

National Development Bank Limited

Annual Financial Report for the Financial Year Ended
31 December 2024

National Development Bank Limited
Annual Financial Report
For the Financial Year Ended 31 December 20234

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National Development Bank Limited
Annual Financial Report
For the Financial Year Ended 31 December 2024

Company Information

National Development Bank Limited is a registered company under the Papua New Guinea Companies Act 1997 (As Amended) and incorporated and domiciled in Papua New Guinea.

Registered Office	National Development Bank Building Section 135, Allotment 6, Somare Crescent Waigani, National Capital District Papua New Guinea
Postal Address	P O Box 686 Waigani National Capital District Papua New Guinea Telephone: 7090 8200
Directors	The Directors of the Company during the year and as at reporting date:

Name	Director
Mr. Darrell Seeto	Non-executive Director (Chairman) – *Ceased 06/12/24*
Mrs. Keryn Hargreaves	Non-executive Director (A/Chairlady) *(Appointed 24/04/2025)*
Mr. Graham A King	Non-executive Director
Mr. Jason Gilai	Non-executive Director
Mr. Augustine Birie	Non-executive Director
Mr. John Patterson Auna	Non-executive Director

Company Secretary	Ms. Anneka Linge
Solicitors	In 2024, the Company engaged Ashurst Limited, Goodwin Bidar Nutley Lawyers, Jemma Lawyers and Namani & Associates
Auditors	Kuna Taberia Kiruwi Accountants & Advisors
Bankers	BSP Financial Group Limited National Banking Corporation Limited
Subsidiary Companies	National Banking Corporation Limited (Formerly People's Micro Bank) NDB Investments Limited *(Amalgamated as at 30 September 2024)*
Number of Employees	115 (2023: 171)

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Directors' Report

The Directors of National Development Bank Limited (the "Company") submit herewith the separate financial statements of the Company for the financial year ended 31 December 2024. In compliance with the provisions of the Companies Act 1997, the Directors' Report as follows:

Company activities

The Company's principal activities are as follows:

- To provide accessible and affordable credit facilities to indigenous businesses serving in the agriculture and Micro & Small Medium Enterprise (MSME) sectors.
- To undertake investment property leasing activities to support operational costs.
- To undertake sundry activities that improvise and/or promote indigenous business activities and/or increase lending.

During the financial year, there was no significant change in the principal activities or state of affairs of the Company other than that referred to in the separate financial statements or notes thereto.

Company operating results

The Company reported a net income of K4.30 million after income tax expense of KNil for the year (2023: K3.63 million).

Dividends

The Directors declared KNil dividends in 2024 (2023: KNil).

Amalgamation of subsidiary company

NDBIL was amalgamated on 30 September 2024. The amalgamation was done on voluntary basis with the objective of business integration, improving process efficiency and increasing shareholder value.

Subsequent events

The Company continues to monitor economic condition and outlook as the conflicts between Ukraine and Russia and between Israel and Hamas continues.

Although the Company has not experienced any direct impact, the negative impacts related to the conflict may potentially increase and affect the Company and its customers in terms of price hikes through imported inflation, decrease business confidence and uncertainty in world commodity markets.

The Company has increased its attention on credit portfolio management by consolidating and strengthening its back-office functions with the establishment of a dedicated credit portfolio management and debt recoveries team. The Directors of the Company are in the opinion that there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction, or event of material and unusual nature other than the matter stated above, that are likely to significantly affect the operations or the state of affairs of the Company in the subsequent financial years.

Directors

The Directors as at reporting date and during the financial year are listed on page 1. No Director was a shareholder of the Company as at 31 December 2024 and none had any material interest in any contract or arrangement with the Company or any related entity during the year.

Directors' Report (continued)

Changes in accounting policies
There were no changes in accounting policies during the financial year.

Donations
The Company has not made any donations for the financial year (2023: K29 thousand).

Independent auditor's report and remuneration
The separate financial statements have been audited by Kuna Taberia Kiruwi Accountants & Advisors and should be read in conjunction with the independent auditor's report on pages 5 to 8. As at year end, a total fee of K179 thousand (GST exclusive) was incurred for the audit services for the Company (Note 23).

Directors' and specified executives' remuneration
Directors' and specified executives' remuneration in aggregate are disclosed in Note 22(b) of the separate financial statements.

Entries in the interests register
The following are interests recorded in the interest register:

Name	Nature of interest	Organization
Darrell Seeto	Chairman	National Development Bank Limited
	Director	Peoples Micro Bank Limited later renamed National Banking Corporation Limited
	Member	Certified Practising Accountants of Australia
	Associate member	Australian Institute of Bankers
	Member	Australian Securities Institute of Australia
	Senior Advisor	Shaw & Partners (Australia)
Keryn Hargreaves	Director	National Development Bank Limited
	Board Member	National Cultural Commission
	Board Member	Tourism Promotion Authority
	Board Member	National Museum & Arts Gallery
	Chairlady	Tender Committee, NDB
Jason Gilai	Deputy Chairman	National Development Bank Limited
	Chairman	PHC Supply Management (PNG) Limited
	Council Member	University of Natural Resources & Environment
	Managing Director	Adriago Limited
	Chairman	ICT Committee, NDB
Augustine Birie	Director	National Development Bank Limited
	Chairman	Remuneration & Nomination Committee, NDB
	Senior Associate	Australasian Institute of Banking and Finance
	Member	Finance and Treasury Association of Australia
	Professional Member	PNG Institute of Directors
	Member	PNG Human Resource Institute

Directors' Report (continued)

Name	Nature of Interest	Organisation
	Consultant	Bank of PNG attached to Centre for Excellence in Financial Inclusion (CEFI).
Johnny Patterson Auna	Director Chairman Associate Member Associate Member Consultant Director Chief Financial Officer & Company Secretary	National Development Bank Limited Board Audit & Risk Committee, NDB PNG Institute of Directors PNG Certified Practicing Accountant Code Black Limited Secura Solutions Limited Bougainville Copper Limited
Vicky Vene (appointed 2/11/23) (ceased 1/10/24)	Acting Chief Executive Officer	National Development Bank Limited
Garry Hersey (appointed 1/10/24)(ceased 08/03/25)	Acting Chief Executive Officer	National Development Bank Limited
David Munaga (appointed 08/03/25)	Acting Chief Executive Officer	National Development Bank Limited

Remuneration above K100, 000 per annum

The number of employees or former employees, not being directors of the Company, whose total remuneration and the value of other benefits received, exceeded K100,000, falls within each relevant K10,000 band of income are as follows:

	2024	2023
K100,000 – K170,000	5	9
K170,001 – K180,000	-	1
K180,001 – K210,000	2	0
K210,001 – K220,000	-	1
K220,001 – K480,000	3	2
K480,001 – K490,000	-	-
K490,001 – K760,000	1	-
K760,001 – K770,000	-	-
K770,001 – K1,100,000	-	1

Signed in accordance with a resolution of the Directors.
On behalf of the Directors,

Keryn Hargreaves
Chairlady
Port Moresby, 29 / 08 / 2025

Mr. David Munaga
Acting Chief Executive Officer
Port Moresby, 29 / 08 / 2025

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Directors' Declaration

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in the Directors' opinion, the attached separate financial statements and notes are in accordance with the Companies Act 1997, including compliance with International Financial Reporting Standards ("IFRSs") and giving a true and fair view of the financial position and performance of the Company.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

Keryn Hargreaves
Chairlady
Port Moresby, 28 / 08 /2025

David Munaga
Acting Chief Executive Officer
Port Moresby, 27 / 08 / 2025

National Development Bank Limited
Separate Financial Statements
Statement of Comprehensive Income
For the Financial Year Ended 31 December 2024

	Notes	2024	2023
		K'000	K'000
Interest income	3(a)	13,562	12,363
Interest expense	3(b)	(25)	(42)
Net interest income		**13,537**	**12,321**
Commission and other income	4(a)(b)(c)	11,281	9,634
Change in fair value of investment property	11	(1,997)	(145)
Total operating income		**22,822**	**21,810**
Operating expenses	5	(23,657)	(23,804)
Net operating profit		**(835)**	**(1,994)**
Loan impairment reversal	8	5,176	5,624
Profit before income tax		**4,340**	**3,630**
Income tax expense/(benefit)	6(a)	-	-
Profit after income tax		**4,340**	**3,630**
Other comprehensive income			
Gain on revaluation of properties	17(b)	-	3,423
Total Comprehensive Income		**4,340**	**7,053**

Notes to the separate financial statements are included on pages 14 to 46.

National Development Bank Limited
Separate Financial Statements
Statement of Financial Position
For the financial year ended 31 December 2024

	Notes	2024 K'000	2023 K'000
Cash and cash equivalents	20(a)	164,334	255,431
Investment in short-term securities	24	144,297	78,203
Trade and other receivables	7	12,047	6,928
Loans and advances	8	159,928	141,647
Income tax receivable	6(e)	20	20
Investment in subsidiaries	9	107,633	85,219
Investment properties	11	26,657	40,629
Property and equipment	10 (a)	112,532	113,396
Right of use asset	10(b)	108	343
Net deferred tax assets	6(b)	-	-
Total Assets		**727,555**	**721,814**
Trade and other payables	12	15,498	11,751
Customer deposit	13	14,250	14,906
Employee provisions	15	1,405	1,931
Provision for income tax	6(d)	-	-
Lease liabilities		166	363
Total liabilities		**31,319**	**28,950**
NET ASSETS		**696,236**	**692,864**
Capital & Reserves			
Share capital	16	119,995	119,995
Government grant	17(a)	730,874	731,784
Asset revaluation reserve	17(b)	22,434	22,434
Accumulated loss		(177,067)	(181,349)
NET CAPITAL & RESERVES		**696,236**	**692,864**

Notes to the separate financial statements are included on pages 14 to 46.

Signed in accordance with a resolution of the Directors.
On behalf of the Directors,

Keryn Hargreaves
Chairlady
Port Moresby, 29/08 2025

David Munaga
Acting Chief Executive Officer
Port Moresby, 29/08 2025

National Development Bank Limited
Separate Financial Statements
Statement of Changes in Equity
For the Financial Year Ended 31 December 2024

	Share capital	Government grants	Asset revaluation reserve	Accumulated losses	Total
	K'000	K'000	K'000	K'000	K'000
Balance at 1 January 2023	119,995	616,339	25,840	(188,402)	573,772
Government credit facilities received	-	115,445	-	-	115,445
Transfer to retained earnings (Note 17(b))	-	-	(3,406)	-	(3,406)
Profit/Loss for the year	-	-	-	3,630	3,630
Other comprehensive income for the year	-	-	-	3,423	3,423
Balance at 31 December 2023	**119,995**	**731,784**	**22,434**	**(181,349)**	**692,864**
Government credit facilities received	-	(910)	-	-	(910)
Transfer to retained earnings (Note 17(b))	-	-	-	(58)	(58)
Profit for the year	-	-	-	4,340	4,340
Other comprehensive income for the year	-	-	-	-	-
Balance at 31 December 2024	**119,995**	**730,874**	**22,434**	**177,067**	**696,236**

Notes to the separate financial statements are included on pages 14 to 46.

National Development Bank Limited
Separate Financial Statements
Statement of Cash Flows
For the financial year ended 31 December 2024

	Notes	2024 K'000	2023 K'000
Cash flows from operating activities			
Interest received on loans and advances		9,706	9,411
Interest received on bank deposits		3,856	2,951
Interest paid on customer deposits		(5)	(11)
Interest paid on lease liabilities		(19)	(31)
Commissions and other income received		5,442	6,838
Rent received		3,509	3,358
Security deposits received		(656)	(513)
Payments to suppliers and employees		(28,946)	(34,172)
Customer loan repayments		68,610	98,309
Loans funded less recoveries		(75,808)	(45,327)
Income tax paid		-	-
Net cash generated from/(used in) operating activities	20(b)	**(14,311)**	**40,813**
Cash flows from investing activities			
Proceeds from sale of property and equipment		13,345	17,046
Purchase of property and equipment	10(a)	(3,875)	(13,196)
Investment in short term securities		(65,000)	(2,062)
Net cash generated from/(used in) investing activities		**(55,530)**	**1,789**
Cash flows from financing activities			
Proceeds from specific grants		-	120,000
Specific grants allocated to operation		(910)	(4,555)
Payment of lease liabilities		-	(464)
Investment in subsidiary		(21,000)	-
Net cash generated from financing activities		**(21,910)**	**114,981**
Net increase/(decrease) in cash and cash equivalents		(91,751)	157,583
Cash and cash equivalents at the beginning of the financial year		256,085	98,502
Cash and cash equivalents at the end of the financial year	20(a)	**164,334**	**256,085**

Notes to the separate financial statements are included on pages 14 to 46.

1. General Information

The National Development Bank Limited (the "Company") is a limited liability company and is incorporated and domiciled in Papua New Guinea. The Company was established under the National Development Bank Act 2007 and incorporated under the PNG Companies Act 1997 in June 2007.

The Company is wholly owned by the state under Kumul Consolidated Holdings Limited and has two subsidiaries, National Banking Corporation Limited ("NBC") (formerly known as People's Micro Bank Limited) and NDB Investments Limited ("NDBIL").

The principal activity of the Company is to mobilise savings, retail merchandise goods, maintain investment properties, provide micro credit and allied banking services to ordinary Papua New Guineans in both urban and rural areas.

2. Summary of Accounting Policies

Statement of compliance
The Company's separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the Accounting Standards Board of Papua New Guinea (ASB) and the requirements of the Papua New Guinea Companies Act 1997 (As Amended).

Basis of preparation
The separate financial statements have been prepared on a historical cost basis, other financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss (FVPL) and debt and equity instruments at fair value through other comprehensive income (FVOCI) all of which have been measured at fair value. All amounts are presented in Papua New Guinea Kina in nearest thousands (K'000) which is the Company's functional and presentation currency.

The separate financial statements comprise of the statement of comprehensive income as showing as one statement, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the separate financial statements.

The Company classifies its expenses by the nature of expenses method.

Use of estimates and judgements

The preparation of the separate financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates recognized in the period in which the estimate is revised and in future periods if affected. Information about critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the separate financial statements are included in the following notes:

Note 2 (d) - Loan provisioning
Note 2 (j) – Investment properties

Going concern - State guarantee
Pursuant to Section 29 of the National Development Bank Act 2007 provides that the Government of PNG (the "State") may guarantee or indemnify (including any overdraft or other financial accommodation) the Company for in respect of any asset or liability. However, any specific guarantees have not been provided.

The following significant accounting policies have been adopted in the preparation and presentation of the separate financial statements:

(a) Revenue Recognition

(i) Fees and other income
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 measurement of the effective interest rate. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Company.

(ii) Rental income
Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

(iii) Maintenance Fee
This fee is charged for administration and maintenance of loan over the commitment period on the basis of fixed fee or a rate applied to the loan balance on the last day of each month.

(iv) Interest income
Interest income is brought to account on an accrual's basis using the effective interest method. Interest, including premiums and investment securities, is brought to account using the effective interest rate method. IFRS 9 prescribes that interest income should continue to be recognised for loans that are 90 days and above past due but now calculated based on the amortised cost amount and not the gross amount.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted cash balance and demand deposits. Demand deposits are short term (with original maturities of 3 months or less), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(c) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required, and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

Contribution plans
Contributions to superannuation plans are expensed when incurred.

(d) Impairment of financial assets at amortized cost

The Company applies a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9.

Expected credit loss ("ECL") impairment model.

The Company's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

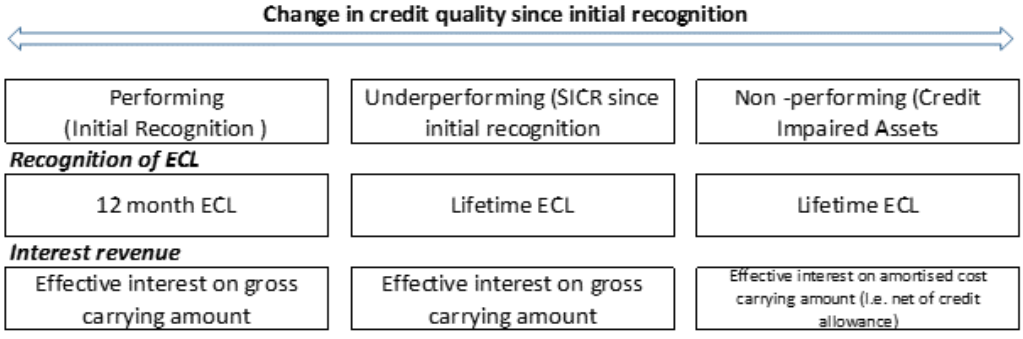
This impairment model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination:

Stage 1 – 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk ("SICR") since origination and are not credit impaired. The ECL will be computed using a 12-month PD that represents the probability of default occurring over the next 12 months. For those assets with a remaining maturity of less than 12 months, a PD is used that corresponds to remaining maturity.

Stage 2 – When a financial asset experiences a SICR subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Credit loss allowances are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

Stage 3 – Financial assets that have objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime expected credit losses.

The diagram below shows the impairment approach under IFRS 9.



Measurement of expected credit loss

The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio. Details of key statistical parameters/inputs are as follows:

• **PD** – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.

• **EAD** – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payment

• **LGD** – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Qualitative information assumptions on ECL changes

Assumptions	Scenario	2024	2023	Increase/decrease
Haircut on Collateral	Base	30%	30%	Stable
	Upturn	15%	15%	Stable
	Downturn	50%	50%	Stable
Time realisation	Base	12 months	12 months	Stable
	Upturn	6 months	6 months	Stable
	Downturn	30 months	30 months	Stable
Costs to recover		0%	0%	Stable
Cure rate	Base	0%	0%	Stable
	Upturn	10%	10%	Stable
	Downturn	-25%	-25%	Stable
ECL Weighting	Base	60%	60%	Stable
	Upturn	15%	15%	Stable
	Downturn	25%	25%	Stable

Forward-looking information

The estimation of expected credit losses for each stage and the assessment of significant increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information may require significant judgment.

Macroeconomic factors

In its models, the Company relies on a broad range of forward-looking economic information as inputs, such as: GDP growth, unemployment rates, interest rates, and house-price indices. The inputs and models used for calculating expected credit losses may not always capture all

characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgment.

Multiple forward-looking scenarios

The Company determines its allowance for credit losses using three probability-weighted forward-looking scenarios. The Company considers both internal and external sources of information and data in order to achieve unbiased projections and forecasts.

The weightings assigned to each economic scenario at 31 December 2024 were as follows:

Scenario	Base	Upturn	Downturn
Weighting	60%	15%	25%

The 'base case' represents the most likely outcome. The other upturn scenario represents a more optimistic while the downturn represents a more pessimistic outcome. The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables, credit risk, and credit losses.

The approximate level of provisions for impairment assuming 100% weighting was applied to the base case scenario and holding all other assumptions constant is K26.7 million.

Assessment of significant increase in credit risk (SICR)

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors.

The following information is taken into account when assessing whether the credit risk has increased significantly since initial recognition.

•existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtors' ability to meet its debt obligations.

• significant increases in credit risk on other financial instruments of the same debtor; and

• an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

The common assessments for SICR include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward-looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments and the borrower and the geographical region. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap. Examples of situations include changes in adjudication criteria for a particular group of borrowers; changes in portfolio composition; and natural disasters impacting certain portfolios. With regards to delinquency and

monitoring, there is a rebuttable presumption that the credit risk of the financial instrument has increased since initial recognition when contractual payments are more than 30 days overdue.

Expected life

When measuring expected credit loss, the Company considers the maximum contractual period over which the group is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment, and extension and rollover options. For revolving credit facilities, the expected life is estimated based on the period over which the group is exposed to credit risk and how the credit losses are mitigated by management actions.

Presentation of allowance for credit losses in the Statement of Financial Position

• Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the financial assets.

Definition of default

The Company considers a financial asset to be in default when:
• the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held);
• the borrower is more than 90 days past due on any material credit obligation to the Company.
• it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.
In assessing whether the borrower is in default; the Company considers indicators that are:
• qualitative e.g., breach of covenants
• quantitative e.g., overdue status and non-payment on another obligation of the same issuer in the Company; and
• based on data developed internally and obtained from external sources

Write-off policy

The Company writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, write-off is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier. In subsequent periods, any recoveries of amounts previously written off are credited to the loan impairment expense line in the Statement of profit or loss and other comprehensive Income.

Collateral

The Company has a range of policies that are used for the purpose of managing and mitigating credit risks. To reduce its exposure to credit risks the Company accepts collateral to funds advanced. The specific types of collateral and valuation of collateral during the loan originating process and period assessment of credit quality and clearly outline in the internal policies. The different collateral types for loans and advances are.

• Mortgages over residential property.

• Charges over business assets such as premises, inventory, and accounts receivable; and

• Deed of assignment over cash deposit as security

The Company's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Company since the prior period. The Company closely monitors collateral held for financial assets considered to be credit impaired, as it becomes more likely that the Company will take possession of the collateral to mitigate potential credit losses. Finance receivables and related collateral held in order to mitigate potential losses are shown below.

	Gross exposure	Impairment allowances	Carrying amount	Fair value of collateral held
	K'000	K'000	K'000	K'000
2024				
Stage 1	**121,792**	**(157)**	**121,635**	110,532
Stage 2	13,603	(10)	13,594	13,582
Stage 3	54,461	(26,490)	22,120	47,694
	189,856	**(26,657)**	**157,349**	**171,808**
2023				
Stage 1	90,375	(95)	90,281	83,876
Stage 2	31,640	(1)	31,638	31,638
Stage 3	64,538	(30,601)	33,937	101,948
	186,553	**(30,697)**	**155,856**	**217,462**

Credit Risk Exposure

The tables below show the reconciliations from the opening to the closing balance of the loss allowance by class of financial asset. The basis for determining transfers due to changes in credit risk is set out in the Company's accounting policy; see Note 2 (d).

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2024	90,375	31,640	64,538	186,553
Loans originated	6,890	-	-	6,890
Transferred to Stage 1	27,018	6,622	(2,223)	31,417
Transferred to Stage 2	(7,096)	(11,179)	238	(18,036)
Transferred to Stage 3	(19,843)	(17,717)	(12,616)	(50,176)
Loans repaid	18,288	4,238	4,523	27,049
Write-off	6,160	-	-	6,160
Balance at 31 December 2024	**121,792**	**13,603**	**54,461**	**189,856**

The following table contains an analysis of the ECL allowance recognized.

	Stage 1	Stage 2	Stage 3	Total
Balance as at 31 December 2024	157	10	26,490	26,657
Balance as at 31 December 2023	95	1	30,601	30,697

Loans are originated by providing funds directly to the borrower and are recognised when cash is advanced to borrowers.

The advances to shop operators under the Stret Pasin Business Scheme will be converted to loans as and when the business set up process for each shop is completed for normal operations.

Accordingly, these investments are treated as loans and advances. Where they are unsuccessful, the cumulative balance is provided for indicating non recoverability.

(e) Consolidation exemption

The Company elects not to prepare consolidated financial statements using the exemption from consolidation as follows:

IFRS 10 – Consolidated Financial Statements

- it is a wholly owned subsidiary or is a partially owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements

- its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets)

- it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market, and

- its ultimate or any intermediate parent of the parent produces financial statements available for public use that comply with IFRSs, in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10.

Companies Act 1997 - Section 181, Subsection 2

- Group financial statements are not required in relation to a reporting company and a balance date where the only shareholders of the Company at the balance date comprise –
    a) a body corporate that is incorporated in the country or a nominee of such a body corporate; or
    b) a body corporate that is incorporated in the country or a nominee of such a body corporate and a subsidiary of such body corporate or a nominee of such a subsidiary.

(f) Government grants

Government grants are recognised in equity based on the following key criteria:

- The government grants are financing device and should be dealt with as such in the statement of financial position rather than be recognised in profit or loss to offset the items of expense that they finance.
- Government grants are received from the ultimate shareholder of the Company. The shareholder is Government of Papua New Guinea.

National Government funding

Funding received by the Company is from individual Government Agencies and that coming direct from the National Government Budget support. The Company was previously known as the Rural Development Bank and historically (30-40 years ago) received some funding that was for specific projects (purpose) mainly for rural development and for specific agriculture initiatives. Presently under National Development Bank Limited, these funds are now received directly from National Government specifically for lending to both Agriculture and SME related projects and businesses. The Company confirmed that the remitted funds would not be returned either partially or in full to

both National Government and the Government Agencies and therefore these are currently classified as additional paid in capital within equity until they are converted to shares. The National Government remains the sole shareholder.

Where Government funds are given with the intention to return the funds to Government Agencies upon non fulfilment or partial fulfilment of a specific purpose or objective, they are classified as a financial liability.

(g) Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the Cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

(h) Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company and its controlled entities expect, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company, and its controlled entities intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of profit and loss and other comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity through other comprehensive income.

(i) Property and equipment

Land and buildings comprise residential and commercial buildings, head office and branch office buildings and vacant land. Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross amount of the asset, and the amount is restated to the revalued amount of the asset. All other property and equipment are stated at historical cost less depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit and loss and other comprehensive income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation are credited to deferred tax liability and revaluation reserves in shareholder's equity. Decreases that offset previous increases of the same asset are charged against revaluation reserves; all other decreases are charged to the statement of profit and loss and other comprehensive income.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- Buildings 2% p.a. on cost or valuation
- Office Equipment 25% p.a. on cost
- Motor Vehicles 25% p.a. on cost
- Items below K2,000 100% in year of purchase

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(g)). Gains and losses on disposals are determined by comparing the proceeds with the carrying

amount and are recognised within finance and other income, in the statement of profit and loss and other comprehensive income. When revalued assets are sold, the amounts included in revaluation reserves are transferred to accumulated losses.

(j) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. The measurements of fair values are done by several independent professional valuers. They use comparable sales method, summation method and capitalization method to value the investment properties and valuations are conducted annually on all investment properties. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss account in the period in which they arise.

(k) Financial instruments

Financial assets and liabilities

Recognition and initial measurement

The Company recognizes a financial asset or a financial liability in its statement of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument. Except for trade receivables that do not have a significant financing component, at initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Trade receivables that do not have a significant financing component are measured at their transaction price at initial recognition.

Classification and measurement

Classification and subsequent measurement of financial assets

The Company classifies financial assets into one of the following measurement categories:

- Amortised cost,
- Fair value through other comprehensive income (FVTOCI),
- Fair value through profit or loss (FVTPL)

Financial assets include both debt and equity instruments.

i) Debt instruments

Debt instruments include loans and debt securities and are classified into either amortised cost or measured at FVTPL measurement categories.

Debt instruments measured at amortised cost - debt instruments are measured at amortised cost if they are held within a business model whose objective is to hold for collection of contractual cash, flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortised cost. Interest income on these instruments is recognized in interest income using the effective interest rate method.

Debts instruments measured at FVTPL - debt instruments are measured at FVTPL if assets:

i) are held for trading purposes.

ii) are held as part of a portfolio managed on a fair value basis; or
iii) whose cash flows do not represent payments that are solely payments of principal and interest.

The Company did not have any debts instruments measured at FVTPL in 2024.

The classification of debt instruments is determined based on:

a) the business model under which the asset is held; and

b) the contractual cash flow characteristics of the instrument.

Business model assessment: Business model assessment involves determining how financial assets are managed in order to generate cash flows. The objective of the business model is to hold assets and collect contractual cash flows. Any sales of the asset are incidental to the objective of the model. The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI). Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instrument due to repayments or amortization of premium/discount.

Interest is defined as the consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs, and a profit margin.

If the Company identifies any contractual features that could significantly modify the cash flows of the instrument such that they are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Classification and subsequent measurement of financial liabilities

The Company classifies all financial liabilities as subsequently measured at amortised cost. Deposits are accounted for at amortized cost. Interest on deposits, calculated using the effective interest rate method, is recognized as interest expense. Interest on borrowings is recognized using the effective interest rate method as interest expense.

Determination of fair value

Fair value of a financial asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal, or in its absence, the most advantageous market to which the Company has access at the measurement date.

The Company values instruments carried at fair value using quoted market prices, where available. Unadjusted quoted market prices for identical instruments represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level three.

ii) Derecognition of financial assets and financial liabilities

Derecognition of financial assets

A financial asset is derecognised when the contractual rights to the cash flows from the asset have expired; or the Company transfers the contractual rights to receive the cash flows from the financial asset; or has assumed an obligation to pay those cash flows to an independent third-party; or the Company has transferred substantially all the risks and rewards of ownership of that

asset to an independent third-party. Management determines whether substantially all the risk and rewards of ownership have been transferred by quantitatively comparing the variability in cash flows before and after the transfer. If the variability in cash flows remains significantly similar subsequent to the transfer, the Company has retained substantially all of the risks and rewards of ownership.

Where substantially all the risks and rewards of ownership of the financial asset are neither retained nor transferred, the Company derecognises the transferred asset only if it has lost control over that asset. Control over the asset is represented by the practical ability to sell the transferred asset. If the Company retains control over the asset, it will continue to recognise the asset to the extent of its continuing involvement. At times such continuing involvement may be in the form of investment in senior or subordinated tranches of notes issued by non-consolidated structured entities.

On derecognition of a financial asset, the difference between the carrying amount 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 other comprehensive income is recognised in the profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

(l) Leases

At inception of a contract, the Company 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 Company uses the definition of a lease in IFRS16.

i) Company acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office premises the Company has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Company recognizes 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 estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

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

– fixed payments, including in-substance fixed 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 Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the agreement is reasonably certain not to terminate early.
The lease liability is measured at amortized 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 Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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

Short-term leases and leases of low-value assets

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

ii) Company acting as a lessor.

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

When the Company acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Company 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 Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

iii) Leases as Lessee

The Company leases a number of branch and office premises. The leases typically run for a period of 6 years, with an option to review the lease after that date. For some leases, payments are renegotiated every 6 years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

The Company also leases IT equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

iv) Extension options

Some leases of office premises contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Company is reasonably certain that it will take up the extension option and these have therefore been included in the right of use asset and lease liability assessments.

v) As a lessor

When the Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

vi) Operating lease arrangements

The Company as lessor – leasing arrangements
The Company properties constructed and acquired through purchase with original intention to lease out to clients and those that are used for operation and staff residential and converted to for leasing are all classified as investment properties and separately disclosed.

Operating leases entered into with external parties are with lease terms of between 5 to 10 years, with an option to extend for a further 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Operating leases where lessee has control over the asset are now recognized as Right of Use Asset and Lease Liability in the statement of financial position.

Rental income earned by the Company from its investment properties and direct expenses arising on the investment properties for the year are set out in Notes 4 and 5.

(m) Goods and services tax

Revenues, expenses, and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as cash flows from operating activities.

(n) Inventories

Raw materials, stores, work-in-progress and finished goods are valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure incurred in acquiring the goods and bringing them to their existing condition and location.

(o) Comparative amounts

Where necessary, comparative figures have been adjusted to conform to current disclosure and reclassification of balances.

(p) Release of New and Revised International Financial Reporting Standards

A number of new standards and amendments to standards are effective for annual periods beginning 1 January 2024, with early adoption available in annual period beginning on 1 January 2024.

Description	Effective for annual periods beginning on or after
Amendment to IFRS 16: Lease liability in a Sale and Leaseback	1 January 2024
Amendment to IAS 7 and IFRS 7: Supplier Finance Arrangements	1 January 2024
Amendment to IAS 1: Classification of Liabilities as Current and Non-Current	1 January 2024
Amendment to IAS 1: Amendment – Non-current Liabilities with Covenants	1 January 2024
Amendment to IAS 21: Lack of Exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred Indefinitely

The Company is assessing the potential impact on its separate financial statements resulting from the application of these standards.

3. Net interest income

	2024 K'000	2023 K'000
(a) Interest income		
Loans and advances using effective interest rate ("EIR") method	9,706	9,411
Cash and short-term funds (note 24)	3,856	2,951
Total	**13,562**	**12,363**
(b) Interest expense		
Customer deposits	(5)	(11)
Lease liability	(20)	(31)
Total	**(25)**	**(42)**
Net interest income	**13,537**	**12,321**

4. Fees and other income

	2024 K'000	2023 K'000
Ledger maintenance fee	3,39	3,780
Commission	313	368
Tender fees	23	12
Total fee and deposit income	**3,728**	**4,160**
Rental income	3,509	3,358
Gain on sale of assets	2,330	1,000
Other income	1,714	1,116
Total fees and other income	**11,281**	**9,634**

All fees and other income are recognized at point in time and generated in Papua New Guinea

5. Operating expenses

	2024 K'000	2023 K'000
Staff costs	10,857	12,749
Administrative and overhead expenses	8,400	5,633
Depreciation expense	2,597	3,608
Directors' fees and other board expenses	1,695	1,640
Marketing expenses	108	174
	23,657	**23,804**

6. Income taxes

a) Income tax expense

The prima facie income tax expense on pre-tax accounting (loss) / profit from operations reconciles to the income tax expenses in the financial statements as follows:

	2024 K'000	2023 K'000
Profit before income tax	4,340	3,630
Income tax loss calculated at 30%	1,383	1,089
Non - deductible expenses	22	72
Non - taxable income	-	(149)
Adjustment for timing differences in prior year	-	-
Deferred tax assets not recognised	(1,324)	(1,012)
Income tax expense	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Papua New Guinea corporate entities on taxable profits under Papua New Guinea tax law. There has been no change in the corporate tax rate when compared with the previous financial year.

b) Income tax expense comprises:

	2024 K'000	2023 K'000
Deferred tax	(2,603)	(1,012)
Current tax	2,603	1012
	-	**-**

c) Deferred taxes

2024	Opening balance K'000	Recognised in profit/(loss) K'000	Closing balance K'000
Deferred tax assets			
Allowance for loan impairment	30,697	(4,040)	26,657
Allowance for rental Debts	-	2,024	2,024
Provision for employee benefits	1,931	(526)	1,405
Accrued audit fees	196	111	307
Other accruals	-	1,363	1,363
Leases in accordance with IFRS 16	20	38	58
	32,844	**(1,030)**	**31,814**
Deferred tax liabilities			
Property and equipment	(19,816)	4,378	(15,438)
Rental debtors	(1,092)	863	(229)
Prepaid insurance	(392)	53	(338)
	(21,300)	**5,294**	**(16,005)**

2024	Opening balance K'000	Recognised in profit/(loss) K'000	Closing balance K'000
Net deferred tax	**11,544**	**4,264**	**15,809**
Unrecognised deferred tax to the extent of deferred tax liability	**(11,544)**	**(4,264)**	**(15,809)**
Total	-	-	-
at 30%	-	-	-

2023	Opening balance K'000	Recognised in profit/(loss) K'000	Closing balance K'000
Deferred tax assets			
Allowance for loan impairment	44,611	(13,915)	30,697
Provisions for employee entitlements	1,712	218	1,931
Provision for audit fees	216	(20)	196
Leases in accordance with IFRS 16	(85)	105	20
	46,455	**(13,611)**	**32,844**
Deferred tax liabilities			
Property and equipment	(1,114)	(18,702)	(19,816)
Rental debtors	(393)	(699)	(1,092)
Prepaid insurance	710	(1,102)	(392)
	(797)	**(20,503)**	**(21,300)**
Net deferred tax assets	**45,658**	**(34,114)**	**11,544**
Unrecognised deferred tax asset to the extent of deferred tax liability	**(45,658)**	**34,114**	**(11,544)**
Total	**-**	**-**	**-**
At 30%	**-**	**-**	**-**

d) Unrecognised gross taxable loss as deductible temporary differences for the past 6 years as reflected in the company's lodged tax returns.

Gross taxable loss carried forward:

	K'000
31 December 2017	(12,151)
31 December 2019	(2,018)
31 December 2020	(73,352)
31 December 2021	(14,712)
31 December 2022	(72,239)
31 December 2023	(9,097)
	(183,569)

e) Provision for Income Tax

	2024 K'000	2023 K'000
Opening balance brought forward	(20)	(20)
Payments made during the year	-	-
Over provision of tax in prior years	-	-
Provisional tax paid during the year	-	-
Total income tax payable/(receivable)	**(20)**	**(20)**

7. Trade and other receivables

	2024 K'000	2023 K'000
Interest withholding tax	1,155	878
Trade receivables	2,424	2,343
Less: allowance for doubtful rent receivable	(2,024)	(2,946)
	1,555	**275**
Prepayments	802	930
Goods and services tax	1,057	1,054
Other receivables	8,633	4,669
Balance at 31 December	**12,047**	**6,928**

8. Loans and advances – net

	2024 K'000	2023 K'000
Loans originated by the bank	186,584	171,690
Less: allowance for expected credit loss	(26,657)	(30,697)
Net loans and advances	**159,928**	**140,993**

Movement in allowance for expected credit loss as below:

	2024 K'000	2023 K'000
Balance at 1 January	(30,697)	(44,611)
Impairment recoveries	5,176	5,624
Loans written off / (additional provision)	(1,136)	8,291
Balance at 31 December	**(26,657)**	**(30,697)**

Allowance for expected credit loss is represented by:

	2024 K'000	2023 K'000
Individually assessed or specific provision	(26,429)	(30,532)
Collective provision	(228)	(165)
Balance at 31 December	**(26,657)**	**(30,697)**

Impairment recoveries/(expense):

	2024 K'000	2023 K'000
Total new and decrease provisioning	1,469	(2,740)
Recoveries during the year	3,707	8,364
Total	**5,176**	**5,624**

9. Investment in subsidiaries

	2024 K'000	2023 K'000
Investments carried at cost:		
Opening balance	85,219	85,219
Cash Investment	21,000	
Transfer of Investment Properties (share swap)	9,400	
NDBI Amalgamation	(7,986)	-
Closing balance	**107,633**	**85,219**

NDBI ceased its operations and have been amalgamate with the Company on 31 December 2024 by transferring all its assets and liabilities to the Company.

Kumul Consolidated Holdings (KCH) made direct equity contributions to NBC in three instalments with the latter issuing 41% shares to KCH in 2023. The first instalment of K5 million was received in June 2022, followed by a second payment of K25 million in March 2023, and a third payment of K25 million in September 2023. These contributions brought the total equity contribution to K55 million, resulting in the Company's ownership interest decreasing to 59% in 2023.

Name of entity	Principal activity	Country of incorporation and operation	Ownership interest	
			2024 %	2023 %
National Banking Corporation Limited (formerly known as People's Micro Bank Limited)	Micro banking and credit financing	PNG	59%	59%
NDB Investments Limited	SME lending, property rental & retail	PNG	100%	100%

10(a). Property and Equipment

	Land and buildings at fair value	Motor Vehicles at cost	Office Equipment at cost	Work In Progress at cost	Total
	K'000	K'000	K'000	K'000	K'000
Balance as at 1 January 2023	118,971	5,772	26,013	12,177	162,933
Additions	10,815	342	1,060	979	13,196
Disposals	(16,656)	(292)	(141)	-	(17,089)
Transfer of WIP from/(to) other class of assets	(4,404)	-	-	-	(4,404)
Revaluation movement-CP & RP	7,675	-	25	(7,675)	25
Tari Project adjustment	16	-	-	-	16
Balance as at 31 December 2023	**116,417**	**5,822**	**26,957**	**5,481**	**154,678**
Additions	-	243	400	3,231	3,875
Disposals	(5,040)	-	-	-	(5,040)
Revaluation movement-CP & RP	176	-	-	-	176
Adjustment	2,000	-	-	-	2,000
Balance as at 31 December 2024	**113,553**	**6,065**	**27,358**	**8,713**	**155,689**
Accumulated depreciation					
Balance as at 1 January 2023	**10,453**	**5,314**	**24,528**		**40,295**
Depreciation expense	1,907	402	859	-	3,168
Disposals	(1,352)	(292)	(137)	-	(1,781)
Others	(401)	-	-	-	(401)
Balance as at 31 December 2023	**10,607**	**5,424**	**25,250**		**41,281**
Depreciation expense	1,116	398	848	-	2,362
Others	(488)	-	-	-	(488)
Balance as at 31 December 2024	**11,235**	**5,822**	**26,098**	**-**	**43,116**
Net book values					
As at 31 December 2024	**102,317**	**243**	**1,259**	**8,713**	**112,532**
As at 31 December 2023	105,810	398	1,707	5,481	113,396

** CP – Commercial Properties, RP – Residential Properties*

10(b). Right of Use Asset

	2024	2023
	K'000	K'000
Right of use of assets	1,833	1,832
Accumulated depreciation	(1,725)	(1,490)
Balance at 31 December	**108**	**342**

11. Investment properties

	2024 K'000	2023 K'000
Balance at beginning of financial year at FV	40,629	37,509
Transfer from property and equipment	-	4,017
Transfer to NBC	(9,400)	-
Disposals	(2,575)	(752)
Change in fair value of investment property	(1,997)	(145)
	26,657	**40,629**

Investment property	Valuation basis	Independent valuer	2024 Valuation (K'000)	2023 Valuation (K'000)
Lot 16, Sec 43, Davara Rd, POM	Capitalisation and direct method	The Professionals	5,000	4,323
Popondo Aven–e - House Lot7 Sect 3	Capitalisation and direct method	The Professionals	294	730
Sesenaga St. Lot 9,Sect 3, Popondetta	Capitalisation and direct method	The Professionals	330	730
Simboro St, Lot9, Sect27 Popondetta	Capitalisation and direct method	The Professionals	260	430
Jihiri St. Lot7, Sect25 Duplex Popondetta	Direct comparison and summation method (2021 value)	The Professionals	215	215
Jihiri St, Lot7, Sect26, Popondetta	Direct comparison and summation method (2021 value)	The Professionals	182	182
Osa–i - House Lot 7 Sect 5 Popondetta	Capitalisation and direct method	The Professionals	260	800
Crane St. Duplex, Lot85, Sect93 Lae	Capitalisation and direct method	The Professionals	-	968
Eagle St. Duplex, Lot57, Sect93 Lae	Capitalisation and direct method	The Professionals	850	811
Orleander St. House, Lot25 Sect32 Lae	Capitalisation and direct method	The Professionals	940	940
Orleander St Lot 19 Sect 41 Lae	Capitalisation and direct method	The Professionals	3,350	3,200
Dobel St. Nabasa. Duplex, Lot15, Sect40 Madang	Capitalisation and direct method	The Professionals	839	839
Kokopo Duplex Lot 120, Sect 37	Capitalisation and direct method	The Professionals	870	585
Frangipani St, Lot 9 Sect 2 Kavieng	Capitalisation and direct method	The Professionals	800	529
Hubert Murray Lot 6,Sec18 Boroko*	Capitalisation and direct method	The Professionals	-	9,400
Kasagten Rd,Lot6, Sect16 Madang*	Capitalisation and direct method	The Professionals	4,450	5,167

Investment property	Valuation basis	Independent valuer	2024 Valuation (K'000)	2023 Valuation (K'000)
Sect 501, Lot 4, Lane – d - Wewak Br Office*	Capitalisation and direct method	The Professionals	4,000	5,156
Minihi Lot 35, Sec 55 - Boroko, POM	Capitalisation and direct method	LJ Hooker Ltd	2,674	2,674
Lot 02, Sec 04, Vee St - LAE	Summation and direct method	LJ Hooker Ltd	1,343	1,343
Total for the Company			**26,657**	**40,629**

**Properties leased to NBC*

Revaluation of assets

The Company engaged Professional Real Estate Ltd and LJ Hooker Real Estate Ltd, as accredited independent valuers, to determine the fair value of its property, plant and equipment effective at 31 December 2023. The valuations have been carried out in accordance with the standards on professional valuation practice and the Standards of the Papua New Guinea Institute of Valuers and Land Administrators.

Fair value is determined by reference to market-based evidence. This means that valuations performed by the valuer are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property.

- Due to prevalence of a comparative transaction for sale of similar property establishments for determining the fair value, and the availability of active markets, direct sale and capitalization approaches were used as the basis in determining the current values by the valuers.

  The revaluation increase was taken into account net of deferred tax to assert revaluation reserve and restricted from distribution to the shareholders until the revalued assets are derecognized and the derecognized amount is transferred to the retained earnings.

- The company is not allowed to revalue leased property improvements and low value administrative properties located in remote locations; hence they are valued at original costs.

12. Trade and other payables

	2024 K'000	2023 K'000
Accruals	6,266	4,220
GST payable	999	979
Loan suspense	4,858	4,697
Salaries and wages	170	284
Advances from clients	510	410
Other payables	2,695	1,161
	15,498	**11,751**

13. Deposits

	2024 K'000	2023 K'000
Security deposits	14,250	14,906
	14,250	**14,906**

Security deposits are monies received from the government for specific loan disbursements and are kept as security against these loans. These deposits are held in Company trust account and once loan is fully paid; security deposits are returned with 1% interest rate.

14. Credit fund facility

	2024 K'000	2023 K'000
MSME Credit fund facility	-	-

In 2020, the National Budget allocated K200 million for SME Funding. Out of this, NDB received K80 million in November 2020 to establish the MSME Credit Facility.

In 2021, the Financing Partnership Agreement between the Company and the State was executed on 16 November 2021 (the Agreement). This Agreement formalized the K80 million funds received in 2020 as a capital investment grant from the State to NDB. The funds are not repayable to the State and have been reclassified from a liability to a grant. No additional funding was received in 2021 and 2022. A total of K120 million was received in 2023, K40 million was received in March 2023 for 2022 allocation and K80 million was received in November 2023 for 2023 allocation.

15. Employee provisions

	2024 K'000	2023 K'000
Annual leave	427	463
Long service leave	978	1,467
	1,405	**1,931**

16. Share capital

	2024 K'000	2023 K'000
Ordinary shares of 119,995,375 (2021: 119,995,375) @ K1.00 each	119,995	119,995
	119,995	**119,995**

All budgetary grants received by the Company at the moment are taken up as Government grants as disclosed per Note 17. All grants received will be classed as share capital where shares are issued for the value of the grants received.

NDBIL (100%) owned by the Company and NBC 59% owned by the Company and 41% by Kumul Consolidated Holdings (KCH). While the Company is wholly (100%) owned by the National Government of PNG through Kumul Consolidated Holdings (KCH).

17. Grants and reserves

	2024 K'000	2023 K'000
Government grants	730,874	731,784
Asset revaluation	-	22,434
	730,874	**754,218**

a) Government grants

	2024 K'000	2023 K'000
Balance at beginning of financial year	731,784	616,339
Grants received during the year	(910)	115,445
Balance at end of financial year	**730,874**	**731,784**

The government grants reserve represents the cumulative funds received from the government and other statutory organisations.

b) Asset revaluation reserve

	2024 K'000	2023 K'000
Balance at beginning of financial year	22,434	25,840
Transfer to retained earnings	-	17
Change arising from revaluation	-	(3,423)
Balance at end of financial year	**22,434**	**22,434**

Recognition and de-recognition of asset revaluation reserve
Revaluation components of revalued assets are recognised in asset revaluation reserve account. When revalued land and buildings are sold or derecognized, the portion of the asset revaluation reserve that relates to the specific asset is effectively realized and the accumulated depreciated components are transferred directly to retained earnings while the carrying value components are recognized in other comprehensive income.

For current reporting period, the Company has de-recognized an asset revaluation component amount of K52,104,887 in Asset Revaluation Reserve account which was not being de-recognized when individual units of assets were de-recognized in prior years. Due to unavailability of comprehensive data for traceability of individual units of assets being disposed or derecognized to enable effective allocation between retained earnings and other comprehensive income accounts,

the entire amount was derecognized in asset revaluation reserve account and recognized in other comprehensive income in current reporting period.

18. Commitments for expenditure

(a) Capital expenditure commitments

The Company has total capital expenditure commitments of K41.6 as at 31 December 2024 (2023: K18.39m).

(b) Loan commitments

The Company has the following loan commitments as at 31 December:

	2024 K'000	2023 K'000
MSME & agriculture	5,381	2,380
Commercial	1,784	4,923
Large equipment finance	1,219	3.658
Credit schemes & woman in business	1,627	489
Staff loans	272	201
	10,283	**11,651**

19. Contingent liabilities

Legal proceedings

There were 27 outstanding legal proceeding cases against the Company as at 31 December 2024 (2023: 39) and the same account from 2022 is still provisioned and case still not cleared amounting to K500,000 (2022: K500,000) with others considered immaterial. Prior year cases have been fully discharged or cleared successfully. The proceedings mainly relate to claims by/against defaulting customers for breach of loan agreements and/or contract for sale or mortgaged properties and/or proceedings seeking to restrain the Company from dealing with or selling mortgaged properties.

20. Cash and cash equivalent

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the Statement of Financial Position as follows:

	2024 K'000	2023 K'000
Cash at bank	164,334	256,077
Cash on hand	8	8
Total Cash	**164,342**	**256,085**

(b) Reconciliation of loss for the year to net cash flows from operating activities

	Note	2024 K'000	2023 K'000
Profit for the year after tax		4,340	3,630
Depreciation and amortisation		2,597	3,608
Change in fair value of investment property	11	1,997	145
Gain on disposal of fixed assets	4(b)	(2,330)	(1,000)
Loan impairment recovery		(5,176)	(5,624)
(Increase)/decrease in assets:			
Trade and other receivables		3,965	1,692
Loans and advances		(23,379)	34,889
Deferred taxes			
(Increase)/decrease in liabilities:			
Trade and other payables		4,857	3,768
Provisions		(526)	218
Customer Deposits		(656)	(513)
Net cash used in operating activities		**(14,311)**	**40,813**

21. Financial instruments

(a) Financial risk management

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risks is core to the business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board provides written principles for overall risk management, as well as written policies covering credit risk. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important types of risk are credit risk and operational risk.

(b) Foreign currency risk management

The Company undertakes few transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations is easily managed within approved policy parameters.

(c) Interest rate risk management

The Company is exposed to interest rate risk from borrowing from government and from external parties in relations to its' lending activities. Refer to maturity profile table 21(h).

(d) Credit risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's loans and advances to customers. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure – e.g., individual obligor default risk and sector risk.

i. Settlement risk

The Company's activities may give rise to risk at the time of settlement of transactions. 'Settlement risk' is the risk of loss due to the failure of an entity or an individual to honour its obligations to deliver cash, as contractually agreed. The Company engages in standing orders with banks to ensure the entities and individuals Honor their obligation. Where general standing orders are not executed it increases the chances of loss through failure to deliver cash.

ii. Management of credit risk

The Board of Directors created the Company's Credit Risk Committee for the oversight of credit risk. A separate Company's Credit and Recoveries Department, reporting to the Company's Credit Risk Committee, is responsible for managing the Company's credit risk, including the following:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Larger facilities require approval by Company Credit, the Head of Company Credit, the Company Lending Committee and the Board of Directors, as appropriate.
- Reviewing and assessing credit risk: Company Credit assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances exposures).
- Developing and maintaining the Company's risk gradings to categorise exposures according to the degree of risk of default. The current risk grading framework consists of 12 grades reflecting varying degrees of risk of default. The responsibility for setting risk grades lies with the final approving executive or committee, as appropriate. Risk grades are subject to regular reviews by Company's Credit Risk Committee.
- Developing and maintaining the Company's processes for measuring Expected Credit Loss (ECL). This includes processes for:
  - initial approval, regular validation and back-testing of the models used.
  - determining and monitoring significant increase in credit risk; and
  - incorporation of forward-looking information.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, regions risk and product types. Regular reports on the credit quality of local portfolios are provided to Company Credit, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

(e) Risk limit control and mitigation policies

The Company manages limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries and provinces. The Company structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments.

Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by geography are reviewed by management and the Lending Committee on a regular basis and approved by the Board. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. The specific control and mitigation measure is through securing loans and advances via collateral. The principal collateral types of loans and advances are:

- Mortgages over residential properties
- Charges over business assets such as premises inventory and accounts receivables
- Deed of assignment over cash deposit as security

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivables. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the separate financial statements, net of any allowance for losses, represents the Company's maximum exposure to credit risks without taking account of the value of any collateral obtained.

(f) Liquidity risk management

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to fulfil commitments to lend. The Company's liquidity management processes include day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they are borrowed by customers. Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point of these projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

(g) Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values. For long-term loans, the Company would expect a difference between fair value and amortised cost.

(h) Maturity profile and interest rate risks of financial instruments

The maturity profile and interest rate risk of financial liabilities held by the Company are detailed as follows:

	Interest bearing		Non-interest bearing		Total
	Less than 1 year	Greater than 1 year	Less than 1 year	Greater than 1 year	
2024	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Financial Liabilities					
Trade and other payables	-	-	16,338	-	16,338
Lease liabilities	-	166	-	-	166
Security deposits	-	14,250	-	-	14,250
	-	**14,416**	**16,338**	**-**	**30,754**

	Interest bearing		Non-interest bearing		Total
	Less than 1 year	Greater than 1 year	Less than 1 year	Greater than 1 year	
2023	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Financial Liabilities					
Trade and other payables	-	-	11,751	-	11,751
Lease liabilities	-	363	-	-	363
Security deposits	-	14,906	-	-	14,906
	-	**15,269**	**11,751**	**-**	**27,020**

The Company places short term deposits at various financial institutions for period ranging from one month to 12 months at an average industry variable rate of 2.8% (2023: 3.25%). The short-term placements are considered safe investment where periods are fixed but interest rates vary. In May 2024, the Company has invested K65m to NBC as term deposit at the rate of 2.8%. This amounts to total of K143m interest bearing deposits with NBC.

Sensitivity Analysis

The following table demonstrate the sensitivity to a reasonably change in interest rates on that portion of loans and advances affected. With all variances held constant, the Company's profit or loss (pre-tax) and equity is affected through impact on floating rate borrowings as follows:

	100bp increase		100bp decrease	
	Profit or Loss	Equity	Profit or Loss	Equity
	K'000	**K'000**	**K'000**	**K'000**
Short-term placements				
As at 31 December 2024	**2,808**	**2,808**	**(2,808)**	**(2,808)**
As at 31 December 2023	1,100	1,100	(1,100)	(1,100)
Loans and advances				
As at 31 December 2024	**2,301**	**2,301**	**(2,301)**	**(2,301)**
As at 31 December 2023	2,343	2,343	(2,343)	(2,343)

22. Related party transactions

Related parties are considered to be enterprises or individuals with whom the Company is especially related because either they or the Company are in a position to significantly influence the outcome of transactions entered into the Company, by virtue of being able to control, dominate or participate in a fiduciary capacity, in decision-making functions or processes.

The Company conducted transactions with the following classes of related parties during the year.

- Directors and/or related parties in which the Director has significant influence.
- Key management personnel and other staff and/or parties in which the individual officer has significant influence.

a. Loans to key management personnel/staffs

Loan transactions with Directors and/ or related parties in which the directors have significant influence are carried out on standard commercial terms and market rates. For the year ended 31 December 2024, balances and transactions with related entities with directors' interest were KNil (2023: KNil).

Meanwhile, loans provided to staff are incentive-based with marginal discounts on rates and fee concessions. Staff account balances were as follows:

	2024 K'000	2023 K'000
Auto loan	30	-
Staff personal loan	145	90
Housing loan	5,515	5,506
Commercial loan (former Staff Housing loan)	3,602	1,572
Large Equipment Loan	-	-
Total staff loan	**9,293**	**7,169**
Provision for expected credit loss	-	-
Staff loan – net	**9,293**	**7,169**

b. Key management personnel compensation

There were six specified Directors of the Company during the year (2023: Ten) who were remunerated where details of the remuneration are disclosed below. The remuneration of the Chief Executive Officer of the Company is excluded from the figures disclosed below.

Specified Directors' remuneration

	Primary			Post-employment			Equity		Total
	Fees	Bonus	Non-Monetary	Benefits Superannuation	Prescribed benefits	Other	Options	Other	
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
2024	884	-	-	-	-	44	-	-	928
Total	**884**	**-**	**-**	**-**	**-**	**44**	**-**	**-**	**928**
2023	1,275	-	-	-	-	49	-	-	1,324
Total	**1,275**	**-**	**-**	**-**	**-**	**49**	**-**	**-**	**1,324**

There were three specified executives and fourteen senior managers of the Company during the year (2023: fourteen) which included the Chief Executive Officer of the Company. The details of their remuneration are disclosed below.

Specified executives' remuneration

	Primary			Post-employment			Equity		Total
	Fees	Bonus	Non-Monetary	Benefits Superannuation	Prescribed benefits	Other	Options	Other	
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
2024	2,057	-	-	173	610	-	-	-	2,840
Total	**2,057**	**-**	**-**	**173**	**610**	**-**	**-**	**-**	**2,840**
2023	3,646	-	-	306	1,178	-	-	-	5,131
Total	**3,646**	**-**	**-**	**306**	**1,178**	**-**	**-**	**-**	**5,131**

c. Rent free arrangement

The Board passed resolutions to have NBC use office spaces provided free of charge from financial year 2013 to 2015. NBC is now charged rental at market rate for all office spaces provided and will continue to be charged rental for future periods.

23. Remuneration of auditors

	2024 K'000	2023 K'000
Audit fee	179	163

24. Investment in short-term securities

	2024 K'000	2023 K'000
Short-term placements in Treasury Bills with the Bank of PNG & NBC	144,297	78,203

25. Subsequent events

Subsequent to year-end, the Company has continued to monitor global and domestic economic developments, particularly those arising from ongoing geopolitical tensions, including the conflict between Ukraine and Russia, which commenced on 24 February 2022; and the Israel and Hamas conflict, which escalated on 7 October 2023.

These events have continued into 2024, creating uncertainties in global trade, supply chains, and financial markets. Although Papua New Guinea remains geographically removed from the direct impacts, the economic spill-over effects, particularly through imported inflation, fuel and commodity price volatility, and weakened investor confidence and pose potential risks to the local economy.

As of the date of this report, the Company has not experienced any direct material financial impact from these events. However, Management acknowledges that prolonged instability could indirectly affect the Bank's customers, particularly those involved in trade, agriculture, and retail sectors, through rising input costs and reduced consumer demand.

In response to the evolving risk environment, the Company has taken proactive measures to strengthen credit risk oversight. This includes The formal establishment of a dedicated Credit Portfolio Management and Debt Recovery Unit within the Risk Division and further increased internal focus on portfolio quality, collection efficiency, and early risk identification.

The Directors are of the opinion that, other than the matters described above, no other item, transaction, or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report that is likely to significantly affect the operations, financial position, or state of affairs of the Company in future financial years.