BANK OF PAPUA NEW GUINEA

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2024

BANK OF PAPUA NEW GUINEA

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

OBJECTIVES OF THE CENTRAL BANK

For the advancement of the people of Papua New Guinea, the Central Bank's objectives area –

(a) to achieve and maintain price stability as the primary objective; and

(b) to the extent not inconsistent with Subsection (a) and as secondary objectives –

  (i) to ensure financial stability; and

  (ii) to promote sustainable medium term economic growth, especially in the non-mineral and non-petroleum sector; and

  (iii) to promote the development of the financial sector of Papua New Guinea's financial system.

Central Banking (Amendment) Act 2024

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FOREWORD

Mr David Toua OBE, *Board Chair*

The year 2024 marked a profound turning point in the institutional evolution of the Bank of Papua New Guinea. Guided by our statutory mandates and deeply committed to the nation's economic future, the Bank continued to demonstrate its relevance, resilience, and reform-mindedness in the face of complexity and challenge.

This year's Report highlights several key policy priorities. These include the Bank's careful and managed approach to foreign exchange reform, aimed at improving currency availability, while maintaining stability. The Bank also tightened liquidity using the tools available, to keep inflation pressures in check. Progress was made on digital financial inclusion, with initiatives to expand payment infrastructure and support the use of digital IDs, virtual cards, and smartphone-based transactions, especially in rural and remote areas.

One of the most defining developments of the year was the passage of the *Central Banking (Amendment) Act 2024*. This landmark legislation followed the conclusion of Phase II of the Independent Advisory Group (IAG) review and delivered long-awaited reforms to the Bank's governance framework.

The Board's role has been redefined under the new legislative architecture. While we will no longer be setting monetary policy, the Board retains its policy setting responsibilities in all other areas except monetary policy. We are now better positioned to guide institutional strategy, ensure the integrity of the Bank's operations, and support its transformation agenda.

Our engagement with Government partners remained constructive and open. We welcomed the continued participation of the Secretary for Treasury as an observer on the Board. While non-voting, the Secretary's insights provided valuable context to Board discussions, particularly in relation to fiscal policy alignment and economic planning.

Beyond legislative reform, 2024 was a year of transformation within the Bank itself. As part of the implementation of Vision 2050, the foundation of a new generation of leadership and institutional culture was laid during the year. The Board endorsed a new executive structure to elevate strategic oversight and succession planning. These reforms are not cosmetic. They are designed to ensure that the Bank's operational leadership is equipped to respond to emerging macroeconomic risks, technological disruption, and the increasing complexity of financial systems.

The Board also oversaw improvements in policy alignment during the year, starting with a revised position description framework to ensure that every executive role is clearly linked to the Bank's strategic priorities and key result areas. These changes signal our commitment to internal coherence, performance accountability, and results-based management.

Importantly, this Annual Report is being delivered to the Minister within the statutory deadline, a major improvement compared to previous years. This reflects not only improved internal coordination and project discipline, but also a renewed commitment by the Bank to meet its formal reporting obligations on time and in full.

Very significantly, the Auditor-General issued his opinion on the 2024 financial accounts without qualification. There have been several years of debate, including with auditors and international central banking accounting experts, around the appropriate accounting treatment of the Bank's holdings of Government Inscribed Stock. The Board has concluded that shifting to an amortised cost approach (rather than the previous mark-to-market approach) was the appropriate way forward for now, to remove any uncertainty or doubt created by the previous qualified audit.

Equally important to governance is ethics. The Board strongly supported the Governor's zero-tolerance stance on staff misconduct, and we welcomed the swift action taken during the year in response to a serious breach of discipline. While it is regrettable when such instances arise, it is essential that consequences are applied transparently and fairly, to uphold the trust placed in the institution by the people of Papua New Guinea.

Our interactions with external stakeholders continued to be an important focus in 2024. The Bank maintained its strong engagement with international partners and peer institutions, including through participation in supervisory colleges and the SEACEN forum, and through collaboration with the IMF, APRA, and other prudential authorities. These relationships help reinforce global standards within our domestic regulatory environment and offer vital technical insights into emerging risks and trends.

At a time of ongoing global economic uncertainty, Papua New Guinea's central bank must serve as both anchor and enabler. Anchoring public expectations through prudent policy, while enabling the systems, innovations and institutions that can deliver growth, inclusion and resilience. In 2024 the Bank continued to rise to this dual responsibility, even as it undertook significant and necessary reform.

I would like to thank the Governor, Ms Elizabeth Genia, for her visionary leadership in steering the Bank through this historic transition year. Her clear articulation of the Bank's values, her commitment to inclusive finance, and her strategic foresight in modernising operations have strengthened confidence in the institution.

I take this opportunity to acknowledge the collegiate spirit and professionalism of my fellow Board members throughout this transition. In 2024, for the first time since the 2021 amendments, the Board operated at its full complement of nine members, a development that has enhanced the depth and diversity of our deliberations. I thank each member for their dedication and their contributions to the central bank.

In closing, I acknowledge the thousands of Papua New Guineans whose lives are touched by the policies and services of the Bank. From rural entrepreneurs accessing mobile banking, to pensioners protected by prudential regulation, to the business community's requirements for foreign exchange, our work continues to matter deeply.

My final statutory term as a member of the Bank of Papua New Guinea's Board will come to an end in 2025. It has been a privilege to serve as Chair of the Board at such a consequential time, and I remain confident in the Bank's future.

David Toua OBE
Board Chair

THE YEAR IN REVIEW

Ms Elizabeth Genia AAICD, *Governor*

2024 was a landmark year for the Bank of Papua New Guinea, one that brought into sharp focus the complexity of our responsibilities, the urgency of reform, and the determination of our people to meet these challenges with purpose and discipline.

Strategic Priorities and Legislative Reform

Our efforts throughout the year were guided by three priorities: to implement legislative reforms mandated under the *Central Banking (Amendment) Act 2024*; to deliver on our core monetary policy and financial system stability development functions; and to progress the Bank's transformation strategy under Vision 2050.

The passing of the *Central Banking (Amendment) Act 2024* was a milestone achievement. It provided a strong and modernised legal foundation to further strengthen our governance framework, improve transparency and accountability, while retaining the independence of the Bank.

Among its key provisions was the formal establishment of a new Monetary Policy Committee (MPC), which will be responsible for setting monetary policy from 2025 onwards.

Monetary Policy in Transition

In preparation for this transition, we laid the groundwork during 2024: defining committee composition, preparing governance procedures, and ensuring operational readiness.

The requirement to publish a minimum of four Monetary Policy Statements per year immediately following each MPC meeting, replacing the previous twice-yearly publication schedule, will take effect from 2025 under this new structure.

These changes mark a significant step in modernising policy processes and aligning Papua New Guinea's central banking practices with global norms.

In the meantime, monetary policy throughout 2024 focused on continuing to resolve foreign exchange and domestic market imbalances, and modernising the operating model to improve the effectiveness of monetary policy actions.

The passing of the Central Banking (Amendment) Act 2024 was a milestone achievement.

The Bank published two Monetary Policy Statements during the year, reflecting a tightening bias.

We took decisive action to manage the crawl-like depreciation of the Kina and introduced several measures under our IMF-supported program, including an interest rate corridor and reforms to the Cash Reserve Requirement framework.

Our open market operations were supported by improved market infrastructure and better external sector statistics, developed in close coordination with Treasury and the IMF.

Strengthening Foreign Exchange Operations

We also made meaningful progress in strengthening foreign exchange operations, particularly through our FX intervention program. The Bank introduced weekly foreign currency auction and prioritised essential imports.

We cleared a significant backlog of import orders and maintained net international reserves well above the IMF's performance benchmark.

Institutional Reform and Leadership

At an institutional level, the Bank continued its ambitious reform program.

A revised executive leadership structure was endorsed by the Board, to be implemented in 2025. Position descriptions are now clearly aligned with the Bank's statutory objectives and strategic plan to ensure clarity of purpose and accountability at all levels of the organisation.

Safeguarding Financial System Integrity

Safeguarding the integrity of Papua New Guinea's financial system remains one of the Bank's most critical responsibilities. In this context, combatting money laundering, terrorist financing, proliferation, and other serious financial crimes has become an increasingly urgent priority.

In 2024 PNG completed its second Mutual Evaluation (ME) on anti-money laundering and counter-terrorist financing (AML/CTF), with the final report adopted by the Asia Pacific Group on Money Laundering in September.

The report identified a significant number of strategic deficiencies that must be addressed to have any chance of avoiding grey-listing by the Financial Action Task Force (FATF). PNG is now in a 12 month Observation Period under FATF review.

The consequences of inaction are serious. Grey-listing would erode investor confidence, disrupt international banking relationships, and increase the cost of doing business.

The financial system is one component of PNG's overall AML framework and a unified whole-of-government response is essential to implementing the required reforms and tackling corruption head-on.

Regulation, Innovation, and Financial Inclusion

In our regulatory and supervisory functions, the Bank continued to engage closely with stakeholders across the financial sector. We conducted onsite prudential reviews, progressed the harmonisation of prudential standards, and advanced our Regulatory Sandbox initiative to support safe innovation. At year's end, we had licensed new entrants in several sectors, including three new commercial banks, helping to increase competition and broaden financial inclusion.

Papua New Guinea's growing reputation in the global financial inclusion and fintech space was recognised throughout 2024. The Bank was honoured to be invited to present and participate in several international conferences and forums, where we shared our experiences in inclusive green finance, regulatory innovation, and digital transformation. Our collaborative partnerships with regional neighbours, especially other Pacific Island central banks, continued to strengthen, through supervisory colleges, shared capacity-building efforts, and our joint participation in regional platforms such as South East Asian Central Banks (SEACEN) and Pacific Financial Technical Assistance Centre (PFTAC). These relationships not only bolster technical knowledge but also reflect a shared vision for resilient, inclusive, and sustainable financial systems across Asia-Pacific.

Driving Digital and Payment System Modernisation

Digital transformation gained momentum in 2024, with targeted initiatives aimed at strengthening national payment systems and expanding financial access.

Major infrastructure upgrades, such as the successful enhancement of the Kina Automated Transfer System (KATS) and expanded participation in the national payment switch, have improved system interoperability, reduced transactional risk, and broadened public access to secure and efficient digital financial services.

Superannuation Oversight and Consumer Protection

We also remained vigilant in our oversight of superannuation compliance and consumer protection.

In response to persistent challenges in employer contributions, the Bank undertook provincial outreach and prosecuted non-compliant cases, working closely with superannuation trustees to safeguard workers' entitlements.

Papua New Guinea's growing reputation in the global financial inclusion and fintech space was recognised throughout 2024.

Investment in our own people has always been a priority of the Bank of Papua New Guinea.

People, Culture, and Institutional Values

Investment in our own people has always been a priority of the Bank of Papua New Guinea.

Over the course of the year, staff across the Bank participated in skills training, team-building, and technical upskilling programs.

Gender equity remained a priority, and I am proud of the efforts made through our GESI Office to mainstream inclusive practices across our operations.

Staff integrity and performance standards were actively upheld, including in cases where disciplinary action was required to preserve the Bank's values and institutional credibility. Disappointingly a number of staff were identified to have been involved in fraudulent manipulation of employee benefits and were subsequently dismissed after due process was followed.

Commitment to Green Finance and Sustainability

Finally, the Bank continued to lead national efforts in sustainable finance and green investment. The Green Finance Centre supported the implementation of the Inclusive Green Finance Policy, with new facilities introduced during the year to scale climate-aligned lending.

Closing Reflections

None of this progress would be possible without the tireless work of our staff, the strategic guidance of the Board, and the trust of the people of Papua New Guinea.

In 2024, we strengthened the Bank's foundations while staying true to our core mission—price stability, financial system soundness, and inclusive growth.

I thank all who have supported us through this transformative year and look forward to further progress as we enter 2025.

Ms Elizabeth Genia AAICD
Governor

HIGHLIGHTS

The official launch of the Green Finance Centre was marked by a ceremonial cake cutting by the Hon. Simon Kilepa, Minister for Environment, and Governor Elizabeth Genia.

They were joined by (L-R) Assistant Governor, Mr George Awap; Executive Director, Alliance for Financial Inclusion (AFI), Dr Alfred Hannig; the New Zealand High Commissioner to PNG, His Excellency Peter Zwart; the French Ambassador to PNG, His Excellency Guillaume Lemoine; the Chief Secretary to Government, Ambassador Ivan Pomaleu OBE; and Mr Philippe Orliange, Executive Director for Agence Française de Développement (AFD).

Green Finance Centre official opening

In March 2024 the Bank, in collaboration with the Global Green Growth Institute (GGGI), hosted the official launch of the Green Finance Centre in Port Moresby, NCD. The event was attended by key partners, including the Centre for Excellence in Financial Inclusion (CEFI), the Department of Climate Change and Development Authority (CCDA), the Department of Treasury, the Alliance for Financial Inclusion (AFI), the New Zealand Ministry of Foreign Affairs & Trade (NZ MFAT), and the Agence Française de Développement (AFD).

The Centre is a collaborative initiative led by the Bank, with funding support from the Government of New Zealand and technical delivery by GGGI. It aims to address environmental and climate change challenges in Papua New Guinea by promoting inclusive climate finance and green investment mechanisms across the banking and financial sector.

The Centre's establishment aligns with the Third National Financial Inclusion Strategy, launched by the Government in 2023, which reaffirms PNG's commitment to sustainable, inclusive, and low-carbon economic growth. It marks a significant step toward strengthening climate resilience and advancing green finance in Papua New Guinea and the wider Pacific region.

The Green Finance Centre forms part of the Inclusive Green Finance Policy (IGFP), which was implemented in PNG in 2021. Led by GGGI in collaboration with the Bank, the Centre for Excellence in Financial Inclusion (CEFI), the Climate Change and Development Authority (CCDA), and participating financial institutions, the IGFP supports coordinated action to integrate climate considerations into financial sector policies and practices.

Representatives from the financial sector, government, financial inclusion community, and neighbouring Pacific Island nations attended the official launch of the Green Finance Centre in Port Moresby.

Dr Alfred Hannig, Executive Director of the Alliance for Financial Inclusion (AFI), delivers his remarks at the launch of the Green Finance Centre, noting the initiative as a major milestone for inclusive green finance in the Pacific. Watching on (L–R): George Awap and Governor Elizabeth Genia, representing the host institution; His Excellency Peter Zwart, Ambassador Ivan Pomaleu OBE; His Excellency Guillaume Lemoine; and Mr Philippe Orliange.

Pictured: Emete Enare, Wilson Onea and Rosa Kapilis from FASU; Governor Elizabeth Genia (centre); and Sir Robin Fleming KBE CSM represented PNG at the APG Annual Meeting in Abu Dhabi, UAE, in September 2024 (see p42).

Making PNG banking history in August 2024, two new commercial banks, TISA Bank Limited and Credit Bank PNG, were granted banking licences by the Bank, marking the first time two licences had been issued on the same day. The granting of the licences confirmed that each applicant had satisfied BPNG's rigorous two-year assessment process to meet the high standards required to operate as a commercial bank in PNG.

In December the Bank granted a banking licence to the state-owned National Banking Corporation (NBC), formerly People's Micro Bank, bringing the total number of new entrants into the banking sector to three within a twelve-month period.

Photo on left: Mr Sunil Pokharel, Chief Executive Officer of TISA Bank; Mr Michael Koisen OBE ML, Director, TISA Group; Governor Elizabeth Genia; Mr Gabriel Tai, Chairman, TISA Group.

Photo on right: L–R Dr Albert Mellam, outgoing Chairman of Credit Corporation (PNG) Limited (parent company of Credit Bank PNG); Governor Genia; and Lady Winifred Kamit, incoming Chair of Credit Corp.

Photo on right: Governor Elizabeth Genia; the Minister for State Enterprises, Hon. William Duma MP.

HIGHLIGHTS

In May Women's Micro Bank, known as Mama Bank, opened its fifth branch in Papua New Guinea, in Kerema, Gulf Province. Governor Elizabeth Genia, dressed in traditional attire to reflect her close family ties to the region, officially opened the branch.

Pictured: Mama Bank Chief Executive Officer Mr Gunanidhi Das celebrates the ribbon-cutting with Governor Genia.

Kerema Open MP and Vice Minister for Petroleum and Energy, Hon. Thomas Opa MP, shows his passbook after opening the first account with the Kerema Mama Bank branch. Looking on (from left to right) are Mama Bank CEO Mr Gunanidhi Das, CEFI Deputy Executive Director Peter Samuel, CEFI Executive Director Saliya Ranasinghe, Governor Elizabeth Genia, and Wapenamanda Open MP and Vice Minister for Works and Highways Hon. Mikki Kaeok MP.

The Bank has participated in major agricultural shows across PNG for many years, using the opportunity to engage with local communities to raise awareness about money matters. Pictured: Bank staff at the information booth during the 61st Morobe Agricultural Show in Lae, held in October 2024.

Gender Equity and Social Inclusion (GESI) principles are now firmly embedded in the Bank's culture. In 2024 12 Male Advocates, drawn from a wide range of functional areas, including nine in Port Moresby and three in Lae, were certified, further strengthening the Bank's internal GESI advocacy network. (See page 48.) Pictured:

Front: L-R Luke Mongolop, Amelia Raka, Angesula Jogamup, Tommy Minjura, Winnie Nanai.

Middle: L-R Jonathan Jaruga, Israel Mudima, Ron Sikar, Jack Wale, Mauri Sere, Lai Vai.

Back: L-R Melkie Anton, Samual Bosman, Justin Wohuinangu, David Rutana.

Not pictured: William Tiki, Trevor Gankarch, Slim Rupisina.

To celebrate Kina and Toea Day in August, the National Museum and Art Gallery staged a special exhibition of currency provided by the Bank. The display showcased Papua New Guinea's currency history, from traditional shell money to modern award-winning coins, and bank notes with advanced anti-counterfeit protection.

It also featured a range of commemorative banknotes and coins from PNG's popular numismatics collections, which are highly regarded by collectors both locally and internationally.

Governor Elizabeth Genia observes the Bank's first foreign exchange auction in mid 2024, an important step in PNG's transition to a more transparent and market-based foreign exchange system. (See page 28.)

The Bank of Papua New Guinea co-hosted the 9th Pacific Islands Central Bank Supervisory College in Apia alongside the Central Bank of Samoa. The event brought together supervisors from across the region, including representatives from the Reserve Bank of Fiji, Central Bank of Solomon Islands, National Reserve Bank of Tonga, Reserve Bank of Vanuatu, and the Financial Supervisory Commission of the Cook Islands, to strengthen collaboration and enhance regional regulatory oversight. (See page 34.)

VISION AND VALUES

BPNG Vision 2050 outlines the critical role the Bank plays in enabling the social and the economic transformation of Papua New Guinea. As reflected in the Vision, the Bank's approach is above all focused on how the Bank will make life better for all Papua New Guineans.

Economic opportunities for all Papua New Guineans.

By 2050, through price stability and the effectiveness of the financial system, we create conditions to support the people of Papua New Guinea to have access to economic opportunities and as a result, improved economic wellbeing.

Our Values and Behaviours

The culture and values of the Bank set out the way we work and the way we expect to conduct ourselves. The values indicate how we will work together and with others.

Integrity
Build good governance and credibility.

Efficiency
Quality results, on time and on budget.

Transparency
Our decisions stand scrutiny.

Professionalism
We strive for best practice.

Teamwork
Sharing skills, knowledge and experience.

Accountability
Take responsibility for our decisions and action.

GOVERNANCE

STRUCTURAL REFORM

The second phase of the Independent Advisory Group (IAG) review of the Bank culminated in the *Central Banking (Amendment) Act 2024*, which was passed by Parliament in September and formally certified on 5 December 2024.

Until the amended Act was certified, the institutional roles within the Bank remained unchanged. The Board continued to exercise policy and regulatory oversight, including responsibility for monetary policy decision-making, as had been the case since the 2021 amendments, while the Governor remained the administrative head of the Bank.

ESTABLISHMENT OF THE MONETARY POLICY COMMITTEE

The Amendment marked a significant shift in this structure, introducing a new Monetary Policy Committee (MPC). The MPC comprises five members: the Governor, the Deputy Governor, and three external appointees who are not members of the Bank's Board.

Under the 2024 reforms, the role of the Board was redefined, narrowing its direct involvement in monetary policy and affirming its broader strategic oversight function. While monetary policy responsibility was transferred to the newly established MPC, the Board retained a central role in policy setting across other areas. The Governor, while continuing to lead the Bank operationally, now chairs the MPC and works collaboratively with its members in determining monetary policy.

THE BOARD

Composition

For most of 2024, the Board of the Bank of Papua New Guinea operated with a full complement of nine members, the first time this had occurred since the passing of the *Central Banking (Amendment) Act 2021*. The composition of the Board was as follows:

- The Governor.
- The Deputy Governor, appointed by the Board after consultation with the Governor and Minister, under Section 19(1)(a) of the Act.
- Five non-executive members appointed under Section 27(2)(c) of the Act by the Head of State, acting on advice and in consultation with the Board.
- Two non-executive members appointed under Section 27(2)(d) of the Act by the Head of State, acting on advice and on the recommendation of the Board.

Board members are typically appointed for four-year terms and may be reappointed for one further term, not exceeding a total of eight years. The non-executive members elect the Chair and Deputy Chair of the Board from among themselves.

Throughout 2024 the Secretary of the Department of Treasury continued to serve as the Department's representative and observer on the Board. The representative is able to participate in Board discussions and deliberations, but does not hold voting rights and is not counted towards quorum.

Board Committees

During 2024 the Board operated three standing committees, required under the CBA:

- Audit & Risk Committee.
- Governance Committee.
- Budget & Investment Committee.

During this period, the Board exercised its discretion under the CBA to convene a Monetary Policy Committee (MPC) to advise on monetary policy matters. However, the *Central Banking (Amendment) Act 2024* formally established the MPC as an independent statutory committee, with a clearly defined mandate and membership structure set out in law.

Upon certification of the amended Act in December 2024, the Board-appointed MPC was disbanded. From that point, responsibility for monetary policy formulation formally transferred to the new statutory MPC. However, in practice, the new MPC did not operate during 2024, as its members were not appointed by the Minister until early 2025.

It is also important to note that, following the 2024 amendments, the three legislated committees of the Board remain in place.

MEMBERS OF THE BOARD

At 31 December 2024

Board Chair

Mr David Toua OBE

Mr Toua was originally appointed to the Board in February 2019 for a term of 3 years as a non-ex officio member. After the first round of Central Banking Act amendments in 2021, he was reappointed for a term of 4 years from 22 December 2021.

Mr Toua is a very experienced business executive with comprehensive management and operational skills. He has served in various senior executive positions of several organisations, across private and public sectors.

He is engaged as a Principal Private Sector Advisor to the Australia PNG Economic Partnership (APEP). A former President of the Business Council of Papua New Guinea, Mr Toua sits on the Boards of The Employers Federation of PNG, New Britain Palm Oil Limited, and the Motu Koita Assembly Foundation.

Mr Toua is a graduate of the University of Queensland, Australia and has completed the Advanced Management Program at Macquarie University, Australia. He is a Graduate of the Australian Institute of Company Directors.

Governor

Ms Elizabeth Genia

Ms Genia was appointed Governor of the Bank on 20 December 2023 for a four-year term, and, by virtue of that position, a member of the Board.

Prior to her appointment, she served as Acting Governor for 12 months, having held various senior leadership roles across the Bank's key functions.

As a longstanding member of the Bank's Executive Committee, Governor Genia has contributed to both operational and strategic decision-making.

Her expertise spans finance, auditing, corporate governance, strategic planning, risk management, and policy development.

She holds a Bachelor of Commerce from the University of PNG, a Masters of Business Administration from the University of Queensland, Australia, a Graduate Certificate in Management and Organisational Change from the Australian National University, and a Graduate Certificate in Financial Technology from the Saïd Business School at Oxford University UK, which was sponsored by the Commonwealth Secretariat.

Deputy Chair
Mr Richard Kuna

Mr Richard Kuna was originally appointed an ex officio member of the Board in November 2015 in his capacity as the President of CPA Papua New Guinea. Following the 2021 CBA amendments he was reappointed for a term of 4 years from 22 December 2021.

Mr Kuna is a Partner with Kuna Taberia Kiruwi Accountants & Advisors. He is the President of CPA Papua New Guinea, a member of the Accountants Registration Board of Papua New Guinea and a board member of the regional accounting body, Confederation of Asia Pacific Accountants, having being voted by regional members in October 2023. Mr Kuna is a director of Wereck Insurance Brokers and Chairman of Mount Giluwe Conservation Foundation, a charitable trust whose mission is to fight poverty through conservation.

Mr Kuna holds a Bachelor of Business from the University of Technology, Sydney, Australia. He is a qualified Certified Practising Accountant, and a Fellow of both CPA Australia and CPA Papua New Guinea.

Mr Michael Reddell

Mr Michael Reddell was appointed to the Board on 20 December 2023 for a three-year term as a non-ex officio member.

He is a semi-retired economic adviser and a trustee of two New Zealand regulated superannuation schemes. As a commentator on central banking and related issues, he is a regular contributor to international publications and also produces the central banking and macroeconomics blog www.croakingcassandra.com.

He spent most of his career at the Reserve Bank of New Zealand in a range of senior management and advisory roles, covering macroeconomics, monetary policy, financial markets, and financial stability and regulation. He also spent time as a Special Adviser on macroeconomic policy matters at the New Zealand Treasury.

Mr Reddell spent two years in the 1980s working for the Bank of Papua New Guinea as a resident economic adviser, and held a similar role at the Bank of Zambia in the 1990s. He later served as Alternate Executive Director on the board of the International Monetary Fund, representing a constituency of 14 Asia-Pacific countries, including Papua New Guinea, and has been a short-term adviser to the central banks of a number of developing and emerging countries.

He holds a Bachelor of Commerce and Administration (Honours) in Economics from Victoria University, Wellington, New Zealand.

MEMBERS OF THE BOARD

At 31 December 2024

Sir Robin Fleming KBE CSM

Sir Robin Fleming was appointed to the Board of the Bank of Papua New Guinea on 3 April 2024 for a three-year term.

He is an Honorary Fellow of the Papua New Guinea Institute of Banking and Business Management (IBBM) and serves as an Honorary Professor at the University of Papua New Guinea's School of Business and Public Policy.

Sir Robin retired in 2022 following a distinguished 42-year career in the banking sector in Papua New Guinea, including nine and a half years as Group Chief Executive Officer and Managing Director of BSP Financial Group Limited.

He holds a Master of Business Administration and a Master of Management, both awarded by Charles Sturt University, Australia. In recognition of his services to the banking industry, Sir Robin was appointed a Knight Commander of the Most Excellent Order of the British Empire (KBE) in June 2023. He was also awarded the Order of the Star of Melanesia in 2015 by the Independent State of Papua New Guinea for his contribution to community and industry development.

Mr Mark Baker GAICD

Mr Mark Baker was appointed to the Board on 3 April 2024 for a three-year term.

He is a highly experienced international banker who has held senior roles with HSBC in Saudi Arabia, Hong Kong, India and Bahrain, and with ANZ in Australia and Papua New Guinea. He was the ANZ Country Head in Papua New Guinea from 2012 to 2023. Prior to his career in banking, Mr Baker was an Officer the Royal Marines, based in the United Kingdom.

During his time in Papua New Guinea, Mr Baker was President of the Australia PNG Business Council (2019–2022), and a Board Member of the Centre of Excellence for Financial Inclusion and the Institute of Banking and Business Management and Chairman of the Salvation Army Territorial Advisory Board.

He holds a Bachelor of Science (Honours) from the University of Southampton, a Master of Business Administration from Henley Business School, and is a Graduate of the Australian Institute of Company Directors.

Mr Dairi Vele GAICD

Mr Vele was appointed to the Board of the Bank of Papua New Guinea on 3 April 2024 for a three-year term.

He currently holds the position of Executive Chairman of State Negotiations, where he leads national-level negotiations on major resource projects, working to secure fair and sustainable agreements between the government, landowners, and commercial partners.

Mr Vele was Secretary for the Department of Treasury from 2013 to 2021, a period during which he played a central role in shaping fiscal and economic policy for the country. Over the course of his career, he has held more than 36 board appointments across a wide range of sectors, bringing valuable insight into the governance, commercial, and policy dimensions of Papua New Guinea's development. He currently serves on the board of the State-owned Mineral Resources Development Company Limited.

Mr Vele holds a Bachelor of Economics from the Australian National University and is a Graduate of the Australian Institute of Company Directors.

Mr Jeffrey Yabom

Mr Yabom was appointed Deputy Governor and Member of the Board on 3 April 2024 for a four-year term.

A career central banker, Mr Yabom has served with the Bank of Papua New Guinea for 35 years. Prior to his appointment as Deputy Governor, he held the role of Assistant Governor, Monetary and Economic Policy Group. He began his career at the Bank in 1990 following his graduation from the University of Papua New Guinea, and has since held key roles across the Monetary Policy Unit, Balance of Payments Unit (specialising in debt analysis), and the Economic Analysis Unit. He was later appointed Manager of the Economic Analysis Unit within the Research Department.

Over his career, Mr Yabom has contributed extensively to areas including monetary policy analysis, fiscal and debt forecasting, real sector analysis, macroeconomic research, and economic modelling.

He holds a Bachelor's Degree in Economics from the University of Papua New Guinea (1990), a Post Graduate Diploma in Economics, and a Master of Arts in Economics from the University of Manchester, UK.

GOVERNANCE

Board meetings

The Board meets at least every two months, or as often as the business of the Bank requires.

Over the course of 2024 ten Board meetings were held; eight in Port Moresby, NCD, one in Brisbane, Australia and one in Lae, Morobe Province.

With the appointment of three new Board members in April 2024, composition of the three statutory Board committees and the MPC changed from May.

Board Member	Meetings eligible to attend	Meetings attended
Mr David Toua OBE (Board Chair)	10	9
Ms Elizabeth Genia (Governor)	10	10
Mr Richard Kuna (Deputy Chair)	10	6
Mr Michael Reddell	10	10
Professor David Kavanamur*	8	3
Sir Robin Fleming KBE CSM	8	7
Mr Mark Baker	8	8
Mr Jeffrey Yabom	8	8
Mr Dairi Vele	8	3

* Professor Kavanamur was appointed to the Board on 20 December 2023 for a three-year term. He resigned from the Board in October 2024.

Monetary Policy Committee (9 meetings held)		
Committee Member	Meetings eligible to attend	Meetings attended
Ms Elizabeth Genia (Chair)	9	7
Mr Jeffrey Yabom	7	7
Mr Richard Kuna	3	3
Professor David Kavanamur	3	1
Mr Michael Reddell	9	9
Mr Dairi Vele	6	2
Mr Mark Baker	6	6

Budget Investment Committee (6 meetings held)		
Committee Member	Meetings eligible to attend	Meetings attended
Sir Robin Fleming (Chair)	5	5
Mr David Toua OBE	1	1
Professor David Kavanamur	1	1
Mr Richard Kuna	6	1
Mr Michael Reddell	5	5

Governance Committee (7 meetings held)		
Committee Member	Meetings eligible to attend	Meetings attended
Mr Mark Baker (Chair)	5	5
Mr David Toua OBE	2	2
Mr Richard Kuna	2	2
Professor David Kavanamur	5	2
Sir Robin Fleming	5	5
Mr Michael Reddell	2	2

Audit and Risk Committee (6 meetings held)		
Committee Member	Meetings eligible to attend	Meetings attended
Mr Richard Kuna (Chair)	6	6
Mr David Toua OBE	1	1
Professor David Kavanamur	3	1
Mr Dairi Vele	5	5
Mr Michael Reddell	1	1

MANAGEMENT

As part of its ongoing commitment to organisational strengthening, the Bank commenced a comprehensive management and structural transformation initiative in 2024. This initiative is guided by the strategic directions set out in the Bank's Vision 2050 and was accelerated by the passage of the *Central Banking (Amendment) Act 2024*.

Initiatives included:

Executive Leadership

A new executive structure was approved in 2024. It is designed to enhance leadership capability and strategic oversight. Appointments were made in early 2025.

Strategic Alignment

A revised Position Description framework was introduced to ensure clarity and consistency in role expectations. The updated format directly aligns position responsibilities with the Bank's strategic plan and defined key result areas.

OTHER GOVERNANCE MEASURES

Internal Management Committees

The Executive Committee, which reports to the Governor, has general oversight of the Bank's internal operations through the activities of the internal management committees. These include Finance, Property Management, Information Communications & Technology Oversight, and Procurement and Tenders.

Internal Audit

A strong, independent, and impartial internal audit function is key to the Bank's overall commitment to good corporate governance practice. During 2024 the focus of internal audit reviews included providing assurance on various business processes and systems of the Bank and conducting investigations. Additional focus is required to ensure issues identified by Internal Audit are promptly addressed within acceptable timeframes.

Risk Management

Over the course of 2024, the Bank concentrated on the scoping the development of its Enterprise Risk Management Framework (ERMF). Work also progressed on reviewing cybersecurity-related risks.

External Checks and Balances

The Bank has in place several external verification measures in its operation. These include the annual external auditing of the Bank's financial statements, and the scrutiny of staff employment conditions by the Department of Personnel Management.

A more far-reaching scrutiny of the Bank's governance practices was the independent review of the CBA conducted by the Independent Advisory Group (IAG).

The review culminated in 2024 with the significant changes to the Bank's mandates and governance structure, as enacted through the *Central Banking Act (Amendment) Act 2024*.

Peer Review and Collaborative Engagement

The Bank values the importance of peer collaboration as a platform for mutual learning, knowledge exchange, and strengthening institutional effectiveness. In 2024 it continued to engage in constructive peer review processes with a range of partners, including the International Monetary Fund (IMF), the Alliance for Financial Inclusion (AFI), the Global Green Growth Institute (GGGI), and regulatory bodies such as the Australian Prudential Regulation Authority (APRA).

Strong relationships were also maintained with the central banks of Australia, New Zealand, and other Pacific Island nations. These partnerships are reinforced through joint participation in supervisory colleges (see page 32), active engagement in South East Asian Central Banks (SEACEN) group conferences and capacity-building programs, and through skills benchmarking and development initiatives supported by the Pacific Financial Technical Assistance Centre (PFTAC)."

Cooperation with Government Agencies

The Bank continues its collaborative and knowledge-sharing relationships with other Government agencies, to mitigate the risk of fraud and other threats to the integrity of the PNG financial system.

Setting the Right Example

The Bank's Values Statement, which outlines six core principles, is central to its organisational culture. These values define the standards expected of all staff in how they approach their work, make decisions, and conduct themselves (see page 12).

To support this, the Bank's Code of Conduct sets out how these values are to be applied in practice. The Code applies to all staff and management.

The Bank identified and investigated a serious and widespread manipulation of employee benefits by 41 staff. They were subsequently dismissed after due process was followed. The Board commends the Governor for the strong stance taken regarding this matter.

FINANCIAL MANAGEMENT

OPERATING INCOME

Total operating income for the year ended 31 December 2024 was K770.1 million, an increase of K208.7 million from the 2023 level of K561.4 million. Most of the increase was derived from a net increase of K166.2 million interest revenues from foreign currency investments and an increase of K37.6m interest income from domestic investments.

OPERATING EXPENDITURE

Total operating expenditure, comprising interest expenses and general administration costs, was K527.9 million, an increase of K10.7 million from the 2023 level of K517.2 million. General and administration expenses increased by K23.5 million. Interest expenses decreased by K12.8 million, mainly due to a reduced volume of Central Bank Tap Bonds issued.

NET OPERATING PROFIT

The Bank recorded a net operating profit of K242.2 million for the financial year to 31 December 2024. (2023: K44.2 million).

UNREALISED GAIN/(LOSS)

The Bank recorded a net foreign financial assets revaluation gain of K837.7 million for 2024, which was transferred to the Unrealised Gain/(Loss) Reserve. The gain resulted from the depreciation of the Kina against major currencies, and foreign currency price valuation gains from declining global yield rates during the financial year. The gold valuation gain of K114.1 million was transferred to the Gold Reserve.

APPROPRIATION

In line with the 2024 amendments to the CBA, 80 percent of the Bank's distributable earnings is retained in the General Reserve Account until the combined total of authorised capital and general reserves reaches 8 percent of the Bank's total monetary liabilities.

The Board determines the treatment of any remaining distributable earnings as follows:

(a) a portion may be credited to one or more special reserve accounts, after consultation with the Minister; and

(b) any remaining balance is to be transferred to the Consolidated Revenue Fund.

Further, net profits arising from the revaluation of the Bank's assets or liabilities, or from foreign exchange rate movements, are not available for distribution.

The 2024 distributable profit of K242.2 million was recorded under Retained Earnings, pending the Board's decision regarding its allocation.

DISTRIBUTION OF PROFIT

	2024 K'm	2023 K'm	2022 K'm	2021 K'm	2020 K'm
Total Comprehensive Income/(Loss)	1,194.1	1,037.1	(404.6)	(125.9)	495.4
Unrealised Profit/(Loss)	951.9	992.9	352.8	(157.5)	364.5
DISTRIBUTABLE PROFIT/(LOSS)	**242.2**	**44.2**	**(51.7)**	**31.7**	**130.9**
ALLOCATIONS MADE:					
Property Revaluation Reserve	0.0	0.0	30.4	14.6	0.0
Unrealised Profits Reserve	837.8	939.9	(383.5)	(147.9)	302.9
Gold Reserve	114.1	52.9	0.3	(9.6)	61.6
General Reserve	0.0	0.0	0.0	0.0	0.0
Building Reserve	0.0	0.0	50.0	50.0	50.0
Retained Profit/(Loss)	242.2	44.2	(51.7)	31.7	(19.1)

FINANCIAL MANAGEMENT

BUDGET FORECAST

	Budget 2025 (K'm)	Actual 2024 (K'm)
Operating Income		
Interest received – overseas	393.7	405.9
Interest received – domestic	258.3	240.4
International trading/foreign exchange fees	106.6	104.9
Other income	14.8	18.9
TOTAL INCOME	**773.4**	**770.1**
Operating Expense		
Interest expenses – domestic operations	269.5	195.4
Financial markets & EMF expenses	14.2	13.5
Staff costs	144.6	137.9
Staff training and development	10.5	9.2
Premises and equipment	21.7	20.2
Depreciation of property and equipment	33.6	27.7
Amortisation of notes and coins production expenses	21.0	25.3
Currency distribution expenses	6.5	2.3
Audit fee	1.5	1.3
Staff official travel	18.2	19.7
Legal & consultancy fees	15.6	18.8
Board & meeting expenses	4.6	3.4
Information & communication technology	35.5	26.4
Insurance	3.5	2.5
Security	7.5	7.2
Special projects	1.1	1.0
Economics, research & publication expenses	4.0	3.1
Financial system & supervision expenses	7.2	5.7
General administrative expenses	1.8	2.0
Other expenses	12.8	5.3
TOTAL EXPENSES	**634.9**	**527.9**
NET OPERATING PROFIT/(LOSS)	**138.5**	**242.2**

CORE FUNCTIONS

MONETARY POLICY

Policy-setting and Communications Framework

Throughout most of 2024 monetary policy was conducted under the provisions of the Central Banking Act amendments passed in 2021, which had shifted decision-making authority for monetary policy to the Board of the Bank. Under those provisions, the Bank was required to publish at least two Monetary Policy Statements (MPS) each year.

In addition to presenting macroeconomic forecasts and commentary, each MPS was required to include an account of the meeting at which it was adopted, including a summary of the views of voting members and a record of any votes. This was intended as a step forward in strengthening transparency and public accountability.

The Board issued two MPS in 2024, both of which included a record of dissenting votes. Shortly before the second MPS was issued, amending legislation was passed that would, once certified, remove the monetary policy powers of the Board. Accordingly, while the Board issued a second MPS, it chose not to make any decisions on the stance of future monetary policy.

Monetary Policy Governance Reform

Late in 2024 Parliament passed further amendments to the Central Banking Act, which came into effect on 5 December. These amendments established a legally separate Monetary Policy Committee (MPC), comprising five members: the Governor, the Deputy Governor, and three non-executive members, one of whom must be an external monetary policy expert who is not a resident of Papua New Guinea.

Members of the MPC were appointed in February 2025. The MPC now holds full responsibility for the formulation and overseeing the implementation of monetary policy, including exchange rate policy.

The statutory amendments also reinforced the priority of price stability in formulating monetary policy. In line with this, the MPC is now required to publish a Monetary Policy Statement after every meeting, including a record of individual votes and the rationale behind each position taken.

The focus of monetary policy during 2024 was on:

- continuing to resolve foreign exchange and domestic liquidity imbalances that had built up over several years
- continuing to modernise the operating model with the aim of improving the effectiveness with which monetary policy actions affect monetary conditions and inflation.

Addressing Market Imbalances

Since 2014 demand for foreign exchange from the private sector has consistently exceeded the supply coming into the market from the private sector and the Bank of Papua New Guinea. For much of this period, the exchange rate was heavily managed against the US dollar, and the resulting excess demand led to persistent backlogs in foreign exchange orders. This created considerable uncertainty for businesses as to when they would be able to complete international payments. Foreign exchange shortages were regularly cited in business surveys as a major constraint to doing business in Papua New Guinea. Restoring effective convertibility of the Kina accordingly became a key priority for the Bank.

In addition, a significant overhang of domestic liquidity had built up, largely as a result of foreign currency inflows to Government since 2021, assisting in rebuilding the level of foreign reserves and further increasing domestic liquidity when the government spent the Kina proceeds.

This excess of domestic liquidity resulted in competitively-determined interest rates (notably those on Government Treasury bills) falling to well below historical levels, and were in fact negative in real (inflation-adjusted terms). Reabsorbing this excess liquidity, and in the process moving towards normalising interest rates, was a second priority.

Monetary Policy Strategy and Outcomes in 2024

Persistent excess demand for foreign exchange is a sign that the exchange rate may be overvalued. In response, a central element of the Bank's monetary policy strategy in 2024 was to implement the decision, taken in late 2023, to pursue a gradual downward adjustment in the value of the Kina under a "crawling peg" arrangement. This approach aimed to eliminate the Kina's real overvaluation gradually, and bring better balance to the foreign exchange market.

A sharp, one-off devaluation was avoided in favour of this more measured approach, as it was judged that the inflationary consequences of a large depreciation could be better contained through gradual adjustment. Past experience has shown that exchange rate movements in Papua New Guinea have flowed quite quickly into domestic prices.

The second strand of the Bank's monetary policy strategy was to absorb excess domestic liquidity. The Board had considered this could be achieved through a combination of:

- Sales of longer-dated Central Bank Bills (noting the 7-day rate is aligned with the Bank's key signalling rate, the Kina Facility Rate); and
- Increases in the Cash Reserve Requirement (CRR) ratio imposed on banks.

Most of the adjustment was achieved through two increases in the CRR, lifting it from 10 percent to 12 percent. By tightening up domestic liquidity the Bank aimed to keep in check the inevitable inflation pressures from the exchange rate depreciation.

The strategy achieved mixed results:

- *Exchange Rate and Inflation*
  Despite the Kina depreciating by 6.8 percent against the US dollar over 2024, the strength of the US dollar globally meant that there was little change in the Kina's trade-weighted index (TWI). This limited the inflationary impact of the depreciation, and core inflation remained subdued. The trimmed mean inflation[1] measure rose by only 3.3 percent over the year to December 2024.
- *Foreign Exchange Market Conditions*
  Even with limited depreciation in the TWI, excess demand for foreign exchange eased over the year. While the reasons are not fully clear, a major factor was likely the increase in export receipts, supported by higher global prices for key export commodities such as gold, cocoa, and coffee, and an increase in mining exports, notably from Porgera and Ok Tedi.
- *Domestic Liquidity Management*
  The impact of CRR tightening was uneven, due to the disproportionate distribution of liquidity across banks. Banks holding substantial volumes of Government securities experienced tighter liquidity, leading to reduced participation in Treasury bill and inscribed stock auctions. These banks also made greater use of the Bank's overnight Repo facility, which allows secured borrowing at 150 basis points above the KFR, which itself was raised during the year.

  This under-subscription in auctions created additional pressure on Government cash flow, increasing reliance on the Temporary Advance Facility. Treasury bill yields rose markedly, returning to levels more typical of the 2010s. By the end of the year, the Board concluded that yields had increased more than anticipated, suggesting that some easing in liquidity conditions could be appropriate.
- *Interest Rate Transmission*
  Although the Bank's tightening measures, alongside increases in the KFR, might have been expected to raise deposit rates (especially for large deposits) and, by extension, lending rates, little pass-through occurred. The Bank monitored deposit market developments closely. While there were isolated reports of higher rates being offered to large depositors, the overall market response was minimal.

1 The trimmed mean inflation measure excludes subgroups or items in the Consumer Price Index basket with extreme price changes (declines or increases) and recalculates the average price movements.

Operating Framework

With assistance and advice from the IMF, the Bank made a number of further changes to the monetary policy operating framework, designed to improve the effectiveness of the system and enable, over time, less reliance on direct restrictions like the CRR

In late 2023, the issuance of 7-day Central Bank Bills had been shifted to a model in which all bids were accepted, at a pre-determined rate, itself set equal to the KFR. This was designed to reinforce the significance of the policy rate, the KFR, by linking it directly to a rate banks and other investors were able to earn.

Over the course of 2024, the Bank

- Established a "corridor" system, allowing banks to borrow from or lend to the Bank overnight on demand. Rates were set at 150 basis points either side of the KFR.
- Revised the CRR mechanism, changing from a requirement to meet the ratio at all times to a requirement to meet the ratio on average over a calendar month, giving the banks more flexibility to manage their liquidity.
- Shifted the Bank's sales of foreign exchange to an auction basis, enhancing transparency and providing greater certainty on liquidity impacts.
- Introduced competitive auctions for slightly longer-dated Central Bank Bills.
- Restricted participation in CBB auctions to banks only.

Monetary Policy Summary

The overall assessment of monetary policy in 2024 reveals a mixed picture. On the positive side, transparency improved, inflation remained relatively subdued despite a depreciation of the exchange rate, and some progress was made toward addressing overvaluation and restoring convertibility of the Kina.

The liquidity overhang was largely absorbed, and competitive interest rates on Government securities began returning to levels more consistent with historical averages. Steps were also introduced to refine the operating framework. These results demonstrated the effectiveness of the Bank's monetary policy strategy.

However, significant challenges remain. The Bank's ability to influence monetary conditions effectively and predictably is still weak, particularly compared to more developed and emerging market economies. Notably, the significant tightening of liquidity and adjustments to the KFR during the year had little impact on private sector monetary conditions or interest rates. The underlying reasons for this weak transmission are not yet fully understood but clearly signal an area requiring further attention.

Responsibility for addressing these challenges now rests primarily with the Monetary Policy Committee.

FOREIGN EXCHANGE

By 31 December 2024 the Kina had been depreciated by 6.8 percent against the US dollar, from US$0.2683 to US$0.2500.

Foreign currency turnover increased by 6.6 percent, from K45.7 billion in 2023 to K48.7 billion in 2024. The increase reflected more frequent Bank interventions and stronger commercial inflows.

Major Sector Contributions to Foreign Exchange Flows

Foreign currency inflows rose by 5.0 percent, while outflows increased by 8.0 percent compared to 2023. Mining, finance & business services, and petroleum led the supply of foreign currency, while the finance and business, retail, and manufacturing sectors drove demand. The Bank supported the net outflow by intervening with US$1,500.0 million (K5,821.7 million) in the foreign exchange market.

	2024	2023	Change
Total FX Inflows	**20,793.0**	**19,812.2**	**5%**
Mining	8,209.8	7,111.1	15%
Finance & Business	2,619.8	2,301.8	14%
Petroleum	1,443.9	2,136.9	-32%
Agriculture	1,438.0	996.3	44%
Oilpalm	1,398.3	1,727.4	-19%
Others	5,683.3	5,538.7	3%
Total FX Outflows	**27,865.8**	**25,878.6**	**8%**
Finance & Business	5,414.7	4,854.0	12%
Retail	5,358.8	4,129.0	30%
Manufacturing	4,466.3	4,417.1	1%
Petroleum	2,803.8	4,271.1	-34%
Small Transactions	2,598.7	1,577.5	65%
Others	7,223.4	6,629.9	9%

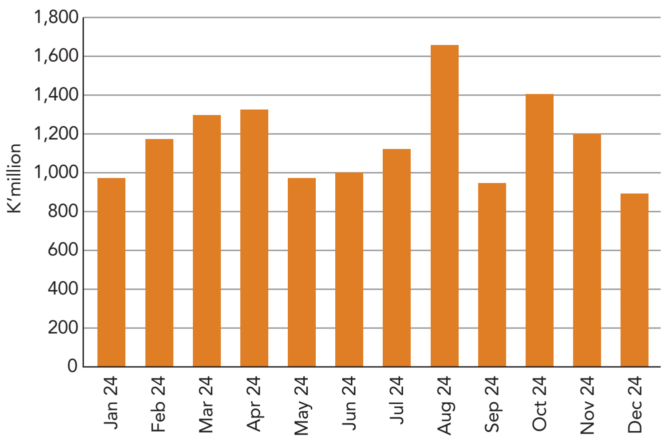
Foreign Exchange Orders

At the end of December 2024 total market forex orders placed by Authorised Foreign Exchange Dealers (AFEDs) in the interbank market stood at K892.1 million (2023: K575.4 million).

Foreign Exchange Auctions

The Bank launched the Foreign Exchange Auction (FEA) at the end of May 2024. By year-end, it had conducted 26 auctions, with a total value of US$1,064 million (K4,180.0 million). Between June and October the FEA allocated US$125 million weekly. In November it raised the allocation to US$186 million (K744.3 million) to cover the fifth week in that month. In December the Bank reduced its monthly foreign exchange allocation to US$64.0 million (PGK 257.3 million) in response to seasonally lower market activity.

MONTHLY FOREIGN EXCHANGE ORDER BOOK



Intervention

The Bank sold a total of US$1,500.0 million (K5,821.7 million) in 2024, compared to US$1,573.0 million (K5,679.5 million) the previous year.

The intervention helped clear essential and long-standing import orders, reducing the average waiting time for accessing foreign exchange from 6 to 8 weeks to just under 4 weeks.

Exchange Rates

The Kina depreciated by 6.8 percent against the US dollar in 2024, driven by sustained excess demand for foreign currency in the domestic market and the implementation of the crawl-like exchange rate arrangement.

On a trade-weighted basis, the Kina also recorded a modest depreciation of 0.8 percent against its major trading partners. This movement was influenced by a rising US dollar and expectations of policy shifts in the United States aimed at stimulating economic growth.

	2024	2023	Change
PGK/USD	0.2500	0.2683	-6.8%
PGK/AUD	0.4022	0.3920	2.6%
PGK/EUR	0.2403	0.2424	-0.9%
PGK/GBP	0.1992	0.2102	-5.2%
PGK/JPY	39.06	37.91	3.0%
PGK TWI	28.02	28.25	-0.8%

FOREIGN RESERVES MANAGEMENT

The Bank of Papua New Guinea is responsible for the management of PNG's international reserves, including foreign exchange and gold.

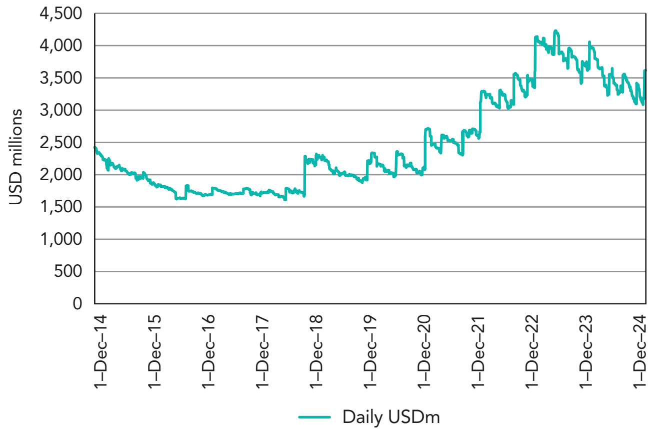
The main reasons for the Bank to hold foreign exchange reserves are to:

- support price stability (the Bank's primary monetary policy objective)
- ensure foreign exchange is available for sale to the State to meet its external debt obligation
- minimise the impact of external shocks on the domestic economy.

In terms of investing foreign exchange reserves, the Bank's key objectives are to:

- preserve the capital value of the foreign exchange reserves
- maintain adequate foreign currency liquidity
- manage credit risk conservatively
- earn an acceptable rate of return on the investment of reserves.

Foreign Exchange Reserves Trend 2014–2024



As at 31 December 2024, total foreign exchange reserves stood at US$3,615.70 million (K14,179.40 million), representing a decline of 8.62 percent compared to December 2023. The decline mainly reflected outflows related to the Bank's foreign exchange interventions, Government loan repayments, payments by other Government departments, and Special Drawing Rights (SDR) charges.

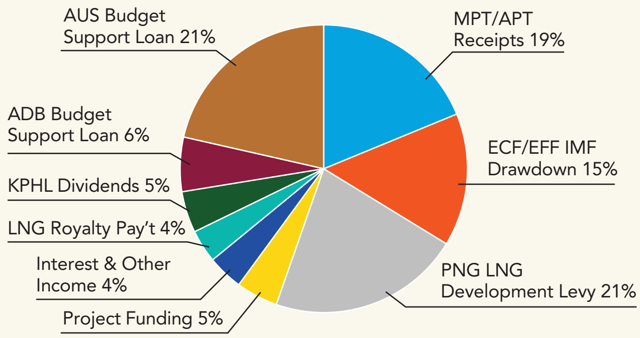
COMPOSITION OF FOREIGN EXCHANGE RESERVES

FX Reserve Components	2024	2023	Change in USD	Change in %
	USD ('m)	USD ('m)	USD ('m)	
Total Invested Reserves	3,500.70	3,864.56	-363.86	-9.42
Gold	111.50	88.76	22.74	25.62
SDR & Others	3.30	3.1	0.20	6.45
IBRD	0.30	0.25	0.05	20.00
Total	3,615.80	3,956.67	-340.87	-8.62

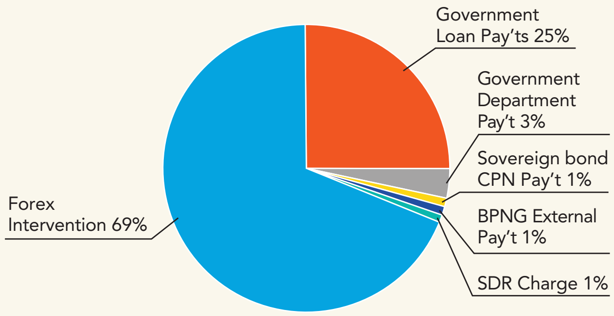
Foreign Exchange Reserves Inflows and Outflows

In 2024 total inflows to the reserves amounted to US$2,069.63 million, while total outflows reached US$2,374.19 million, resulting in a net outflow of US$304.56 million.

2024 MAJOR FOREX INFLOWS



2024 MAJOR FOREX OUTFLOWS



FUND PERFORMANCE

In-house Managed Funds

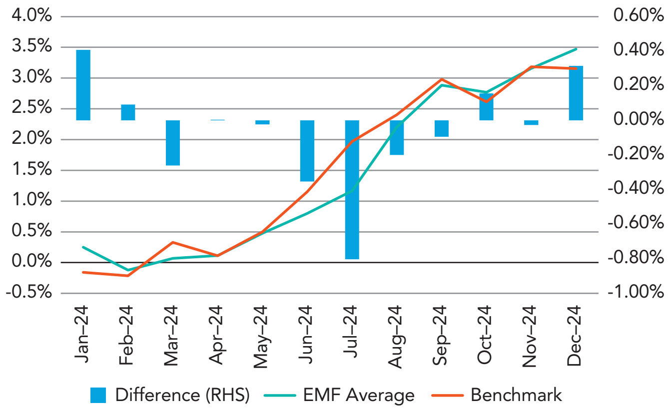
The Bank calculates the performance of in-house managed reserves monthly, benchmarking returns against a customised in-house benchmark by currency. These benchmarks primarily consist of sovereign bonds denominated in US dollars (USD), Australian dollars (AUD), British pounds (GBP), and euros (EUR).

In 2024 most advanced country central banks (including the Federal Reserve, European Central Bank, and Bank of England) began cutting monetary policy interest rates in response to an easing in the high inflation that had built up following the pandemic. However, longer-term bond yields largely went sideways during the year, both for major advanced economies and for the larger emerging markets. 10 year US Treasury yields fluctuated either side of 4.5 per cent during the year.

Corporate bond yields rose, reflecting the higher cost of borrowing. Yields on bonds issued by emerging markets increased as well, as investors demanded higher returns in exchange for increased risk exposure.

Against this backdrop, the Bank's in-house managed portfolios achieved a return of 3.47 percent, outperforming the composite benchmark return of 3.15 percent by 0.32 percentage points.

MONTHLY IN-HOUSE RETURNS VS BENCHMARK



SUMMARY – IN-HOUSE PERFORMANCE

	Return	Benchmark	Difference
2020	3.52%	2.34%	1.18%
2021	0.87%	-0.37%	1.24%
2022	0.04%	-2.81%	2.85%
2023	2.33%	4.10%	-1.76%
2024	3.47%	3.15%	0.32%

Externally Managed Funds

The Bank assesses the performance of its externally managed reserves (EMF) monthly, using the FTSE Russell Government Bond Index 1–3 Years USD Hedged as the benchmark. Since the inception of the outsourcing program, the value of externally managed reserves has grown by 34.0 percent (US$335.99 million), reaching US$1,335.99 million.

In 2024 all externally managed funds generated positive returns, with an average portfolio return of 4.42 percent. However, the overall performance slightly underperformed the benchmark return of 4.69 percent.

Among the managers, Pictet recorded the weakest relative performance, while DWS and BlackRock delivered the strongest results for the year.

SUMMARY – EXTERNALLY MANAGED FUNDS PERFORMANCE

	Return	Benchmark	Difference
2020	2.92%	2.34%	0.58%
2021	-0.23%	-0.37%	0.14%
2022	0.04%	-2.81%	2.85%
2023	4.91%	4.87%	0.04%
2024	4.42%	4.69%	-0.27%

Total Annual Returns

FOREIGN EXCHANGE RESERVES MANAGEMENT – ANNUAL RETURN (%)

Source	2024	2023	2022
In-house managed funds	3.47	2.33	0.04
Externally managed funds	4.42	4.91	-2.54
Benchmark			
In-house funds	3.15	4.10	-2.81
Externally managed funds	4.69	4.87	

* As in the previous years, the benchmark FTSE Russell Government Bond Index 1–3 USD Hedged continued to be used for the externally managed funds in 2024. For the In-house managed funds the Bank used a customised benchmark to align with the in-house portfolio composition.

INTERNATIONAL TRANSACTIONS MONITORING

Gold Export Licences

Residents and non-residents are allowed to buy and sell gold freely within PNG. However, companies must obtain a gold export licence (GEL) from the Bank to export gold. Subject to compliance with the conditions of the GEL each year, a new licence is granted to the licence-holder for the following year.

Applications Received in 2024	13
Existing licensed exporters – GEL issued	6
GoldBox PNG Limited	
MI-DO Gold Buyers & Exporters Limited	
Italpreziosi South Pacific Limited	
Golden Valley Enterprise Limited	
Issacc Lete Lumbu Gold Buyers Limited	
Enga Gold Exporters (PNG) Limited	
Existing licensed exporters – GEL declined	2
New applications – GEL issued in 2024	1
New applications – GEL declined	4

Domestic Lending in Foreign Currency

Loan contracts between residents that are denominated in foreign currency require the prior approval of the Bank and their settlements must be made in Kina. Two applications were received and approved for an AFED to lend to its customers in foreign currency.

Applications approved in 2024	2
Value of transactions: US$44,500,000.00	K169,653,069.00

Contingent Guarantees Issued in Favour of Non-Residents

PNG residents must obtain prior approval from the Bank before issuing guarantees in favour of non-residents, as such guarantees create contingent liabilities. In 2024 four applications were submitted, all of which were approved by the Bank.

Removal of Physical Cash from PNG

The Bank requires individuals to obtain prior approval before removing physical cash in excess of K20,000.00 from the country. In 2024 applicants submitted 39 requests for approval. The Bank approved 38 of these for the export of physical currency. One application did not require approval, as the amount involved was below the K20,000.00 threshold.

Applications received and assessed in 2024	39
Applications approved	38
Value of approved applications	K1,431,036.79
Value of physical cash removed or taken out of PNG	K1,431,036.79
Value of approved numismatic notes and coins exported	K416,000

FINANCIAL SYSTEM

Papua New Guinea's financial system comprises institutions that fall into two main categories:

- **Regulated institutions**, which the Bank authorises, supervises, and regulates, and
- **Licenced financial institutions**, which operate under the authority of other regulatory bodies.

BPNG is responsible for the prudential supervision of regulated institutions to ensure the overall stability of the financial system. To fulfil this mandate, the Bank undertakes the following activities:

- sets licensing requirements
- promotes and enforces appropriate standards of conduct
- develops and issues prudential standards and guidelines for sound business practices
- monitors and enforces compliance with relevant legislation and prudential requirements through targeted supervisory action, and
- monitors systemic risk.

The Financial System

Type of Institution	31 Dec 2024	31 Dec 2023
Commercial banks	7	4
Licensed financial institutions, including microbanks (LFIs)	13	15
Savings & loan societies (SLSs)	18	17
Authorised superannuation funds (ASFs)	4	4
Licensed trustees	4	4
Licensed investment managers (LIMs)	4	5
Licensed fund administrators (LFAs)	3	3
Life insurance companies (LICs)	4	4
Life insurance brokers (LIBs)	6	6
Authorised money changers	9	9
Money remitters	3	3
Foreign exchange dealers (AFEDs)	3	2
Authorised mobile network operator	1	1
TOTAL ASSETS (K billion)	**79.8**	**74.1**
Banking Sector (%)	73.5	75.3
ASFs (%)	25.7	24.2
LICs (%)	0.4	0.4
TOTAL DEPOSITS (K billion)	**43.9**	**42.4**
Commercial banks (%)	95.4	94.4
LFIs (%)	2.0	2.9
SLSs (%)	2.1	2.0
Microbanks (%)	0.4	0.7
TOTAL LOANS OUTSTANDING (K billion)	**26.1**	**24.6**

CORE FUNCTIONS

Regulation and Supervision

Financial System Licensing

During 2024, the Bank received and assessed 18 applications for financial sector licences. Of these, four new licences were issued, including three new commercial banking licences. One applicant withdrew their submission, while another application was rejected following assessment. Nine applications remained under consideration at year end. The Bank also reviewed and approved two applications involving the acquisition of existing licensed entities. In addition, one licence-holder voluntarily surrendered their licence during the year.

Supervisory Activities

Prudential Reviews

As part of its supervisory mandate to strengthen risk management systems and enhance compliance capability within the financial sector, the Bank undertakes regular prudential reviews and onsite examinations of regulated institutions.

In 2024 the Bank conducted onsite prudential examinations of three commercial banks, five licensed financial institutions, and five savings and loan societies. In addition, the Bank held 15 prudential consultations with various institutions. These included one commercial bank, five financial institutions, two microbanks, and seven savings and loan societies.

Supervisory Colleges

In 2024 the Bank participated in supervisory colleges for two licensed institutions, ANZ and BSP Group.

The ANZ supervisory college was held virtually in October 2024 and hosted by the Australian Prudential Regulation Authority (APRA). The session brought together supervisors from central banks across various jurisdictions involved in ANZ's regional operations.

The 9th BSP Group Supervisory College took place in Apia, Samoa in August 2024, co-hosted by the Central Bank of Samoa and the Bank of Papua New Guinea. Representatives from the central banks and financial supervisory authorities of Samoa, Solomon Islands, Vanuatu, Fiji, Tonga, the Cook Islands, as well as PNG, attended the College.

Employer Superannuation Contribution Enforcement

In 2024, the Bank received 175 complaints from employees regarding employers who had failed to meet their superannuation contribution obligations. Of these, 71 percent were referred to the respective Authorised Superannuation Funds (ASFs) for follow-up. The remaining 29 percent were retained by the Bank for further investigation due to potential breaches of the *Superannuation (General Provisions) Act 2000*.

To strengthen compliance, the Bank conducted onsite visits to provincial centres throughout the year, engaging with over 200 employers. These visits reinforced employers' legal obligations to accurately and promptly remit employee contributions to an authorised ASF.

During the year, the Bank successfully prosecuted a non-compliant employer in the National Court under the *Superannuation (General Provisions) Act 2000*. While a conviction was recorded, the matter is currently under appeal in the Supreme Court. As at the end of 2024, the outcome of the appeal remained pending.

Statutory Administration, Management and Liquidation Activities

The liquidation process for Workers Mutual Insurance (PNG) Limited and Eastern Highlands Savings and Loan Society continued through 2024.

Other Developments

Financial Development Strategy

The decision to transfer the regulatory function relating to general insurance to the Bank of Papua New Guinea as part of the Financial Sector Development Strategy remains with the Treasurer.

Comprehensive Credit Reporting Regulation

The Bank continued to implement the Comprehensive Credit Reporting Regulation in 2024 with ongoing technical support from the International Finance Corporation (IFC). Discussions during the year focused on aligning the regulation with international best practices, ensuring compliance with data privacy requirements, and securing additional funding from the IFC to support the next phase of implementation.

Prudential Standards Harmonisation

By the end of October 2024 the Bank had received industry feedback on the seven harmonised prudential standards it had issued for consultation. The harmonisation initiative aims to align prudential requirements across different categories of regulated financial institutions, promote regulatory consistency, and support more efficient supervision. The Bank is currently reviewing the submissions and incorporating comments where appropriate to finalise the standards for implementation.

Financial Services Sector Development

Regulatory Sandbox & Fintech Developments

The Bank continued to promote financial sector innovation in 2024 through its Regulatory Sandbox, which provides a controlled environment for testing new financial products and services under close regulatory supervision.

As part of its broader financial inclusion agenda, the Bank partnered with PinBox Inclusion to explore a Digital Micro-Pension Model aimed at expanding retirement savings coverage among underserved populations. In February 2024, PinBox co-hosted a Digital Micro-Pension Roundtable with the Bank, engaging key stakeholders including DFAT, ADB, IFC, USAID, and UNCDF. The pilot project is expected to undergo live testing within the Regulatory Sandbox to ensure it meets prudential requirements and consumer protection standards.

During the year the Bank reviewed several Sandbox applications. It approved the PinBox Inclusion pilot for testing but declined an application by 12ID Digital Identity Solution, citing the absence of a licensed banking partner as a critical deficiency.

To strengthen the quality of future applications, the Bank reviewed its frameworks for customer due diligence and digital identity, with the aim of enhancing compliance and onboarding protocols within the Sandbox.

Legal Diagnostic Review on eKYC Framework

In 2024 the Asian Development Bank (ADB) completed a legal diagnostic review of Papua New Guinea's laws and regulations relating to electronic Know Your Customer (eKYC) processes.

At the end of the year the report was undergoing final quality checks. It highlighted key areas that need improvement to meet international standards set by the Financial Action Task Force (FATF) and the *Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Act.*

The review recommended applying a risk-based approach to decide which institutions, such as virtual asset service providers (VASPs, should follow customer due diligence requirements. It also suggested making identification and verification processes more consistent and easier to understand.

Other recommendations included updating the Bank's prudential standards to better align with AML/CTF requirements, especially in identity verification, record-keeping, and third-party involvement. The report also stressed the importance of improving data protection, privacy, and cybersecurity for eKYC systems, and recommended clearly defining the roles of the Bank and the Financial Analysis and Supervision Unit (FASU) in managing eKYC.

At the same time, the Bank continued work on a national digital identity wallet to support eKYC. It also took part in inter-agency discussions to help build a safe, inclusive, and well-regulated digital identity system.

PAYMENT SYSTEM

Payment Services

The Bank operates two critical systems with the aim of providing consistent uninterrupted payment services in Papua New Guinea, the Kina Automated Transfer System (KATS) and the Retail Electronic Payment System (REPS).

Kina Automated Transfer System

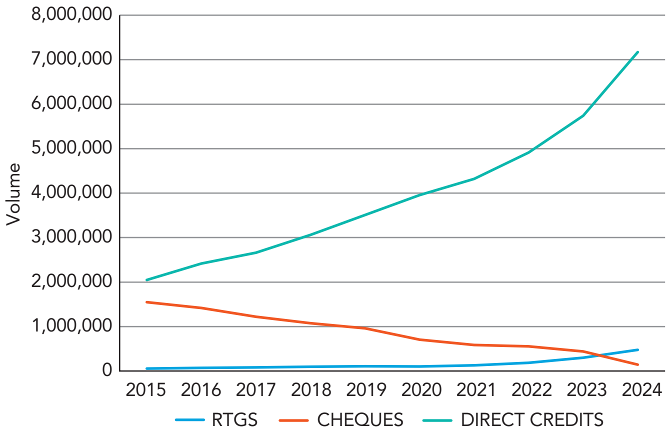
The Kina Automated Transfer System (KATS) is the backbone of Papua New Guinea's national payment and settlement infrastructure. It provides Real-Time Gross Settlement (RTGS) capabilities, enabling the secure and immediate settlement of high-value interbank transactions in Kina. This includes payments between commercial banks and transactions involving BPNG, Government securities, and foreign exchange.

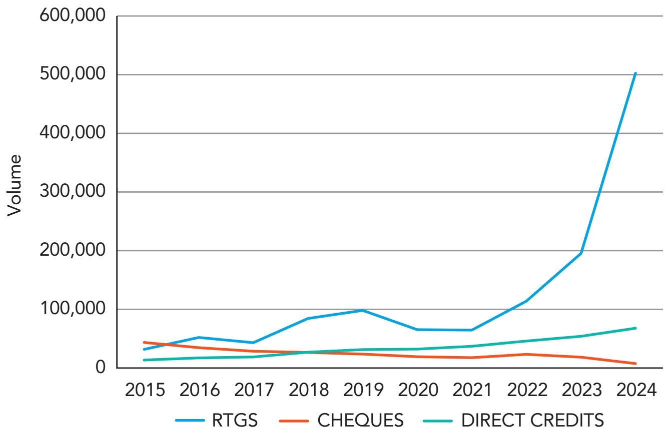
KATS also supports the clearing and net settlement of cheque payments, direct debits, direct credits, and electronic funds transfers (EFTs) between financial institutions.

By settling transactions in real time and in central bank money, KATS significantly reduces settlement risk and enhances the overall safety, efficiency, and reliability of the financial system.

The Bank uses KATS as part of its oversight and risk management framework to monitor systemic risk, manage liquidity, and support the effective transmission of monetary policy.

Following the decision at the end of 2023 to extend the use of private sector cheques until 30 June 2024, the number of cheques gradually declined during the first half of the year. This shift contributed to a substantial increase in both the volume and value of electronic payments. The upward trend continued throughout the year as more users actively transitioned to digital payment channels.





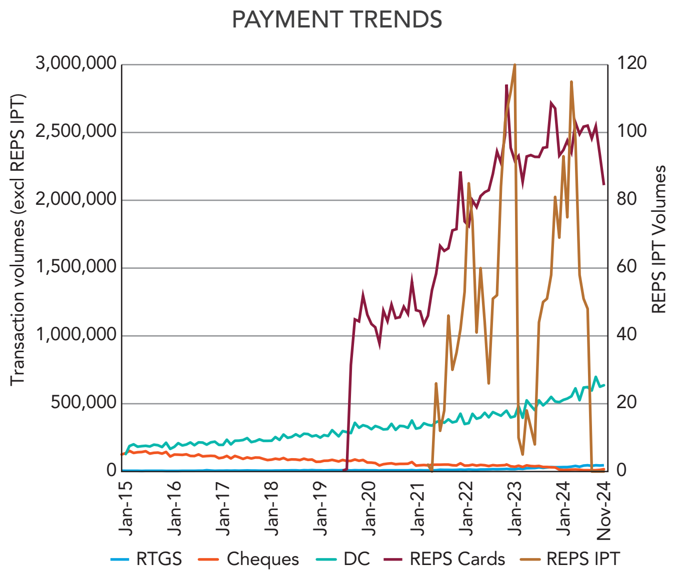
Retail Electronic Payments System

The Bank continued to manage the National Switch, thereby providing a relatively stable 24 hour/7 day/365 day a year service for switching card payments.

REPS processes card-based transactions through automated teller machines (ATMs) and EFTPOS terminals across Papua New Guinea. During 2024 its membership comprised eight financial institutions, including commercial banks, microbanks, and savings and loan organisations.

Any ATM or EFTPOS terminal operated by a REPS member accepts local debit cards issued by any other member. This interoperability allows customers to make in-store purchases and access cash at nearly all ATMs and EFTPOS terminals nationwide, improving convenience and financial access.

In late October 2024, one REPS member institution discontinued its local debit card product and began issuing internationally branded debit cards. As a result, transaction data from these new cards were not captured within the REPS system during the final two months of the year.



National Payment System Update

KATS and REPS fees reviewed

The 10 percent annual discount on transaction fees, which commercial banks had received since the full launch of KATS, ended in 2024. This followed the Bank's Board decision to implement a cost recovery model for market infrastructure owned and operated by the Bank.

New participants

Two new participants, TISA Bank and CreditBank, were successfully connected to the National Switch in July 2024, further expanding access to shared payment infrastructure.

KATS upgrade

In 2024 the Bank successfully completed a major upgrade of KATS, with the system going live at the end of November. The upgrade introduced a range of new features designed to improve payment processing speed, system security, and regulatory compliance. These included real-time monitoring dashboards, direct upload capabilities, enhanced messaging standards, and sanctions screening.

The upgrade significantly strengthened the efficiency and reliability of high-volume interbank transactions, enabling smoother settlement and improving user oversight of system operations.

National Payments Council Activity

The National Payments Council (NPC) is an advisory body comprising licensed financial institutions in Papua New Guinea and is chaired by the Bank of Papua New Guinea. The Council meets quarterly to discuss current and emerging issues affecting the national payments system.

In 2024 one of the most publicly discussed topics was the official cessation of private sector cheques. Although the discontinuation was initially scheduled for the end of 2023, concerns raised by several Members of Parliament, particularly those representing rural and regional constituencies, prompted the Bank, with the endorsement of the NPC, to extend the deadline to 30 June 2024.

During the first half of the year the Bank led a comprehensive media awareness campaign, supported by public education efforts from commercial banks and other financial institutions. NPC Sub-committee members also conducted targeted outreach through meetings with concerned MPs, business leaders, and regional chambers of commerce.

These combined efforts proved effective in raising awareness about the cheque phase-out and promoting viable alternatives such as digital payment products and private bills of exchange. Over the six-month transition period, the Bank observed a steady decline in cheque usage, and NPC members reported a smooth and successful shift by users to other forms of payment.

Currency Management

The Bank of Papua New Guinea is responsible for issuing the nation's currency notes and coins. This function includes ensuring an adequate supply of quality currency in circulation, removing damaged or soiled notes, and monitoring overall currency demand across the country.

Currency in Circulation

Currency is distributed through four regional centres. The Bank's Head Office in Port Moresby, National Capital District services the Southern region, while the Cash Processing Facility in Lae, Morobe Province services the Momase region. Through an agency agreement, BSP provides distribution services from Mt Hagen in the Western Highlands for the Highlands region, and from Kokopo in East New Britain for the Islands region.

At the end of December 2024 the total value of currency in circulation stood at K3,467.15 million, up from K3,255.5 million in 2023, an increase of K211.65 million.

Of this, banknotes accounted for K3,345.49 million (2023: K3,139.5 million), while coins totalled K121.66 million (2023: K116.0 million). The increase reflected both the replacement of unfit currency and higher public demand for cash.

NOTES AND COINS IN CIRCULATION

Notes Denomination	Values (K'm) 2024	Values (K'm) 2023
K2	81.9	76.6
K5	85.07	80.1
K10	102.9	100.5
K20	250.7	234.8
K50	883.02	948.6
K100	1,941.9	1,698.9
Sub Total	**3,345.49**	**3,139.5**
Coins Denomination		
K1	44.8	42.1
50t	11.9	11.4
20t	29.06	28.2
10t	28.4	26.9
5t	7.5	7.4
Sub Total	**121.66**	**116.0**
Total	**3,467.15**	**3,255.5**

New Notes and Coins

The total value of new banknotes and coins issued in 2024 amounted to K837.64 million (2023: K733.6 million), an increase of K111.34 million.

Notes Denomination	Values (K'm) 2024	Values (K'm) 2023
K2	30.44	23.1
K5	35.6	27.0
K10	47.8	30.8
K20	100.8	115.4
K50	99.0	350.0
K100	524.0	180.0
Sub Total	**837.64**	**726.3**
Coins Denomination		
K1	2.99	4.0
50t	0.65	0.5
20t	0.82	2.2
10t	1.62	0.5
5t	0.36	0.1
Sub Total	**6.44**	**7.3**
Total	**844.08**	**733.6**

Destruction of Soiled Banknotes

Soiled (unfit) banknotes to the value of K548.25 million were withdrawn from circulation and destroyed in 2024 (2023: K549.0 million).

DESTRUCTION OF SOILED NOTES

Notes Denomination	Value of Soiled Notes destroyed 2024 (K'm)	Value of Soiled Notes destroyed 2023 (K'm)
K2	23.85	22.5
K5	27.4	25.4
K10	38.99	37.0
K20	75.71	114.2
K50	167.83	144.1
K100	214.47	205.8
Total	**548.25**	**549.0**

Banknote Quality Improvement Program

The presence of soiled and damaged banknotes in circulation undermines public confidence in the national currency and disrupts efficient functioning of payment systems, particularly through automated teller machines (ATMs).

Building on the transition from the former Clean Note Policy to the Banknote Quality Improvement Program (BQIP) in 2023, the Bank had planned a pilot awareness and note exchange initiative in Kokopo for 2024. However, this pilot was deferred.

During the year the Bank's Currency function also began developing a set of strategic initiatives to strengthen its role in maintaining high-quality currency in circulation. These initiatives aim to improve the durability, cleanliness, and acceptability of banknotes across all regions of the country.

Numismatic Items

The Bank sells commemorative currency items to collectors and the general public in Papua New Guinea and abroad.

In 2024, total sales reached K1.3 million, a significant increase from K0.5 million in 2023. The rise was largely driven by strong demand for the 2021 K200 Gold Coin, which marked the Golden Jubilee of the Royal Papua Yacht Club, with over 700 pieces sold during the year.

Other popular items included the 35th Anniversary K2 Note and Coin Pack, the 1998 50 Toea Uncirculated Coin Set, the 2012 K5 Uncirculated Coin Set, as well as uncirculated numismatic banknotes and uncut sheets.

Government Banking and Agency Services

Government Bank Accounts and Facilities

The Bank of Papua New Guinea provides banking services to the National Government and other public authorities.

The Department of Finance conducts the financial activities of the National Government through the Waigani Public Account. From this central account, funds are transferred to national departmental drawing accounts, trust accounts, and accounts held by provincial governments, local-level governments, and statutory authorities, all maintained at the Bank of Papua New Guinea.

Enhancements introduced in recent years to streamline Government payments and receipts continued in 2024. These include cheque truncation, electronic funds transfers (EFT), and direct electronic payment of tax and customs obligations from commercial bank business accounts to the Internal Revenue Commission (IRC) and PNG Customs Service.

Temporary Advance Facility

The National Government continued to utilise the Temporary Advance Facility (TAF) in 2024 to manage short-term, intra-year cash flow mismatches. The Facility remained capped at K1.5 billion for the year. In line with legal requirements, all advances under the TAF must be fully repaid by the end of the calendar year, ensuring that it functions solely as a tool for addressing temporary fluctuations in Government cash flow. The TAF was repaid in full by 31 December 2024.

Central Bank Bills Strategy

The Bank issued Central Bank Bills (CBBs) primarily in shorter maturities, including 7-day, 14-day, 28-day, 63-day, and 91-day terms. In 2024, the Bank maintained weekly issuance of 7-day CBBs through Fixed Rate Full Allotment (FRFA) auctions on a non-competitive basis. In line with the IMF-supported reform program, the Bank also introduced competitive 28-day CBB auctions in September 2024 to absorb excess liquidity and strengthen monetary policy transmission.

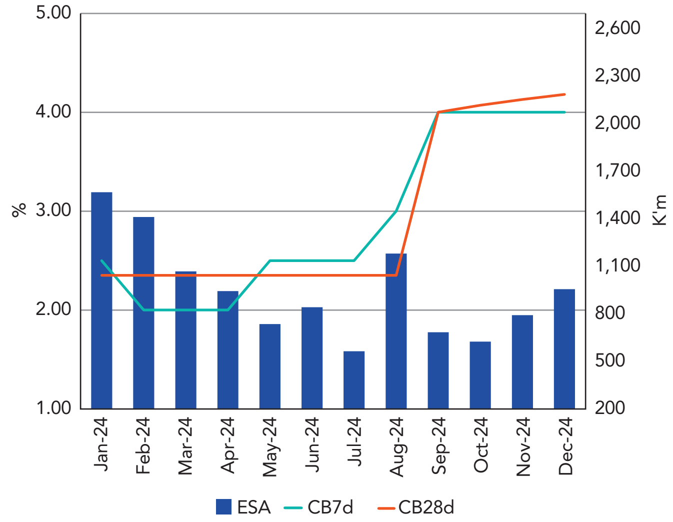
The FRFA 7-day CBB rate was initially aligned to the Kina Facility Rate (KFR) at 2.50 percent in January. It was reduced to 2.00 percent in February and remained unchanged until May. From July onwards the rate increased progressively, reaching 4.00 percent in September and holding steady through the final quarter of the year. This upward movement in the interest rate reflected the Bank's tightening monetary policy stance. The competitive 28-day CBB auction rate began at 4.00 percent in September and rose to 4.18 percent by December 2024.

Banking System Liquidity

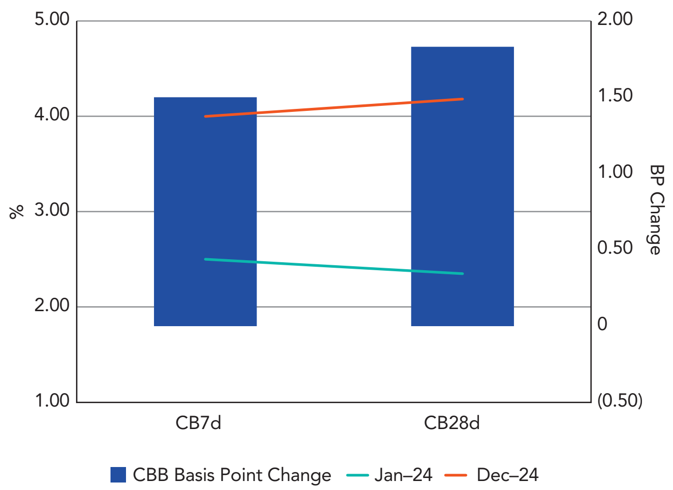
Exchange Settlement Account (ESA) balances, a key indicator of banking system liquidity, averaged K948.9 million during the year, down K712.1 million from the 2023 average.

The decline was primarily driven by several factors: the Bank's continued interventions in the foreign exchange market, an increase in the Cash Reserve Requirement (CRR) to 12 percent, expanded issuance of Central Bank Bills, and the introduction of overnight reverse repurchase agreements with commercial banks.

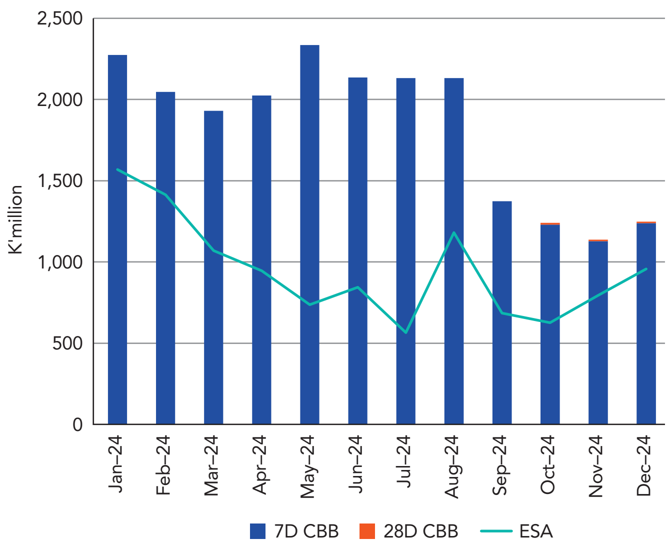
CBB AVERAGE INTEREST RATES AND ESA



CBB YIELD CURVE & BASIS POINT CHANGE



TOTAL CBB MATURITY BY TERM & ESA



Tap Facility

The Bank of Papua New Guinea introduced the Tap Investment Facility in 2017 to offer direct access for individuals and institutional investors to invest in BPNG bills and bonds. Trading activity under the facility continued through to the end of December 2023.

In 2024, consistent with the IMF-supported reform program, the Bank ceased new sales under the Tap Facility. Throughout the year the Bank focused solely on processing maturities of outstanding Tap investments and honouring early redemption requests from existing holders.

By the end of 2024 total maturities of BPNG Tap investments amounted to K95.7 million. This included K81.2 million in BPNG bonds and K14.5 million in BPNG bills. The outstanding balance at the end of the year stood at K1,057.9 million for BPNG bonds and K3.0 million for BPNG bills.

Secondary Market Development

In 2024, the Bank of Papua New Guinea facilitated eighteen secondary market transactions, a significant increase compared to just four transactions recorded in 2023. During the year, the Bank purchased Government Treasury bonds valued at K0.5 million and sold Treasury bond stock amounting to K18.2 million to investors through the secondary market.

These sales resulted in a net reduction in the Bank's overall holdings of Government securities.

Government Agent Operations

The Bank of Papua New Guinea acts as the agent for the National Government in its capacity as the authorised issuer, registrar, and paying agent for Government securities.

The Bank also plays a strategic advisory role through its participation in the Public Debt Committee (PDC), which is convened weekly by the Department of Treasury.

Treasury bills and Treasury bonds (Inscribed Stock) Strategy

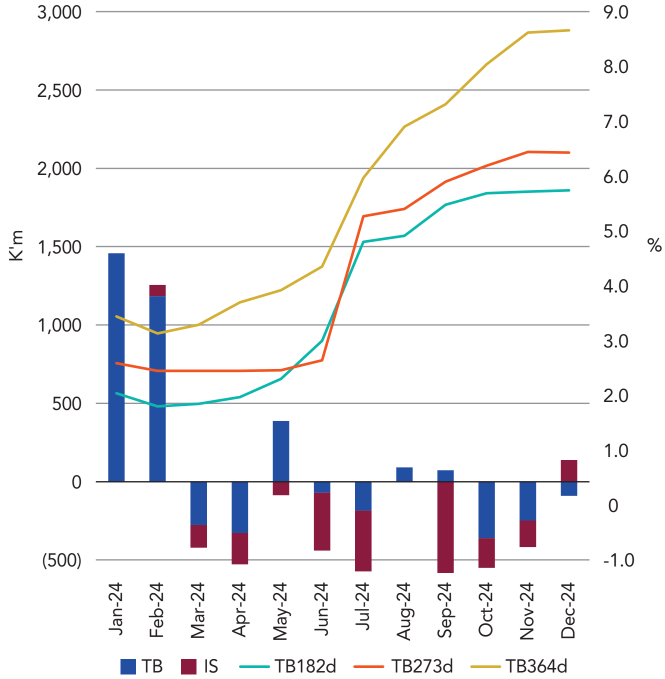
Throughout 2024 the Bank continued close coordination with the Government to support budget financing requirements. The issuance strategy focused primarily on rolling over maturing Treasury bills and issuing new Treasury bonds in line with the 2024 Budget Appropriation.

The Government issued Treasury bills mainly in 182, 273, and 364-day maturities, while Treasury bonds were offered in 2, 3, 5, 6, 7, 8, 9, and 10-year terms. During much of the year both Treasury bill and Treasury bond auctions were undersubscribed, resulting in a modest reduction in the total value of Treasury bills on issue and a smaller increase in Inscribed Stock than had been planned in the Government's Budget.

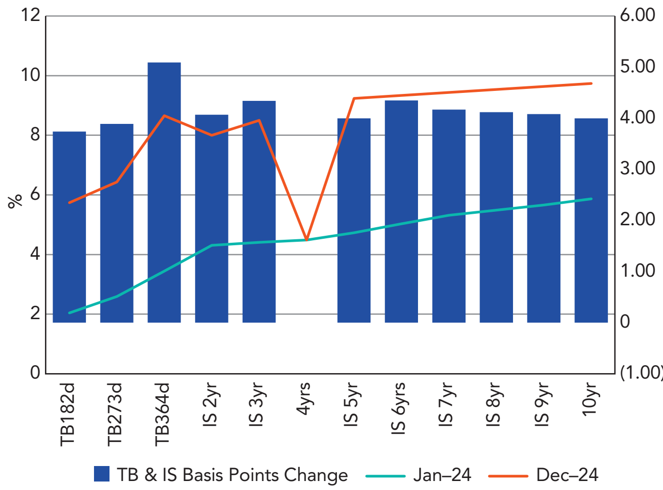
Interest rates for Treasury bills remained relatively stable in the first half of 2024 but increased significantly in the second half and stabilised towards the year's end. Rates for Treasury bonds also increased, particularly for longer maturities, as investors submitted more aggressive bids. No Treasury bonds under the 4-year term were issued.

The Government conducted monthly GIS auctions in February, May, June, July, August, and September. In the final quarter of the year, it shifted to weekly auctions in an effort to make up for prior undersubscriptions and meet the full 2024 Budget appropriation.

AVERAGE NET SUBSCRIPTION VOLUMES & INTEREST RATES – TREASURY BILLS & INSCRIBED STOCK



GOVERNMENT YIELD CURVE & BASIS POINT CHANGE



Collateralised Repurchase Agreements

The Bank uses the Collateralised Repurchase Agreement (Repo) facility to provide secured lending to commercial banks.

Under this facility, the Bank purchases nominated securities, such as CBBs, Treasury bills, or Treasury bond, with an agreement to sell them back at a later maturity date. The Bank temporarily assumes ownership of the security and returns it upon repayment at maturity. These Repo transactions also generate interest income for the Bank.

In 2024 the Bank executed 223 Repo transactions with a total value of K45,141.7 million, a significant increase compared to K6,222.5 million in 2023.

Collateralised Reverse Repurchase Agreements

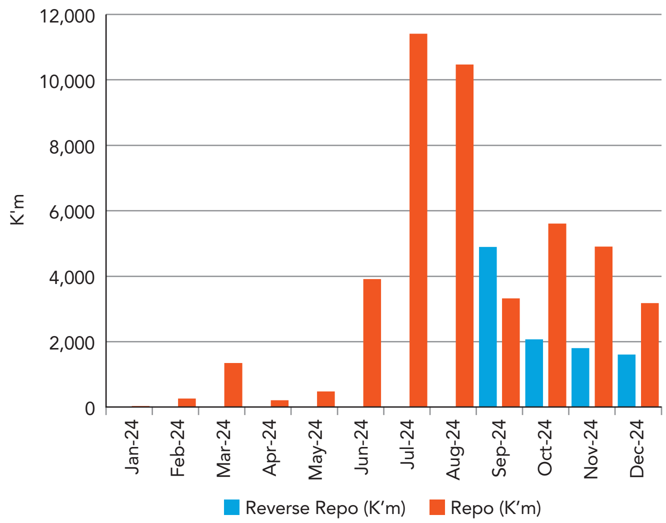
In September 2024 the Bank introduced the Reverse Repo facility under the IMF reform program.

In contrast to Repo transactions, this facility allows commercial banks to sell nominated Government securities to the Bank of Papua New Guinea, which then agrees to repurchase them at maturity.

During the year the Bank executed 84 Reverse Repo transactions with a total value of K10,385.0 million.

The Bank applied interest rates for Repo and Reverse Repo transactions at margins of 150 basis points above and below the Kina Facility Rate (KFR), respectively.

REPO AND RESERVE REPO DEALS – 2024



Government Debt

At the end of 2024, the Government's total domestic debt from issued securities stood at K29.1 billion, an increase of K0.6 billion from the previous year. This comprised K16.3 billion in Inscribed Stock (2023: K14.5 billion) and K12.8 billion in Treasury bills (2023: K13.9 billion).

TREASURY BILLS

	K'm
Outstanding as at 31 Dec 2023	13,975.36
Issued in 2024	13,533.07
Slack Issued 2024	0.00
Maturities in 2024	14,692.73
Slack Maturities in 2024	0.00
Net Maturity	-1,159.66
Outstanding as at 31 Dec 2024	12,815.70

TREASURY BONDS (INSCRIBED STOCK)

	K'm
Issued in 2024	3,521.04
Maturities in 2024	1,740.68
Net Issuance	1,780.36
Outstanding as at 31 Dec 2024	16,308.73
Outstanding as at 31 Dec 2023	14,528.37
Increase in Balance	1,780.36
BPNG Holdings 31 Dec 2024	2,132.45
BPNG Holdings 31 Dec 2023	1,892.21
Net Maturity in BPNG Holdings	240.24

CENTRAL BANK BILLS

	K'm
Outstanding as at 31 Dec 2023	2,046.90
Issued in 2024	94,212.70
Slack Issued in 2024	0.00
Maturities in 2024	94,944.10
Slack Maturities in 2024	0.00
Net Maturity	-731.40
Outstanding as at 31 Dec 2024	1,315.50

BPNG BILLS TAP FACILITY

	K'm
Outstanding as at 31 Dec 2023	17.51
BPNG Bill Tap Issued in 2024	3.00
BPNG Bill Tap Maturity 2024	17.51
BPNG Bill Early Redemption	0.00
Net Maturity	-14.51
Outstanding as at 31 Dec 2024	3.00

BPNG BOND TAP FACILITY

	K'm
Outstanding as at Dec 2023	1,139.17
Maturity in 2024	30.42
BPNG Bond Early Redemption in 2024	50.80
Issued In 2024	0.00
Net Maturity	-81.22
Outstanding as at Dec 2024	1,057.95

Domestic Investment Portfolio

In 2024 the Bank invested a total of K600.5 million in Government securities. This included K0.5 million in secondary market purchases.

During the year, Government securities matured totalling K342.0 million, while secondary market sales amounted to K18.3 million.

As at December 2024 the Bank's holdings in Government securities stood at K2,132.4 million in Treasury bonds, with no holdings in Treasury bills.

SECONDARY FUNCTIONS

In addition to its mandated core responsibilities, the Bank of Papua New Guinea performs several secondary functions, in accordance with the Amended Act and other relevant legislation. These include providing economic advice to Government, increasing economic knowledge, facilitating financial services development and inclusion, and supporting financial intelligence operations.

ECONOMIC ADVICE TO GOVERNMENT

The Bank provides the National Government with economic advice to assist fiscal and economic policy. The Governor is required to advise the Treasurer on the potential impact of Government policy on monetary policy.

The Governor, or her representatives, provided economic briefings at official forums and through the Bank's Monetary Policy Statements. Bank staff also shared relevant data and analysis during technical meetings with officers from the Department of Treasury and other Government departments.

In line with the amended Act, the Bank also submits special reports to the Minister on any adverse conditions that could threaten monetary stability or negatively impact monetary policy, or the Government's broader economic and financial policies.

INCREASING ECONOMIC KNOWLEDGE

The Bank continues to invest in research to build economic knowledge and support policy analysis, decision-making, and forecasting for the preparation of Monetary Policy Statements.

Key inputs include the Bank's quarterly Business Liaison Survey (BLS), which gathers insights from a sample of private sector companies across various regions and industries to assess business activity and inform monetary policy.

The Bank also participates in research projects and partnerships, such as with Griffith University in Australia, and collaborates with institutions like the National Statistical Office, Department of Treasury, SEACEN member central banks, and the Reserve Bank of Australia. Regular engagement with the IMF and other technical partners further strengthens the Bank's knowledge base.

FINANCIAL SERVICES DEVELOPMENT AND INCLUSION

The Bank remains committed to promoting financial inclusion and supporting financial sector development. Although the establishment of the Centre for Excellence in Financial Inclusion (CEFI) shifted day-to-day implementation to CEFI, the Bank continues to provide strategic leadership. The Governor serves as Chair of the CEFI Board. For more information, visit www.thecefi.org

In addition, the Bank facilitates market development through initiatives like the regulatory sandbox, which supports the entry of new providers and products that address PNG's unique inclusion challenges.

COMBATTING AML/CTF

The National Coordinating Committee (NCC) is the central body responsible for overseeing PNG's national response to anti-money laundering, counter-terrorist financing, and counter-proliferation financing (AML/CTF) obligations. Co-chaired by the Governor of the Bank of Papua New Guinea and the Secretary of the Department of Justice and Attorney General, the NCC comprises senior representatives from key Government agencies, law enforcement bodies, financial sector regulators, and policy ministries. It serves as the coordinating mechanism for implementing the country's *AML/CTF Strategic Implementation Plan* and ensures alignment with the standards set by the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering (APG).

The Financial Analysis and Supervision Unit (FASU) serves as Papua New Guinea's Financial Intelligence Unit (FIU) and the designated regulator and supervisor for anti-money laundering, counter-terrorist financing, and counter-proliferation financing (AML/CTF) under the *AML/CTF Act 2015*. Operating independently within the Bank, and supported by its administrative framework, FASU acts as the technical and operational arm of the National Coordinating Committee (NCC), providing intelligence, regulatory expertise, and compliance oversight to support national AML/CTF coordination.

FASU plays an important role in protecting Papua New Guinea from serious financial crimes by conducting and enforcing AML/CTF compliance and supporting sound regulatory practices. As part of this effort, the Bank continued its active role in PNG's response to the findings of the 2024 Mutual Evaluation Report (MER). The MER, conducted under the global standards of the Financial Action Task Force (FATF) and overseen regionally by the Asia/Pacific Group on Money Laundering (APG), identified 75 Recommended Actions (RAs) that must be implemented to strengthen PNG's AML/CTF framework.

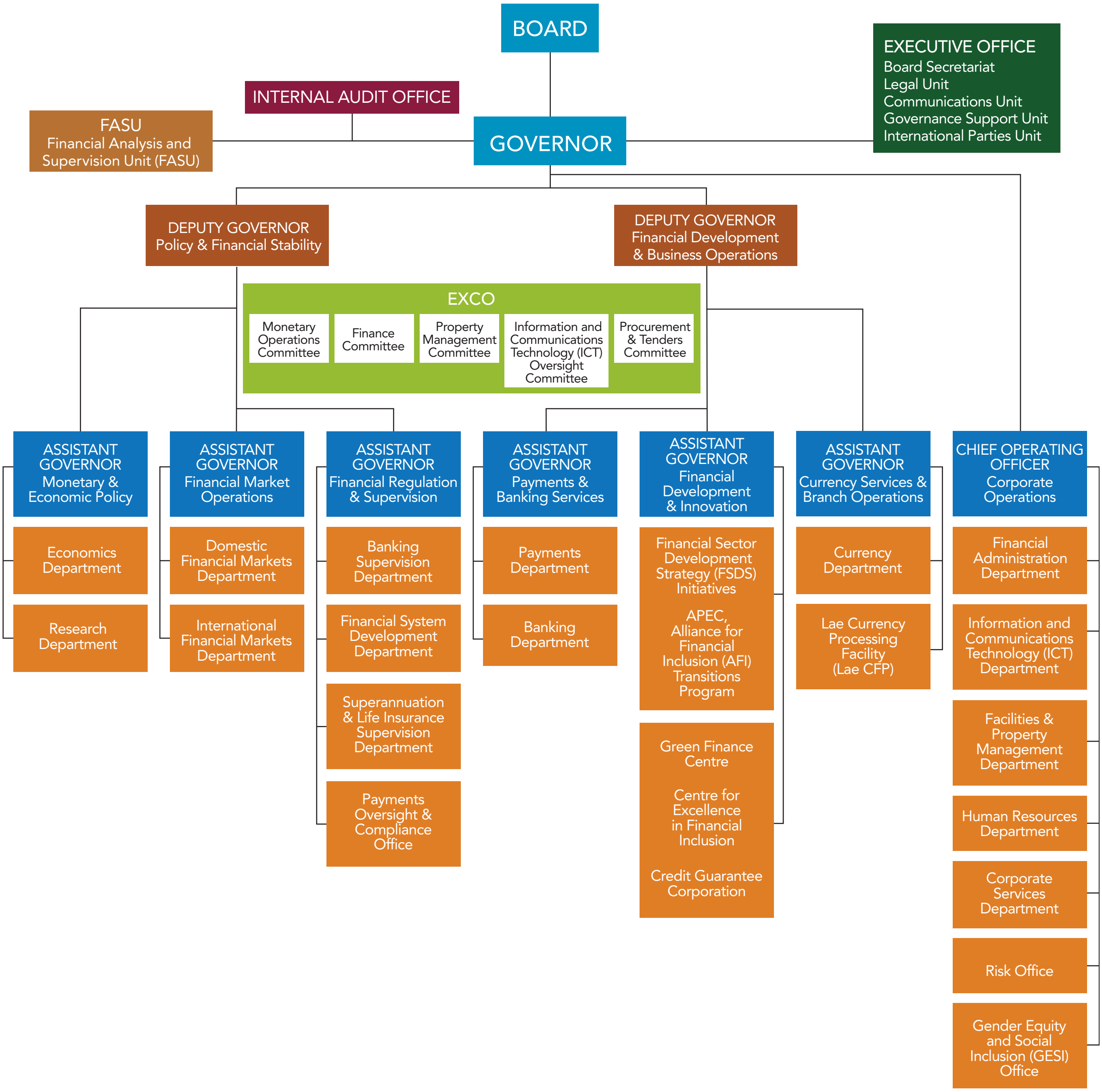
To support implementation of the RAs, the APG Secretariat held a Strategic Implementation Plan workshop attended by all NCC members in November 2024. The resulting plan was endorsed by the NCC as PNG's national roadmap to address the MER deficiencies.

PNG entered a 12-month FATF Observation Period in late 2024. This period provides a final opportunity for the country to demonstrate substantial progress and avoid being placed on the FATF's grey list. The Bank, through FASU and its leadership role in the NCC, continues to prioritise this work as critical to maintaining confidence in PNG's financial system and supporting long-term economic stability.

INSTITUTIONAL SUPPORT

MANAGEMENT STRUCTURE

At 31 December 2024



INFORMATION MANAGEMENT

In 2024 the Bank created the Information Management function within the Institutional Governance Support Office (IGSO) to lead digital transformation and improve internal processes. The team focused on streamlining workflows, digitising records, and helping departments move from manual tasks to automated systems.

Key milestones for the year included the introduction of the Workflow Automation Tool, registering over 500 users, and launching the Bank's first digital workflows for security forms. The team also reviewed how different functions align with the Bank's new executive structure and supported early steps toward data governance with ICT.

By the end of the year, ten internal processes had been registered in the system and four workflows were in active use. Ongoing work includes responding to workflow change requests, training for departments, and continued function mapping across the organisation.

STRATEGIC MANAGEMENT

The Strategic Management team played a central role in 2024 in supporting the Bank's long-term direction. In June the Board approved the Bank's Strategic Plan 2024–2025, launching the first phase of Vision 2050. The Plan identifies four focus areas and ten objectives to guide the Bank's priorities.

After the Plan was endorsed, management identified and prioritised key initiatives, which were scoped and costed for implementation.

The team also began updating the planning and performance system to better track progress across the Bank. At the same time, work advanced on the transformation and change roadmap, a key Vision 2050 output.

ENTERPRISE RISK MANAGEMENT

The Enterprise Risk Management function is focused on strengthening the Bank's overall risk awareness and risk management capabilities. Work is underway to adopt a more modern and comprehensive approach to address identified weaknesses in this area.

The team also updated Business Impact Assessment data linked to the Bank's Business Resumption Site, to help ensure operations can continue in the event of a major disruption to facilities.

Risk input was also provided to the Bank's strategic planning and development of the Property and Currency strategies.

HUMAN RESOURCE MANAGEMENT

Organisational Transformation and Capacity Development

In 2024 the Bank continued to advance a wide-ranging organisational transformation, driven by amendments to the Central Banking Act, the launch of the Strategic Plan 2024–2025, and the objectives outlined in Vision 2050. The focus was on strengthening leadership, clarifying structure, improving systems, and building institutional capability.

A key development was the restructuring of the Bank's executive leadership, approved in late 2024. This included an increase in the number of Assistant Governors from four to six, along with the creation of a new Chief Operating Officer role. These changes are designed to sharpen the Bank's focus on priority areas and improve internal coordination and operational delivery.

To support the implementation of the new structure, the Bank introduced a revised position description framework to ensure clearer alignment between roles, strategic objectives, and performance expectations. A Bank-wide awareness and consultation program began in December to help staff engage with the changes.

In November, the Bank signed a Memorandum of Understanding with Australian Business Volunteers (ABV) to provide technical support in areas such as change management, organisational development, and internal communications.

INSTITUTIONAL SUPPORT

Substantial renovations to the Port Moresby head office helped improve productivity, encourage staff collaboration, and support a more positive and cohesive workplace culture.

The Bank also reviewed the organisational arrangements of related entities, including the Credit Guarantee Corporation and the Centre for Excellence in Financial Inclusion (CEFI), to support more coordinated operations under the broader Financial Sector Development Strategy.

As at the end of 2024, the Bank's staff complement totalled 566, comprising:

- 3 Executive-level staff
- 64 Management-level staff
- 499 Non-management staff.

Staff Development

The Bank continued to invest in staff development throughout 2024. Training, conferences, and workshops were significantly expanded, with 220 staff attending local programs and 159 participating in overseas learning opportunities. Eight staff remained on long-term study, and four successfully graduated during the year. This compares to 125 local and 116 overseas training participants in 2023, with 14 on long-term study and three graduates.

This uplift in staff development responded to findings from the 2023 Training Needs Analysis and the results of a staff engagement survey. Key initiatives introduced during 2024 included the incorporation of a Leadership Development Program and a Values Program into the Bank's Strategic Plan as top-level priorities.

The Bank also launched financial literacy awareness activities across all divisions, with particular emphasis on financial abuse awareness and building financial resilience. A pre-retirement planning program for staff over 55 years was well received, with strong participation from senior staff.

To improve collaboration among teams, a dedicated team bonding program was introduced for Executive Assistants, delivered in two phases to maximise access and engagement.

Gender Equity and Social Inclusion

Over the course of 2024 the Bank of Papua New Guinea made significant progress in embedding Gender Equality and Social Inclusion (GESI) across its operations.

Key milestones included the certification of 12 Male Advocates, 9 based in Port Moresby and 3 in Lae, as part of its internal advocacy network, and the successful implementation of Phase 3 of the Male Advocacy Training program.

The Bank expanded staff awareness programs, reaching over 500 employees through educational sessions on financial literacy and financial abuse. An additional 241 staff participated in workplace bullying and anti-harassment awareness activities.

Phase 1 of Basic Counselling Training was delivered to GESI focal points, strengthening internal support services for staff. The "Pathway to Safety" initiative continued to provide confidential guidance and referrals for staff facing family and sexual violence, harassment, bullying, or discrimination.

During the year the GESI Help Desk handled 60 reported cases, of which 30 were closed, 7 were referred to Human Resources, and 6 were resolved through mediation. The majority of cases related to family and sexual violence (35%) and workplace harassment (26.7%).

These outcomes reflect the Bank's ongoing commitment to fostering a safe, inclusive and supportive work environment for all staff.

INFORMATION AND COMMUNICATION TECHNOLOGY

The Information & Communication Technology (ICT) function plays an essential role in the Bank's day-to-day operations. In addition to managing ICT systems and services across the organisation, the ICT team is closely involved in the development and rollout of projects across the Bank, helping to ensure the right digital tools and support are in place.

COMMUNICATIONS SERVICES

In 2024 the Bank began Phase 1 of a redesign of its corporate website, aimed at improving layout, navigation, and mobile access. The goal was to make it easier for users to find important information, such as monetary policy statements and regulatory updates.

Throughout the year, the Bank shared information on key policy decisions, regulatory changes, and broader central banking issues. This included a public awareness campaign that ran during the first half of 2024 to inform the public about the end of private sector cheque use from 30 June. Other activities included issuing media releases, responding to interview requests, placing public notices, and supporting presentations at events in PNG and overseas.

To help strengthen how the Bank communicates, a Memorandum of Understanding was signed with Australian Business Volunteers (ABV), supported by the Australian Government through DFAT. Through this partnership, ABV has provided communications specialists to work with the Bank on improving its communications approach and outputs.

COMMUNITY ENGAGEMENT

The Bank continues to play an active role in community life, contributing to a range of professional, cultural, sporting, and health-related initiatives throughout 2024.

Whether through partnerships, sponsorships, or participation, the Bank recognises the importance of supporting activities that enrich public wellbeing and promote national pride.

INSTITUTIONAL SUPPORT

SENIOR OFFICERS

AT 31 December 2024

Senior officers	
Governor	Elizabeth Genia
Deputy Governor, Policy & Financial Stability	Jeffrey Yabom
Deputy Governor, Financial Development and Business Operations	Vacant
Advisor	Joseph Teria
Executive Office	
Corporate Secretary	Patrick Kwiwa
Legal Officer	Jeffrey Mala Mesa
Manager, Strategic Communication Unit	Vacant
Manager, Institutional Governance Support Unit	Beverley Mirou (Acting)
Manager, International Parties Unit	Vacant
Internal Audit Department	
Department Manager	Benek Beriso
Manager, Operations Audit Unit	Frieda Kamakom
Manager, IT Audit Unit	Justin Wohuinangu
Financial Analysis and Supervision Unit	
Director	Wilson Onea
Manager, Supervision & Compliance Division	Rosa Kapilis
Manager, Intelligence Management Division	Edric Ogomeni
Manager, Policy Development & Coordination Division	Emete Enare
Monetary & Economic Policy Group	
Assistant Governor	Williamina Hubert (Acting)
Economics Department	
Department Manager	Wilson Jonathan (Acting)
Manager, Monetary Policy and Analysis Unit	Wilson Jonathan
Manager, Balance of Payments Unit	Daniel Paita
Manager, Library Unit	Stephanie Mule
Manager, International Transactions Monitoring Unit	Win Nicholas (Acting)
Research Department	
Department Manager	Boniface Aipi
Manager, Economic Analysis Unit	Ishmel Libitino (Acting)
Manager, Projects Unit	Ludwig Aba
Manager, Macro-Prudential Supervision Unit	Justin Sil
Financial Market Operations Group	
Assistant Governor	Rowan Rupa (Acting)

Senior officers	
International Financial Markets Department	
Department Manager	Gaona Gwaibo
Manager, Foreign Reserves Unit	Charles Paluwa
Manager, Middle Office Unit	Ambrose Papis (Acting)
Manager, Sovereign Wealth Compliance Unit	Vacant
Domestic Financial Markets Department	
Department Manager	Grant Daula (Acting)
Manager, Foreign Exchange Unit	Alice Talwat (Acting)
Money Markets Unit	Ken Pakao
Registry Unit	Marie Martin
Financial Regulations & Supervision Group	
Assistant Governor	Sabina Deklin (Acting)
Banking Supervision Department	
Department Manager	Delilah Wagambie (Acting)
Manager, Banks & Finance Companies Unit	Samson Wai
Manager, Savings & Loans Society Unit	Nickson Kunjil
Superannuation & Life Insurance Supervision Department	
Department Manager	Tom Milamala
Superannuation Unit	Luke Mongolap
Life Insurance Unit	Joseph Nukints
Employer Contribution Enforcement Unit	Nonza Makip
Financial System Development Department	
Department Manager	Walio Gamini
Manager, Financial System Policy Unit	Tanu Irau
Unit Manager, Licensing & Compliance Unit	Florence Pupua
Payments Oversight & Compliance Office	
Manager	Francis Poko (Acting)
Manager, Monitoring & Analytics Unit	Terence Muriki (Acting)
Manager, Assessment & Compliance Unit	Pepna Kepa
Manager, Policy Development	Vacant
Payment & Banking Group	
Assistant Governor	Jason Tirime (Acting)
Banking Department	
Department Manager	Priscilla Ipu (Acting)
Manager, Customer Services Unit	So'on Drewei
Manager, Clearing Accounts Unit	Aiva Aku
Manager, Government Accounts Unit	Gerega Ilagi (Acting)

INSTITUTIONAL SUPPORT

Senior officers	
Payments Systems Department	
Department Manager	Alfred Napun
Manager, Payments Oversight & Compliance	Velai Velai
KATS Operations & Support Unit	Lynne Yagas
Financial Development & Innovation Group	
Assistant Governor	George Awap (Acting)
Centre for Excellence in Financial Inclusion	
Director	Peter Samuel (Acting)
Currency Services and Branch Operations Group	
Assistant Governor	Ron Sikar
POM Currency Department	
Department Manager	Edward Kisaku
Manager, Processing Unit	Daniel Tokura (Acting)
Manager, Control Unit	John Yenas
Lae Cash Processing Facility & Currency Department	
Department Manager	Nathan Maire
Manager, Processing Unit	Frank Ababa
Manager, Control Unit	Agnes Mark
Corporate Operations Group	
Chief Operating Officer	Vacant
Advisor	Naime Kilamanu
Risk Office	
Manager	Vacant
Gender Equality Social Inclusion Office	
Manager	Angesula Jogamup
Lae CPF Central Bank & Support Services Office	
Manager	William Tiki (Acting)
Enterprise Management Office	
Manager	Moses Kiriat (Acting)
Corporate Services Department	
Department Manager	Jerome Peniasi
Manager, Staff Home Ownership Scheme Unit	Monica Toisenegila
Manager, Events, Marketing & Publication Unit	Alice Japhlom
Manager, Multi-Media and e-Communication Unit	Brian Semoso (Acting)

Senior officers	
Facilities & Property Management Department	
Department Manager	Gibson Param
Manager, Security Services Unit	David Rutana
Manager, Lae CPF Security Services Unit	Jonah Kepa (Acting)
Manager, Building Unit	Eliakim Tamur (Acting)
Manager, Lae CFP Building Unit	Trevor Gankarch
Human Resources Department	
Department Manager	Mairi Mathew
Manager, Strategy & Planning Unit	George Badipipi
Manager, Client Support Unit	Keith Kofinu
Manager, Administrative Support Unit	Claire Nomoreke
Information & Communication Technology Department	
Department Manager	Elvis Haoda
Manager, Information Technology Operations Unit	Joseph Manea
Manager, Applications Unit	Rejoice Jonah (Acting)
Manager, Information Technology Security Unit	Bernadette Caleb
Manager, Service Desk	Vanessa Hamou (Acting)
Financial Administration Department	
Department Manager	Danny Ganak
Settlement Unit	Noine Noine (Acting)
Management Reporting Unit	Linah Goi
Accounting & Payments Unit	Oliver Kludapalo

BANK OF PAPUA NEW GUINEA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2024

CONTENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Note	2024 K'000	2023 (Restated) K'000
Revenue from foreign currency investments			
Interest revenue	2	447,893	409,344
Realised on financial assets, net		(40,039)	(139,585)
Foreign exchange gains and commissions		104,972	74,944
Total revenue from foreign currency investments		**512,826**	**344,703**
Expenses on foreign currency investments			
Interest expense on liabilities with International Monetary Fund (IMF)		(31,924)	(24,282)
Custodian and investment management fees		(7,816)	(7,260)
Total expenses from foreign currency investments		**(39,740)**	**(31,542)**
Net foreign currency income		**473,086**	**313,161**
Revenue from domestic operations			
Interest revenue	3	238,445	203,689
Other income	4	19,151	13,980
Total revenue from domestic operations		**257,596**	**217,669**
Expense on domestic liabilities			
Interest expense	5	(159,868)	(183,905)
Expected credit loss		(3,599)	1,814
Total expenses on domestic liabilities		**(163,467)**	**(182,091)**
Net domestic income		**94,129**	**35,578**
Total net operating income		**567,215**	**348,739**
Operating expenses			
General and administration expenses	6	(325,009)	(301,807)
Profit excluding unrealised income		**242,206**	**46,932**
Other unrealised income, net			
Fair value and foreign exchange revaluation gains on foreign currency investments, net		837,774	984,939
Total other unrealised income, net		**837,774**	**984,939**
Profit for the year		**1,079,980**	**1,031,871**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Gain on gold asset revaluation		114,158	52,979
Other comprehensive income for the year		**114,158**	**52,979**
Total comprehensive income for the year		**1,194,138**	**1,084,850**

The financial statements are to be read in conjunction with the notes on pages 59 to 91.

STATEMENT OF FINANCIAL POSITION

as at
31 December 2024

	Note	2024 K'000	2023 (Restated) K'000	1 January 2023 (Restated) K'000
Assets				
Cash and cash equivalents	8	3,157,470	2,870,099	2,217,079
Foreign investments	9	10,665,262	11,244,413	11,599,478
Assets held with IMF and other financial organisations	7	3,079	6,280	20,123
Accrued interest		97,513	101,726	51,267
Total foreign currency financial assets		**13,923,324**	**14,222,518**	**13,887,947**
Government of Papua New Guinea securities	10	2,096,530	1,858,841	1,977,634
Other Government receivable	7	30,690	1,307,274	1,259,438
Loans and advances	11	295,235	3,444	2,231
Accrued interest and other receivables		58,381	54,180	58,242
Total local currency financial assets		**2,480,836**	**3,223,739**	**3,297,545**
Total Financial Assets		**16,404,160**	**17,446,257**	**17,185,492**
Non-financial assets				
Gold		437,470	323,311	270,332
Property and equipment	13	515,671	514,914	488,545
Investment properties		-	-	28,073
Other assets	12	121,473	110,510	85,661
Total non-financial assets		**1,074,614**	**948,735**	**872,611**
Total Assets		**17,478,774**	**18,394,992**	**18,058,103**
Liabilities				
Foreign currency financial liabilities				
Liabilities to IMF	7	660,536	1,894,383	1,776,083
Other financial liabilities	19	8,326	17,724	3,230
Derivative liabilities	9	-	39,933	71,212
Total foreign currency financial liabilities		**668,862**	**1,952,040**	**1,850,525**
Local currency financial liabilities				
Deposits from banks and third parties	14	4,783,755	5,246,703	6,333,689
Deposits from Government and Government entities	15	3,141,646	2,940,989	3,519,782
Debt securities issued	16	2,380,761	3,202,379	2,652,667
Accrued interest payable on debt securities		26,633	38,168	2,088
Currency in circulation	17	3,466,167	3,254,586	2,967,982
Other financial liabilities	18	154,177	100,965	160,428
Total local currency financial liabilities		**13,953,139**	**14,783,790**	**15,636,636**
Total financial liabilities		**14,622,001**	**16,735,830**	**17,487,161**
Non-financial liabilities				
Provisions for employee entitlements	19	51,707	48,234	44,864
Total non-financial liabilities		**51,707**	**48,234**	**44,864**
Total Liabilities		**14,673,708**	**16,784,064**	**17,532,025**

	Note	2024 K'000	2023 (Restated) K'000	1 January 2023 (Restated) K'000
Equity				
Capital	21	145,540	145,540	145,540
Gold revaluation reserve	21	416,861	302,703	249,724
Property revaluation reserve	21	110,774	110,774	110,774
Unrealised gain/(loss) reserve	21	1,475,002	637,228	(347,711)
Building reserve	21	223,800	223,800	223,800
General reserve	21	30,000	30,000	30,000
Retained earnings	21	403,089	160,883	113,951
Total Equity		**2,805,066**	**1,610,928**	**526,078**
Total Liabilities and Equity		**17,478,774**	**18,394,992**	**18,058,103**

The financial statements are to be read in conjunction with the notes on pages 59 to 91.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Capital K'000	Gold Revaluation Reserve K'000	Property Revaluation Reserve K'000	Unrealised gain/(loss) Reserve K'000	Building Reserve K'000	General Reserve K'000	Retained Earnings K'000	Total K'000
At 1 January 2023, as previously reported	**145,540**	**249,724**	**110,774**	**34,534**	**223,800**	**30,000**	**130,893**	**925,265**
Restatement (Note 30)	-	-	-	(382,245)	-	-	(16,942)	**(399,187)**
At 1 January 2023, as restated	**145,540**	**249,724**	**110,774**	**(347,711)**	**223,800**	**30,000**	**113,951**	**526,078**
Profit for the year (restated)	-	-	-	984,939	-	-	46,932	**1,031,871**
Other comprehensive income	-	52,979	-	-	-	-	-	**52,979**
Total comprehensive income	**-**	**52,979**	**-**	**984,939**	**-**	**-**	**46,932**	**1,084,850**
At 31 December 2023 (restated)	**145,540**	**302,703**	**110,774**	**637,228**	**223,800**	**30,000**	**160,883**	**1,610,928**
Profit for the year	-	-	-	837,774	-	-	242,206	**1,079,980**
Other comprehensive income	-	114,158	-	-	-	-	-	**114,158**
Total comprehensive income	**-**	**114,158**	**-**	**837,774**	**-**	**-**	**242,206**	**1,194,138**
At 31 December 2024	**145,540**	**416,861**	**110,774**	**1,475,002**	**223,800**	**30,000**	**403,089**	**2,805,066**

The financial statements are to be read in conjunction with the notes on pages 59 to 91.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Note	2024 K'000	2023 K'000
Cash Flows from Operating Activities			
Interest received on foreign investments		450,203	358,886
Interest received on domestic investments		236,148	206,830
Fees, commissions and other income received		124,123	87,711
Interest paid on IMF liabilities		(31,924)	(24,282)
Interest paid on domestic liabilities		(171,403)	(147,824)
Payments to employees		(122,730)	(112,352)
Payments to suppliers		(130,262)	(226,342)
Fees and commissions paid		(7,816)	(7,260)
Net proceeds from foreign investments		106,306	1,301,284
Net proceeds from domestic investments		1,035,296	73,690
Net loans issued		(292,894)	-
Net Cash Flow provided by Operating Activities		**1,195,047**	**1,510,341**
Cash Flows from Investing Activities			
Purchase of property and equipment		(7,996)	(8,701)
Payments for construction costs on capital projects		(20,662)	(14,186)
Proceeds from sale of property and equipment		168	-
Net Cash Flow used in Investing Activities		**(28,490)**	**(22,887)**
Cash Flows from Financing Activities			
Payment of lease liabilities		(6,858)	(4,970)
Net movement of currency in circulation		211,581	286,603
Net movement in debt securities issued		(821,618)	549,713
Net movement in deposits from Government		200,656	(578,793)
Net movement in deposits from banks		(462,948)	(1,086,987)
Net Cash Flow used in Financing Activities		**(879,186)**	**(834,434)**
Net Increase in Cash and cash equivalents		**287,371**	**653,020**
Cash and cash equivalents at 1 January		2,870,099	2,217,079
Cash and cash equivalents at 31 December	8	**3,157,470**	**2,870,099**

The financial statements are to be read in conjunction with the notes on pages 59 to 91.

Note 1: MATERIAL ACCOUNTING POLICY INFORMATION

The Bank of Papua New Guinea (the 'Bank') is domiciled in Papua New Guinea and is the country's central bank and regulator of monetary policy, the financial sector and payments system.

The principal accounting policies applied in the preparation of these financial statements are set out below.

(a) Basis of preparation

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) (IFRS Accounting Standards), and in accordance with the *Central Banking Act 2000* (as amended) (the 'Act').

All amounts are expressed in Kina rounded to the nearest thousand unless otherwise stated. Fair value accounting is used for foreign marketable securities, gold and foreign currency, as well as for land and buildings. In all other cases, a historical cost basis of accounting is used. Revenues and expenses are brought to account on an accrual basis.

Going concern

The financial statements continue to be prepared on a going concern basis. The Bank recorded a net asset position of K2.8 billion as at 31 December 2024 (2023: a net asset position of K1.6 billion). The increase in net assets was mainly a result of the depreciation of Kina against other major currencies and foreign currency price valuation gains from declining global yield rates.

(b) Functional and presentation currency

Transactions in foreign currency are translated to Kina being the functional currency of the Bank and the presentation currency of these financial statements at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Kina at the foreign exchange rate prevailing at reporting date. Foreign exchange differences arising on translation are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(c) Use of judgements and estimates

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

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

Information about assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the year ended 31 December 2024 is set out below in relation to the impairment of financial instruments and in the following notes in relation to other areas:

a) Note 23 (iv) – determination of the fair value of financial instruments with significant unobservable inputs;

b) Note 13 – fair value of land and buildings.

(d) Amendments to IFRS Accounting Standards that are mandatorily effective for the current reporting period

In the current year, the Bank has applied a number of amendments to IFRS Accounting Standards that are mandatorily effective for an accounting period that begins on or after 1 January 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)

The Bank has adopted IFRS 17 and the related amendments for the first time in the current year. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Bank does not have any contracts that meet the definition of an insurance contract under IFRS 17.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements— Disclosure of Accounting Policies

The Bank has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Bank has amended the current year term from significant accounting policies to material accounting policy and determined that all disclosures included in Note 1 are material.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The Bank has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

(e) New and revised IFRS Standard in issue but not yet effective

At the date of authorisation of these financial statements, the Bank has not applied the following revised IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IFRS 21 Lack of Exchangeability
Amendments to the SASB standards to enhance their international applicability

The Board of Directors do not expect that the adoption of the Standards listed above will have material impact on the financial statements of the company in the future period.

(f) Leases

The Bank as lessee

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less or residential leases) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its Kina Facility Rate.

The lease liability is included under 'Other financial liabilities' in the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using the current Kina Facility Rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Bank did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Bank incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'property and equipment' line in the Statements of Financial Position.

The Bank applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "General and administrative expenses" in profit or loss.

(g) Financial Instruments

Classification and measurement of financial instruments

Definition of financial instruments

A financial instrument is defined as any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The Bank's financial instruments are its domestic Government securities, foreign government securities, Central Bank Bills issued, bank deposits, cash and cash equivalents, deposit liabilities and currency in circulation. The Bank accounts for its financial instruments in accordance with IFRS 9 and reports these instruments under IFRS 7 *Financial Instruments: Disclosures* and IFRS 13 *Fair Value Measurement*.

(i) Recognition and initial measurement

Financial instruments are initially recognised when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument.

(ii) Classification and subsequent measurement of financial assets

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

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

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 business model for domestic debt instruments 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 amortisation 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 Bank 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.

Solely payments of principal and interest (SPPI) criteria

The SPPI test requires that the contractual terms of the financial asset (as a whole) give rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding i.e. cash flows that are consistent with a basic lending arrangement.

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

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

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank’s claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money — e.g. periodical reset of interest rates.

Financial assets measured at amortised cost – financial assets 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, financial assets in this category are carried at amortised cost. Interest income on these instruments is recognised as interest income using the effective interest rate method.

Financial assets measured at FVTPL – financial assets 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.

Financial assets measured at FVTOCI – financial assets are measured at FVTOCI if the financial assets are held within a business model that is achieved by both collecting contractual cash flows and selling, which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest. These comprise primarily marketable securities. They are recognised at the trade date when the Bank enters into contractual arrangements to purchase and are derecognised when they are sold or redeemed. They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains or losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains and losses in the comprehensive income are recognised in the statement of profit or loss and other comprehensive income as 'gains and losses from financial instruments'. Financial assets measured at FVOCI are included in the impairment calculations and the impairment is recognised in profit or loss.

(iii) Classification of financial liabilities

The Bank classifies all financial liabilities as subsequently measured at amortised cost except for liabilities with IMF. Interest on financial liabilities is calculated using the effective interest rate method, is recognised as interest expense. Financial liabilities measured at fair value through profit or loss – the Bank designates financial liabilities to eliminate, or significantly reduce, inconsistencies that would otherwise arise from measuring assets and liabilities on different bases. The relevant assets and liabilities (including derivatives) are managed together and internal reporting is evaluated on a fair value basis.

(iv) Reclassifications of financial assets

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing the financial assets.

(v) Impairment of financial assets carried at amortised cost

The Bank measures and recognises allowances for expected credit losses on the following financial instruments that are measured at amortised cost:

- Loan and advances.
- Investment in Government Inscribed Stocks.
- Other financial assets.

The Bank 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 impairment model

The Bank'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 ("ECL") 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 amount that is determined by evaluating a range of possible outcomes.

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 probability of default that represents the probability of default occurring over the next 12 months. For those assets with a remaining maturity of less than 12 months, the probability of default 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 probability of default 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. When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Bank will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Bank's historical experience, expert credit assessment and forward-looking information.
- Stage 3 – Financial assets that have an 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. Under IFRS 9, the Bank will consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held).

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. 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 derecognised 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 payments.
- 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 Bank would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

Forward-looking information

The Bank uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL.

ECL calculation

Expected credit losses are calculated by identifying scenarios in which a loan or receivable defaults, estimating the cash shortfall that would be incurred and then multiplying that loss by the probability of the default happening. When an ECL is identified, the carrying amount of the asset would be reduced and the amount of ECL is recognised in the statement of profit or loss and other comprehensive income.

(vi) Derecognition of financial instruments

Derecognition of financial assets

A financial asset is derecognised when the contractual rights to the cash flows from the asset has expired; or the Bank 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 Bank 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 Bank 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 Bank 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 Bank 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. If an existing financial liability is replaced by another from the same counterparty on substantially different terms, or the terms of the 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 at fair value.

The difference in the respective carrying amount of the existing liability and the new liability is recognised as a gain/loss in the profit or loss.

(vii) Modification of financial instruments

Modification of financial assets

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

If the cash flows are substantially different, then the contractual rights to cash flows from the original assets are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

If the modification of a financial asset measured at amortised cost or FVTOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss.

Modification of financial liabilities

The Bank derecognises a financial liability when its terms are modified and cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

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

(viii) Domestic Government securities

The Bank holds Inscribed Stocks with fixed coupon rates issued by the Government purchased at discount or premium. Interest is received biannually at the coupon rate and the principal is received at maturity. The Inscribed Stock securities are measured at amortised cost. The Bank measures and recognises allowances for expected credit losses for Government Inscribed Stocks by applying the policy described in Note 3.g.v above and the following inputs:

- PD & LGD: Sovereign debt credit rating, the probability of default associated with credit rating and historical recovery rates on defaulted debt issues are obtained from credit rating agencies, such as Moody's and/or Standard & Poor's; and
- EAD: the gross carrying value at reporting date.

The Bank also holds Treasury bills purchased at a discount. The securities are held to collect contractual cash flows hence are measured at amortised cost.

Interest earned on the securities is accrued over the term of the security and included as revenue in the Statement of Profit or Loss and Other Comprehensive Income.

(ix) Foreign exchange holdings

Foreign exchange holdings are invested mainly in securities (issued by the governments of Australia, the United Kingdom, United States of America, Germany, France and Japan) and bank deposits (with highly-rated international banks, Central banks and international agencies). They are available to be traded in managing the portfolio of foreign exchange reserves. In accordance with IFRS 9, these assets are measured as 'fair value through profit or loss'. External fund managers engaged by the Bank also enter into forward exchange contracts to hedge the returns of portfolios under their management to the US Dollar. No PNG Kina forward contracts are entered into.

(x) Foreign exchange translation

Assets and liabilities denominated in foreign currency are converted to Kina equivalents at the prevailing exchange rate on reporting date. Realised and unrealised gains or losses on foreign currency are taken to profit or loss, but only realised gains are available for distribution.

(xi) Foreign government securities and Treasury bills

Foreign government securities include coupon and discounted securities. Coupon securities have biannual or annual interest payments depending on the currency and type of security; the principal is received at maturity. Interest earned on discount securities is the difference between the purchase cost and the face value of the security; this is accrued over the term the securities are held. They are available to be traded in managing the portfolio of foreign exchange reserves and are managed by the Bank on a fair value basis, thus they are measured as FVTPL under IFRS 9. In accordance with this standard, these securities are valued at market bid prices on balance date. Realised and unrealised gains or losses are taken to profit; only realised gains and losses are available for distribution in accordance with the *Central Banking (Amendment) Act 2021*. Interest earned on securities is accrued as revenue in the Statement of Profit or Loss and Other Comprehensive Income. Foreign Treasury bills are held mainly for liquidity purposes and recorded at amortised cost.

(xii) Foreign deposits

The Bank holds its foreign currency reserves in deposits with highly-rated international banks. Deposits are classified as 'cash and cash equivalents' under IAS 7 and recorded at their face value. Foreign deposits are revalued at period end using the applicable foreign exchange bid rate. Any gains or losses due to changes in the foreign exchange rates between periods are taken to profit.

(xiii) Foreign currency forward contracts

External fund managers engaged to manage part of the Bank's investment portfolio enter into over the counter forward foreign exchange contracts to hedge the return of portfolios under their management to the US Dollar. Gains/(losses) on this portfolio are treated as unrealised by the Bank and recorded in a separate equity reserve as such gains and losses are not available for distribution. These forward contracts are accounted for on a fair value basis, with all changes in fair value being reflected in the Statement of Profit or Loss and Other Comprehensive Income in accordance with IFRS 9. The fair values are determined with reference to prevailing exchange rates at balance date.

(xiv) Repurchase agreements

During the year, the Bank entered into repurchase agreement and reverse repurchase agreement with commercial banks. A repurchase agreement involves the sale of securities with an undertaking to repurchase them on an agreed future date at an agreed price. In a reverse repurchase agreement, securities are initially bought and this transaction is reversed at an agreed price on an agreed future date. Reverse repurchase agreements provide the Bank's counterparties with cash for the term of the agreement and the Bank treats it as a cash receivable. Securities purchased and contracted for sale under reverse repurchase agreements are classified under IFRS 9 as 'held to collect' and measured at amortised cost. The difference between the purchase and sale price is accrued over the term of the agreement and recognised as interest revenue. Repurchase agreements result in cash being paid to the Bank and are treated as a liability, reflecting the obligation to repay cash.

(xv) Deposit liabilities

Deposits include deposits at call. Deposits are financial liabilities classified and measured at amortised cost under IFRS 9 and are included in Note 14 and Note 15.

(xvi) Central Bank Bills on issue

The Bank has issued Central Bank Bills as part of its money market operations. These are classified as financial liabilities. The bills issued have maturities ranging from 7 days to 28 days and are recorded at their amortised cost using the effective interest method. Interest is paid at maturity.

The Bank is also issuing Central Bank Bonds with maturities ranging from 2 to 10 years and are also recorded at amortised cost using the effective interest method. Interest is paid semi-annually.

(xvii) Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable repayment terms that are not quoted in an active market. Loans are receivables and initially recognised at fair value which is the cash consideration to originate or purchase the loan including any transaction costs and measured subsequently at amortised cost using the effective interest rate method under IFRS 9. Loans and advances owing from previous staff are treated as financial assets measured at amortised cost and will be assessed for impairment based on an expected credit loss model in accordance with IFRS 9; however, loans and advances to current staff represent a prepaid employee benefit.

(xviii) Assets and Liabilities with the International Monetary Fund (IMF)

As Papua New Guinea is an IMF member nation, special drawing rights (SDR) are periodically allocated. The Bank acts as the depository and fiscal agent of the Government of Papua New Guinea and transacts with the IMF on behalf of the Government of Papua New Guinea. In these transactions, the ultimate responsibility to fund the repayment of the SDR lies with the Independent State of Papua New Guinea, as such, in general, no asset or liability is recognised in Bank's books, unless agreed by the Government of Papua New Guinea and such allocations are used by the Bank. In this instance, the Bank recognises the holdings as an asset and allocation as a liability.

The IMF assets and liabilities are denominated in SDR which are based on the weighted average of five main trading currencies. These are translated to PGK using the SDR market rate at balance date. Under voluntary arrangements with the IMF, the Bank is willing to transact in SDRs upon request from other countries or prescribed holders. In these transactions, the Bank will generally either buy or sell SDRs in exchange for foreign currencies. These assets and liabilities are managed by the Bank on a fair value basis and are measured as FVTPL in accordance with IFRS 9.

(xix) Currency in Circulation

Currency issued by the Bank represents a claim on the Bank in favour of the holder. It is recorded at face value in the Statement of Financial Position.

(xx) Revenue

Interest income

Interest income is recognised as it accrues in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest rate ("EIR") method in line with requirements of IFRS 9.

Foreign exchange gains and commissions

Foreign exchange gains and commissions include gains and losses on trading in foreign currency and profit or loss impact of conversion to functional currency of foreign currency denominated assets and liabilities.

Realised gains/(loss) on financial assets

Gains and losses realised from the sale of foreign financial instruments are reflected in the Statement of Profit or Loss and Other Comprehensive Income at the time of transaction.

Other income

Rental income is brought to account as the performance obligations are satisfied over time. All rents are payable on a monthly basis. All other income sources are generally brought to account as the performance obligations are satisfied at a point in time, with the exception of license and application fees which are brought to account over time.

(h) Determination of fair value

For financial instruments trading in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. This includes quoted debt instruments on major trading exchanges and broker quotes from Bloomberg and Reuters.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from the exchange, dealer, broker, pricing service or regulatory agencies, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, foreign exchange rates, volatilities and counterparty spreads) existing at the dates of the statement of financial position.

(i) Property and equipment

Formal valuations of all the Bank's properties are conducted on a triennial basis. The properties are valued by local independent valuers. The most recent independent valuation of the properties was conducted in the financial statements at 31 December 2022. In accordance with IAS 16 – Property Plant and Equipment, properties are valued at fair value, which reflects observable prices and are based on the assumption that assets would be exchanged between knowledgeable, willing parties at arm's length. Reflecting their specialised nature, the Bank's head office at ToRobert Haus and the Lae Currency Processing Facility are valued at depreciated replacement cost. Valuation gains and losses are transferred to the property revaluation reserve. Management has assessed the fair value of all property and equipment as at year end and consider them to be appropriate. Property revaluations are done and accounted for at the end of the year applying the elimination method to any accumulated depreciation.

Annual depreciation is based on fair values less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in the profit or loss. The range of useful lives used for each class of assets is:

	Years
Residential Properties	20–30
Office Buildings	50
Computer Equipment	5
Vehicles	4
Equipment	5
Intangible – Computer Software License	5–13

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(j) Computer Software

Computer software that is internally developed or purchased is accounted for in accordance with IAS 38 – Intangible Assets. Intangibles are recognised at cost less accumulated amortisation and impairment adjustments (if any), details of which are included in Note 13.

Amortisation of computer software is calculated on a straight-line basis using the estimate useful life of the relevant asset which is usually a period of between five to thirteen years. The useful life of core banking software may be up to 13 years, reflecting the period over which the future economic benefits are expected to be realised from this asset.

(k) Gold

Gold reserves placed on deposit with a financial institution are valued at the Kina equivalent of the prevailing exchange rate at balance date. On this basis, the underlying transaction means that the Bank holds a gold asset which is separately disclosed as gold. Unrealised gains and losses on gold are transferred to other comprehensive income.

(l) Derecognition

A financial asset is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition under IFRS 9. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

(m) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(n) Inventory – Notes & Coins

The cost of the printing of notes and minting of coins are initially capitalised until such time as they are issued into circulation at which point the related cost is expensed. The weighted average cost method is used to calculate the number of pieces issued into circulation. All other expenditures of a non-capital nature are expensed when incurred.

(o) Cash and cash equivalents

Cash and cash equivalents comprise balances with a maturity of less than three months from the date of acquisition, including cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

(p) Other receivables

Other receivables are stated at amortised cost.

(q) Employee benefits

(i) Statutory Appointee Provident Fund

The Governor and Deputy Governor contribute to the Bank's statutory appointee provident fund (SAPF). Interest is paid on the SAPF balances half yearly based on the average interest rate of Nasfund and Nambawan Superannuation Funds. SAPF also guarantees a minimum return of 5% per annum.

All employees contribute to an approved external superannuation fund and are recognised as an expense in the Bank's Statement of Profit or Loss and Other Comprehensive Income.

(ii) Provision For Leave Entitlement

The Bank maintains provisions for accrued annual leave in accordance with IAS 19 - Employees Benefits, calculated on salaries expected to prevail when leave is anticipated to be taken. The Bank also maintains provisions for long service leave. The provision of employee benefits for long service leave represent the present value of the estimated future cash outflows to be made resulting from employees' service provided to balance date. The provision is calculated using expected future increases in wages and salary rates including related on-costs and expected settlement dates based on staff turnover history and is discounted using the rates attaching to PNG Government bonds at balance date which most closely match the terms of maturity of the related liabilities.

(r) Other liabilities

Other liabilities are initially recognised at their fair value and subsequently recognised at amortised cost.

(s) Reserves

The Bank maintains the following reserves. Their purpose and method of operation is to be as follows:

(i) Bank of Papua New Guinea Reserve Fund

The *Central Banking (Amendment) Act 2021* Section 42, allows the Bank to create reserve funds for meeting contingencies which arise in the course of operations in carrying out its functions. The Bank currently has a General Reserve and a Building Reserve fund.

(ii) Property Revaluation Reserve

The property revaluation reserve reflects the impact of changes in the fair value of property.

(iii) Unrealised Profits Reserve

Unrealised gains and losses on foreign exchange balances and domestic securities are recognised in the unrealised gain and loss reserve until such gains and losses are realised whereby they are recognised in profit and loss from ordinary activities. Such gains and losses are not available for distribution.

(iv) Distributable Profit Reserve

The distributable profit reserve reflects closing distributable profit which may be distributed to the Government of Papua New Guinea after ensuring that the current financial position of the Bank meets the requirements under the *Central Banking (Amendment) Act 2021* Section 49(3).

(v) Gold Revaluation Reserve

Unrealised gains and losses arising from revaluation are recognised in the Gold Revaluation Reserve at end of the reporting period. Realised gains and losses are recognised in profit and loss from ordinary activities.

(t) Allocation of distributable profit

(1) Within 30 days of after publishing the financial statements referred to in Section 45, the Bank shall allocate the distributable earnings as follows:

a) an amount equivalent to 80 percent of distributable earnings shall be credited to the general reserve account until the sum of the authorised capital and general reserves equal 8 percent of the total monetary liabilities of the Bank; and

b) a part of the remaining distributable earnings may be credited to special reserve accounts until the balances in such reserve accounts reach such sums as the Board reasonably determines having consulted the Minister; and

c) any remaining distributable earnings shall be transferred to the Consolidated Revenue Fund.

(2) No distribution shall be made out of current income of the Bank except as permitted by Subsection (1).

(3) If any financial year the Bank incurs a net loss, this loss shall first be charged to the general reserve account and subsequently applied against the authorised capital account.

(u) Tax Exemption

Bank of Papua New Guinea is exempt from income tax under section 87 of the Central Banking as amended.

Note 2: INTEREST REVENUE – FOREIGN CURRENCY INVESTMENTS

	2024 K'000	2023 K'000
Foreign securities and bank deposits	447,893	409,344
	447,893	**409,344**

Interest income on foreign investments includes interest earned on foreign bonds, Treasury bills, nostro accounts and other foreign investments. Interest income of K111.9 million (2023: K77.7 million) is in relation to investments managed by external fund managers and the remainder of K335.9 million (2023: K331.6 million) relates to investments managed by the Bank. Coupon rates during the year varied between 1.0% and 8.4% (2023: 1.0% and 8.3% and yields varied between 1.17% and 9.9% (2023: -5.51% and 8.5%). Interest income is recognised on an effective interest rate basis.

Note 3: INTEREST REVENUE – DOMESTIC OPERATIONS

	2024 K'000	Restated 2023 K'000
Inscribed Stock and other Government securities	178,444	196,272
Temporary advances to Government	51,475	6,057
Overnight lending to Commercial Banks	119	1,360
Reverse Repurchase Agreements	8,407	-
	238,445	**203,689**

Interest income earned on Government Inscribed Stock amounted to K177.5 million (2023: K197.7 million) while nil income earned from Government Treasury bills (2023: K212.7 million. During the year coupon rates on Inscribed Stock varied between 4.3% and 14.0% (2023: 4.4% and 6.3%) while yields on Treasury bills varied between 3.9% and 10.0% (2023: 1.5% and 4.2%). The interest rate charged on the temporary advances to the Government is at 364 days weighted average Treasury bills rate, varied between 3.11% and 8.65%. Interest is recognised on an effective interest rate basis.

	2024 K'000	2023 K'000

Note 4: OTHER INCOME – DOMESTIC OPERATIONS

	2024 K'000	2023 K'000
Licensing and other fees	16,326	13,059
Numismatic currency	1,359	173
Property rent	141	160
Other	1,325	588
	19,151	**13,980**

Note 5: INTEREST EXPENSE – DOMESTIC OPERATIONS

	2024 K'000	2023 K'000
Central Bank Bills and Bonds issued	155,010	164,042
Other deposit held	3,741	19,676
Lease interest expense	285	187
Repurchase Agreement	832	-
	159,868	**183,905**

Interest expense on securities issued varied between 2.0% and 12.03% during the year (2023: 1.80% and 5.41%) Interest expense is recognised on an effective interest rate basis.

Note 6: GENERAL AND ADMINISTRATION EXPENSES

	2024 K'000	2023 K'000
Staff costs	126,203	115,721
Premises and equipment	52,808	47,011
Depreciation of property and equipment	27,733	33,278
Travel	19,743	16,286
Amortisation of notes and coins production expenses	25,261	23,572
Consultancy fees	11,732	9,344
Staff training and development	9,372	7,663
Legal fees	7,047	5,609
Board & meeting expenses	3,400	1,398
Currency distribution expenses	1,904	2,297
Audit & other professional fees	1,357	1,168
Other expenses	38,449	38,460
	325,009	**301,807**

	2024 K'000	2023 K'000
Note 7: IMF AND OTHER FINANCIAL ORGANISATION RELATED ASSETS & LIABILITIES		
Assets – mandatorily measured at FVTPL		
IMF SDR holdings and deposits and other organisations	3,079	6,280
	3,079	**6,280**
Liabilities – designated as FVTPL		
IMF number 1 and 2 loan accounts	5,897	5,585
SDR allocation	654,639	1,888,798
	660,536	**1,894,383**
Other Government Receivable – measured at amortised cost		
SDR Kina equivalent paid to the State	-	1,259,438
SDR Kina equivalent Interest Receivable	30,690	47,836
	30,690	**1,307,274**

Papua New Guinea has been a member of the IMF since 1975. The Bank of Papua New Guinea acts as the fiscal agent on behalf of the Government. As fiscal agent, the Bank of Papua New Guinea is authorised to carry out all operations and transactions with the IMF.

Special Drawing Rights (SDR) are allocated by the IMF to members on the basis of members' quota at the time of the SDR allocation. The Bank of Papua New Guinea pays interest on its SDR allocations and earns interest on its holdings of SDR.

In August 2021 newly created SDR was credited to IMF members participating in the SDR Department in proportion to their existing paid quotas in the Fund. Papua New Guinea being a participating member was credited an amount of SDR 252 million (K1.2 billion) and this was used as direct budget financing by the PNG Government. BPNG has initially taken up this allocation as an increase in assets (SDR holdings) and a matching increase in long term liabilities (SDR Allocation). Subsequently, the Bank recognised an increase in other Government receivable when the liability was transferred to PNG Government.

In January 2024, the Bank and PNG Government signed a memorandum of understanding on the servicing of the obligations to the IMF relating to the SDR allocations made in 2021 of SDR252 million (K1.2 billion). It was agreed that the PNG Government will fulfil obligations, such as interest and other related charges, for the SDR allocations in 2021. Consequently, the Bank derecognised the other Government receivable and the SDR allocation in the statement of financial position.

Note 8: CASH & CASH EQUIVALENTS

	2024 K'000	2023 K'000
Foreign currency holdings - Nostro accounts	3,157,470	2,870,099
	3,157,470	**2,870,099**

The nostro accounts represent the Bank's foreign currency holdings with corresponding foreign banks.

	2024 K'000	2023 K'000

Note 9: FOREIGN INVESTMENTS

	2024 K'000	2023 K'000
Foreign investments – measured at FVTPL	10,044,706	10,876,667
Foreign investments – measured at amortised cost	577,162	367,746
Derivative assets – mandatorily measured at FVTPL	43,394	-
	10,665,262	**11,244,413**
Derivative liabilities – mandatorily measured at FVTPL	-	(39,933)

Foreign investments include K5.2 billion (2023: K4.7 billion) of investments managed by external fund managers. The remainder of K5.5 billion (2021: K7.3 billion) is managed directly by the Bank. The investments comprise of foreign bank debt securities, sovereign debt securities and over the counter derivative currency contracts. Foreign Treasury bills are held mainly for liquidity purposes and recorded at amortised cost.

Note 10: GOVERNMENT OF PAPUA NEW GUINEA SECURITIES

	2024 K'000	Restated 2023 K'000
Inscribed Stock – measured at amortised cost	2,127,955	1,886,799
Expected credit loss provision	(31,557)	(27,958)
Treasury bills – measured at amortised cost	132	-
	2,096,530	**1,858,841**

Note 11: LOANS AND ADVANCES

	2024 K'000	2023 K'000
Agricultural export commodity support loans	1,386	1,386
Loans and Advances to staff	4,666	6,772
Expected credit loss provision	(5,817)	(4,714)
Reverse Repurchase Agreement Commercial Bank	295,000	-
	295,235	**3,444**

Note 12: OTHER ASSETS

	2024 K'000	2023 K'000
Inventory notes and coins	45,442	43,818
Prepaid employee benefits	55,495	50,017
Other non-financial assets	20,536	16,675
	121,473	**110,510**

Note 13: PROPERTY AND EQUIPMENT

	Land and Buildings at fair value K'000	Equipment K'000	Motor Vehicles K'000	Computer Equipment K'000	Computer Software K'000	ROU Asset K'000	Capital Work-In-progress K'000	Total K'000
Year ended 31 December 2023								
Opening net book amount	376,477	30,283	972	4,177	22,238	6,976	47,422	488,545
Additions	3,197	1,587	2,706	1,211	-	10,238	14,186	33,125
Reclass/Transfers	28,073	(1,551)	-	-	455	-	(455)	26,522
Depreciation charges	(20,828)	(2,334)	(735)	(2,041)	(2,343)	(4,997)	-	(33,278)
Closing Net Book Amount	**386,919**	**27,985**	**2,943**	**3,347**	**20,350**	**12,217**	**61,153**	**514,914**
At 31 December 2023								
Cost or fair value	411,806	46,004	7,648	20,858	51,015	12,217	61,153	610,701
Accumulated Depreciation	(24,887)	(18,019)	(4,705)	(17,511)	(30,665)	-	-	(95,787)
Net Book Amount	**386,919**	**27,985**	**2,943**	**3,347**	**20,350**	**12,217**	**61,153**	**514,914**
Year ended 31 December 2024								
Opening net book amount	386,919	27,985	2,943	3,347	20,350	12,217	61,153	514,914
Additions	447	2,372	1,196	3,954	27	-	20,662	28,658
Reclass/Transfers	25,814	-	-	-	359	-	(26,173)	-
Disposals	-	-	(168)	-	-	-	-	(168)
Depreciation charges	(11,772)	(2,837)	(749)	(1,617)	(3,959)	(6,799)	-	(27,733)
Closing Net Book Amount	**401,408**	**27,520**	**3,222**	**5,684**	**16,777**	**5,418**	**55,642**	**515,671**
At 31 December 2024								
Cost or fair value	438,067	48,376	8,676	24,812	51,401	5,418	55,642	632,448
Accumulated Depreciation	(36,659)	(20,856)	(5,454)	(19,128)	(34,624)	-	-	(116,777)
Net Book Amount	**401,408**	**27,520**	**3,222**	**5,684**	**16,777**	**5,418**	**55,642**	**515,671**

The increase in property and equipment during the year pertains primarily to capital work in-progress additions.

Land and buildings carried at fair value

The fair values of land and building carried at fair value were determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in location and category being valued. The independent valuers provide the fair value of the Bank's properties on a triennial basis. The most recent valuation was done in 2022.

The carrying amount of land and buildings had they been recognised under the cost model is K64.0 million for land (2023: K64.1 million) and K332 million for buildings (2023: K314 million).

	2024 K'000	2023 K'000

Note 14: DEPOSITS FROM BANKS & THIRD PARTIES

	2024 K'000	2023 K'000
Exchange settlement accounts	957,126	1,399,579
Cash reserve requirement	3,816,190	3,262,523
Other deposits	10,439	584,601
	4,783,755	**5,246,703**

Note 15: DEPOSITS FROM GOVERNMENT AND GOVERNMENT ENTITIES

	2024 K'000	2023 K'000
Deposits from Government and Government entities	3,141,646	2,940,989
	3,141,646	**2,940,989**

Note 16: DEBT SECURITIES ISSUED

	2024 K'000	2023 K'000
Central Bank Bills	1,314,463	2,045,917
Central Bank Bonds	1,066,298	1,156,462
	2,380,761	**3,202,379**

Central Bank Bills issued by the Bank of Papua New Guinea have terms of twenty-eight days, two months, or three months while Central Bank Bonds have are issued with tenure ranging from one year up to ten years. These debt securities are used to manage liquidity in the money supply and open market operations in the domestic financial markets.

Note 17: CURRENCY IN CIRCULATION

	2024 K'000	2023 K'000
Currency in circulation	3,466,167	3,254,586
	3,466,167	**3,254,586**

Note 18: OTHER FINANCIAL LIABILITIES

	2024 K'000	2023 K'000
Foreign currency deposits	8,326	17,724
	8,326	**17,724**
Local Currency		
Expense creditors	48,506	88,435
Lease liability	5,671	12,530
Repurchase agreement	100,000	12,530
	154,177	**100,965**

Expense creditors include cheques or warrant issued by the Bank but not yet presented for clearance and subsequent encashment by Government departments, investors and suppliers.

	2024 K'000	2023 K'000

Note 19: PROVISIONS FOR EMPLOYEE ENTITLEMENTS

	2024 K'000	2023 K'000
Provision for gratuity	7,271	5,994
Provision for long service leave	30,408	29,796
Provision for annual leave	14,028	12,444
	51,707	**48,234**
Reconciliation of leave provisions		
Balance at 1 January	48,234	44,864
Net charged to statement of profit or loss	3,473	3,370
Balance at 31 December	**51,707**	**48,234**

Note 20: LEASES

The following table sets out a maturity analysis of lease payments, included under Other financial liabilities on Note 23(iii)(c).

	2024 K'000	2023 K'000
One to three months	1,661	1,693
Less than a year	3,587	5,166
One to five years	424	5,671
	5,672	**12,530**
Amounts recognised in profit or loss		
Interest expense on lease liabilities	285	345
Expenses relating to short-term leases	6,859	4,970
Amounts recognised in statement of cash flows		
Total cash outflow for leases	7,144	5,316

Note 21: SHARE CAPITAL

At 31 December 2024, the authorised and subscribed capital of the Bank was K145.5 million (2023: K145.5 million). The capital is fully subscribed by the Government of Papua New Guinea.

	2024 K'000	Restated 2023 K'000
Capital		
At the beginning of the year	145,540	145,540
At the end of the year	**145,540**	**145,540**
Other Reserves		
Gold revaluation reserve	416,861	302,703
Property revaluation reserve	110,774	110,774
Unrealised gain/(loss) reserve	1,475,002	637,228
Building reserve	223,800	223,800
General reserve	30,000	30,000
Retained earnings	403,089	160,883
Total other reserves	**2,659,526**	**1,465,388**
Total owner's equity	**2,805,066**	**1,610,928**

Note 22: SEGMENT REPORTING

The Bank's primary function is to operate as a central bank in one geographical area – Papua New Guinea.

Note 23: RISK MANAGEMENT

Note 23(i): Financial Risk Management

A financial Instrument is defined as any contract that gives rise to both a financial asset of one enterprise and financial liability or equity instrument of another entity. The identifiable financial instruments for Bank of Papua New Guinea are its domestic Government securities, its foreign government securities, loans and advances, bank deposits, Central Bank Bills, currency in circulation and deposit liabilities.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Bank of Papua New Guinea's recognised instruments are carried at amortised cost or current market value.

The Bank is involved in policy-oriented activities. Therefore, the Bank's risk management framework differs from the risk management framework for most profit oriented financial institutions. The main financial risks to which the Bank is exposed include commodity price risk, credit risk, foreign exchange risk, liquidity risk and interest rate risk. In the management of foreign reserves, minimising liquidity risk is the prime consideration in order to ensure the availability of currency as required. Like most central banks, the nature of the Bank's operations creates exposure to a range of operational and reputational risks.

Bank management seeks to ensure that strong and effective risk management and control systems are in place for assessing, monitoring and managing risk exposure. Experienced staff conduct the Bank's local currency, foreign currency reserves management, and foreign exchange dealing operations in accordance with a clearly defined risk management framework, including delegated authority limits as set by the Governor.

The Bank is subject to an annual audit by an external auditor. Auditing arrangements are overseen by an Audit & Risk Committee of the Board to monitor the financial reporting and audit functions within the Bank and the committee reviews the internal audit functions as well. The committee reports to the Board of Directors on its activities.

The overall risk management framework is designed to strongly encourage the sound and prudent management of the Bank's risk. The Bank seeks to ensure the risk management framework is consistent with financial market best practice. The risks tables in this note are based on the Bank's portfolio as reported in its Statement of Financial Position.

Note 23(ii): CREDIT RISK

a) Credit Risk Management

Credit risk is the potential for financial loss arising from a counterparty defaulting on its obligation to: repay principal, make interest payments due on an asset; or settle a transaction.

The Bank manages credit risk by employing the following strategies;

Selection of a counterparty is made based on their respective credit rating. Investment decisions are based on the credit rating of the particular issuer, the issue size, country limits and counterparty limits in place to control exposures.

Foreign currency placements are made in approved currencies with Government, Government guarantees or other approved counterparties. Geographical exposures are controlled by country limits. Limits are updated periodically where necessary based on the latest market information. Credit risk in the Bank's portfolio is monitored, reviewed and analysed regularly.

b) Concentration of Credit Exposure

The Bank's end-of-year concentrations of credit exposure by industry type were as follows:

	2024 K'000	2023 K'000
Foreign Governments, Banks & Financial Organisations		
Nostro accounts	3,157,470	2,870,099
Foreign investments (Note 9)	10,665,262	11,204,480
Assets held with IMF and other financial organisations	3,079	6,280
Accrued interest receivable	97,513	101,726
Papua New Guinea Government		
Government of Papua New Guinea securities (Note 10)	2,096,530	1,858,841
Other Government receivable (Note 7)	30,690	1,307,274
Accrued interest & Other Receivable	58,381	54,180
Bank staff and employees (Note 11)	299,666	6,772
Other Government institutions (Note 11)	1,386	1,386
	16,409,977	**17,411,038**

The Bank's maximum exposure to credit risk is limited to the amount of financial assets carried in the Statement of Financial Position. 4.67% (2023: 3.13%) of the total assets have a credit rating of A-1+ or above in short term investments and 69.01% (2023: 71.69%) of long term investments have a credit of A+ or above.

c) Credit Exposure by Credit Rating

The following table represents the Bank's financial assets based on Standard and Poor's and Moody's credit ratings of the issuer. Under Standard and Poor's ratings, AAA is the highest quality rating possible and indicated the entity has an extremely strong capacity to pay interest and principal, AA is a high grade rating, indicating a very strong capacity, and A is an upper medium grade, indicating a strong capacity; BBB is the lowest investment grade rating, indicating a medium capacity to pay interest and principal. Non-rated ('NR') indicates the entity has not been rated by Standard and Poor's and Moody's.

Investment in Financial Assets:	2024 K'000	% of 2024 Financial Assets	2023 K'000	% of 2023 Financial Assets
Short term foreign investments				
A-1+	593,871	4.67	420,938	3.13
A-1	-	-	-	-
A-2	-	-	-	-
A-3	-	-	-	-
NR	153,138	1.21	(36,575)	-0.27
	747,009	**5.88**	**384,363**	**2.86**
Long term foreign investments				
AAA	2,877,448	22.65	3,387,025	25.17
AA+	-	-	-	-
AA	5,891,083	46.36	6,259,723	46.52
AA-	-	-	-	-
A+	-	-	-	-
A	359,203	2.83	377,517	2.81
A-	-	-	-	-
BBB+	-	-	-	-
BBB	398,133	3.13	488,066	3.63
B	392,387	3.09	347,719	2.58
	9,918,253	**78**	**10,860,050**	**80.72**
Total foreign investments	**10,665,262**	**83.94**	**11,244,413**	**83.57**
Short term domestic investments				
B-	-	-	-	-
	-	**-**	**-**	**-**
Long term domestic investments				
B-	2,096,530	16.06	2,210,288	16.43
	2,096,530	**16.06**	**2,210,288**	**16.43**
Total domestic investments	**2,096,530**	**16.06**	**2,210,288**	**16.43**
Total investments	**12,761,792**	**100.00**	**13,454,701**	**100**

The majority of financial assets are measured at FVTPL. The Government of Papua New Guinea Inscribed Stocks are recorded at amortised cost, net of expected credit losses (see Note 10)

Note 23(iii): MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads and foreign exchange rates.

a) FOREIGN EXCHANGE RISK

Currency risk (foreign exchange rate risk) is a form of risk that arises from the change in price of one currency against another, which directly affects the value of foreign exchange reserves as well as investments. At the Bank, foreign exchange reserve management and investment functions are guided by an Investment Committee. The decision of the Investment Committee and dealing practices approved by the Investment Committee serve as operational guidelines for the Bank's reserve management and investments. The guidelines are directed towards managing different types of risks, while earning a reasonable return. There is an approved benchmark for investment in terms of currency composition, portfolio duration and proportion of different assets within the Bank. Dealers/portfolio managers endeavour to comply with this benchmark through rebalancing the investment portfolio following benchmarking daily/weekly as approved by the Investment Committee. Gold prices are quoted in USD.

As at 31 December 2024 Bank of Papua New Guinea's net exposure to major currencies in Kina terms was as follows:

	Currency of Denomination							
As at 31 December 2024	US Dollar K'000	Euro K'000	AUD K'000	GBP K'000	JPY K'000	SDR K'000	Other K'000	Total K'000
Foreign currency assets:								
Foreign currency	2,115,020	188,933	723,539	68,062	61,916	-	-	3,157,470
Investments	8,428,300	178,143	1,865,991	192,827	-	-	-	10,665,262
Assets held with IMF	-	-	-	-	-	3,079	-	3,079
Accrued interest	78,167	1,523	14,162	3,661	-	-	-	97,513
	10,621,487	**368,599**	**2,603,692**	**264,550**	**61,916**	**3,079**	**-**	**13,923,324**
Foreign currency liabilities:								
Liabilities with IMF	-	-	-		-	660,536	-	660,536
Foreign currency liabilities	8,326	-	-		-	-	-	8,326
Derivative liabilities	-	-	-		-	-	-	-
	8,326	**-**	**-**		**-**	**660,536**	**-**	**668,862**
Net Foreign currency exposure	**10,613,161**	**368,599**	**2,603,692**	**264,550**	**61,916**	**(657,457)**	**-**	**13,254,462**

As at 31 December 2023	Currency of Denomination US Dollar K'000	Euro K'000	AUD K'000	GBP K'000	JPY K'000	SDR K'000	Other K'000	Total K'000
Foreign currency assets:								
Foreign currency	1,526,226	178,174	1,059,522	42,504	63,673	-	-	2,870,099
Investments	9,009,699	202,599	1,818,627	213,488	-	-	-	11,244,413
Assets held with IMF	-	-	-	-	-	6,280	-	6,280
Accrued interest	79,059	2,470	17,657	2,540	-	-	-	101,726
	10,614,984	**383,243**	**2,895,806**	**258,532**	**63,673**	**6,280**	**-**	**14,222,518**
Foreign currency liabilities:								
Liabilities with IMF	-	-	-	-	-	1,894,383	-	1,894,383
Foreign currency liabilities	17,724	-	-	-	-	-	-	17,724
Derivative liabilities	39,933	-	-	-	-	-	-	39,933
	57,657	**-**	**-**	**-**	**-**	**1,894,383**	**-**	**1,952,040**
Net Foreign Currency Exposure	**10,557,327**	**383,243**	**2,895,806**	**258,532**	**63,673**	**(1,888,103)**	**-**	**12,270,478**

The functional currency of all operations is Kina.

b) INTEREST RATE RISK

Interest rate risk is the risk that the fair value or cash flows of financial instruments will fluctuate because of movements in market interest rates. The Bank is exposed to interest rate risk for most of its financial assets in foreign securities which have a fixed income stream. The price of such securities increases when market interest rates decline, while the price of a security due to the associated income stream is fixed for a longer period.

c) LIQUIDITY RISK

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities in its operations. The ultimate source of liquidity is Kina and the Bank has the authority to create liquidity by issuing unlimited amounts of Kina.

Liquidity risk is also associated with financial assets to the extent that the Bank may have to sell a financial asset at less than its fair value. The Bank manages this risk by holding a diversified portfolio of highly liquid domestic and foreign assets. The Bank's assets held for managing liquidity risk comprise cash and bank balances with other central banks and Government bonds and other securities that are readily acceptable in repurchase agreements with other central banks.

The table below summarises the maturity profile of the Bank's financial assets and liabilities based on the contractual repayment date determined on the basis of the remaining period at the reporting date to the contractual maturity date.

		Maturity Period					
As at 31 December 2024	Balance Total K'000	On demand K'000	0 to 3 months K'000	3 to 12 Months K'000	1 to 5 years K'000	Over 5 years K'000	No specified maturity K'000
Assets							
Foreign Currency Financial Assets:							
Cash and cash equivalents	3,157,470	1,914,204	1,243,266	-	-	-	-
Foreign investments	10,665,262	110,504	1,174,122	2,026,543	5,810,733	1,543,360	-
Assets held with IMF	3,079	-	-	-	-	-	3,079
Accrued interest	97,513	-	-	1,739	95,774	-	-
	13,923,324	**2,024,708**	**2,417,388**	**2,028,282**	**5,906,507**	**1,543,360**	**3,079**
Local Currency Financial Assets:							
Government of Papua New Guinea securities	2,096,530	-	103,905	-	1,024,346	968,279	-
Other Government receivable	30,690	-	-	-	-	-	30,690
Loans and advances	295,235	-	295,235	-	-	-	-
Accrued interest and receivables	58,381	-	17,814	40,567	-	-	-
	2,480,836	-	416,954	40,567	1,024,346	968,279	30,690
Total Financial Assets	**16,404,160**	**2,024,708**	**2,834,342**	**2,068,849**	**6,930,853**	**2,511,639**	**33,769**
Liabilities							
Foreign Currency Financial Liabilities:							
Liabilities to IMF	660,536	-	-	-	-	-	660,536
Other financial liabilities	8,326	-	8,326	-	-	-	-
Derivative liabilities	-	-	-	-	-	-	-
	668,862	**-**	**8,326**	**-**	**-**	**-**	**660,536**
Local Currency Financial Liabilities:							
Deposits from bank and third parties	4,783,755	4,783,755	-	-	-	-	-
Deposits from Government	3,141,646	3,141,646	-	-	-	-	-
securities issued	2,380,761	-	1,328,780	22,905	316,252	712,824	-
Accrued interest payable	26,633	-	26,633	-	-	-	-
Currency in circulation	3,466,167	3,466,167	-	-	-	-	-
Lease liability	5,672	-	1,661	3,587	424	-	-
Other financial liabilities	148,505	100,000	48,505	-	-	-	-
	13,953,139	**11,491,568**	**1,405,579**	**26,492**	**316,676**	**712,824**	**-**
Non-Financial Liabilities:							
Employee provision	51,707	-	51,707	-	-	-	-
Total Liabilities	**14,673,708**	**11,491,568**	**1,465,612**	**26,492**	**316,676**	**712,824**	**660,536**

As at 31 December 2024	Balance Total K'000	Maturity Period On demand K'000	0 to 3 months K'000	3 to 12 Months K'000	1 to 5 years K'000	Over 5 years K'000	No specified maturity K'000
Assets							
Foreign Currency Financial Assets:							
Cash and cash equivalents	2,870,099	1,505,969	1,364,130	-	-	-	-
Foreign investments	11,244,413	66,975	769,422	1,672,932	6,657,883	2,077,201	-
Assets held with IMF	6,280	-	-	-	-	-	6,280
Accrued interest	101,726	-	600	4,442	95,358	1,326	-
	14,222,518	1,572,944	2,134,152	1,677,374	6,753,241	2,078,527	6,280
Local Currency Financial Assets:							
Government of Papua New Guinea securities	1,858,841	-		-	722,827	1,136,014	-
Other Government receivable	1,307,274	-	-	-	-	-	1,307,274
Loans and advances	3,444	-	-	3,444	-	-	-
Accrued interest and receivables	54,180	-	1,102	53,078	-	-	-
	3,223,739	-	680,356	56,522	722,827	1,136,014	1,307,274
Total Assets	**17,446,257**	**1,572,944**	**2,135,254**	**1,733,896**	**7,476,068**	**3,214,541**	**1,313,554**
Liabilities							
Foreign Currency Financial Liabilities:							
Liabilities with IMF	1,894,383	-	-	-	-	-	1,894,383
Other financial liabilities	17,724	-	17,724	-	-	-	-
Derivative liabilities	39,933	-	39,933	-	-	-	-
	1,952,040	**-**	**57,657**	**-**	**-**	**-**	**1,894,383**
Local Currency Financial Liabilities:							
Deposits from bank and third parties	5,246,703	5,246,703	-	-	-	-	-
Deposits from Government	2,940,989	2,940,989	-	-	-	-	-
Securities issued	3,202,379	-	2,057,327	36,524	146,018	962,510	-
Accrued interest payable	38,168	-	38,168	-	-	-	-
Currency in circulation	3,254,586	3,254,586	-	-	-	-	-
Lease liability	12,530	-	1,693	5,166	5,671	-	-
Other financial liabilities	88,435	-	88,435	-	-	-	-
	14,783,790	**11,442,278**	**2,185,623**	**41,690**	**151,689**	**962,510**	**-**
Non-Financial Liabilities:							
Employee provision	**48,234**	**-**	**48,234**	**-**	**-**	**-**	**-**
Total Liabilities	**16,784,064**	**11,442,278**	**2,291,514**	**41,690**	**151,689**	**962,510**	**1,894,383**

Note 23(iv): FAIR VALUE

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk. IFRS requires that the fair value of the financial assets and liabilities be disclosed according to their classification under IFRS 9. The following table summarises the financial assets and liabilities in accordance with IFRS 9 classifications.

	2024 K'000	Restated 2023 K'000
Financial Assets		
Cash and cash equivalents	3,157,470	2,870,099
Investments – measured at FVTPL	10,091,180	13,093,235
Investments – at amortised cost	2,096,530	-
Other Government receivable at amortised cost	30,690	1,307,274
Loans & advances, Accrued interest and other receivable	451,129	159,351
Treasury bills measured at amortised cost	577,161	367,745
	16,404,160	**17,797,704**
Financial Liabilities		
At FVTPL	668,862	1,952,040
At amortised cost	13,953,139	14,783,790
	14,622,001	**16,735,830**

The fair value of Government Inscribed Stock is K2.04 billion as at 31 December 2024 (2023: K2.21 billion). The fair value of other financial assets and liabilities recorded at amortised cost approximate their fair values.

FAIR VALUE HIERARCHY

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes over the counter derivative contracts. The sources of input parameters are Bloomberg or Reuters.

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

The table below shows the Bank's assets and liabilities in their applicable fair value level. Investments managed by external fund managers include foreign Government bonds and other debt instruments for which quoted prices are available as well as derivatives which are valued with reference to observable market data. Accordingly, these are classified under level 1 and 2 respectively.

	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
31 December 2024				
Financial assets held at fair value through profit or loss				
Foreign Government and semi-Government bonds	4,883,656	-	-	4,883,656
Derivatives managed by external fund managers	-	-	-	-
Investments in bonds and other instruments managed by external fund managers	5,204,444	-	-	5,204,444
Assets held with IMF	-	3,079	-	3,079
Total assets at fair value through profit or loss	**10,088,100**	**3,079**	**-**	**10,091,179**
Non-financial assets at fair value				
Gold	437,470	-	-	437,470
Property and equipment	-	-	401,408	401,408
Investment property	-	-	-	-
Total assets at fair value	437,470	-	401,408	838,878
Financial liabilities held at fair value through profit & loss				
Derivatives and Other financial liabilities	-	8,326	-	8,326
Liabilities with IMF	-	660,536	-	660,536
Total liabilities at fair value through profit or loss	**-**	**668,862**	**-**	**668,862**
31 December 2023 (Restated)				
Financial assets held at fair value through profit or loss				
Foreign Government and semi-Government bonds	6,181,319	-	-	6,181,319
Derivatives managed by external fund managers	-	-	-	-
Investments in bonds and other instruments managed by external fund managers	4,695,348	-	-	4,695,348
Assets held with IMF	-	6,280	-	6,280
Total assets at fair value through profit or loss	**10,876,667**	**6,280**	**-**	**10,882,947**
Non-financial assets at fair value				
Gold	323,311	-	-	323,311
Property and equipment	-	-	386,919	386,919
Investment property	-	-	-	-
Total assets at fair value	**323,311**	**-**	**386,919**	**710,230**
Financial liabilities held at fair value through profit & loss				
Derivatives and Other financial liabilities	-	57,657	-	57,657
Liabilities with IMF	-	1,894,383	-	1,894,383
Total liabilities at fair value through profit or loss	**-**	**1,952,040**	**-**	**1,952,040**

As at 31 December 2024, there were no movements between stages for any transfers to level 3.

	Valuation Technique	Unobservable Input	Range of Inputs		Fair value movement due to change in unobservable Input:	
			2024	2023	Increase	Decrease
Property and equipment	Income capitalisation	Capitalisation rate	10% to 14%	10% to 14%	Stable	Increase

Note 23(v): SENSITIVITY ANALYSIS

The sensitivity of the Bank's profit and equity to a movement of +/- 10 per cent in the value of the Kina as at 31 December 2024 is shown below. These figures are generally reflective of the Bank's exposure over the fiscal year.

	2024 K'000	2023 K'000
Changes in profit/equity due to a 10 per cent appreciation in the value of the Kina	(1,436,079)	(1,454,583)
Changes in profit/equity due to a 10 per cent depreciation in the value of the Kina	1,436,079	1,454,583

The figures below show the effect on the Bank's profit and equity of a movement of (+/-) 1 percentage point in interest rates, given the level, composition and modified duration of the Bank's interest bearing assets and liabilities.

	2024 K'000	2023 K'000
Changes in profit/equity due to an increase of 1 percentage point	139,531	147,838
Changes in profit/equity due to a decrease of 1 percentage point	(139,531)	(147,838)

Note 24: EVENTS AFTER THE BALANCE DATE

At the date of finalisation of the annual financial statements, there were no material events that occurred subsequent to the statement of financial position date that require adjustment to the financial statements.

Note 25: CONTINGENT LIABILITIES

The Bank had no contingent liabilities at 31 December 2024 (2023: nil) and there are no transactions or events that will have material impact on the financial report during the preparation of this report.

The Bank is a party to a number of litigations, the outcome of which are currently uncertain. The directors, Governor and the Deputy Governor in consultation with the Bank's legal advisors consider that these litigations are not expected to result in material loss to the Bank.

Note 26: CAPITAL COMMITMENTS

As at 31 December 2024, the Bank had a total of K17 million (2023: K23 million) as capital commitments.

Note 27: REMUNERATION OF MEMBERS OF THE BOARD AND KEY MANAGEMENT PERSONNEL

The key management personnel of the Bank are members of the Board and senior staff who have responsibility for planning, directing and controlling the activities of the Bank: this group comprises 32 in total (2023: 29), including the Governor, Deputy Governor, 6 Assistant Governors, 6 non-executive Board members and 18 senior staff. The Salaries and Remuneration Committee (SRC) and Salaries, Conditions & Monitoring Committee (SCMC) determine the terms and conditions on which the Governor and Deputy Governor hold office in accordance with the Central Banking Act as amended. The Governor, in consultation with the Salaries, Conditions & Monitoring Committee (SCMC), determines the remuneration of other key executives. Section 35 of the Central Banking Act provides that Board fees are set by the Minister after consultation with the Governor, and that Board members are entitled to reasonable travelling and other expenses while carrying out their duties

Key Management Personnel and Board Remuneration

	2024 K'000	2023 K'000
Short term benefits	13,970	13,623
Post-employment benefits	1,181	1,017
Other long-term benefits	311	290
Board stipend & allowance	736	482
	16,198	**15,412**

Short term benefits include cash salary and in the case of staff, annual leave and motor vehicle, housing benefits and superannuation which can be accessed prior to retirement. Post-employment benefits include superannuation benefit payments which can be accessed on retirement. Other long-term benefits include annual long service leave entitlements accrued at 31 December 2024. The components of benefits are reported on an accruals basis.

As at 31 December 2024, the loans owed to the Bank by key management personnel and officers amount to K52.8 million. Non-executive Board members are not eligible for loans. Table below sets out the details of loans and advances owed by Bank Officers as at 31 December 2024.

	Suspensory Home Loan K'000	Motor Vehicle K'000	Medical K'000	General K'000	Total K'000
Key management personnel	5,759	703	-	13	6,475
Senior Officers	18,288	2,765	7	47	21,107
Other Officers	25,137	-	74	17	25,228
Total	49,184	3,468	81	77	52,810

Table below sets out the distribution of remuneration paid to the Board and the top 10 management personnel of the Bank:

	Short Term Benefits		Post-Employment Benefits	Other Long Term Benefits	
Year to 31 December 2024	**Base Salary[1] K'000**	**Other Benefits & Allowances[2] K'000**	**Superannuation Contributions[3] K'000**	**Long Service Leave[4] K'000**	**Total Remuneration K'000**
Bank Executives and Senior Management					
Governor	661	590	111	23	1,385
Deputy Governor, Policy & Financial Stability	374	148	63	13	598
Assistant Governor, Financial Markets Operations	390	145	42	14	591
Assistant Governor, Currency Services	406	164	48	14	632
Assistant Governor, Financial System Development	447	124	56	15	642
Assistant Governor, Financial Regulation & Supervision	444	165	49	15	673
Assistant Governor, Monetary & Economic Policy	281	127	32	10	450
Assistant Governor, Payments & Banking Services	351	123	23	39	536
Director Financial Analysis & Supervision Unit	395	147	23	40	605
Manager, Internal Audit Department	385	153	47	13	598
Non Executive Members of the Board					
David Toua, Chairman	-	171	-	-	171
Richard Kuna, Member	-	74	-	-	74
David Kavanamur, Member	-	69	-	-	69
Robin Fleming, Member	-	87	-	-	87
Michael Reddell, Member (Overseas – Based)	-	206	-	-	206
Mark Baker, Member (Overseas – Based)	-	206	-	-	206
Dairi Vele, Member	-	56	-	-	56

	Short Term Benefits		Post-Employment Benefits	Other Long Term Benefits	
Year to 31 December 2023	**Base Salary[1] K'000**	**Other Benefits & Allowances[2] K'000**	**Superannuation Contributions[3] K'000**	**Long Service Leave[4] K'000**	**Total Remuneration K'000**
Bank Executives and Senior Management					
Governor	555	457	54	19	1,085
Assistant Governor, Monetary Policy	384	234	46	13	677
Assistant Governor, Finance & Payments	448	321	78	16	863
Assistant Governor, Corporate Affairs	386	181	40	13	620
Assistant Governor, Financial System Stability	436	235	52	15	738
Director Financial Analysis & Supervision Unit	564	157	52	20	793
Manager, Internal Audit Department	379	212	46	13	650
Manager, Economics Department	377	193	42	13	625
Manager, Payments Oversight & Compliance	375	207	39	13	634
Manager, Currency	429	150	38	15	631
Non Executive Members of the Board					
David Toua	-	151	-	-	151
Richard Kuna	-	98	-	-	98
James Gore	-	109	-	-	109
Ulato Avei	-	124	-	-	124

Notes

1. 'Base Salaries' column is prepared on an accrual basis and relates to salaries earned while working plus annual leave accrued.
2. The 'Other Benefits and Allowance' column includes benefits that form part of an individual's remuneration package. This includes, motor vehicle benefits, health benefits plus other related fringe benefits that are subject to tax. Board members are paid stipend, sitting allowances and travelling allowances when on official Bank business.
3. The 'Superannuation Contribution' column are contribution amounts for individuals who are eligible for a defined contribution arrangement in a defined contribution scheme.
4. The 'Long Service Leave' column is calculated and accrued as long service leave entitlements.

Note 28: MATERIAL PAYMENTS TO CONSULTANTS

During the year, the Bank made material payments to the external consultants totalling to K11.7 million. The Bank has a policy on the effective and efficient procurement and management of consultants. Appointment is done based on relevant experience and special skill sets to support strategic policy reviews, system upgrades, capacity-building initiatives and other requirements that are linked to the Bank.

Below, material payments made by the Bank for Consultancy Engagements during the year.

Consultancy Engagements	Number of Consultants	K'000
Information & Communication Technologies	4	3,667
Advisory & Technical Support	2	1,347
Communications & Reporting	1	934
Tax & Compliance	2	989
Governance & Strategy	1	530

Note 29: AUDITOR'S REMUNERATION

The total audit fee for the year was K1,229,525 (2023: K1,168,750). This represents the total statutory audit fee paid to the Auditor General's Office. These transactions are performed at arm's length.

Note 30: TRANSACTIONS WITH GOVERNMENT AND GOVERNMENT CONTROLLED ENTERPRISES

The Bank of Papua New Guinea acts as the banker to the Government and its various Government departments and controlled enterprises. All related party transactions are carried out with reference to market rates. Transactions entered into include:

a) Acting as the fiscal agent, banker and financial advisor to the Government; the Bank is the depository of the Government and or its agents or institutions providing banking services, foreign exchange transactions and registry transactions to Government and Government departments and corporations.

b) Acting as the agent of the Government or its agencies and institutions, providing guarantees, participating in loans to Government departments and corporations.

c) As the agent of the Government managing public debt (which includes purchase of Government securities) and foreign reserves.

Balances with the Government of Papua New Guinea are disclosed in Note 16 Deposits from Government and Government Entities and Note 11 for Temporary Advance Facility (TAF) reflecting Government loan balances with BPNG. The TAF is governed by the provisions of the *Central Banking (Amendment) Act 2021*. The interest rate charged is 364 days weighted average Treasury bills rate, varied between 3.11% and 8.65% during the year. The facility limit is K1.5 billion as at 2024 (2023: K1.5 billion). As at 31 December 2024 and 2023, there was no TAF overdraft balance(as required by law).

Transactions with the Government of Papua New Guinea are disclosed in Note 3 Interest revenue – domestic operations. No dividend was paid to the State in 2024 from the Bank's 2023 Retained earnings (2023: Nil).

Note 31: RESTATEMENT

The Bank is restating its financial statements for the year ended 31 December 2023 to change the classification and measurement of Government Inscribed Stock ("GIS"), as the Bank identified that the previous conclusion that the GIS classified and measured at fair value through profit or loss was not appropriate. Instead, GIS should have been classified and measured at amortised cost in line with the hold to collect business model of the Bank.

The table below shows adjustments recognised for each individual line item as at 31 December 2023 and 1 January 2023 and for the year ended 31 December 2023. Line items that were not affected by the changes have not been included.

Statement of financial position

	As previously reported		Effect of restatement		As restated	
	31 December 2023 (K'000)	1 January 2023 (K'000)	31 December 2023 (K'000)	1 January 2023 (K'000)	31 December 2023 (K'000)	1 January 2023 (K'000)
Government of Papua New Guinea securities	2,210,288	2,376,821	(351,447)	(399,187)	1,858,841	1,977,634
Total local currency financial assets	**3,575,186**	**3,696,732**	**(351,447)**	**(399,187)**	**3,223,739**	**3,297,545**
Total Financial Assets	**17,797,704**	**17,584,679**	**(351,447)**	**(399,187)**	**17,446,257**	**17,185,492**
Total assets	**18,746,439**	**18,457,290**	**(351,447)**	**(399,187)**	**18,394,992**	**18,058,103**
Net assets	**1,962,375**	**925,265**	**(351,447)**	**(399,187)**	**1,610,928**	**526,078**
Unrealised gain/(loss) reserve	974,468	34,534	(337,240)	(382,245)	637,228	(347,711)
Retained earnings	175,090	130,893	(14,207)	(16,942)	160,883	113,951
Total equity	**1,962,375**	**925,265**	**(351,447)**	**(399,187)**	**1,610,928**	**526,078**

Statement of comprehensive income

	As previously reported 2023 (K'000)	Effect of restatement (K'000)	As restated 2023 (K'000)
Interest revenue	202,768	921	203,689
Total revenue from domestic investments	**216,748**	**921**	**217,669**
Expected credit loss	-	1,814	1,814
Total expenses on domestic operations	**(183,905)**	**1,814**	**(182,091)**
Net domestic income	**32,843**	**2,735**	**35,578**
Total net operating income	**346,004**	**2,735**	**348,739**
Profit/(loss) excluding unrealised income (expenses) – operating	**44,197**	**2,735**	**46,932**
Fair value revaluation gain/(loss) on domestic investments	(45,005)	45,005	-
Total other unrealised income /(loss)	**939,934**	**45,005**	**984,939**
Profit/(Loss) for the year	**984,131**	**47,740**	**1,031,871**
Total comprehensive income/(loss) for the year	**1,037,110**	**47,740**	**1,084,850**

DECLARATION BY MANAGEMENT

BANK OF PAPUA NEW GUINEA

To-Robert Haus
Cnr Douglas & Cuthbertson St
P. O. Box 121
PORT MORESBY, NCD 121
PAPUA NEW GUINEA

DECLARATION BY MANAGEMENT

In our opinion the foregoing Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows including the Notes to and forming part thereof, have been drawn up:

- in compliance with section 45 of the Central Banking Act 2000; and
- so as to give a true and fair view of the matters to which they relate for the year ended 31 December 2024.

For and on behalf of the Bank of Papua New Guinea,

Elizabeth Genia, AAICD Governor	Jeffrey Yabom Deputy Governor
Date: 10 June 2025	Date: 10 June 2025

AUDITOR-GENERAL'S OFFICE
PAPUA NEW GUINEA

Phone: (+675) 3012200 Fax: (+675) 325 2872 Email: agopng@ago.gov.pg Website: www.ago.gov.pg

Our Reference: *30-13-4*

INDEPENDENT AUDIT REPORT
ON THE FINANCIAL STATEMENTS OF
BANK OF PAPUA NEW GUINEA
FOR THE YEAR ENDED 31 DECEMBER 2024

UNQUALIFIED OPINION

I have audited the financial statements of **Bank of Papua New Guinea,** which comprise the Statement of Financial Position as at **31 December 2024**, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Summary of Significant Accounting Policies and Other Explanatory Notes.

In my opinion:

(a) the financial statements of Bank of Papua New Guinea for the year ended 31 December 2024:

(i) give a true and fair view of the financial position and of its financial performance and cash flows for the year then ended; and

(ii) comply with the *International Financial Reporting Standards*, *Papua New Guinea Central Banking Act 2000 (as amended)* and other generally accepted accounting practice in Papua New Guinea; and

(b) proper accounting records have been kept by the Bank as far as it appears from my examination of those records; and

(c) I have obtained all the information and explanation that were required.

Independence

I conducted my audit in accordance with *International Standards on Auditing* and the *Audit Act, 1989 (as amended)*. My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of my report. I am independent of the Bank of Papua New Guina in accordance with the ethical requirements that are relevant to my audit of the financial statements in Papua New Guinea, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

Level 5
TISA Rua Building
Sir John Guise Drive, Waigani, NCD

PO Box 423
WAIGANI, NCD
Papua New Guinea

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Board, the Governor and the Deputy Governor of the Bank for the Financial Statements

The Bank's Management is responsible for the preparation and fair presentation of the financial statements in accordance with the *International Financial Reporting Standards* and *Papua New Guinea Central Banking Act 2000* and for such internal control as the Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is also responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Independent State of Papua New Guinea either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management;

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Bank to cease to continue as a going concern; and

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

GORDON KEGA MBA, CPA
Auditor-General

20 June, 2025

CONTACT

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