NCSL

20 years

financially empowering members

Annual Report

2023

NCSL Annual Report 2023 | Resilience through Adversity

Our Vision

To be the best provider of e-Banking services in Papua New Guinea.

Our Mission

To improve the quality of life through e-nnovation, security, returns, services and the product range we offer.

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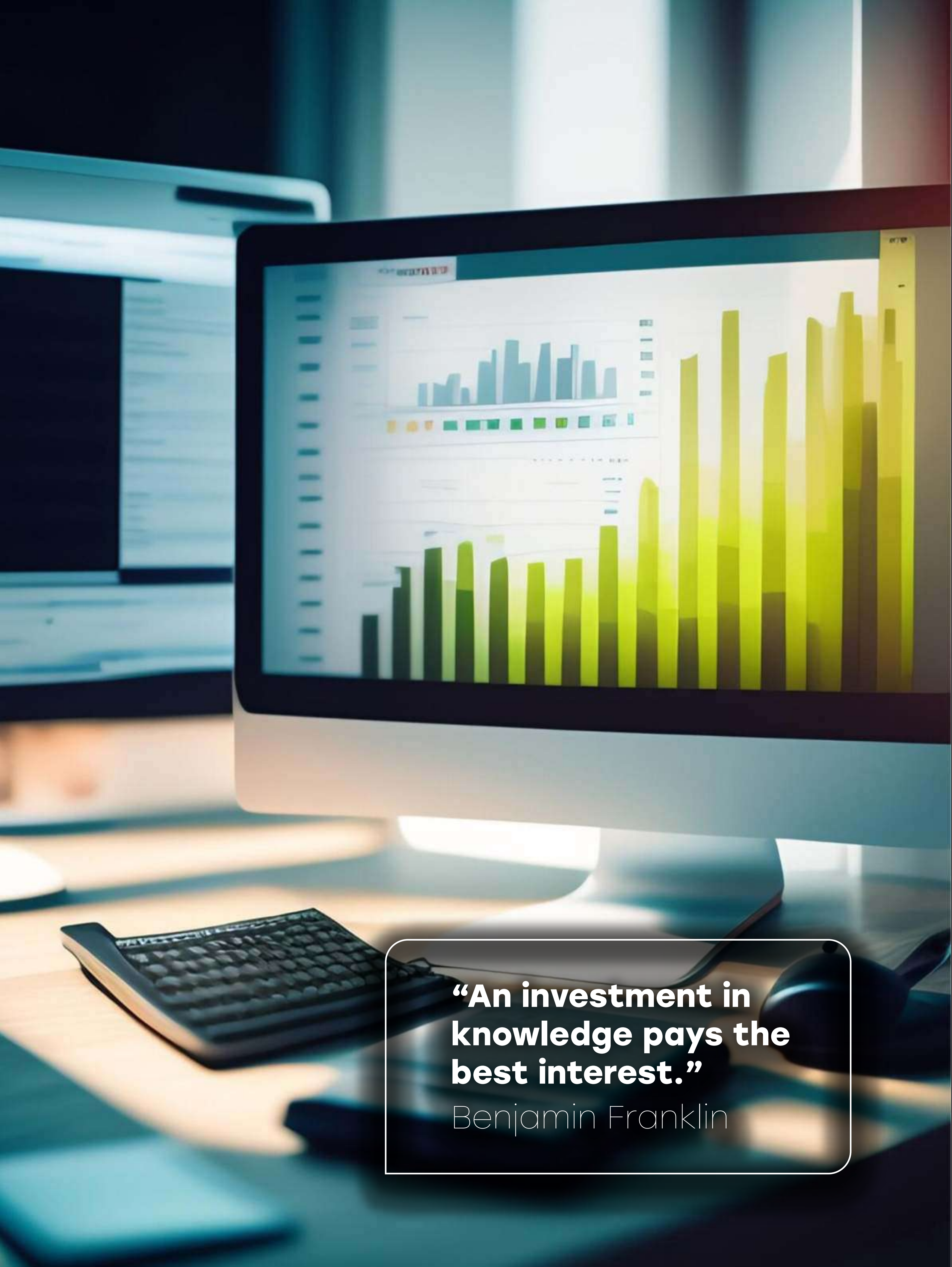


“An investment in knowledge pays the best interest.”
Benjamin Franklin

Financial highlights

	2023	2022	Change
Growth Assets	K316.8M	K312.5M	1.4% increase
Net Loan Portfolio	K152.8M	K139.4M	9.6% increase
General Reserves	K25.8M	K23.8M	8.2% increase
Total Membership	146,765	142,340	3.1% increase
Net Income	K9.7M	K16.1M	39.7% decrease
Total Income	K41.1M	K39.5M	3.9% increase
Interest Paid to Member Accounts	K11.6M	K14.9M	22.15% decrease

Chair and CEO report

"We acknowledge the dedication of the Board of Directors in supporting the Management with quick responses to the changing environment over the past year for assisting our members to pursue their financial goals."

NCSL for Twenty Years Your Savings and Loan Society in PNG.

The financial year 2022-23 was the year during which we celebrated NCSL's foundation which took place 20 years ago.

NCSL was established in October 2003 as a Nasfund subsidiary, to provide non-superannuation financial services to Nasfund members. Since the Savings & Loan Amendment Act In 2015, NCSL continued as an independent institution and nowadays serves Nasfund as well as non-Nasfund members. Since then we have been providing access to financial services to communities at 20 locations all over PNG with the support of approximately 1500 employers whose employees are our members and working in the private as well as in the public sectors. Currently we are serving more than 145,000 members and our asset base has grown to a total of PGK 316.8 million.

Over the years we have never lost sight of our mission to empower our members and to improve their lives though financial literacy training and by offering 'simple', accessible and affordable products and services. We believe that our success is in the strength of these products and especially our services which we developed with the members' foremost needs in mind.

Ease and convenience of accessibility is being paramount to the financial services delivery for our members who are mostly employed. One of our key focuses is to work on solutions that avoid our members having to leave their work site to visit a branch. Our aim is that our members will be able to get access to their savings and loan accounts and being able to transact at any time and place, even when it is for applying for a loan.

That is why we are investing heavily in automation and digitalization. Access for signing up for new accounts as well as applying for our products and services must be available through using a mobile phone or computer at home or at work. In short, we will have a viable channel for wherever and whenever members find it convenient to use NCSL's financial services.

We are grateful for the support we are obtaining from all those employers who are assisting their employees, our members, with the agreed contribution deductions to the savings and loan accounts from the member's pay every fortnight. In spite of the extra admin, employers cooperate as they understand that this additional support contributes to the improvement of the lives of their employees. We are investigating ways to further automate the operational activities as well as for other ways to support employers and their employees with the introduction of bespoke products and services e.g. our LSL (LONG SERVICE LEAVE) Savings and a specific product for some of the Oil-palm estates and their growers.

Unfortunately, 2023 was also the year that the Society encountered a major challenge that tested our resilience and determination.

A system outage, caused by an attempted cyberattack, affected our business and caused serious inconvenience for our members during a period of almost 3 months. However, due to the quick reaction and strong commitment of our staff, no client data and assets were compromised. The infrastructure was rebuilt with technical expertise from outside PNG including the adoption of the updated technology and procedures to protect our systems and data against the worst of technology's dangers. However, this came with increased technology investment which has affected our P&L, and reducing a net profit from PGK 16.1 million in 2022 to PGK 9.7 million by the end of 2023.

However this system incident also served as a positive catalyst for introspection, innovation, and ultimately became the start of an ambitious and comprehensive transformation project to change and enhance all our internal processes, policies, products and services and focusing on modernizing our technological infrastructure, enhancing cybersecurity measures, and embracing innovative digital solutions.

Our regulator BPNG has shared in 2023 new, but still in draft, two prudential standards for all financial institutions including Savings & Loan Societies, which are related to risk management of Information Technology and Cyber Security. Since our challenging cybersecurity experience at the beginning of the year and the improvements we have implemented, we are now already in compliance with several of the requirements mentioned in these two documents and strive to be completely compliant by the end of 2024.

The transformation project which will continue in 2024, was initiated by the Board of Directors and will propel our institution into a new era of efficiency and sustainability. The key components of the Transformation Project are the following.

1. Organization Structure Change: An enhancement of the Organization Structure was approved by the Board and implemented to improve Leadership, Ownership and Controls.
2. Technological Infrastructure Upgrade: Investigations took place to upgrade hardware, software, and network infrastructure, ensuring a robust and scalable foundation for our future operations.
3. Cybersecurity Enhancement: A comprehensive cybersecurity strategy was implemented, incorporating the latest technologies and best practices to safeguard our institution against potential threats.
4. Digital Transformation: Embracing digital solutions is not just to increase efficiency and responsiveness but it will further enhance our member experience to have access to financial services at time and place and contribute to the financial empowerment of our members.

5. Employee Training and Development: We started with our transformation project, focusing on changing the complete company culture. The stewards of the culture, the achievements and the products and services are ultimately based on the skills and passion of our staff. Changes can only be implemented with their commitment and dedication.

We identified training needs for all our staff which contain amongst others, product knowledge, sales, customer service and communication skills. An extensive training program will be rolled out at the start of 2024.

Besides internal communication, the external communication with our members and media will continue to be improved. We procured a new call center system which will be rolled out in 2024 with an increased number of call agents. The positive reactions and trust we have thus far received from our members, thus far gives us the confidence that we are on the right track with our new strategic direction to empower our members.

We strongly believe in transparency, as our members, who are our shareholders, have the right to understand what is happening in and around their Society. To comply with this objective, we introduced in December 2023 a new website which should give members, their employers and non-members, better access to all the detailed information regarding our products, services, documents, interest rates, and our progress and achievements. Moreover, it creates easy access to for applying for loans as well as to other products and services.

In addition to this, BPNG has issued in February 2023 a Financial Consumer Protection Bill which mainly refers to how financial institutions should provide consumer lending and how to be transparent in terms of interest rates and fees. With the introduction of our new Core Banking System in 2024, NCSL will implement what is required to comply with this bill.

In summary, our staff continues to focus on our purpose to financially empower people and which has thus far delivered growth within our savings and loan portfolios. We acknowledge the dedication of the Board of Directors in supporting the Management with quick responses to the changing environment over the past year for assisting our members to pursue their financial goals.

We would also like to acknowledge the trust our members have shown us, especially during those difficult months earlier in the year and we will continue to repay this trust with the creation of a future proof Savings & Loan society and our absolute commitment of always putting our members first.

Call Centre I Call Centre Staff attending to members queries

"We strongly believe in transparency, as our members, who are our shareholders, have the right to understand what is happening in and around their Society."

NCSL
financially empowering members

2003
License granted by BPNG to operate as Savings & Loan

2004
- BPNG approves 1:1 Lending Service
- Boroko Service Centre Opens

2005
Value Back Loyalty Program introduced

2008
Morobe Mining Joint Venture signed Housing Account for its Employees with NCSL

2016
Biometric Indentification System introduced

2017
NCSL Constitution amended to open membership to Non-NASFUND members (public)

2019
- PORO CARD & EFTPOS introduced

2019
- First non-bank financial institution to participate in Retail Electronic Payment System
- NCSL issues Debit Card Services

2020
- NCSL Rebrands with facelift of new logo
- NCSL introduces SME and Motor Vehicle Loan

2021
- NCSL Registers PORO as TRADE MARK
- NCSL extends services to Maprik

2022
- Term Deposit introduced
- NCSL extends services to Waigani and Lae Market
- Higher Ratio Loans introduced

2023
- LSL Savings Product launched for long serving employees
- CBS Project Launched
- New Call Centre

NCSL
financially empowering members

Board of Directors

Christopher Elphick
Chairman

Christopher Elphick is the current Chairman and has been on the Board for 7 years now and is an Executive Director running a start-up PNG SME. Christopher has a strong commercial background with Senior Management experience with large PNG businesses.

Mr Elphick is active in private sector peak-body organisations and civil society associations. Engaged in small-scale enterprise in rural district of Samarai Murua, MBP. Also an active citizen passionate about contributing to nation building.

Hulala Tokome, MBE
Deputy Chairman

Hulala Tokome has served on the Board for over 14 years as an Independent Director.

He is one of the longest serving Director's on the Board. He also holds various directorships, including Mainland Holdings and Puma Energy entities.

Mr Tokome has held senior management positions with BP, Inter Oil and Puma Energy, PNG. He holds a Bachelor of Accounting Degree from the University of Technology.

Troy Stubbings
Director

An experienced Director in the Pacific Region and over 24 years' senior executive experience in PNG. Mr Troy Stubbings is an Independent Director serving on the Board for 2 years.

Mr Stubbings has a wealth of technical and commercial experience across a wide spectrum of business including Financial Services, Corporate Finance, Investment Banking and Retail sectors. Mr Stubbings is also skilled in Strategic Planning and Business transformation.

Mr Stubbings possesses a Bachelor of Business from the Darling Downs Institute of Advanced Education and a graduate Diploma in Applied Finance and Investment from the Financial Securities Institute of Australasia.

Sundar Ramarmurthy, ML
Director

Sundar Ramarmurthy has served on the Board now for 3 years. Sundar Ramamurthy was the Founder & Managing Director of Data Nets Limited. Data Nets Limited was the largest ISP and computer networking company in the Pacific Islands covering both PNG and Fiji. Sundar has significant international experience in Asia, Australia, U.S. and Pacific Markets. Developed and gained considerable experience in dealing with diverse cultures, languages and markets.

Mr Ramarmurthy is now involved in funding and mentoring new startup ventures, with a focus on new technologies in the mobile banking, secure payments environment and affordable solar markets.

Ian Tarutia, OBE
Director

Mr Tarutia is the founding Board Member and previous Chairman of NCSL serving on the board for 20 years, also having previously served as CEO of Nasfund Limited for 30 years.

Mr Tarutia holds a Bachelor of Business Economics and Masters of Business Administration Degrees from the University of Papua New Guinea. He also holds a Diploma in Company Directors Course from the Australian Institute of Company Directors and a Diploma in Economic Policy Analysis from the PNG National Research Institute. President of the Papua New Guinea Institute of Directors and current President of the Papua New Guinea Chamber of Commerce & Industry.

Deborah Onga
Director

Ms Deborah Onga newly appointed Board Member replacing founding member Mr Vera Raga who retired in October 2023.

Deborah is a PNG qualified lawyer. Deborah joined Steamships in March 2018 as a property lawyer and has transitioned to the position of Group Legal Counsel. Deborah has varied legal experience in corporate compliance, employment, property and disputes practices. Prior to joining Steamships, Deborah was employed in the corporate commercial practice at Ashurst PNG.

People, Culture & Engagement

The NCSL Board initiated the introduction of a new business strategy and the change of the organization structure to build a culture of customer excellence and make NCSL future-ready. To support the new direction, the Board appointed in December the new CEO, Mr. Frans Kootte and Mr. Robert Loggia as General Manager.

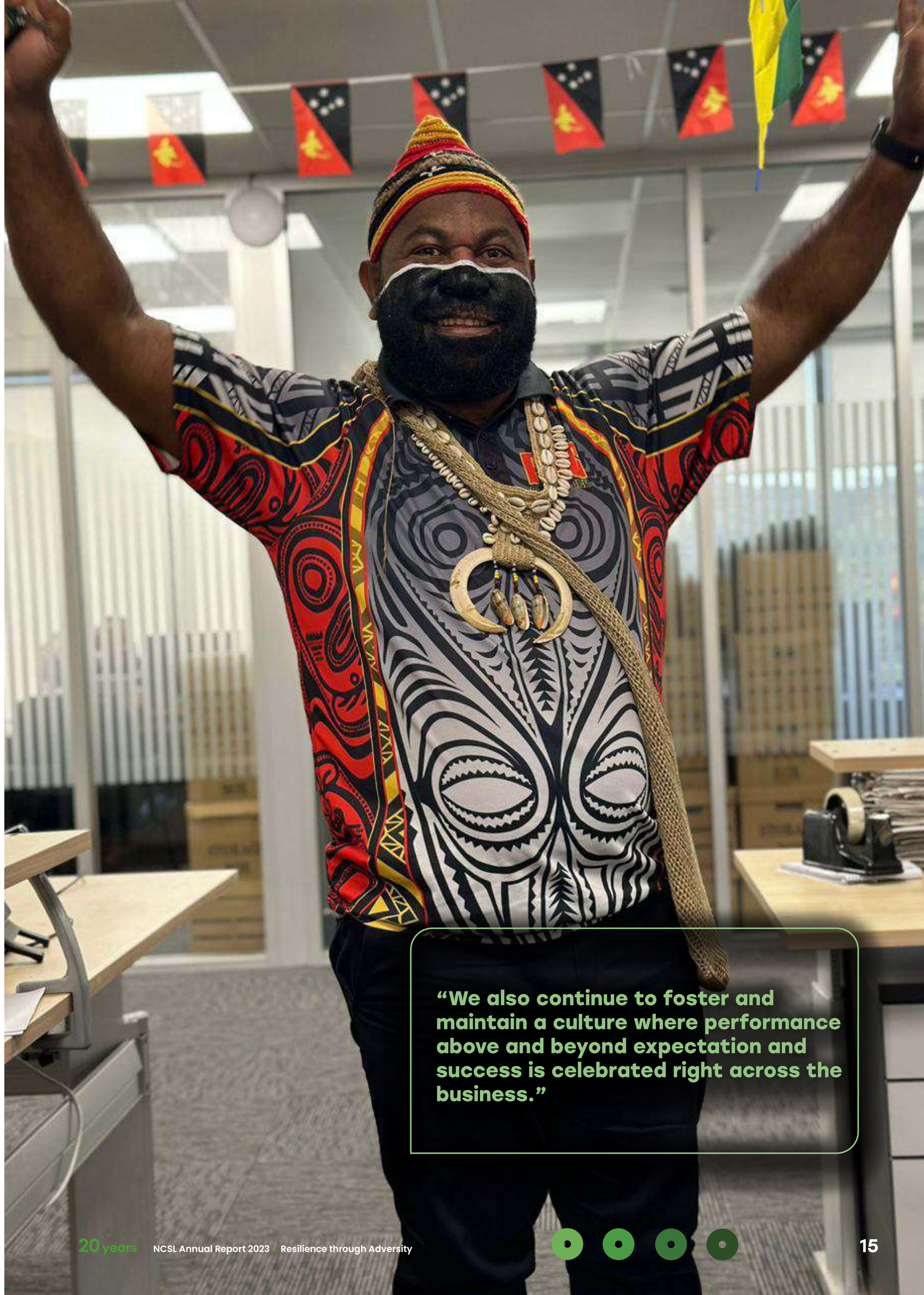
During 2023 both Chief Executive Officer (CEO) Vari Lahui and Chief Operating Officer (COO) Presley Semi resigned and we wish them well with their new endeavors.

Operations & Information Communication Technology (ICT). Both are having extensive experience in working for financial institutions around the world including Papua New Guinea. With the recruitment last year of Mr. Maranuf Tataeng as Chief Member Service Officer and Head Risk Management, Mr. Kisakia Poawai, we now have full stability and back up talent within the EXCOM and Management levels down to the leadership level positions, for business continuity purposes as a result of the restructure.

A succession development plan is in place with staff names who are identified as high potentials and we continue to foster and maintain a culture where performance above and beyond expectation and success is celebrated right across the business. Staff that performs beyond expectations and display the right conduct and behavior are rewarded through a Rewards & Recognition Program.

A Learning and Development Coordinator was recruited as part of the organizational restructuring to support our Training-related needs and succession planning roll out. An extensive training program and succession plan review will be rolled out at the start of 2024.

People, Culture & Engagement I Staff celebrating PNG's 48th Independence



"We also continue to foster and maintain a culture where performance above and beyond expectation and success is celebrated right across the business."

Business Growth

Our strategy is to attract employers who are interested in supporting their employees with NCSL's Fair Finance Approach. We ensure that employees don't need to leave the employer's premises for financial services by placing self service kiosks at worksites, computers with software to transact, and/or branch staff regularly visiting employers to onboard new members by using computer tablets.

2023 Highlights.

Despite the challenges we faced with our system during the 2nd quarter of 2023, our members kept their trust in us and continued their membership for which we are grateful. Moreover we experienced during the year a strong growth and welcomed around 10,800 new members.

Our member growth can be attributed to our solid and deep relationship with over 1,500 employers whose employees make up our membership base. We believe that this is testament to our Fair Finance Approach with providing affordable, transparent and convenient financial services and products through our robust, digital platform whereby members do not need to leave their work to visit our branches.

Our members savings deposits increased by 2% (K4.5m) from K267.90 million (2022) to K274.50 million (2023). The loan portfolio increased by 10.68% (K15.2 million) from K142.4 million (2022) to K157.8 million (2023).

With our Marketing we focused on the improvement of our branding and sharing our mission, vision and values which resonated well with our members.

Effective use was made of the social media platforms by continuously updating our members on our products and services.

Another highlight in 2023 was the introduction of our new website. Through this website, members can access account information, make purchases, request services, and interact with the business.

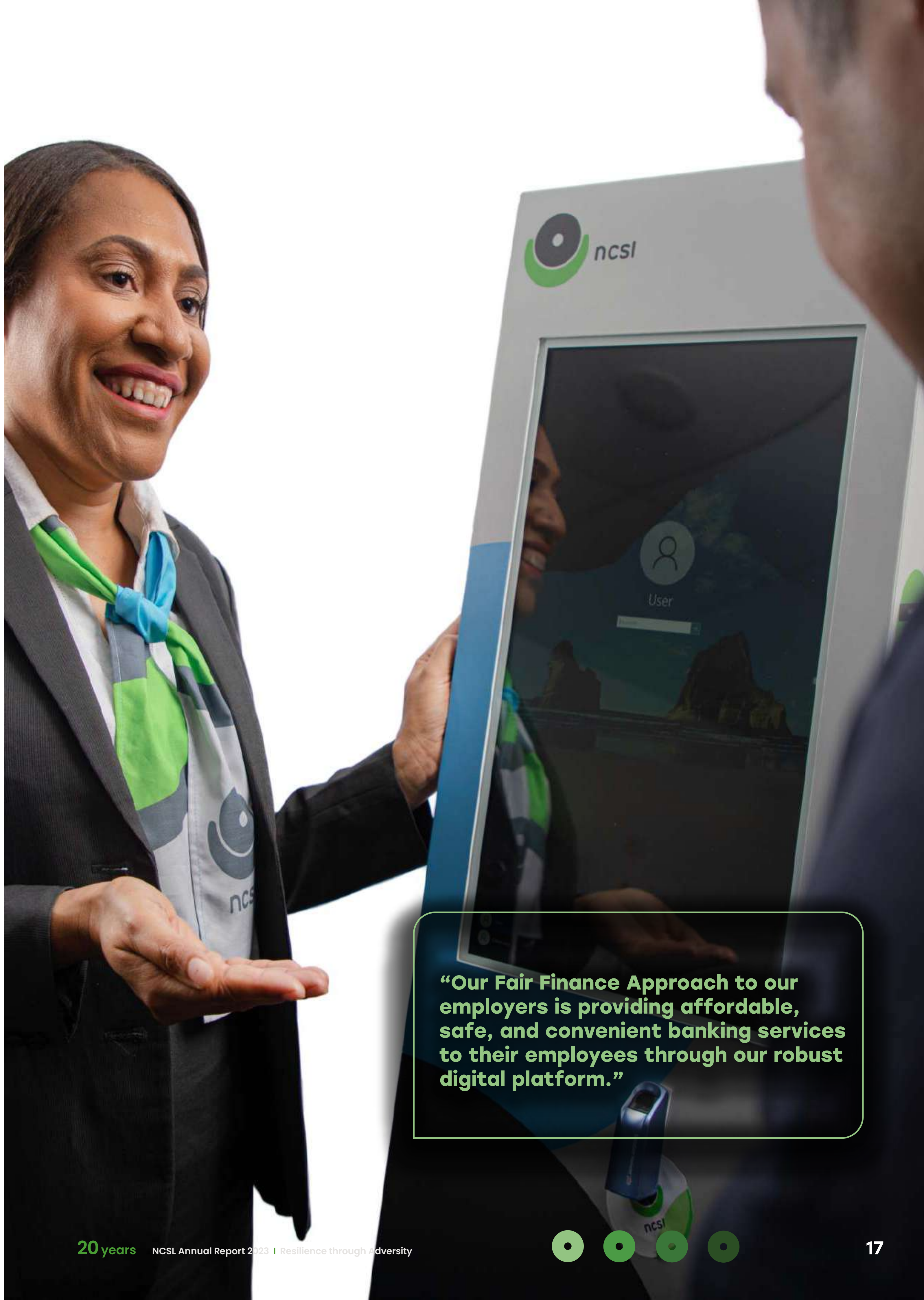
Based on an idea from one of our partner employers, we developed and launched the "Long Service Leave (LSL) Savings Product". With this product, eligible employees can, with the support of participating employers, save their LSL at NCSL and receive annually a certain percentage of interest in return.

NCSL also embarked on a daring mission to transform our old core banking system into a new Core Banking System (CBS) with exciting offerings. The new CBS will have some seriously cool features like a Mobile App, Automated Tasks and Quick turnaround times.

Finally we restructured our branch network with the recruitment of additional staff, providing training and appointing three regional managers, each responsible for the performance of about 6 branches with the objective to become more customer centric, built relationships with the employers located in and around the respective communities and spend more time on financial literacy training.

Call Centre staff

New Launch of NCSL WEBSITE



"Our Fair Finance Approach to our employers is providing affordable, safe, and convenient banking services to their employees through our robust digital platform."

ICT Infrastructure

The NCSL ICT department has made significant strides in recovering from what was a tumultuous start to the 2023 fiscal year. NCSL's Board and Executive have led the way in enhancing the organization's technology infrastructure and security processes and protocols throughout 2023 to improve our security posture.

Inspite of the challenges of 1 March 2023 and related computer system reviews NCSL has successfully implemented solutions including new recovery strategies, a modernized call centre, improved security configurations, and the adoption of cloud computing. Further to that, NCSL has embarked on the implementation of a new Core Banking Solution. These efforts are aimed at fortifying our systems, increase efficiency, and position us for future growth.

Security Response

The threat landscape of Papua New Guinea continues to evolve, and global threat actors are becoming more present domestically, which poses a significant risk to our operations. In response, NCSL has invested in robust security configuration, secure backup and recovery solutions, enhanced system monitoring capabilities, and routine vulnerability assessments are carried out to identify and remediate and gaps. With the understanding of how modern threats work, extensive employee training and awareness programs have been implemented internally to ensure all employees of NCSL are able to identify threats and respond correctly to nullify them.

Call Centre upgrade

To enhance customer service and support capabilities, NCSL has upgraded its call centre equipment which will enable us to better handle and service customer queries. This initiative has improved response times, enabled a more personal interaction experience for our members, and better performance monitoring capabilities to ensure our staff are continuously improving on our service standard to members.

Cloud Computing

NCSL has identified various utility challenges in the market and acknowledge how they collectively affect system reliability. In response, we've embraced cloud computing as a strategic solution to address system reliability issues.

NCSL is committed to furthering its Cloud ambitions by strategically migrating critical workloads onto cloud-based platforms. We recognise the opportunities cloud computing presents to the Society and its members in assuring security, reliability, disaster response, scalability, and improved service delivery.

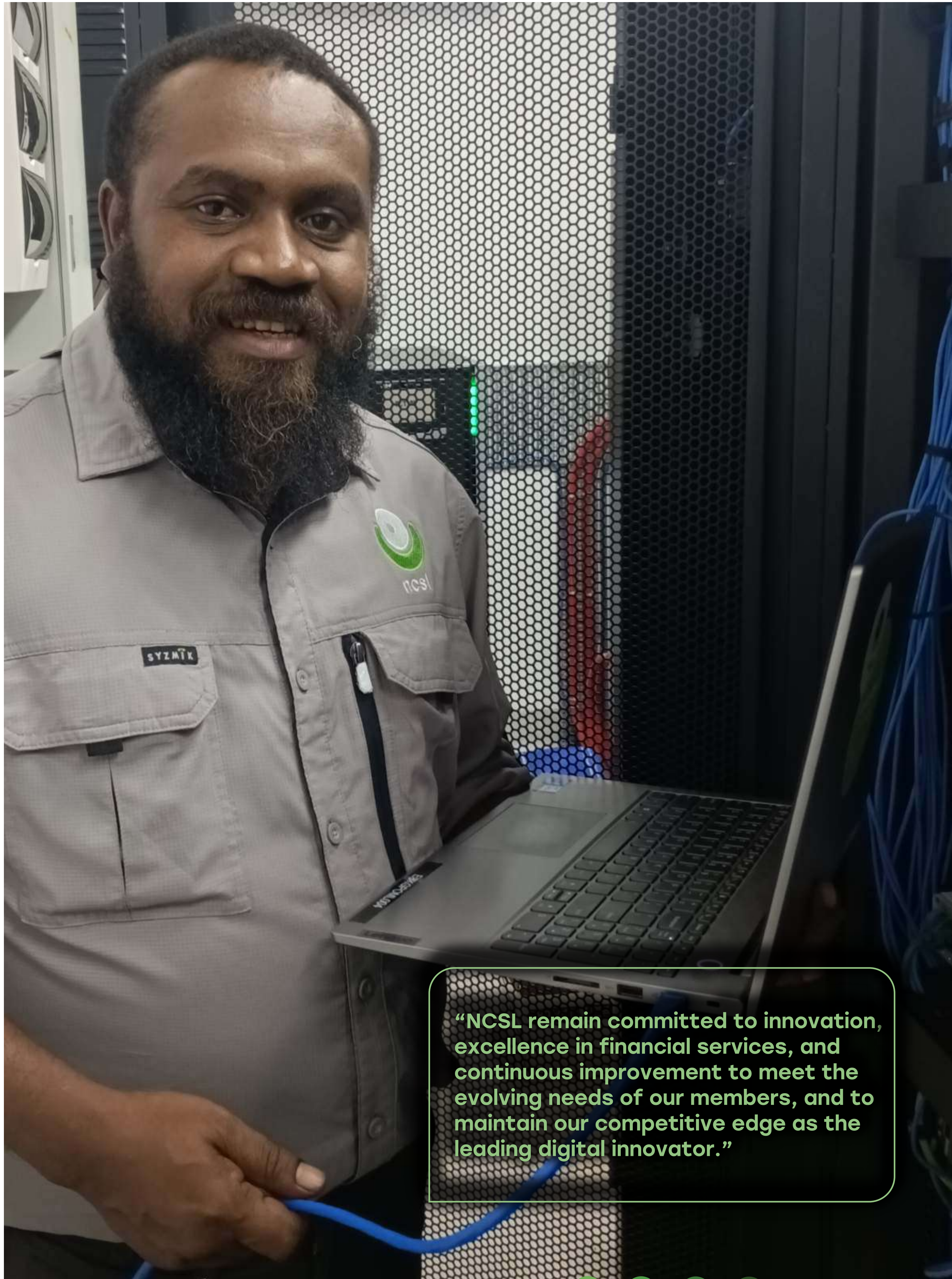
Core Banking Solution

NCSL remain committed to innovation, excellence in financial services, and continuous improvement to meet the evolving needs of our members, and to maintain our competitive edge as the leading digital innovator.

Recognizing the need for a more automated, responsive, and capable banking platform, NCSL carried out a rigorous Core Banking selection exercise in 2023 which took into consideration sixteen (16) state of the art core banking solution providers and culminated in December with the signing of Intellect (IDC) from India as NCSL's preferred candidate to deliver a new Core Banking platform in 2024.

This new modernized system offers enhanced functionality, improved transaction processing, and greater flexibility to adapt to changing market demands.

In conclusion, NCSL has made substantial progress in the ICT space in 2023 and will continue to advance the Society's technological capabilities in 2024 with a focus on delivering new financial experiences to our members on a secure, reliable, and robust platform.



NCSL Digital Transformation

NCSL Digital Transformation: Pioneering a Leading Digital Society
Digital transformation is at the core of reshaping NCSL into a competitive force empowered by technology. This comprehensive shift spans various dimensions of our business, weaving together innovation and structure.

1. Digital Pillars and Innovation

- Our journey begins with the digital pillars and foundations that bind innovation and structure. These pillars pave the way for NCSL to emerge as a leading digital society.
- With a membership base of 143,000, our unique approach centres on adopting and maximizing NCSL's digital platforms. Simultaneously, we prioritize digital literacy within our society and among our members.

2. Unified Business Model

- A diverse and agile business model is our compass. It navigates through member experiences, streamlines processes, and ensures efficient operations.
- By embracing uniformity, we create a seamless digital ecosystem that benefits both NCSL and its members.

3. The 3-Year Roadmap

Our strategic plan unfolds across three horizons:

- Efficiency Boost: Channel performance takes centre stage. We optimize NCSL's digital services such as Mobile USSD, Online Services, Biometrics, and Poro Cards for peak efficiency.
- Tailored Offerings: We enhance existing digital services to cater to specific business and member needs. Personalization becomes our hallmark.
- Robust Digital Services: Our ultimate goal is to build purpose fit digital solutions that exceed expectations. These services will be the bedrock of NCSL's digital transformation.

4. The Four Pillars of Transformation

1. Embrace Technological Innovation

- We stay abreast of the latest advancements, infusing them into our operations.
- Regular training and development programs empower both staff and members to adapt seamlessly to new technologies.

2. Enhance Member Experience

- User-friendly digital services become our mantra. We design with specific member needs in mind.
- By actively gathering and analysing member feedback, we fine-tune our services and introduce friendly access points.

3. Promote Digital Culture

- A digital-first mindset permeates NCSL. We encourage members and staff alike to embrace digital services.
- Training initiatives foster a digitally fluent workforce.

4. Data-Driven Decision Making

- Data analytics guides our strategic choices. Insights gleaned from data illuminate our path forward.

As we sail toward uncharted digital horizons, NCSL's transformational voyage promises innovation, efficiency, and a brighter future for all.

"As we sail toward uncharted digital horizons, NCSL's transformational voyage promises innovation, efficiency, and a brighter future for all."

Corporate Governance

1. Audit & Risk Committee (ARC)

The ARC is appointed and authorized by the Board. The objectives of the ARC are to assist the Board in discharging its statutory, fiduciary, governance, and regulatory responsibilities in relation to Audit, Risk and Compliance matters. Its purpose is to ensure that NCSL is prudently managed.

The operations of the ARC are governed by the ARC Charter which has been approved by the Board and its functions and authority are in line with Banking Prudential Standard 300 (BPS 300) on Corporate Governance.

2. External Audit

As per policy, the appointment of the external auditor is based on the external auditor's ability to demonstrate quality and independence with regards to audit and assurance. The appointment of the external auditor as well as their performance remains the responsibility of the Board through the ARC.

PricewaterhouseCoopers (PwC) was appointed as the Society's External Auditor in 2020; their engagement is reviewed on a year-on-year basis, and they remained the external auditors for NCSL in 2023. The appointment of PwC was and is in line with BPS 7/2005 (External Auditors) issued by the Bank of PNG.

3. Risk Management

The overall responsibility of Risk Management lies with the NCSL Board, the Board ensures risks are identified, monitored, and managed on a regular basis. The ARC has been delegated the function of risk management by the Board and subsequently provides regular reports and recommendations to the Board on the Risk Management activities of the Society. The responsibility for identification, analysis and evaluation of risk lies with the Executive Management.

The broad risk areas identified and monitored in 2023 include: Strategic Risk, Financial Risk, Operational Risk, Legal/Compliance Risk and Capital Risk.

4. Risk Appetite Statement

The Society has in place a Risk Appetite Statement (RAS) approved by the Board which is consistent with BPS300 (Corporate Governance). The RAS considers the most significant risks to which NCSL is exposed to and provides an outline of the approach to managing these risks while pursuing NCSL's business objectives. NCSL also has a Risk Management Framework (RMF), the framework provides NCSL with a systematic approach to identify and mitigate risks facing NCSL, as well as providing guidance on the regular reporting of risk to Management and Board.

Meeting	Board	Special Board	ARC	IITOC	Special IITOC
No of Meetings held	4	13	4	4	1

Name	Designation	Year joined NCSL Board	Tenancy (Years)	Board Meeting Attendance (2023)	Special Board Meeting Attendance (2023)	ARC Meeting Attendance (2023)	IITOC Meeting Attendance (2023)	Special IITOC Meeting Attendance (2023)
Christopher Elphick	Chairman	2016	7	4	13	1	4	1
Hulala Tokome, MBE	Deputy Chairman	2009	14	4	12	-	3	1
Troy Stubbings	Director	2021	2	3	12	4	-	-
Sundar Ramamurthy,ML	Director	2020	3	4	13	-	4	1
Ian Tarutia, OBE	Director	2003	20	4	9	-	3	-
Deborah Onga	Director	2023	-	3	4	3	-	-
Vera Raga	Director (Retired-Aug'23)	2011	10	3	7	2	-	-

"The real mechanism for Corporate Governance is the active involvement of the owners."

Louis Gerstner

Society Information

Principal Place of Business	Level 2, BSP Haus Harbour City, Konedobu Port Moresby, N.C.D Papua New Guinea
Directors	Mr. Ian Tarutia, OBE Mr. Hulala Tokome, MBE Mr. Christopher Elphick Mr. Sundar Ramarmurthy, ML Mr. Troy Stubbings Mr. Vera Raga (resigned 2023) Ms. Deborah Onga (appointed 2023)
Chairman	Mr. Christopher Elphick
Secretary	Ms. Venessa Vee
Auditors	PricewaterhouseCoopers PNG Level 6, PwC Haus Harbour City, Konedobu Port Moresby, NCD Papua New Guinea
Bankers	Bank South Pacific Limited ANZ PNG Limited Westpac PNG Limited Kina Bank
Lawyers	Ms. Venessa Vee

Directors' Report

The Directors have pleasure in presenting their report together with the financial statements of NASFUND Contributors Savings and Loan Society Limited (the Society) for the year ended 31 December 2023 and the auditor's report thereon.

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.

Results
The net profit for the year ended 31 December 2023 was K9,711,591 (2022: 16,117,019).

Interest
Interest will be credited to Members' Savings Accounts on the 26th day of March 2024.

Directors
The directors of the Society at the date of the report of the Society are listed on page 1. 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 2023 save for deposits and loans. Directors' deposits and loans as at 31 December 2023 amount to K285,568 and K313,038 respectively.

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

Directors' name	2023		2022	
	Directors fees K	Sitting allowance K	Directors fees K	Sitting allowance K
Mr. Hulala Tokome, MBE	36,500	20,000	33,000	11,000
Mr. Sundar Ramamurthy, ML	35,000	22,000	33,000	14,000
Mr. Troy Stubbings	33,500	21,000	33,000	11,500
Mr. Vera Raga (resigned 2023)	26,250	12,000	35,000	15,500
Ms. Deborah Onga (appointed 2023)	24,750	12,000	-	-
	156,000	**87,000**	**134,000**	**52,000**
Chairman of the Society				
Mr. Christopher Elphick (Chairman from 4 June 2023)	45,000	23,000	40,000	21,000
Mr. Ian Tarutia, OBE (Chairman until 4 June 2023)	41,500	14,000	50,000	10,500
	242,500	**124,000**	**224,000**	**83,500**

Signed at Port Moresby

For and on behalf of the Board of Directors

Chairman: ____________________
Mr. Christopher Elphick

ARC Chairman: ____________________
Mr. Troy Stubbings

Dated at **PORT MORESBY** on this **22** day of **MARCH** 2024

Directors' Declaration

The directors of the Society declare that:

In our opinion, the financial statements set out on pages 30 to 64 are drawn up so as to give a true and fair view of the state of affairs as at 31 December 2023 and the profit for the year ended on that date of the NASFUND Contributors Savings and Loan Society Limited 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 NASFUND Contributors Savings and Loan Society Limited's Board policies.

Signed at Port Moresby

For and on behalf of the Board of Directors

Chairman: ____________________
Mr. Christopher Elphick

ARC Chairman: ____________________
Mr. Troy Stubbings

Dated at **PORT MORESBY** on this **22** day of **MARCH** 2024

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Independent auditor's report

To the shareholders of NASFUND Contributors Savings and Loan Society Limited

Report on the audit of the financial statements

Our opinion

We have audited the financial statements of NASFUND Contributors Savings and Loan Society Limited (the Company), which comprise the statement of financial position as at 31 December 2023, and the 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 the notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea; and
- give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and cash flows for the year then ended.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

Information other than the financial statements and auditor's report

The directors are responsible for the other information. The other information comprises the Society Information, Directors' Report and Directors' Declaration (but does not include the financial statements and the auditor's report thereon), which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available after that date. Our opinion on the financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

The directors are responsible, on behalf of the Company, for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea, Companies Act 1997 and the Savings and Loans Societies Act 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors 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 statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Conclude on the appropriateness of the directors' 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are

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based on the audit evidence obtained up to the date of our auditor's 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 statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

The 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 statements for the year ended 31 December 2023:

- We have obtained all the information and explanations that we have required;

- In our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Who we report to

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1997. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

PricewaterhouseCoopers

Jonathan Grasso
Partner
Registered under the Accountants Act 1996

Port Moresby
22 March 2024

Statement of Financial Position

As At 31 December 2023

ASSETS	Note	2023 PGK	2022 PGK
Cash and cash equivalents	22	13,062,315	17,402,030
Prepayments and other receivables	9	4,123,846	4,260,663
Term Deposits	7(d)	41,370,733	32,977,022
Quoted equity investments at fair value through profit and loss	7(b)	3,100,000	2,867,500
Unquoted equity investments at fair value through profit and loss	7(c)	160,000	160,000
Government inscribed stock at amortised cost	7(a)	90,963,481	102,468,032
Loans due from members	8	152,825,509	139,393,159
Investment properties	6	-	1,100,000
Property and equipment	5	11,214,497	11,826,402
TOTAL ASSETS		**316,820,381**	**312,454,808**
LIABILITIES			
Trade and other payables	11	4,214,193	3,703,276
Rental bonds payable		2,167	2,167
Employee provisions	10	1,110,543	1,150,203
Lease liabilities	13	747,772	1,214,940
Member savings	12	274,450,249	267,859,287
TOTAL LIABILITIES		**280,524,924**	**273,929,873**
NET ASSETS		**36,295,457**	**38,524,935**
EQUITY			
Issued capital	14	146,765	142,340
Reserves	15	25,761,834	23,819,516
Retained earnings		10,386,858	14,563,079
TOTAL EQUITY		**36,295,457**	**38,524,935**

Signed at Port Moresby

For and on behalf of the Board of Directors

Chairman: ____________________
Mr. Christopher Elphick

ARC Chairman: ____________________
Mr. Troy Stubbings

Dated at **PORT MORESBY** on this **22** day of **MARCH** 2024

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2023

Income from lending	Note	2023 PGK	2022 PGK
Interest income from lending		20,137,834	16,254,286
Income from investments			
(Loss)/gain on fair valuation of investments	7	232,500	531,909
Interest income		11,755,587	12,202,255
Rental income		25,155	33,540
Dividend income		361,500	365,800
		12,374,742	**13,133,504**
Other income			
Loan fees		4,196,685	3,559,465
New membership fees		203,516	133,228
Withdrawal fees		66,453	52,035
Recoveries of previously written-off debts		143,094	165,702
Sundry income		3,948,352	6,237,734
		8,558,100	**10,148,164**
Total income		**41,070,676**	**39,535,954**
Expenditure			
Administration expenses	16	(11,956,646)	(6,445,799)
Employee benefits expense	17	(9,172,451)	(7,941,341)
Provision for doubtful debts and bad debts written off		(2,852,366)	(2,623,321)
Depreciation	5	(3,452,251)	(3,368,792)
Property repairs and maintenance		(183,609)	(11,170)
Interest to members		(3,741,762)	(3,028,512)
Total expenses		**(31,359,085)**	**(23,418,935)**
Profit from operations before tax		9,711,591	16,117,019
Income tax expense	4(e)	-	-
Profit for the year		9,711,591	16,117,019
Other comprehensive income		-	-
Total comprehensive income for the year		**9,711,591**	**16,117,019**

Statement of Changes in Equity

For the Year Ended 31 December 2023

2022	Ordinary shares PGK	Statutory Reserve PGK	Retained Earnings PGK	Total PGK
Balance at 1 January 2022	**141,786**	**20,596,112**	**12,535,439**	**33,273,337**
Total comprehensive income for the year	-	-	16,117,019	16,117,019
Net member contributions received	554	-	-	554
Net transfer between reserves	-	3,223,404	(3,223,404)	-
Interest credited to member savings deposits relating to 2021 profits	-	-	(10,865,975)	(10,865,975)
Balance at 31 December 2022	**142,340**	**23,819,516**	**14,563,079**	**38,524,935**

2023	Ordinary shares PGK	Statutory Reserve PGK	Retained Earnings PGK	Total PGK
Balance at 1 January 2023	**142,340**	**23,819,516**	**14,563,079**	**38,524,935**
Total comprehensive income for the year	-	-	9,711,591	9,711,591
Net member contributions received	4,425	-	-	4,425
Net transfer between reserves	-	1,942,318	(1,942,318)	-
Interest credited to member savings deposits relating to 2022 profits	-	-	(11,945,494)	(11,945,494)
Balance at 31 December 2023	**146,765**	**25,761,834**	**10,386,858**	**36,295,457**

Statement of Cash Flows

For the Year Ended 31 December 2023

CASH FLOWS FROM OPERATING ACTIVITIES:	Note	2023 PGK	2022 PGK
Interest received from members' loans		20,137,834	16,254,286
Interest received from government debt securities and term deposits		10,175,517	10,065,058
Rental income received		25,155	33,540
Dividend income received		361,500	365,800
Fee income received		8,415,006	8,020,281
Expenses paid to suppliers		(8,350,736)	(2,941,508)
Interest paid to members		(3,741,762)	(3,028,512)
Expenses paid to staff		(9,212,111)	(8,028,128)
Operating cash flow before changes in operating assets		**17,810,403**	**20,740,817**
Loans issued to members		(44,373,747)	(34,225,858)
Loan repayments by members		28,089,030	19,394,612
Investment in interest-bearing deposits		(41,370,733)	(32,977,022)
Redemption of interest-bearing deposits		32,977,022	37,799,216
Purchase debt investments		-	(23,126,337)
Redemption of debt investments		11,000,000	5,750,000
Net member savings and deposits received		(5,354,530)	9,345,128
Lease payments - interest on lease liability		(30,772)	(49,249)
Net cash (used in) / provided by operating activities		**(1,253,327)**	**2,651,307**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Aquisition of property and equipment		(3,723,645)	(2,275,568)
Proceeds from sale of investment property		1,100,000	500,000
Net cash used in investing activities		(2,623,645)	(1,775,568)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Lease payments - lease liability principal		(467,168)	(551,832)
Net member capital contribution received		4,425	554
Net cash used in financing activities		**(462,743)**	**(551,278)**
Net increase in cash and cash equivalents held		(4,339,715)	324,461
Cash and cash equivalents at begining of year		17,402,030	17,077,569
Cash and cash equivalents at end of financial year	22	**13,062,315**	**17,402,030**

Notes to the Financial Statements

For the Year Ended 31 December 2023

1 Reporting

NASFUND Contributors Savings and Loan Society Limited (The 'Society') is domiciled in Papua New Guinea. The Society's registered office is at Level 2, BSP Haus, Harbour City, Konedobu, Port Moresby, Moresby South, NCD, Papua New Guinea. The Society is primarily involved in retail banking activities including receiving deposits and issuing loans.

The financial statements were authorised for issue by the directors on 22 March 2024. The directors have the power to amend and reissue the financial statements.

2 Basis of preparation of financial statements

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, which is also the functional currency. 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. The Society operates as one segment and in one geographical location being Papua New Guinea.

(b) 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).

3 New standards and interpretations

(3.1) New and amended standards, and interpretations mandatory for the first time for the financial year ended 31 December 2023

- IFRS 17, Insurance Contracts
- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8
- Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction
- Amendment to IAS 12 - International tax reform

These changes did not have any material impact on the company.

(3.2) New standards, amendments and interpretations issued but not effective for the financial year ended 31 December 2023 and not early adopted

- Amendment to IFRS 16 – Leases on sale and leaseback
- Amendment to IAS 1 – Non-current liabilities with covenants
- Amendment to IAS 7 and IFRS 7 - Supplier finance
- Amendments to IAS 21 - Lack of Exchangeability

New IFRS sustainability disclosure standards effective after 1 January 2024

- IFRS S1, 'General requirements for disclosure of sustainability-related financial information'
- IFRS S2, 'Climate-related disclosures'

The entity has conducted investigations and does not consider that there are any measurement or recognition issues arising from the release of these new pronouncements that will have a significant impact on the reported financial position or financial performance of the entity.

Notes to the Financial Statements

For the Year Ended 31 December 2023

4 Accounting policies

(a) 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 the Estimated Credit Loss (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 including account servicing fees are 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, Revenue from contracts with customers. If this is the case, then the Society first applies IFRS 9, Financial Instruments to separate and measure the part of the contract that is in the scope of IFRS 9, Financial Instruments and then applies IFRS 15, Revenue from contracts with customers to the residual.

Other fee 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.

(b) Leases

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, Leases.

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.

The Society 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.

Notes to the Financial Statements

For the Year Ended 31 December 2023

4 Accounting policies (continued)

(b) Leases (continued)

As a lessee (continued)
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 not 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 re-measured 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 'lease liabilities' 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.

As a lessor
When the Society acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Society makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Society considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Society applies IFRS 15 to allocate the consideration in the contract. The Society recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'. However, when the Society was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

Notes to the Financial Statements

For the Year Ended 31 December 2023

4 Accounting policies (continued)

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at the 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.

(d) 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.

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. 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.

(e) Tax exemption

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

(f) 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 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 are expected to 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 the estimated useful lives which range between 4 and 10 years. The assets' useful lives are annually reviewed and adjusted where appropriate.

Notes to the Financial Statements

For the Year Ended 31 December 2023

4 Accounting policies (continued)

(g) 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.

(h) 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.

(i) 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 reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a 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 a finance cost.

(j) 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.

(k) Reserves

The Society maintains the following equity reserves:

- 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.

(l) Financial assets and financial liabilities

(i) Recognition and initial measurement
The Society initially recognises loans and advances, deposits, debt instruments and financial 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, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL).

Notes to the Financial Statements

For the Year Ended 31 December 2023

4 Accounting policies (continued)

(l) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

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 contractual cash flows
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payment for principal and interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both conditions and it is not designated 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.

In order for a financial asset to be classified and measured at amortised cost, The Company makes assessment of the business model and whether the cashflows are 'solely payments of principal and interest'.

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. Factors considered include:

- 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 business comprises primarily loans to members that are held for collecting contractual cash flows.

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

Notes to the Financial Statements

For the Year Ended 31 December 2023

4 Accounting policies (continued)

(l) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

'Interest' is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding during a particular period 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 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.

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss. This classification is applied to financial liabilities held for trading and other financial liabilities designated as such at initial recognition. This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss.

(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 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 its 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 derecognised, 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.

Notes to the Financial Statements

For the Year Ended 31 December 2023

4 Accounting policies (continued)

(l) Financial assets and financial liabilities (continued)

(iv) Modification of financial assets and financial liabilities (continued)

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 means 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 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.

Notes to the Financial Statements

For the Year Ended 31 December 2023

4 Accounting policies (continued)

(l) Financial assets and financial liabilities (continued)

(vi) Fair value measurement (continued)

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 being 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 fair value hierarchy as of the end of the reporting period during which the change has occurred. There have been no transfers between the fair value hierarchy during the year.

(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
- Loans receivables
- Financial guarantee contracts issued; and
- Loan commitments issued

No impairment loss is recognised on equity investments.

Loss allowances for loans are measured at an amount equal to 12-month ECL and lifetime ECL. 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 on which credit risk has not increased significantly since their initial recognition.

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 portions 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 life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but 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.

Notes to the Financial Statements

For the Year Ended 31 December 2023

4 Accounting policies (continued)

(l) Financial assets and financial liabilities (continued)

(vii) Impairment (continued)

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

Credit-impaired financial assets
At each reporting date, the Society assesses whether financial assets carried at amortised cost and debt instrument financial assets carried at FVOCI are credit impaired (referred to as 'Stage 3 financial asset'), when one or more events have occurred.

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

- Significant financial difficulty of the borrower or borrower's employer.
- Borrower is deceased
- Borrower is unemployed
- a breach of contract such as a default or past-due event (past 90 days).
- it is becoming probable that the borrower or borrower's employer will enter bankruptcy

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 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.

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;

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 other income in the statement of profit or loss.

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.

(m) 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.

Notes to the Financial Statements

For the Year Ended 31 December 2023

4 Accounting policies (continued)

(l) Financial assets and financial liabilities (continued)

(m) Critical accounting and judgement in applying accounting policies (continued)

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) Liquidity requirements

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 2023 the Society had an at call liquidity net deficiency of K261.4 million (2022: K250.4 million). This net deficiency is predominantly 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.

b) Impairment losses on loans and advances to customers

The measurement of the expected credit loss allowance for loans and advances to customers is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Society in the above areas are set out in note 23.

Loan losses (write-offs) are charged against the allowances for loan losses when management believes that the principal is unlikely to be collected.

Notes to the Financial Statements

For the Year Ended 31 December 2023

5 Property and equipment

(a) Movements in carrying amounts of property and equipment

2023	Capital Works in Progress PGK	Furniture, Fixtures and Fittings PGK	Motor Vehicles PGK	Computer Equipment PGK	Computer Software PGK	Leasehold Improvements PGK	Right-of-Use Property PGK	Total PGK
Cost								
At 01 January 2023	2,605,652	333,274	2,267,446	7,860,478	6,594,896	1,415,919	1,766,771	22,844,436
Additions	2,138,513	68,589	635,153	832,752	48,638	-	-	3,723,645
Disposal	(883,299)	-	(68,800)	-	-	-	-	(952,099)
At 31 December 2023	**3,860,866**	**401,863**	**2,833,799**	**8,693,230**	**6,643,534**	**1,415,919**	**1,766,771**	**25,615,982**
Accumulated depreciation								
At 01 January 2023	-	166,530	1,544,597	5,028,554	3,076,400	613,029	588,924	11,018,034
Disposal	-	-	(68,800)	-	-	-	-	(68,800)
Charges for the year	-	26,043	695,621	1,371,925	663,543	106,197	588,922	3,452,251
At 31 December 2023	-	**192,573**	**2,171,418**	**6,400,479**	**3,739,943**	**719,226**	**1,177,846**	**14,401,485**
Carrying amount at 31 December 2023	**3,860,866**	**209,290**	**662,381**	**2,292,751**	**2,903,591**	**696,693**	**588,925**	**11,214,497**

2022	Capital Works in Progress PGK	Furniture, Fixtures and Fittings PGK	Motor Vehicles PGK	Computer Equipment PGK	Computer Software PGK	Leasehold Improvements PGK	Right-of-Use Property PGK	Total PGK
Cost								
At 01 January 2022	739,080	333,274	2,267,446	7,702,011	6,344,368	1,415,919	3,135,450	21,937,548
Additions	1,866,572	-	-	158,467	250,528	-	1,766,771	4,042,338
Disposals	-	-	-	-	-	-	(3,135,450)	(3,135,450)
At 31 December 2022	**2,605,652**	**333,274**	**2,267,446**	**7,860,478**	**6,594,896**	**1,415,919**	**1,766,771**	**22,844,436**
Accumulated depreciation								
At 01 January 2022	-	141,861	997,758	3,561,168	2,441,618	506,837	2,259,440	9,908,682
Disposals	-	-	-	-	-	-	(2,259,440)	(2,259,440)
Charges for the year	-	24,669	546,839	1,467,386	634,782	106,192	588,924	3,368,792
At 31 December 2022	-	**166,530**	**1,544,597**	**5,028,554**	**3,076,400**	**613,029**	**588,924**	**11,018,034**
Carrying amount at 31 December 2022	**2,605,652**	**166,744**	**722,849**	**2,831,924**	**3,518,496**	**802,890**	**1,177,847**	**11,826,402**

Notes to the Financial Statements

For the Year Ended 31 December 2023

6 Investment Properties

Income from lending	2023 PGK	2022 PGK
Opening balance	1,100,000	831,591
Net movement in fair value	-	268,409
Disposal	(1,100,000)	-
	-	**1,100,000**

(a) Investment properties (at fair value)

Summary of the movement in investments properties:

Residential Properties	Valuation model	Capitalisation rates	2022 PGK	Disposal PGK	2023 PGK
Sec 57 Lot 35 Alotau	Third party Offer	12%	1,100,000	(1,100,000)	-
			1,100,000	**(1,100,000)**	**-**

Residential Properties	Valuation model	Capitalisation rates	2021 PGK	Revaluation PGK	2022 PGK
Sec 57 Lot 35 Alotau	Third party Offer	12%	831,591	268,409	1,100,000
			831,591	**268,409**	**1,100,000**

Investment property represents a residential property that was leased to a third party.

7 Investment securities, government inscribed stock and term deposits

	Notes	2023 PGK	2022 PGK
Government inscribed stock at amortised cost	(a)	90,963,481	102,468,032
Quoted equity investments at FVTPL	(b)	3,100,000	2,867,500
Unquoted equity investments at FVTPL	(c)	160,000	160,000
Term deposits - maturity periods of greater than 90 days	(d)	41,370,733	32,977,022
		135,594,214	**138,472,554**

Notes to the Financial Statements

For the Year Ended 31 December 2023

7 Investment securities, government inscribed stock and term deposits (continued)

(a) Government inscribed stock at amortised cost
The book value comprises of:

	2023 PGK	2022 PGK
Face value of Government inscribed stock (i)	89,600,000	100,600,000
Unamortised premiums	2,080,362	2,578,551
Unamortised discounts	(66,363)	(60,001)
	91,613,999	103,118,550
Less: provision for doubtful debt	(650,518)	(650,518)
	90,963,481	**102,468,032**

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 5% to 14% and yield rates ranging from 4.5% to 15.4%.

(i) Reconciliation of the Face of Government Inscribed stock

Maturity Year	2023			2022		
	Coupon rates %	Yield rates %	Face value PGK	Coupon rates %	Yield rates %	Face value PGK
2023	-	-	-	9.0 to 12.0	9.0 to 11.5	11,000,000
2024	5.0	4.5	1,000,000	5.0	4.5	1,000,000
2025	11.5 to 12.5	11.45 to 12.5	6,000,000	11.5 to 12.5	11.45 to 12.5	6,000,000
2026	5.35	5.09	2,000,000	5.35	5.09	2,000,000
2027	5.6 to 14.0	5.27 to 14.0	29,160,000	5.6 to 14.0	5.27 to 14.0	29,160,000
2028	12.5	12.5	18,000,000	12.5	12.5	18,000,000
2029	6.0 to 12.00	5.9 to 11.5	15,250,000	6.0 to 12.00	5.9 to 11.5	15,250,000
2030	6.5 to 7.2	6.15 to 6.9	3,000,000	6.5 to 7.2	6.15 to 6.9	3,000,000
2031	6.75 to 12.5	6.3 to 15.4	11,690,000	6.75 to 12.5	6.3 to 15.4	11,690,000
2032	7.00 to 7.5	6.6 to 7.0	3,500,000	7.00 to 7.5	6.6 to 7.0	3,500,000
			89,600,000			**100,600,000**

7 Investment securities and government inscribed stock (continued)

(a) Government inscribed stock at amortised cost (continued)

(b) Quoted equity investments at FVTPL

	2022 PGK	Fair value movement PGK	Disposal PGK	2023 PGK
Credit Corporation (PNG) Limited	2,867,500	232,500	-	3,100,000
PNG Air Limited	-	-	-	-
	2,867,500	**232,500**	**-**	**3,100,000**

Reconciliation of movement in quoted investments is as follows:

	2023 PGK	2022 PGK
Balance at 01 January	2,867,500	2,604,000
Net gain on financial assets at FVTPL	232,500	263,500
Balance at 31 December	**3,100,000**	**2,867,500**

(c) Unquoted equity investments at FVTPL

	2023 PGK	2022 PGK
Investment in CloudApp Limited	**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 material changes in the fair value for 2023.

(d) Term deposits

	2023 PGK	2022 PGK
Term deposits - maturity periods of greater than 90 days	**41,370,733**	**32,977,022**

8 Loans due from members

	2023 PGK	2022 PGK
Loans due from members	157,576,586	142,371,727
Less: provision for doubtful debt	(4,751,077)	(2,978,568)
	152,825,509	**139,393,159**

Notes to the Financial Statements

For the Year Ended 31 December 2023

8 Loans due from members (continued)

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:

	2023 PGK	2022 PGK
Balance at 01 January	**2,978,568**	**2,705,591**
Provision charges to profit and loss	2,852,366	2,623,321
Bad debts written off during the year	(1,079,857)	(2,350,344)
Net movement in provision for bad debts	1,772,509	272,977
Balance at 31 December	**4,751,077**	**2,978,568**

The unsecured exposure on overdue balances as at 31 December 2023 is K11,283,828 (2022: K8,344,628). The ageing of the unsecured exposure on overdue balances is as follows:

	2023 PGK	2022 PGK
1 - 29 days overdue	6,003,717	4,266,305
30 - 59 days overdue	1,562,708	1,340,799
60 - 89 days overdue	811,706	630,559
90+ days overdue	2,905,697	2,146,965
	11,283,828	**8,384,628**

9 Prepayments and other receivables

	2023 PGK	2022 PGK
Accrued interest	2,575,719	2,658,788
Staff related recivables	439,784	648,128
Security deposits	46,250	46,250
Prepayments	1,062,093	907,497
	4,123,846	**4,260,663**

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.

10 Employee provisions

	2023 PGK	2022 PGK
Provision for annual leave	404,723	430,754
Provision for long service leave	705,820	719,449
	1,110,543	**1,150,203**

Notes to the Financial Statements

For the Year Ended 31 December 2023

11 Trade and other payables

	2023 PGK	2022 PGK
Creditors and accruals	3,622,249	2,624,240
Amount payable to NASFUND	96,822	562,745
Other payables	495,122	516,291
	4,214,193	**3,703,276**

Other payables are non-interest bearing and are generally payable within 60 days.

12 Members' savings

	2023 PGK	2022 PGK
Members' savings	273,975,712	267,711,641
Unallocated contributions	474,537	147,646
	274,450,249	**267,859,287**

The Society commenced payment of monthly interest to members in prior years. This interest differs from the year end distributions declared by the Society, as its purpose is to attract and retain member savings and capital. The interest was also paid during the year ended 31 December 2023. As at 22 March 2023, the Board of Directors declared and distributed to members an additional performance based interest at a rate of 4.8% (2022: 6%) totalling K11,945,494 (2022: K10,865,975). The distribution made in 2023 was out of 2022 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 monthly interest payments and is equity in nature. The Society has a policy of actively identifying the details of unallocated deposits. It is not always possible to obtain these if the appropriate details have not been included in the transactions.

13 Leases and Right of use assets

(a) Leases as lessee

The property leases represents leases of land and buildings. The leases provide for rent increments at 8% annually. The Society is restricted from entering into any sub-lease arrangements. Information about leases for which the Society is a lessee is presented below:

(i) Right-of-use assets

	2023 PGK	2022 PGK
Balance at 01 January	1,177,847	876,010
Additions / (Lease modifications)	-	1,766,771
Lease modification	-	(876,010)
Depreciation charge for the year	(588,922)	(588,924)
Balance at 31 December	**588,925**	**1,177,847**

Notes to the Financial Statements

For the Year Ended 31 December 2023

13 Leases (continued)

(a) Leases as lessee (continued)

(ii) Lease Liability

	2023 PGK	2022 PGK
Balance at 01 January	**1,214,940**	**924,268**
Additions	-	1,766,771
Lease payments	(497,940)	(601,080)
Lease modifications	-	(924,268)
Finance Cost	30,772	49,249
Balance at 31 December	**747,772**	**1,214,940**

Lease liabilities included in statement of financial position:

	2023 PGK	2022 PGK
Current	747,772	588,340
Non-current	-	626,600
Balance at 31 December	**747,772**	**1,214,940**

Maturity analysis - Contractual undiscounted cash flow

	2023 PGK	2022 PGK
Less than one year	758,858	619,112
Between one and five years	-	637,686
More than five years	-	-
Total undiscounted lease liabilities at 31 December	**758,858**	**1,256,798**
Unearned interest on lease liabilities	(11,086)	(41,858)
	747,772	**1,214,940**

(iii) Amount recognised in profit or loss

	2023 PGK	2022 PGK
Depreciation expense on right of use assets	588,924	588,924
Interest on lease liabilities	30,772	49,248

(iv) Amounts recognised in statement of cash flows

Total cash outflow for leases	(497,940)	(601,080)

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

Notes to the Financial Statements

For the Year Ended 31 December 2023

13 Leases (continued)

(b) Leases as lessor

The Society leased out its investment property consisting of an owned property. The property was sold during the year. All leases are classified as operating leases from a lessor perspective.

(i) Operating lease

Rental income recognised by the Society during 2023 was K25,155 (2022: K33,540).

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

	2023 PGK	2022 PGK
Less than one year	-	33,540
One to two years	-	-
Total	**-**	**33,540**

14 Share Capital

Issued ordinary share capital

	2023 PGK	2022 PGK
Share on issue at 01 January	142,340	141,786
Net movement in share capital	4,425	554
	146,765	**142,340**

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.

15 Statutory reserve

	2023 PGK	2022 PGK
Balance at 01 January	23,819,516	20,596,112
Statutory transfer of net profit for the year	1,942,318	3,223,404
	25,761,834	**23,819,516**

The Savings and Loan Societies (Amendment) Act 2015, 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.

Notes to the Financial Statements

For the Year Ended 31 December 2023

16 Administration expenses

	2023 PGK	2022 PGK
Advertising and marketing	706,791	425,953
Auditors remuneration	205,000	194,000
Bank charges	204,601	217,585
Computer, software support and communication	3,673,226	2,491,592
Directors fees	338,164	290,470
Directors sitting fees and expenses	184,404	74,891
Motor vehicle expenses	334,321	295,794
Printing and postage	27,999	40,324
Professional and consulting fees	3,206,216	236,157
Rental expenses	34,294	429,417
Security charges	107,072	108,300
Travel	384,051	151,126
Insurance	268,182	22,594
Telecommunication	595,398	512,585
Promotion and merchandising	57,099	40,198
Other office expenses	1,629,828	914,813
	11,956,646	**6,445,799**

17 Employee benefit expense

	2023 PGK	2022 PGK
Base	5,650,645	4,598,301
Superannuation	429,108	458,138
Long service leave	125,760	219,878
Other benefits and expenses	2,966,938	2,665,024
	9,172,451	**7,941,341**

18 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 2023, the Society expensed K429,108 in contributions (2022: K458,138)

Notes to the Financial Statements

For the Year Ended 31 December 2023

19 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 2023 was as follows:

	2023 PGK	2022 PGK
Loans to related parties	**1,419,097**	**1,536,727**

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.

	2023 PGK	2022 PGK
Amount payable to NASFUND (Note 11)	**96,822**	**562,745**

Rent of K688,714 (2022: K661,188) was charged to the Society by NASFUND.

(c) CloudApp Limited

CloudApp Limited is a 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 Limited, which was further enhanced throughout 2018 and 2019 after being 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:

	2023 PGK	2022 PGK
Salaries, wages and other short-term benefits	2,726,652	2,196,859
Long-service leave	287,421	219,878
Superannuation	159,691	144,399
	3,173,764	**2,561,136**

Notes to the Financial Statements

For the Year Ended 31 December 2023

19 Related party transactions (continued)

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

	2023 PGK	2022 PGK
K100,000 - K149,999	2	4
K150,000 - K199,999	6	9
K200,000 - K249,999	1	-
K250,000 - K299,999	1	-
K300,000 - K349,999	-	-
K350,000 - K399,999	1	2
K400,000 - K449,000	-	-
K500,000 and K1,000,000	-	1
K1,000,000 and above	2	-
	13	**16**

Directors during the year
Mr. Christopher Elphick (Chairman)
Mr. Ian Tarutia, OBE
Mr. Hulala Tokome, MBE
Mr. Sundar Ramarmurthy, ML
Mr. Troy Stubbings
Mr. Vera Raga (resigned 2023)
Ms. Deborah Onga (appointed 2023)

Executives during the year
Frans Kootte (Chief Executive Officer) (appointed 2023)
Robert Loggia (GM Operations and IT) (appointed 2023)
Keith Raimo (Deputy Chief Executive Officer / Chief Financial Officer)
Maranuf Tataeng (Chief Member Services Officer) (appointed 2023)
Vari Lahui (Chief Executive Officer) (resigned 2023)
Presley Semi (Chief Operating Officer) (resigned 2023)
Bernard Matlaun (Lending Manager)
Edwin Mondo (Finance Manager) (appointed 2023)
Henry Pupu (HR Manager)
John Pulu (IT Manager) (appointed 2023)
Lionel Dwight Kapus (IT Manager) (resigned 2023)
Kini Vali (Credit Manager) (resigned 2023)
Lawes Omeri (Relationship Manager (appointed 2023)
Noel Keyala (Member Services Manager)
Kisakiu Poawai (Risk and Compliance Manager) (appointed 2023)
Gila Ebenosi (E-Banking Manager) (appointed 2023)
Vavine Iamo (E-Banking Manager) (resigned 2023)
Venessa Vee (Board Secretary & Legal Manager)

20 Contingencies and commitments
The Society did not have any material commitments or contingencies at the year-end (2022: nil).

21 Subsequent events
No material subsequent events have occurred between the end of the financial year and the date of signing of the financial statements other than noted below:

a. On the 22 March 2024, the Society's Board of Directors declared and distributed to members interest at a rate of 4.15% totalling K11,638,653.

Notes to the Financial Statements

For the Year Ended 31 December 2023

22 Cash and cash equivalents

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:

	2023 PGK	2022 PGK
Cash at bank	12,995,890	17,402,030
Term deposits with maturity of less than 3 months	66,425	-
	13,062,315	**17,402,030**

23 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

(i) Credit risk management

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.

The Society structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, the limit is the member savings available when the financial asset is issued. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk are approved quarterly by the Credit Manager.

The Society measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). The Society also uses the ageing of loans to manage and measure credit risk. The ageing is matched to the IFRS 9 Staging as noted below:

Ageing Analysis	Description	Description
Less than 30 days	Average risk	Standard Monitoring (Stage 1)
31 - 90 days	Special mention	Special Monitoring (Stage 2)
More than 91 days	Substandard, Doubtful & Loss	Default (Stage 3)

Credit Risk Concentrations
The Society only provides loans to individuals who are members of the Society.

Notes to the Financial Statements

For the Year Ended 31 December 2023

23 Financial instruments (continued)

(a) Credit risk (continued)

(ii) Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment of financial assets based on changes in credit quality since initial recognition, as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Society;
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired;
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3';
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis; and
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information.

The key judgements and assumptions adopted by the Society in addressing the requirements of the standard are discussed below:

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 both quantitative and qualitative information and analysis, based on the Society's historical experience and expert credit assessment and including forward-looking information.

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

- **a quantitative test**
  - The financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

- **qualitative indicators**
  - Early signs of cash flow/liquidity problems such as delay in submitting repayments and savings by the members employer
  - Significant adverse changes in financial and/or economic conditions in which the member and members employer operates.
  - Actual or expected forbearance or restructuring by the member or members employer

The criteria above have been applied to all financial instruments held by the Society and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Society's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria at the reporting date.

23 Financial instruments (continued)

(a) Credit risk (continued)

(i) Expected credit loss measurement (continued)

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; and
- it is becoming probable that the borrower's employer's business is under distress.

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

- Qualitative: breaches of covenants;
- Quantitative: 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.

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.

		2023			2022	
	Upside PGK	Central PGK	Downside PGK	Upside PGK	Central PGK	Upside PGK
Scenario probability weighting	10%	80%	10%	10%	80%	10%
ECL impact	3,326,795	4,775,731	5,978,120	2,266,200	2,819,840	4,866,996

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on an annual basis.

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 of significant assumptions by considering impact of their possible changes in different scenarios and concluded that changes in GDP growth rate and unemployment rate do not significantly affect the level of impairment provision given the following:

- If the weight of the downside scenario increases to 20% (i.e. weight of central scenario decreases to 70%), as a result of lower GDP growth rate and higher unemployment rate, the impairment provision would increase by K120 thousand;
- If the weight of the upside scenario would increase to 20% (i.e. weight of the central scenario would decrease to 70%), as a result of higher GDP growth rate and lower unemployment rate, the impairment provision would decrease by K145 thousand.

Notes to the Financial Statements

For the Year Ended 31 December 2023

23 Financial instruments (continued)

(a) Credit risk (continued)

(iii) Provision for impairment losses

Loss allowance

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses is the product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Society expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). 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.
- LGD represents the Society's expectation of the extent of loss on a defaulted exposure. LGD is the magnitude of the likely loss if there is a default. The Society estimates LGD parameters based on the history of cure of defaulted counterparties and the savings deposits held against defaulted counterparties. The LGD models consider the structure, collateral, cure rates achieved in past periods, member savings held and recovery costs of any collateral that is integral to the financial asset.

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 Society 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.

The provision for impairment losses recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

The following tables show reconciliations 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:

Notes to the Financial Statements

For the Year Ended 31 December 2023

23 Financial instruments (continued)

(a) Credit risk (continued)

(iii) Provision for impairment losses (continued)

Reconciliation of ECL and EAD on Loans:

2023 Reconciliation	Stage 1 EAD PGK	Stage 1 ECL PGK	Stage 2 EAD PGK	Stage 2 ECL PGK	Stage 3 EAD PGK	Stage 3 ECL PGK	Total EAD PGK	Total ECL PGK
Balance at 1 January 2023	130,206,506	1,166,398	6,544,540	847,217	5,620,681	964,953	142,371,727	2,978,568
Transfer to Stage 1	3,828,522	325,225	(2,499,761)	(218,842)	(1,328,761)	(106,383)	-	-
Transfer to Stage 2	(4,962,924)	(85,022)	5,366,882	152,869	(403,958)	(67,847)	-	-
Transfer to Stage 3	(2,245,143)	(68,436)	(1,255,786)	(281,359)	3,500,929	349,795	-	-
Net remeasurement of loss allowance	-	(149,096)	-	(193,803)	-	(236,775)	-	(579,674)
New financial assets originated	42,586,276	897,726	1,717,010	238,777	70,461	36,765	44,373,747	1,173,268
Financial assets paid / matured	(21,300,397)	-	(1,588,584)	-	(2,941,360)	-	(25,830,341)	-
Net remeasurement on transfers between Stages	(1,350,734)	(286,953)	(698,197)	294,363	(1,289,616)	1,171,505	(3,338,547)	1,178,915
Balance at 31 December 2023	**146,762,106**	**1,799,842**	**7,586,104**	**839,222**	**3,228,376**	**2,112,013**	**157,576,586**	**4,751,077**

2022 Reconciliation	Stage 1 EAD PGK	Stage 1 ECL PGK	Stage 2 EAD PGK	Stage 2 ECL PGK	Stage 3 EAD PGK	Stage 3 ECL PGK	Total EAD PGK	Total ECL PGK
Balance at 1 January 2022	118,923,321	813,131	8,595,436	1,021,325	2,372,067	871,135	129,890,824	2,705,591
Transfer to Stage 1	6,294,634	1,054,147	(4,523,537)	(407,463)	(1,771,097)	(646,684)	-	-
Transfer to Stage 2	(6,094,379)	(72,746)	6,550,509	252,716	(456,130)	(179,970)	-	-
Transfer to Stage 3	(4,467,296)	(78,697)	(1,487,627)	(218,297)	5,954,923	296,994	-	-
Net remeasurement of loss allowance	-	(155,880)	-	(171,979)	-	(7,996)	-	(335,855)
New financial assets originated	31,826,169	632,965	1,747,200	262,355	652,489	83,732	34,225,858	979,052
Financial assets paid / matured	(11,805,006)	-	(1,494,062)	-	(40,967)	-	(13,340,035)	-
Net remeasurement on transfers between Stages	(4,470,937)	(1,026,522)	(2,843,379)	108,560	(1,090,604)	547,742	(8,404,920)	(370,220)
Balance at 31 December 2022	**130,206,506**	**1,166,398**	**6,544,540**	**847,217**	**5,620,681**	**964,953**	**142,371,727**	**2,978,568**

Notes to the Financial Statements

For the Year Ended 31 December 2023

23 Financial instruments (continued)

(a) Credit risk (continued)

(iii) Provision for impairment losses (continued)

Summary of the EAD and ECL – Loans:

2023	EAD PGK	ECL PGK	Net carrying amount PGK
Stage 1 - 12 month ECL	146,762,106	1,799,842	144,962,264
Stage 2 - Life time ECL	7,586,104	839,222	6,746,882
Stage 3 - Life time ECL	3,228,376	2,112,013	1,116,363
Balance at 31 December 2023	**157,576,586**	**4,751,077**	**152,825,509**

2022	EAD PGK	ECL PGK	Net carrying amount PGK
Stage 1 - 12 month ECL	130,206,506	1,166,398	129,040,108
Stage 2 - Life time ECL	6,544,540	847,217	5,697,323
Stage 3 - Life time ECL	5,620,681	964,953	4,655,728
Balance at 31 December 2022	**142,371,727**	**2,978,568**	**139,393,159**

Reconciliation of ECL and EAD on Government Inscribed Stocks:

	2023 Stage 1 EAD PGK	2023 Stage 1 ECL PGK	2022 Stage 1 EAD PGK	2022 Stage 1 ECL PGK
Balance at 1 January	103,118,550	650,518	85,902,615	650,518
Net remeasurement of loss allowance	-	-	-	-
Financial assets originated	-	-	22,500,000	-
Accrued interest and amortisation of interest	(504,551)	-	465,935	-
Financial assets matured during the year	(11,000,000)	-	(5,750,000)	-
Balance at 31 December	**91,613,999**	**650,518**	**103,118,550**	**650,518**

Notes to the Financial Statements

For the Year Ended 31 December 2023

23 Financial instruments (continued)

(a) Credit risk (continued)

(iv) Credit risk exposure

Maximum exposure to credit risk – Financial instruments subject to impairment
The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised against the Ageing analysis used for credit risk management. The gross carrying amount of financial assets below also represents the Society's maximum exposure to credit risk on these assets.

Ageing Analysis	Stage 1 12 month PGK	Stage 2 Lifetime PGK	Stage 3 Lifetime PGK	Total PGK
31 December 2023				
Less than 30 days	146,762,106	-	-	146,762,106
31 - 90 days	-	7,586,104	-	7,586,104
More than 91 days	-	-	3,228,376	3,228,376
Gross carrying amount	146,762,106	7,586,104	3,228,376	157,576,586
Loss allowance	(1,799,842)	(839,222)	(2,112,013)	(4,751,077)
Carrying amount	**144,962,264**	**6,746,882**	**1,116,363**	**152,825,509**

Ageing Analysis	Stage 1 12 month PGK	Stage 2 Lifetime PGK	Stage 3 Lifetime PGK	Total PGK
31 December 2022				
Less than 30 days	130,206,506	-	-	130,206,506
31 - 90 days	-	6,544,540	-	6,544,540
More than 91 days	-	-	5,620,681	5,620,681
Gross carrying amount	130,206,506	6,544,540	5,620,681	142,371,727
Loss allowance	(1,166,398)	(847,217)	(964,953)	(2,978,568)
Carrying amount	**129,040,108**	**5,697,323**	**4,655,728**	**139,393,159**

Collateral and other credit enhancements
The Society employs a range of policies and practices to mitigate credit risk, including matching member savings to the loan facility provided to the member. The principal collateral types for loans and advances to members are the member savings. The Society determines the fair market value of collateral obtained as a part of loan origination process.

The Society closely monitors member deposits/savings held for financial assets considered to be credit-impaired, as it becomes more likely that the Society will take possession of the deposits/savings to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

Credit-impaired assets	Gross Exposure PGK	Provision for impairment losses PGK	Carrying amount PGK	Present value of collateral held PGK
31 December 2023	3,228,376	(2,112,013)	1,116,363	322,680
31 December 2022	5,620,681	(964,953)	4,655,728	3,473,716

Notes to the Financial Statements

For the Year Ended 31 December 2023

23 Financial instruments (continued)

(b) Liquidity Risk

The Society is exposed to daily calls on its available cash resources from member deposits through transaction accounts offered by the Society. The Society does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of member savings maintained with the Society can be predicted with a high level of certainty.

The matching and controlled mismatching of the maturities and rates of assets and liabilities is fundamental to the management of the Society. It is unusual for financial institutions to be completely matched. An unmatched position potentially enhances profitability, but also increases the risk of losses.

(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 2023	Carrying amount PGK	At call PGK	0-3 months PGK	Less than 1 year PGK	1-5 years PGK	More than 5 years PGK
Financial liability by type Non-derivative liabilities						
Member savings	274,450,249	274,450,249	-	-	-	-
Other financial liabilities-lease liabilities	747,772	-	275,921	471,851	-	-
	275,198,021	**274,450,249**	**275,921**	**471,851**	-	-
Financial asset by type Non-derivative assets						
Cash and cash equivalents	13,062,315	13,062,315	-	-	-	-
Term deposits	41,370,733	-	18,263,527	23,107,206	-	-
Quoted equity investments	3,100,000	-	-	-	3,100,000	-
Government inscribed stock	90,963,481	-	-	2,363,481	55,160,000	33,440,000
Loans due from members	152,825,509	-	1,962,168	14,298,513	136,564,828	-
	301,322,038	**13,062,315**	**20,225,695**	**39,769,200**	**194,824,828**	**33,440,000**

31 December 2022	Carrying amount PGK	At call PGK	0-3 months PGK	Less than 1 year PGK	1-5 years PGK	More than 5 years PGK
Financial liability by type Non-derivative liabilities						
Member savings	267,859,287	267,859,287	-	-	-	-
Other financial liabilities-lease liabilities	1,256,798	-	216,690	402,422	637,686	-
	269,116,085	**267,859,287**	**216,690**	**402,422**	637,686	-
Financial asset by type Non-derivative assets						
Cash and cash equivalents	17,402,030	17,402,030	-	-	-	-
Term deposits	32,977,022	-	17,530,361	15,446,661	-	-
Quoted equity investments	2,867,500	-	-	-	2,867,500	-
Government inscribed stock	102,468,032	-	-	12,868,032	38,160,000	51,440,000
Loans due from members	139,393,159	-	7,797,110	22,760,433	108,835,616	-
	295,107,743	**17,402,030**	**25,327,471**	**51,075,126**	**149,863,116**	**51,440,000**

Notes to the Financial Statements

For the Year Ended 31 December 2023

23 Financial instruments

(c) Other market risk

Investments of the Society (other than cash held for liquidity purposes and investment properties) comprise fixed interest securities, term deposits and shares in listed and unlisted companies.

The valuation of financial investments at FVTPL and investment properties 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 PGK	Level 2 PGK	Level 3 PGK	Total PGK
31 December 2023				
Quoted equity investments	3,100,000	-	-	3,100,000
Unquoted equity investments	-	-	160,000	160,000
Investments properties	-	-	-	-
	3,100,000	**-**	**160,000**	**3,260,000**

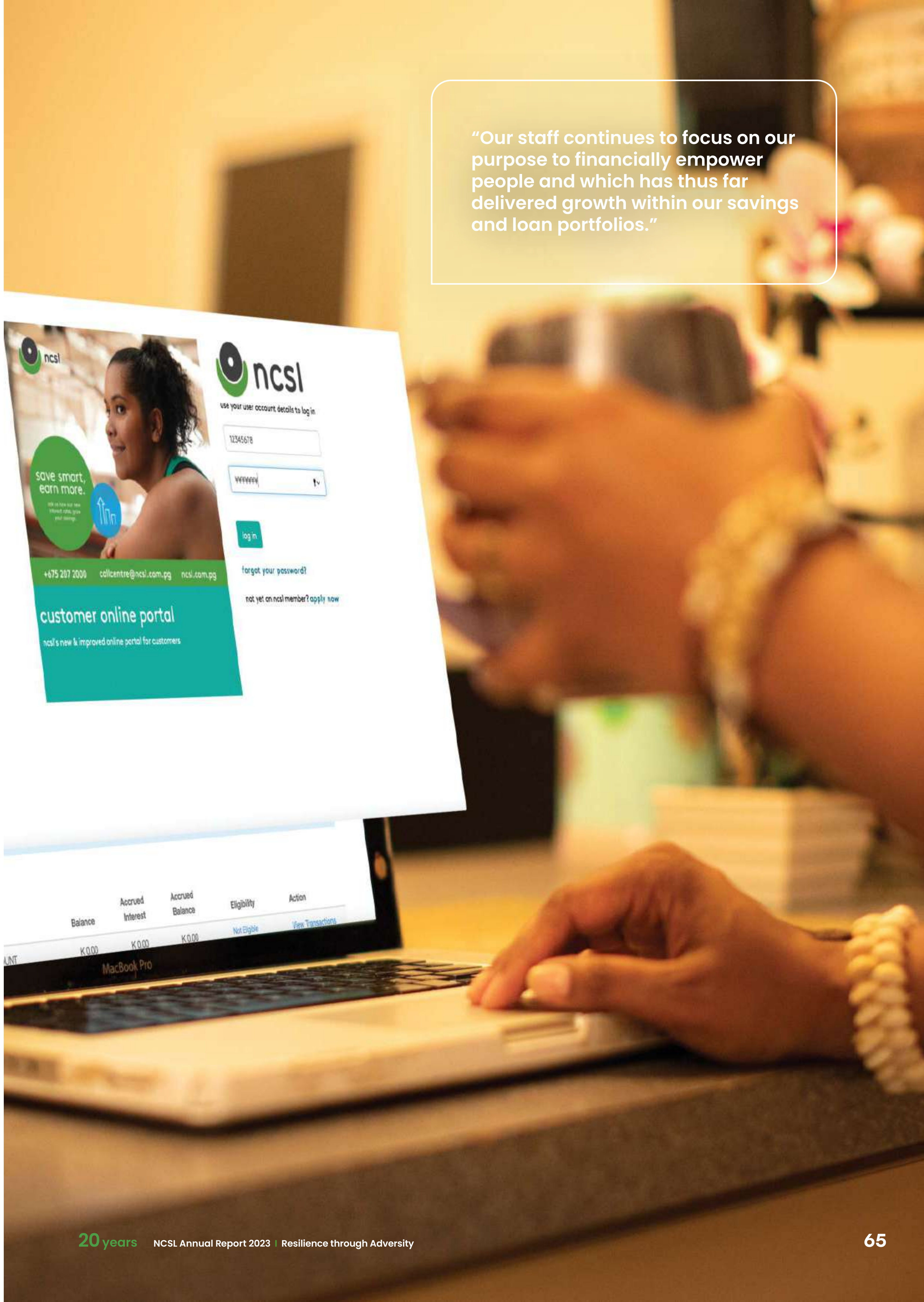
	Level 1 PGK	Level 2 PGK	Level 3 PGK	Total PGK
31 December 2022				
Quoted equity investments	2,867,500	-	-	2,867,500
Unquoted equity investments	-	-	160,000	160,000
Investments properties	-	-	1,100,000	1,100,000
	2,867,500	**-**	**1,260,000**	**4,127,500**

(d) Interest risk

Interest on members' loans is fixed by the Society therefore no significant rate risk is associated with members' loans.

(e) Foreign currency risk

The Society is not exposed to foreign currency risk, there are no contracts entered into denominated in foreign currency.



"Our staff continues to focus on our purpose to financially empower people and which has thus far delivered growth within our savings and loan portfolios."

Management

Frans Kootte
CEO

Mr Frans Kootte was appointed CEO in December 2023.

Mr Koote an Executive, Interim manager/consultant with relevant global and emerging market experience in Retail banking, (Consumer, SME, Personal Banking), MicroFinance, and Digital/Mobile Banking.

Proven track record in the alignment of business, strategic positioning, process re-engineering programs (e.g. digital transformation) and project management. Developed a motivating and respectful leadership style, is client- and result oriented with a project-based and no-nonsense and hands-on approach.

Keith Raimo
Chief Financial Officer

Mr Keith Raimo started his career with Kina Securities Limited in 2011. He has over 11 years of experience with various firms and financial institutions and joined NCSL in 2022 as Chief Finance Officer.

He is experienced in Budget Reviews, internal and external Audits, Management and Financial Accounting, Corporate Governance and Board Reporting. He holds a Degree in Accounting from PNG University of Technology.

Member: CPA PNG.

Maranuf Tataeng
Chief Member Services Officer

Mr Maranuf Tataeng started with NCSL in September 2023. He has 19 years of experience with TISA and other financial Instiutions.

Mr Tataeng has a Bachelors Degree in Banking and Finance and Certificate from the World Council of Credit Union (WOCCU) Management Certification Program.

Mr Tataeng is result oriented, team player and an enterprising leader with proven capabilities in developing and implementing strategies for accelerated growth.

Robert Loggia
General Manager Operations & ICT

Mr Robert Loggia was appointed General Manager Operations & ICT in December 2023.

Mr Robert Loggia was the Group Chief Operating Officer at Bank South Pacific from 2011 to 2020 based in Port Moresby, National Capital.

Previously, Robert was also the Chief Executive Officer at State Bank, Mongolia.

Robert has a Bachelor of Commerce degree in Finance degree from McGill University, Montreal.

Henry Pupu
Head of Human Resources

Mr Henry Pupu possesses a Bachelor in Business Management (Majoring in Human Resources Management) from the University of Papua New Guinea. Mr Pupu is a member of the PNG Human Resources Institute.

Mr Pupu has held various Supervisory and Leadership roles, totalling to over 12 years of exposure, with reputable firms such as OK TEDI Mining, South Pacific Brewery Ltd, Coffey International and with Remington Group prior to his appointment at NCSL as Manager Human Resources in 2018. He is passionate about providing best practice HR advice and support at the various stages of the employee engagement cycle.

Venessa Vee
Head of Legal & Corporate Secretary

Ms Venessa Vee started her career with Young & Williams Lawyers in 2011. Her exposure includes Corporate, Commercial and Litigation, Advisory and various other Legal domains.

She holds a Bachelors' Degree in Law from the University of Papua New Guinea.

Venessa joined NCSL in 2020 as Manager Legal and Board Secretary. Member: Papua New Guinea Law Society, PNG Human Resource Institute, PNG Institute of Directors and Australian Institute of Directors.

Management

Kisakiu Poawai
Head of Risk & Compliance

Mr Kisakiu Poawai commenced his career in 2010 with BSP Financial Group Limited. He has stints with various firms and Financial Institutions acquiring up to 13 years exposure.

He is qualified in financial risk management, internal business process, Audit and Compliance, quality control management, AML compliance and managing customer relationships.

Mr Kisakiu came on board as Manager Risk and Compliance in 2023. He holds a Bachelor in Commerce from PNG University Of Technology.

John Pulu
Head of Information & Communication Technology

Mr John Pulu holds a Bachelors Degree in Computer Scienece and Mathematics from PNG University of Technology and a Graduate Diploma in Computer Science from The University of Auckland.

John brings over 15 years of ICT expertise cultivated through various ICT leadership roles within Papua New Guinea's top organizations. John's experience is spread across diverse sectors such as Telecommunications, ISP, Mining, State Enterprise, and Finance.

Edwin Mondo
Manager Finance

Mr Edwin Mondo possesses a Bachelor of Accounting from Divine Word University.

He started his career with Deloitte Touché Tohmatsu. He is now a certified accountant, registered with CPA PNG.

His expertise includes Budgeting, General Ledger Reconciliation, External Audit, Financial Accounting and Management Accounting. Edwin has acquired 13 years of experience with various other firms and looks forward to contributing to the positive growth of NCSL. He joined NCSL as Manager Finance in 2023.

Bernard Matlaun
Manager Lending

Mr Bernard Matlaun is a veteran banker by profession commencing his career with Australia New Zealand Bank in 1988.

His exposure includes Credit, Lending, Audit, Risk and Compliance and General Retail Banking Management. He was last employed by NDB as Relationship Manager - Corporate & Commercial Lending. He has 36 years' experience from working with various financial institutions.

Mr Matlaun joined NCSL as Manger Lending in 2022. He holds a Diploma in Business from PNG Institute of Banking and Business Management and Bachelor in Land Management from PNG University of Technology.

Lawes Omeri
Manager Relationship

Mr Lawes Omeri brings into NCSL a wealth of experience within the Financial Sector having worked with a few firms in the industry for the past 20 plus years. He commenced his career at ANZ Bank assuming a few leadership roles and then to Kina Bank and Moni Plus prior to moving to TISA. He was last employed as Relationship Manager with TISA.

Mr Omeri holds a Bachelors Degree in Psychology from Univeristy of Papua New Guinea and a Diploma in Business Management from IBBM.

Gila Ebenosi
Manager Digital Services & Call Centre

Mr Gila Ebenosi possesses more than 12 years of practical job exposure in Digital Banking, Project Management, IT and Retail Banking within the financial industry.

He started his career with BSP Financial Group Limited in 2010 and successfully made his way to becoming Head of BSP Payments.

Mr Ebenosi joined the team in 2023 as Manager Electronic Banking overseeing all electronic service functions and looks forward to bringing service offering into new heights.

Corporate Directory

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Corporate Social Responsibility

Cheshire Disability Services Red Feather Fundraiser

NCSL was pleased to support Cheshire Disability Services' Red Feather Fundraiser. Funds raised go towards supporting community-based primary health care services.

PNG Olympic Committee Refreshment for Trukai Fun Run volunteers

NCSL sponsored refreshment for over 200 Trukai Fun Run Volunteers.

PNG Chamber of Mines & Petroleum – CANCONEX Exhibition

NCSL was a proud supporter of PNG's first ever national conference exhibition at University of Technology in Lae last year.

"Our core values are to strive to always engage with our Members with honesty and integrity, displaying professionalism in the manner in which we undertake our responsibility for the betterment of our Members and our Communities."

PricewaterhouseCoopers PNG

NCSL joined other corporate organizations in Port Moresby for PwC Corporate Challenge to raise funds for those in need.

Over K170, 000 raised from the event went towards supporting local charities focusing on health, education, women and children.

Lawyers 4 Literacy Trivia Night

We were pleased to support Lawyers 4 Literacy's Trivia Night to raise funds towards supporting the delivery of books to rural communities in 2024.

NCSL Savings & Loan Society
bilong yu

Banking needs of the future are about security and convenience at members' fingertips. Therefore, we embrace technology to drive efficiency in our business and have put in place digital channels for service delivery.

Branches	Staff
20	117

Membership
146,765

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Resilience through Adversity

When we face adversity, we have to learn how to pick ourselves up and keep moving forward.