.

What is nascare?

nascare is a medical and life insurance cover for ncsl members'. It provides medical, dental, optical, pharmaceutical, hospital and death benefit for members, their spouse and children in PNG. Members are insured for medical expenses they incur through illness or injury.

I am not a member of ncsl. Can I apply for nascare?

No. nascare is a benefit available only to members of ncsl.

Can I take medical insurance cover only?

No. Members cannot take out partial cover. The nascare plan is for both medical and life insurance cover.

How can I apply and when does nascare cover start?

Members must fully complete the proposal form, for medical and life cover. Once application is lodged and premium is paid, registration is then confirmed, and the cover is automatically in place.

How can I pay my Premium?

You can pay your premiums via:

- Direct payment into ncsl Administration account; ncsl Administration Account, 1000947590 (BSB: 294).
- Obtaining a loan from the Society. The loan will be considered under normal lending policy and must be repaid within 12 months.

How much will be refunded for my medical expenses?

Members will be refunded 80% of the total amount claimed, i.e. if your hospital bill is K100.00, the refund will be K80.00.

How can I get more information on nascare?

You may call ncsl head office on phone 3132023 or send an email to nascare@ncsl.com.pg.

What is Biometric Identification System (BIS)?

BIS is self-service touch screen device which enables members to do transactions with the use of their fingerprint as the identification. Prior to using this service, the member must first register their fingerprint at any ncsl branch.

What is the Member Online Portal?

The member online portal is ncsl's internet banking facility and can be accessed via https://sls.ncsl.com.pg/Account/Login for first time/one time registration. The portal can be accessed by any device that has an internet connection. All queries relating to the Member Online Portal can be sent to it@ncsl.com.pg or call 3132026/3132066.

Does ncsl have a mobile banking service?

Yes. ncsl's mobile banking service is *628# and is available to Bmobile and Digicel subscribers. To use this service, the member must complete the sms alert form and send to helpdesk@ncsl.com.pg for a one time registration or amendments.

Once registered, the member also receives sms alerts when applying for a loan, withdrawal and transfer. The member is kept informed of every stage of the application until disbursement of funds.

How can I contribute to ncsl?

There are 5 methods in which you can contribute to ncsl:

- Salary Deduction.
- Eftpos (nearest ncsl branches).
- Electronic Transfer (Internet or Mobile banking).
- Standing Order.
- Direct deposits at commercial banks (ANZ/BSP/WSP).

How often do you update my contributions?

You get deducted every fortnight but your updates are done based on the payment frequency set by your Employer, if your Employers remits on a fortnightly basis than updates are done fortnightly, if remittance is done monthly than updates are done on a monthly basis.

What is the turnaround time for contribution updates?

Contribution updates is done within the same working day once your Employer generates schedules online or sends correct schedules listing on time and payment is sighted.

Which of this process of allocating contributions is faster, contribution schedules sent via email or generated files using the Employer online portal?

The allocation of files generated via Employer online portal is very fast and efficient. All Employers are encouraged to use the Employer online portal. If your Employer is not registered than they can do by sending an email to banking@ncsl.com.pg or call 3132005/3132006.

Can I do voluntary deposits for my savings or repay my loan?

Yes. You can do so and please ensure that you state your name and membership number as the description of the receipt and forward copy of payment receipt with your full details (member name/number) with the break-up of your amount to banking@ncsl.com.pg for timely allocation. To obtain account details, you can check our brochures or call 3132005/3132006/3132007 or email.

Can I contribute to ncsl as a casual Employee, an Expatriate or Non nasfund Member?

Yes. ncsl is a voluntary savings and we are open to general public. ncsl will provide you a 10 digit membership number which you can use to contribute either daily, weekly, fortnightly or monthly.

Can I deduct part of my salary to my Poro account and how can my payroll be advised on this?

Yes. You will have to complete the salary deduction Authority (SL1) form, state the amount to be deducted and have the form endorsed by your payroll and forward completed form to membership@ncsl.com.pg to update amount in SLS to reflect changes.

Why there are funds in my Poro account when I am not contributing to Poro account and what can I do to avoid deductions going into Poro account?

As of October 2019, Poro account has been made the default account so any funds deemed surplus will automatically be updated into Poro Account thus it is very important that you complete Salary deduction Authority form (SL1) to update your regular amounts.

Why contribution updates are not according to my break up stated on my payslips?

It is advisable to confirm if regular amount for each savings is updated correctly in SLS and is in accordance to Employer payment frequency. If Employer remits on a monthly basis, then regular amount should be doubled as there are two fortnights in a month.

Contributions are updated according to the regular amounts set in the system and in this manner, loan is serviced first (if there's any) followed by savings account, any surplus funds are updated into Poro account (Default). The member can transfer funds out of Poro account to his savings or loan account at will without any fee charges.

Can my payroll update the regular amounts on the Employer online portal?

No. Your payroll will have to forward the Salary deduction Authority form (SL1) to ncsl to update the regular amounts.

Forgotten the password to Employer online portal and locked out?

Go back to Employer online log in page after 30 minutes, Click on "Forgot your password" option to reset password, check your email inbox as reset password link will be sent to registered email address. If error persists, then email it@ncsl.com.pg

Invalid login attempt?

Please ensure that you are using the correct username and password and correct web browser which is Google Chrome or Moziila Fire Fox. The URL is https://sls.ncsl.com.pg/Employer/Login.

What is a Poro Card?

A Poro card is a domestic debit card issued to ncsl members that conveniently allows access to their transactional account funds and or for everyday shopping.

Who can apply for a Poro Card?

To apply for a Poro card you have to be an active contributing ncsl member over the age of 18 years.

How can I apply for a Poro Card?

You can apply by completing the Poro Card and Account application form at any ncsl branch or download it from the website

Is there an account opening deposit?

Yes. A deposit of K10.00 will be debited from your General Savings account (GS) to open your Poro account.

Is it compulsory for every member to have a Poro account and be issued a Poro card?

Yes. It is preferable that every member has a Poro card for instant access to loan and withdrawal proceeds.

Will Children with Kids Savings Account be issued a Poro Card?

No.

How long does it take to receive my Poro card upon applying?

10 business days.

Will I be issued a Personal Identification Number (PIN) and why do I need it?

PIN is a unique 4 digit number, generated specifically for your Poro card. It is your electronic signature used to approve and secure every transaction done from your card. The number is given to the cardholder and should be known only to the cardholder. The member is at liberty to change the PIN at any of our Eftpos terminal.

How can I use my Poro card?

The Poro card, similar to other bank cards, can be used to purchase goods and services at selected retailers using ncsl Eftpos terminals.

Can I use my Poro card on other bank terminals and ATMs?

Yes.

Is there a daily transactional limit imposed on the Poro card usage?

Yes. Member is limited to K10,000.00 a day with only K2,000.00 cash disbursement at the ATM.

Is the Poro card linked to my Savings account with ncsl?

No. Your Poro card is only linked to your Poro account. You cannot access your savings using your Poro card.

Can salary or wages be directed into the Poro account so I can access using my Poro card?

Yes. This can be done through your pay office.

Is my Poro card accepted overseas?

No. Your Poro card is a domestic card and can only be used within PNG.

How can I view my Poro account transaction history?

All transactions made using your Poro card are presented on your personal account statement which can be accessed on your personal member online portal or requested for at any ncsl branch (There are no fees).

Who do I contact for any queries relating to Poro card, Poro account transactions?

Email ebanking@ncsl.com.pg or call 3132068/3132069/3132072

What happens if I forgot my PIN?

Visit any ncsl branch to submit a request in person.

What if my Poro card was misplaced, lost or stolen?

Immediately call 3132068/3132069/3132072 or email ebanking@ncsl.com.pg

a ncsl haus, douglas street, port moresby, png
po box 7732, boroko, ncd, png
ph 313 2000

ncsl.com.pg