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ASX/PNGX | Announcement

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BY ELECTRONIC LODGEMENT

1H 2022 Results - Appendix 4D

Please find attached for release to the market, Kina Securities Limited's (ASX:KSL | PNGX:KSL) *1H 2022 Appendix 4D*.

ENDS

This Announcement was authorised for release by Kina Securities Limited's Board of Directors.

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Kina Securities Limited 2022 Half Year Results

(ABRN 606 168 594)

Incorporating the requirements of Appendix 4D

ASX Appendix 4D

For the Half Year ended 30 June 2022 Results for announcement to the market

Comparisons of the current half year results to 30 June 2022 (1H22, reporting period) are with the half year to 30 June 2021 (1H21, previous corresponding period (PCP)).

PGK'000	Half Year Ended					Jun22 vs Jun21
	Jun-22	Dec-21	Jun-21	Dec-20	Jun-20	
Revenue from ordinary activities	179,136	178,623	155,739	165,617	149,177	15%
Profit from ordinary activities	65,554	49,403	56,613	67,895	42,011	16%
Underlying Net Profit after tax	45,592	56,402	39,752	46,683	29,291	15%
Net Profit after tax attributable to equity holders	45,592	31,058	39,752	46,683	29,291	15%
Net Tangible Assets per security (PGK)	1.67	1.69	1.65	1.69	1.36	

Dividends distributions (Interim dividend)

- unfranked (AUD cents per share) 4.1 cents
- unfranked (PGK toea per share) 10.3 toea

The Directors have declared an interim unfranked dividend for the reporting period based on the Net Profit After Tax (NPAT) attributable to equity holders for the half year of PGK 45.6m. This is compared to PGK 39.8m for the PCP.

The interim dividend is converted based on an exchange rate: 1 PGK = 0.3977 AUD.

The Record date for determining entitlements to the dividend is 6 September 2022.

The financial information contained in this report for the half year ended 30 June 2022 and the comparative period ended 30 June 2021 are unaudited. The comparative figures for the full year ended 31 December 2021 and 31 December 2020 are based on audited financial figures.

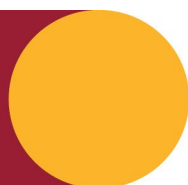
This report should be read in conjunction with the unaudited Consolidated Financial Statements for the half year ended 30 June 2022 referred to in Section 2.

This report is provided to the ASX under Listing Rule 4.2A.3



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1. Results Overview

Kina Securities Limited (KSL, Kina, Kina Group, Bank, the Business or the Company) has reported an unaudited statutory Net Profit After Tax of PGK 45.6m for the half year to 30 June 2022. This represents an increase of 15% compared to the PCP. All comparisons are against PCP to reflect the traditional business cycle over the financial year.

The statutory profit has been calculated in accordance with International Financial Reporting Standards (IFRS).

The Board has declared an unfranked interim dividend for 1H22 of AUD 4.1 cents per share / PGK 10.3 toea per share. This compares to AUD 3.0 cents per share / PGK 8.3 toea in the PCP

Key results

	Half Year Ended					Change % Jun22 vs Jun21
	Jun-22	Dec-21	Jun-21	Dec-20	Jun-20	
Underlying NPAT from ordinary activities (PGK m)	45.6	56.4	39.8	46.7	29.3	15%
Statutory NPAT from ordinary activities (PGK m)	45.6	31.0	39.8	46.7	29.3	15%
Revenue (PGK m)	179.1	178.7	155.7	165.6	149.2	15%
FX Revenue (PGK m)	32.0	36.4	29.2	26.7	28.5	10%
Loan impairment expense (PGK m)	2.0	2.1	4.4	11.6	10.4	(55%)
Cost to income ratio (%) underlying	62.3	55.6	60.9	52.0	64.9	2%
Cost to income ratio (%) statutory	62.3	71.1	60.9	52.0	64.9	2%
Net interest margin (%)	6.2	6.7	7.0	7.5	7.0	(12%)
Return on Equity (%) - underlying	15.9	16.7	13.9	16.8	17.8	12%
Return on Equity (%) - statutory	15.9	12.3	13.9	16.8	17.8	14%
Earnings per Share (PGK Toea) underlying	15.9	19.7	13.9	20.5	16.8	14%
Earnings per Share (PGK Toea) statutory	15.9	10.8	13.9	20.5	16.8	14%
Dividend (PGK Toea per share)	10.3	18.5	8.3	16.9	10.0	48%
Dividend (AUD Cents per share)	4.1	7.0	3.0	6.0	4.0	67%*
Deposit Growth (PGK m)	3,391.7	3,036.9	2,773.0	2,560.7	2,525.4	12%**
Net loans and advances (PGK m)	2,053.1	1,950.5	1,758.8	1,614.7	1,420.6	5%**
Capital adequacy (T1+T2) (%)	22.0	22.9	23.3	25.4	21.9	(13%)

*Impact of foreign exchange rate

**Compared to December 2021

Operating performance and earnings

Kina’s 1H22 results reflect strong revenue growth and ongoing progress against the key strategic priorities of the Group. Kina remains committed to delivering improved returns by growing market share organically, disciplined expense management and a prudent approach to maintaining a resilient balance sheet. Revenue growth was evident across both net interest and non-interest income. Net interest income, grew by 8% against PCP due to solid lending performance in SME and home lending. In non-interest income, merchant facility fees and FX income contributed to the 34% increase against PCP.

The key features of 1H22 results are:

- Increase in NPAT by 15% to PGK 45.6m.
- Loan book growth of 5%, to PGK 2.05b.
- Net Interest Income increased by 8% to PGK 92.5m, compared to PGK 85.4m in the PCP.
- Foreign Exchange (FX) grew by 10%.
- Fees and Commissions increased by 34% against PCP due to the ongoing expansion of Kina’s digital channel network.
- Cost to income increased 2% compared to PCP due to non-recurring expenditure in capability projects and initiatives targeted to drive sustained efficiency.
- Reduction in impairment cost compared to PCP of PGK 2m. The lower impairment in the current year is a reflection of continued application of robust loan and asset quality measures supported by improved asset recovery and collection processes.
- Kina’s Funds Administration business recorded NPAT of PGK 4.4m, with revenue growth of 12% compared to PCP generated from improved value add services to superannuation clients.
- The Funds Management business grew by 5% in total funds under management (PGK 5m), maintaining Kina’s market share in the sector.

Kina is on track to deliver against its 2025 strategic plan. The plan will continue to drive organic growth in the core banking business and a leading-edge digital customer experience focused on organisational sustainability and corporate responsibility. Kina aims to continue its current trajectory of pursuing targeted market growth, customer service excellence, digital on-boarding and transactional processing, and strategic partnerships to extend our network coverage.

Strategic Pillars	
Growth Core Business Momentum	<ul style="list-style-type: none"> • New retail customer acquisition increased by 15% against PCP. • Soft launch of Kina Private Bank that will help drive growth in the high value customer segment. • Launched Kina Venture, a unique and differentiated business advisory model and product for the SME and Commercial customer segments. • Solid growth from the Kina PRIME fee free banking proposition for Home Loan customers, including development of PRIME PLUS for employers with employee sponsored home ownership schemes. • Established a Corporate Banking Advisory Unit. • Origination of several large institutional and multinational customers in the resources and agriculture sectors. • Commenced a three-year physical site remodelling program which incorporates two new commercial centres, and three new retail provincial sites in 2022/23. • Expansion of Kina’s commercial banking footprint to key provincial locations including Lae, Mt Hagan, Kokopo, Goroko, and Madang.
Building Resilience	<ul style="list-style-type: none"> • Implementation of customer analytics and artificial intelligence for AML and transaction monitoring. • New risk modelling techniques to predict external factors on credit default and provisioning for loan losses. • Strengthened Kina’s asset recovery capability. • Increased cyber and information security controls, techniques and external support.



<p>Service Excellence Digital inside and out</p>	<ul style="list-style-type: none"> • Launched Kina ‘single view’ as the only Bank in PNG to enable its customers to access their superannuation balances via online banking. • Enhancements made to Kina Bank’s corporate online service including the provision of automated foreign currency transactions. • On-boarded several of PNG’s largest retailers for the provision of merchant services. • Digital banking and partnerships API gateway successfully implemented. • Issuance of visa scheme cards increased by 138% reflecting Kina’s digital direction and increased card functionality.
<p>Dynamic people</p>	<ul style="list-style-type: none"> • Continued roll out of Kina’s leadership development program with 80 leaders and emerging talent. Focus on transformational leadership, leading for high performance and diversity and inclusion. • Implemented next phase of a health, safety and well-being program benchmarked against international best practices.
<p>Sustainable communities</p>	<ul style="list-style-type: none"> • Implemented an Environment and Social Management System (ESMS) policy in collaboration with Asian Development Bank. The policy’s aim is to minimise and mitigate adverse impacts of the Bank’s lending on the environment and affected communities, and to maximise opportunities for environmental and social benefits including those related to gender. The Bank has now trained 60 customer facing staff on ESG matters. • Continued to support a number of community programs including an inaugural milk in schools initiative in Port Moresby in conjunction with Innovation Agri Industries, sponsorship of Links for Hope, and the FODE education centres operated by the Kokoda Track Foundation. • Finalised KSL’s ESG strategy and objectives which will be embedded over the remainder of 2022 and first half of 2023. Further detail will be made public in the Group’s 2022 Annual Report. • Major sponsor of the PNG annual SME Conference and National Awards program. • Continued development of the strategic partnership with MiBank to build regional financial inclusion across communities in the provinces of PNG including the first co-branded branch with MiBank in Alotau, Milne Bay Province.

Asset Quality

Asset quality is measured using an Expected Credit Loss (ECL) methodology which measures and recognises impairment potential losses on financial assets. During the period, Kina further enhanced its internal risk grading model to a risk model that estimates a loss allowance based on the credit risk of the assets. The enhanced risk model utilises three key items:

- Probably of Default
- Loss Given Default; and
- Exposure at Default

The model takes into account past and present outcomes and incorporates future macro-economic forecasts to ensure an appropriate and timely recognition and provisioning for credit losses as changes in credit risks occur. The model allocates relative weightings to base, upside and downside risk scenarios. Asset Quality remains sound and at an acceptable level.

This item is discussed in more detail in item 1.2.8



Operating Expenses

Staff costs have increased by 11% to PGK 44m. This reflects an investment in capability building in emerging areas of risk, cyber security as well as delivery of an increased distribution footprint, and engaging additional business and corporate relationship advisors. COVID-19 continues to result in some costs including business continuity measures relating to office space. As is normal in the first half of the year, operating expenses also included payments of bonuses and incentives to staff. Overall staff costs as a percentage of total costs has reduced to 39% compared to 42% in PCP.

Administration costs have increased by 18% to PGK 33.9m compared to PCP. Administration costs represent 30% of total costs, similar to PCP. The increase in Administration costs is a consequence of non-recurring expense outgoings and expensing certain capital work 'in progress' costs to the Profit and Loss account.

Operational costs continue to be an area of focus for Management balanced by ensuring appropriate investment in capabilities that deliver on growth strategies.

Cost to income ratios in 1H22 and 1H21 were maintained at 62% and 61% respectively, with some improvement expected by year end.

Economic Outlook

The Government's continued fiscal stimulus to support the economy during the COVID-19 pandemic has been unprecedented for PNG, as with most other economies. As travel and trade border restrictions slowly ease, there has been a gradual recovery in the PNG economy during the first half of 2022. The Total GDP growth rate in 2021 was reported to be 1.5%, with Official Government estimates forecasting a 5.4% growth rate in 2022, driven by an upside in commodity prices and the increased business activities from election-related spending.

In terms of the Government's fiscal position, the 2021 Final Budget Outcome reported an improvement in the Government's efforts to rein in the budget deficit, with a reported 6.7% deficit-to-GDP ratio, up from the 8.9% deficit-to-GDP outcome from the previous year. Total 2021 Expenditure (PGK20.1 billion) and Revenue (PGK13.9 billion) both increased by 3.8% and 14.6% against the 2020 Budget, respectively. In terms of the Government's total debt stock for the long-term, this slightly increased from 49.2% of GDP in 2020 to 51.6% in 2021, which is still within the Government's debt ceiling.

The increased revenue levels were a result of the Government's access to external concessional financing and donor grants, which increased by almost 50%. This access to external financing has also driven down the local domestic debt market rates, with the Treasury 1-year notes dropping over 400 basis points.

Structural Reforms

The Government also continues to pursue its financial sector structural reforms. Following the Central Banking Act Amendments late last year, the Government has proceeded to implement the next phase of the Central Banking review, with a focus on reviewing the current rules on Anti-Money Laundering/ Counter-terrorism financing and other inherent risks within the global financial sector.

The major resource projects including Papua LNG, P'nyang and Wafi-Golpu which are currently being negotiated will be the major economic drivers for capital investment in the medium-term, and all indications are that there will be more clear guidance on these projects post-elections when a new Government is formed.

In the immediate term, Government forecasts a rebound in the non-resource sector GDP to climb between 3.5% to 3.9%. This also considers the traditional stimulus into the economy during a pre-election year as PNG heads into the 2022 National Elections.



1.1 Disclosure and Context

Financial reporting

The statutory result for the six months to 30 June 2022 was an unaudited consolidated Net Profit After Tax of PGK 45.6m. This includes results from the combined operations of Kina Securities Limited and its subsidiaries.

The results presented in this report have been presented on a statutory basis.

Future performance. Forward looking statements

The information in this document is for general information only. To the extent that certain statements contained in this document may constitute “forward-looking statements” or statements about “future matters”, the information reflects Kina’s intent, belief or expectations at the date of this document. Subject to any continuing obligations under applicable law or any relevant listing rules of the Australian Securities Exchange (**ASX**) or PNG’s National Stock Exchange (**PNGX**), Kina disclaims any obligation or undertaking to disseminate any updates or revisions to this information over time. Any forward-looking statements, including projections, guidance on future revenues, earnings and estimates, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Kina’s actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements.

Rounding

All amounts in this report have been rounded to the nearest million Kina (**PGK**) (PNG’s currency) unless otherwise stated.



1.2 Financial results for the half year-ended 30 June 2022

1.2.1 Statutory Results

Figures in PGK'000	Half Year Ended					Change (%) Jun22 vs Jun21
	Jun-22	Dec-21	Jun-21	Dec-20	Jun-20	
Interest income on investments	34,483	28,754	28,502	27,473	26,453	21%
Interest income on loans	76,023	78,545	71,134	76,318	69,443	7%
Interest expense	(17,998)	(15,430)	(14,193)	(14,485)	(15,479)	27%
Net interest income	92,508	91,869	85,443	89,306	80,417	8%
Fee and commission income	54,231	49,020	40,371	39,491	36,861	34%
Fee and commission expense	(23)	(48)	(7)	(66)	(68)	229%
Net fee and commission income	54,208	48,972	40,364	39,425	36,793	34%
Foreign exchange income	31,986	36,386	29,246	26,741	28,498	10%
Dividend income	142	434	128	129	7	11%
Net (losses)/gain from financial assets through profit and loss	63	423	394	2,485	25	(84%)
Other operating income	229	539	164	7,531	3,437	40%
Non-interest income	86,628	86,754	70,296	76,311	68,760	23%
Operating income before impairment losses and operating expenses	179,136	178,623	155,739	165,617	149,177	15%
Impairment losses	(2,017)	(2,161)	(4,358)	(11,623)	(10,395)	(54%)
Separation cost	(111,565)	(99,359)	(94,768)	(86,099)	(96,771)	18%
Other operating expenses	-	(27,700)	-	-	-	0%
Profit before tax	65,554	49,403	56,613	67,895	42,011	16%
Income tax expense	(19,962)	(18,345)	(16,861)	(21,212)	(12,720)	18%
Net Profit for the half year attributable to the equity holder of the Company	45,592	31,058	39,752	46,683	29,291	15%
Other comprehensive income	-	-	-	-	-	0%
Total comprehensive income for the half year attributable to the equity holder of the Company	45,592	31,058	39,752	46,683	29,291	15%

The above information has been extracted from the unaudited interim consolidated financial statements of Kina Securities Limited for the half year-ended 30 June 2022, and where applicable, calculated by reference to the 31 December 2021 annual financial statements and the 30 June 2021 half year reviewed financial statements.

1.2.2 Dividends

	Jun-22	Dec-21	Jun-21	Dec-20	Jun-20
Earnings per share (PNG Toea)	15.9	10.8	13.9	20.5	16.8
Earnings per share (A cents)	6.4	4.1	5.1	7.3	6.8
Dividend per share (PGK toea)	10.3	18.5	8.3	16.9	10.0
Dividends per share (A cents)	4.1	7.0	3.0	6.0	4.0

1.2.3 Lending

PGK Millions	Half Year Ended					Change (%) vs Dec21
	Jun-22	Dec-21	Jun-21	Dec-20	Jun-20	
Overdraft	94.4	78.5	79.7	80.7	63.8	20%
Term Loans	1,356.7	1,329.7	1,183.5	1,058.5	922.3	2%
Investment Property Loan	94.7	97.9	98.6	94.5	95.6	(3%)
Asset Financing	52.6	30.3	23.0	21.7	16.1	74%
Housing Loan	493.3	449.9	409.0	389.5	340.6	10%
Credit Cards	2.3	2.3	3.2	5.1	7.4	(0%)
Gross	2,094.0	1,988.6	1,797.0	1,650.0	1,445.8	5%
Provision	(40.9)	(38.1)	(38.2)	(35.3)	(25.2)	7%
Total	2,053.1	1,950.5	1,758.8	1,614.7	1,420.6	5%

Lending remains strong. Term, Asset Financing and Housing Loans portfolios grew by PGK93m, representing 5% growth on the December 2021 loan book with housing loans contributing 41% of loan book growth. Kina's strong service proposition and increased advisory capabilities to deepen customer relationships have contributed to this solid outcome.

Housing loans recorded have increased by 10% against December 2021 footings. This has occurred following a deliberate and targeted approach to acquire customers in addition to Kina's new PRIME PLUS value proposition which targets companies with large numbers of employees and housing schemes across both the public and private sectors. A home loan campaign commenced in 1H22 and which will provide impetus for further increased activity in the second half.

Business lending grew in both Term and Asset Financing loan categories with expectations for further growth across all areas of business lending in the second half of the year. The Election outcome, commencement of major resource projects, formation of a corporate advisory unit and additional Business advisors in key regional locations, auger well for Kina's Business Lending strategy over the medium term.

Concentration Matrix

The concentration by sector is detailed in the table below. Over the past six months, lending growth has benefited from a targeted approach to increase exposure to agricultural commodities (increased by 131%) and building and construction (increased by 15%).

Risk concentration by sector	Jun-22		Dec-21	
	PGK million	% of total loans	PGK million	% of total loans
Agriculture, Forestry & Fishing	34.7	1.7%	15.0	0.8%
Mining	15.8	0.8%	26.9	1.4%
Manufacturing	32.5	1.6%	20.0	1.0%
Electrical, Gas & Water	6.9	0.3%	7.2	0.4%
Building and Construction	121.5	5.8%	105.3	5.3%
Wholesale & Retail	603.5	28.8%	606.6	30.5%
Hotel & Restaurants	91.6	4.4%	94.8	4.8%
Transport & Storage	19.1	0.9%	17.8	0.9%
Financial Intermediation	1.3	0.1%	1.3	0.1%
Real Estate/Renting/Business Services	349.8	16.7%	350.5	17.6%
Equipment Hire	22.7	1.1%	20.2	1.0%
Other Business	207.6	9.9%	168.6	8.5%
Personal Banking	587.1	28.0%	554.4	27.9%
Total	2,094.0	100.0%	1,988.6	100.0%

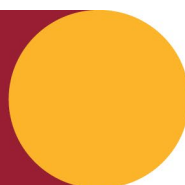
1.2.4 Funding

PGK Millions	Half Year Ended					Change (%) vs Dec-21
	Jun-22	Dec-21	Jun-21	Dec-20	Jun-20	
Fixed Term	1,153.5	785.7	763.2	720.7	591.0	47%
Cash Management Accounts	347.7	584.6	544.4	510.2	587.1	(41%)
Current Accounts	1,487.7	1,298.2	1,139.0	1,008.1	1,055.2	15%
Savings Accounts	402.8	368.4	326.4	321.7	292.1	9%
Total	3,391.7	3,036.9	2,773.0	2,560.7	2,525.4	12%

Deposits grew by 12% against December 2021 largely attributed to an increase in fixed term deposits. The growth in current account volumes reflects an increase in corporate online banking and payroll processing. In Savings accounts, the 15% increase in customer acquisition has contributed to the 9% growth.

PGK Millions	Half Year Ended					Change (%) vs Dec-21
	Jun-22	Dec-21	Jun-21	Dec-20	Jun-20	
On Call	2,264.9	2,277.1	2,021.7	1,840.0	1,964.4	(1%)
1 month	149.0	173.1	218.4	147.6	137.2	(14%)
2 months	156.2	122.5	81.1	81.6	75.3	28%
3 months	65.3	208.0	154.3	310.5	64.3	(69%)
6 months	283.3	154.5	140.1	31.8	84.0	83%
12 months	469.2	90.7	145.1	129.4	178.1	417%
24 months	3.8	11.0	12.3	19.8	22.1	(65%)
Total	3,391.7	3,036.9	2,773.0	2,560.7	2,525.4	12%

The balance sheet funding duration has lengthened over the past 6 months. The bank has taken advantage of increased domestic market liquidity in the first half to lengthen the balance sheet maturity with an increase in 6 month and 12-month funding. Consequently, the Loan to Deposit Ratio (LDR) is 61%, a 3.7% decline due to the deposit growth outpacing lending growth.



1.2.5 Net Interest Margin

PGK Million	Half Year Ended					Change vs Jun-21
	Jun-22	Dec-21	Jun-21	Dec-20	Jun-20	
Net interest income	92.5	91.9	85.4	89.30	80.4	8%
Average interest earning assets	3,177.2	2,744.4	2,518.0	2,328.2	2,287.9	27%
Average yield on interest earning assets (%)	7.0	7.5	7.9	8.6	8.4	(13%)
Average interest-bearing liabilities	3,214.3	2,798.8	2,730.6	2,371.6	2,211.3	18%
Average cost on interest-bearing liabilities (%)	1.0	0.9	0.9	1.1	1.4	11%
Interest spread (%)	6.0	6.6	7.0	7.5	7.0	(16%)
Net interest margin	6.2	6.7	7.0	7.5	7.0	(11%)

The reduction in Net Interest Margin (NIM) for 1H 2022 reflects a number of contributing factors:

- A lower yield from Government securities as the Government of PNG reduced the interest rates on Central Bank Bills and Treasury Bills in 1H 22. This is expected to normalise in the second half post the elections.
- Strong growth in corporate wholesale deposits in Q2 22, providing funding capacity in support of the strong lending pipeline while also acquiring additional share of customer transactional business including FX.
- Deliberate strategy of participating in corporate lending, including syndicated transactions, has required competitive pricing to meet the market.

NIM also is impacted by the business cycle of PNG where first half volumes are traditionally slower than the second half of the year. Also, with the expected realignment of interest rates upwards, NIM is forecast to remain within the guidance range set by the Board at 6-8%.

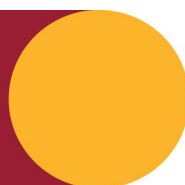
1.2.6 Non-Interest Income

PGK Millions	Half Year Ended					Change (%) vs Jun-21
	Jun-22	Dec-21	Jun-21	Dec-20	Jun-20	
Banking						
Foreign exchange income	32.0	36.8	29.2	29.5	25.7	10%
Fees and commissions*	36.6	32.2	24.8	23.6	22.5	48%
Other	1.3	1.7	0.8	8.1	3.1	63%
Total	69.9	70.7	54.8	61.2	51.3	28%
Wealth Management						
Fund Administration	10.9	10.8	10.4	9.9	9.8	5%
Investment Management	5.0	4.8	4.8	4.8	4.5	4%
Shares	1.3	1.1	0.6	0.9	0.3	117%
Other	(0.5)	(0.6)	(0.3)	2.8	(0.2)	67%
Total	16.7	16.1	15.5	18.4	14.4	8%
Total	86.6	86.8	70.3	79.6	65.7	23%

*see further analysis below

Overall non-interest income growth was 23% against the PCP.

Foreign Exchange income grew by 10% relative to PCP to K32.0 m. This is a very credible result during a period where FX income revenues are relatively low, noting that agribusiness export patterns are generated between late April and November each year. Kina has also engaged proactively with the Bank of Papua New Guinea to increase its share of allocations through the BPNG's intervention program. Kina now receives allocations higher



than the Australian banks. In addition, in the last 6 months, Kina has acquired some critical large corporate relationships that have provided access to large corporate deposits and also significant FX related transactional business.

Digital Channels and Partnerships revenue has grown by over 90% against PCP. This has been driven by continued roll out of Kina's best-in-class merchant point of sale services and e-commerce payments direct to merchants. Proactive partnership programs with payment gateway providers and technology support providers has resulted in the expansion of bill payment services on mobile banking platforms.

Revenues from the wealth business have increased against the PCP. Funds under administration continued to inform the core business with a focus on systems, process and data enhancements, as well as leadership training and career pathways for staff. Innovative solutions in collaboration with the Superannuation funds have improved process efficiency and enhanced member experience.

The table below shows the increase in fees and commissions (banking) against the PCP.

Banking - PGK millions	Jun-22	Jun-21	Change (PGK)	Change (%)
Merchant fees	11,189.2	5,683.1	5,506.1	97%
VISA Fees	5,528.0	2,866.9	2,661.1	93%
Mobile Banking fees	1,078.1	731.8	346.3	47%
Internet Banking fees	564.1	264.6	299.5	113%
Total digital	18,359.4	9,546.4	8,813.0	92%
Bank fees and commission income	12,823.7	10,967.4	1,856.3	17%
Loan fees	2,220.8	1,748.6	472.2	27%
ATM fees	3,211.4	2,564.6	646.8	25%
Total other	18,255.9	15,280.6	2,975.3	19%
Total fees and commissions	36,615.3	24,827.0	11,788.3	47%

Banking fees and commissions income increased by 17%, in line with a growing customer base and increased transactional activities, as digital services evolve. This growth in activity is also attributed to the commissioning of new ATMs in the 1H of the year, hence the increase in ATM fees by over PGK600k against PCP.

1.2.7 Operating Expenses

Total operating cost at 1H22 was PGK 111.6 million, an increase of 18% against PCP.

Figures in PGK Million	Half Year ended					Change (%) vs Jun-21
	Jun-22	Dec-21	Jun-21	Dec-20	Jun-20	
Administration	33.9	34.1	28.8	26.5	26.7	18%
Staff	44.0	35.8	39.8	32.3	42.9	11%
Occupancy	24.9	24.2	22.5	21.8	22.6	11%
Other Operating expenses	7.8	4.2	2.6	4.4	3.5	200%
Board of Directors cost	1.0	1.0	1.1	0.6	0.8	(9%)
Acquisition/Integration	-	-	-	0.5	0.3	0%
Total operating expenses	111.6	99.3	94.8	86.1	96.8	18%

Staff Costs

Staff costs have increased by K 4.2 m (11%) compared to PCP. The increase reflects the investment in building capabilities in the emerging risk areas of AML transaction monitoring and cyber security. These are aligned to the priorities set by the Bank of Papua New Guinea. Kina is building a dedicated AML compliance team to deliver this function.

The additional emerging priority is in ESG compliance. Kina is building capabilities in these domains with support from its institutional partner ADB. Kina has also invested in consulting costs to fast track the development of robust frameworks that are easily institutionalised. This includes a full-time senior executive focussed on managing ESG including engaging with institutional investors.

Kina is also investing in its branch strategy across PNG to increase capabilities in the country wide network of branches that were acquired from ANZ in 2019. A key element of this program has been to appoint regional based business advisors and lenders supported by regional based branch managers focussed on the delivery of sustained revenues.

The payment of staff bonuses and incentives is also incurred in the first half of each year. This timing is expected to improve the cost to income ratio in the second half.

Administration costs

Administration Costs have increased by 18% to PGK 33.9m. These costs also include the expensing of non-recurring items, and also the application of IFRS required accounting treatment of charging capital work in progress costs to the Profit and Loss account. In line with these accounting standards, Kina reviewed all capital projects in progress and rationalised some initiatives in accordance with its strategic plan. The discontinuance of these projects resulted in costs being absorbed in 1H22.

In accordance with the cyber security program, Kina has engaged professionals and implemented systems and training costs in line with the prevailing risk of cyber threats.

To support the accelerated implementation of the ESG framework, Kina engaged professionals to develop an ESG framework as well as develop an ESG operating plan.

Occupation Costs

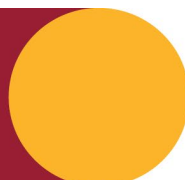
The Kina property strategy included the transition from Kina Bank House to a newly developed Kina Bank Centre. This enabled all operational teams to be located in one site to improve delivery of services to customers and provided significant improvements in efficiency. These costs were incurred in 1H 22.

1.2.8 Asset Quality and Loan Impairment

Information about how risk is quantified and managed for potential impairment of Kina's loan assets requires robust risk management and model application. Kina has an IFRS9 compliant model which evaluates how economic and credit changes will affect its loan portfolio under a variety of scenarios including the application of critical estimates and judgements.

The Probability of Default, Exposure at Default and the Loss Given Default metrics are used in the computation of ECL across three distinct portfolios of assets:

- Loans
- Overdrafts and
- Credit Cards



Each portfolio is assessed by analysing the default stages, level of security (the collateral held by the Bank) and various economic and scenario analysis to formulate the ECL and level of provisioning.

Kina has improved its provisioning model which provides for the timely and adequate provisioning of credit losses. Kina has an implied conservatism in its end provisioning outcomes and uses increased scenario testing, individual review of assets and alignment of management focus between Finance & Risk which places the bank in a solid position in managing its asset base.

Kina continues to monitor its systems and processes to ensure it maintains strong credit quality across the loan book and applies a continued disciplined approach to the Group's lending standards.

Asset Quality

Figures in PGK Million	Half Year Ended							
	Jun22	% of GLA	Dec21	% of GLA	Jun21	% of GLA	Dec20	% of GLA
Loan impairment expense	2.0	0.10%	2.2	0.11%	4.4	0.24%	11.6	0.70%
Non-performing loans and loans in arrears	194.1	9.27%	173.5	8.72%	162.1	9.02%	161.7	9.80%
- 90 day arrears	46.0	2.20%	61.2	3.08%	46.3	2.58%	60.3	3.65%
- Gross non-performing loans (> 180 days)	148.1	7.07%	112.3	5.65%	115.8	6.44%	101.4	6.15%
Total provision	40.9	1.95%	38.1	1.92%	38.2	2.13%	35.3	2.14%

Loan Impairment expense

Figures in PGK'000					Change	
	Jun-22	Jun-21	Jun-22	Jun-21	(PGK)	(%)
Provision on loans			2,036.5	4,232.5	(2,196.0)	(52%)
Provision expense	2,776.7	2,697.8				
Net write-offs	(740.2)	1,534.7				
Trade Debtors			(23.2)	122.0	(145.2)	(119%)
Total impairment (loans & advances)			2013.3	4,354.5	(2,341.2)	(54%)
Provision on GIS			3.6	3.5	0.1	3%
Total Loan Impairment Expense			2,016.9	4,358.0	(2,341.1)	(54%)

Impairment expense on loans and advances totalled K2.0m as at 1H22. The reduction against the PCP is reflective of a lower write-off rate achieved on the back of a more robust asset management system and switch to the IFRS9 provisioning model. Kina Bank also made recoveries of loans that were previously classed as impaired resulting in the improved write off rate.

Kina has improved its asset recovery and collection process over the last 12 months and a sustained program was instituted to recover arrears that were outstanding. This is reflected in Net Recoveries of PGK740k compared to a write-off of PGK1.5m in 2021.

Total non-performing loans as a percentage of gross loans is at 9.3% increasing marginally from 8.7%. The nominal increase of PGK20.6m compared to December 2021 is largely attributed to acquired ANZ Loans which are being remediated (primarily mortgage-related loans). This remains a key focus area for Management. The overall loan book grew at 5% in comparison.

As at 30 June 2022, Kina maintained an Economic and Model Risk Overlay of K 4.4 m (December 2021- K 4.1 m) to provide for potential future impacts of macroeconomic conditions and model risk. This reflects Kina's cautious approach in managing risk.

Total provision has increased to PGK40.9m in line with changes to the model and loan growth. Total provision as a percentage of gross loans remains consistent with 2H21 at 1.95%. This indicates that the credit quality considerations including write-offs are adequate.

Kina continues to maintain a robust and disciplined process in maintaining strong credit quality across its loan book. It has in place a number of initiatives planned with individual impacted customers and property sales in the near future which should see a reduction in NPL levels in 2H22-1H23.

The loan book remains well secured and there is no material degradation of collateral values.

An analysis of the loan portfolio and provision based on staging is set out as follows:

Loans and advances to customers	Stage 1 12 Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total Jun 2022	Total Dec 2021
Overdraft	84.4	0.7	9.3	-	94.4	78.5
Credit Cards	1.4	0.3	0.6	-	2.3	2.3
Loans	1,740.5	71.7	170.3	14.8	1,997.3	1,907.8
Total Gross Carrying Amount	1,826.3	72.7	180.2	14.8	2,094.0	1,988.6
Loss allowance	(19.0)	(4.8)	(17.1)	-	(40.9)	(38.1)
Carrying Amount	1,807.3	67.9	163.1	14.8	2,053.1	1,950.5

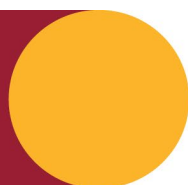
The IFRS 9 compliant model also establishes a 3 stage impairment criteria based on the changes to credit quality since date of initial recognition to the reporting date. 87.2% of Kina's loan book is classified as performing whilst the level of impaired loans remains at 9.3% largely on account of the ANZ acquired loans. More than 90% of these loans are well secured with a low probability of loss. Kina continues to work closely with these customers to gradually bring these accounts into order.

1.2.9 Capital Adequacy

BPNG Prudential Standard 1/2003 *Capital Adequacy* prescribes ranges of overall capital adequacy ratios and leverage capital ratios to measure whether a bank is adequately capitalised. Kina exceeds the existing BPNG prudential capital adequacy requirements and qualifies as 'well capitalised' as at 30 June 2022.

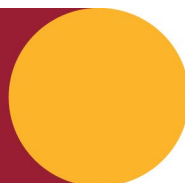
Kina is an authorised institution licensed by the BPNG to accept or collect deposits from the public and lend to the public, and is required to comply with the prudential standards issued by BPNG. The reported ratios are at the consolidated level of the Group.

Capital ratios at the end of June 2022 remained above BPNG's requirement, with combined tier 1 (T1) and tier 2 (T2) capital equal to 22.0% of Risk-Weighted Assets, compared with the regulatory minimum of 12%. The Bank also has maintained leverage ratio at 8.9%, above BPNG's minimum requirement of 6% and an increased single borrower limit allowing the bank increased bandwidth on lending. The higher capital ratios place the Bank well for growth initiatives into the future.



Regulatory Capital Ratios	Jun-22	Dec-21	Jun-21	Dec-20	Jun-20
RWA	1,968.6	1,900.0	1,806.8	1,670.1	1,566.3
Capital: Tier 1	362.9	340.3	358.1	371.0	301.1
Capital: Tier 2	70.2	94.6	62.3	58.3	41.9
Capital: Tier 1 + Tier 2	433.1	434.9	420.4	429.3	343.0
Capital adequacy Ratio: Tier 1	18.4%	18.3%	19.8%	22.2%	19.2%
Capital adequacy: Tier 2	3.6%	5.0%	3.4%	3.5%	2.7%
Capital adequacy: Tier 1 + Tier 2	22.0%	22.9%	23.3%	25.4%	21.9%
Leverage Ratio	8.9%	9.2%	10.4%	11.2%	10.1%

The objective of Kina's Capital Management Plan is to maintain a strong, profitable financial risk profile and capacity to meet financial commitments. Capital adequacy and liquidity ratios are monitored against internal targets and triggers that are set over and above minimum capital requirements set by the Board. These are reviewed on a monthly basis by the Company's Asset and Liability Committee.



2. Consolidated Financial Statements

2.1 Statement of Comprehensive Income - consolidated

	Full Year Ended					Change (%) Jun22 vs Jun21
	Jun-22	Dec-21	Jun-21	Dec-20	Jun-20	
Continuing Operations						
Interest income on investments	34,483	28,754	28,502	27,473	26,453	21%
Interest income on loans	76,023	78,545	71,134	76,318	69,443	7%
Interest expense	(17,998)	(15,430)	(14,193)	(14,485)	(15,479)	27%
Net interest income	92,508	91,869	85,443	89,306	80,417	8%
Fee and commission income	54,231	49,020	40,371	39,491	36,861	34%
Fee and commission expense	(23)	(48)	(7)	(66)	(68)	229%
Net fee and commission income	54,208	48,972	40,364	39,425	36,793	34%
Foreign exchange income	31,986	36,386	29,246	26,741	28,498	10%
Dividend income	142	434	128	129	7	11%
Net (losses)/gain from financial assets through profit and loss	63	423	394	2,485	25	(84%)
Other operating income	229	539	164	7,531	3,437	40%
Non-interest income	86,628	86,754	70,296	76,311	68,760	23%
Operating income before impairment losses and operating expenses	179,136	178,623	155,739	165,617	149,177	15%
Impairment losses	(2,017)	(2,161)	(4,358)	(11,623)	(10,395)	(54%)
Other operating expenses	(111,565)	(99,359)	(94,768)	(86,099)	(96,771)	18%
Separation cost	-	(27,700)	-	-	-	0%
Profit before tax	65,554	49,403	56,613	67,895	42,011	16%
Income tax expense	(19,962)	(18,345)	(16,861)	(21,212)	(12,720)	18%
Net Profit for the half year attributable to the equity holder of the Company	45,592	31,058	39,752	46,683	29,291	15%
Other comprehensive income	-	-	-	-	-	0%
Total comprehensive income for the half year attributable to the equity holder of the Company	45,592	31,058	39,752	46,683	29,291	15%

The above information has been extracted from the unaudited interim consolidated financial statements of Kina Securities Limited for the half year-ended 30 June 2022, and where applicable, calculated by reference to the 31 December 2021 audited financial statements and the 30 June 2021 half year reviewed financial statements.

2.2 Statement of financial position - consolidated

	Jun-22 PGK'000	Dec-21 PGK'000	Jun-21 PGK'000	Dec-20 PGK'000	Jun-20 PGK'000
Assets					
Cash and due from banks	384,918	408,334	434,679	335,147	304,774
Central bank bills	1,075,588	795,362	626,369	647,874	682,158
Regulatory deposits	249,195	212,874	191,312	185,711	175,360
Financial assets at fair value through profit and loss	11,715	11,652	11,229	10,682	7,661
Loans and advances to customers	2,053,116	1,950,447	1,758,775	1,614,731	1,420,583
Investments in government inscribed stocks	112,355	112,107	114,755	114,519	114,169
Current income tax assets	32	31	1	83	493
Deferred tax assets	20,574	16,988	16,648	16,482	12,307
Property, plant and equipment	85,203	90,467	89,300	86,274	88,987
Goodwill	92,786	92,786	92,786	92,786	92,786
Intangible assets	41,831	48,663	52,405	49,449	46,688
Other assets	47,231	45,947	144,187	145,813	59,208
Total Assets	4,174,544	3,785,658	3,532,446	3,299,551	3,005,174
Liabilities					
Due to other banks	(7,063)	(4,701)	(4,674)	(5,385)	(22)
Due to customers	(3,391,676)	(3,036,921)	(2,772,983)	(2,560,715)	(2,525,390)
Current income tax liabilities	(26,094)	(11,697)	(17,421)	(4,966)	(12,576)
Employee provisions	(10,444)	(10,906)	(10,959)	(11,538)	(9,183)
Lease Liabilities	(46,511)	(48,851)	(48,403)	(47,342)	(50,410)
Other liabilities	(121,900)	(95,959)	(110,863)	(92,571)	(77,090)
Total Liabilities	(3,603,688)	(3,209,035)	(2,965,303)	(2,722,517)	(2,674,671)
Net Assets	570,856	576,623	567,143	577,034	330,503
Share capital and reserves					
Issued and fully paid ordinary shares	(394,693)	(394,693)	(394,693)	(394,693)	(176,970)
Share-based payment reserve	(5,347)	(3,587)	(1,491)	(2,774)	(3,176)
Retained earnings	(170,816)	(178,343)	(170,959)	(179,567)	(150,357)
Total capital and reserves	(570,856)	(576,623)	(567,143)	(577,034)	(330,503)

The above information has been extracted from the unaudited interim consolidated financial statements of Kina Securities Limited for the half year-ended 30 June 2022, and where applicable, calculated by reference to the 31 December 2021 audited financial statements and the 30 June 2021 half year reviewed financial statements.

2.3 Statement of changes in equity - consolidated

	Share Capital	Share based payment Reserve	Retained Earnings	Total
	PGK'000	PGK'000	PGK'000	PGK'000
Balance as at 31 December 2020	394,693	-	2,774	179,567
Profit for the period	-	-	-	39,752
Additional shares issued	-	-	-	-
Other comprehensive income	-	-	-	-
Contributions by and distributions to owners	-	-	-	-
Employee share scheme - vested rights	-	-	(3,379)	-
Employee share scheme - value of employee services	-	-	2,096	-
Dividend paid	-	-	-	(48,360)
Balance as at 30 June 2021	394,693	-	1,491	170,959
Profit for the period	-	-	-	31,058
Additional shares issued	-	-	-	-
Other comprehensive income	-	-	-	-
Contributions by and distributions to owners	-	-	-	-
Employee share scheme - vested rights	-	-	(98)	-
Employee share scheme - value of employee services	-	-	2,194	-
Dividend paid	-	-	-	(23,674)
Balance as at 31 December 2021	394,693	-	3,587	178,343
Profit for the period	-	-	-	45,592
Additional shares issued	-	-	-	-
Other comprehensive income	-	-	-	-
Contributions by and distributions to owners	-	-	-	-
Employee share scheme - vested rights	-	-	(499)	-
Employee share scheme - value of employee services	-	-	2,259	-
Dividend paid	-	-	-	(53,119)
Balance as at 30 June 2022	394,693	-	5,347	170,816

The above information has been extracted from the unaudited interim consolidated financial statements of Kina Securities Limited for the half year-ended 30 June 2022, and where applicable, calculated by reference to the 31 December 2021 audited financial statements and the 30 June 2021 half year reviewed financial statements.

2.4 Statement of Cashflow - consolidated

	Jun-22 PGK'000	Dec-21 PGK'000	Jun-21 PGK'000	Dec-20 PGK'000	Jun-20 PGK'000
Cash flows from operating activities					
Interest received	96,107	206,779	99,270	202,364	99,550
Interest paid	(15,870)	(33,943)	(19,185)	(27,376)	(14,348)
Foreign exchange gain	31,986	65,632	29,246	55,239	28,498
Dividend received	142	562	128	136	7
Fee, commission and other income received	53,740	87,978	39,871	78,271	37,217
Fee and commission expense paid	(23)	(55)	(7)	(134)	(68)
Net trading and other operating income received	231	1,415	544	13,256	3,462
Recoveries on loans previously written-off	738	1,750	1,080	1,943	1,287
Cash payments to employees and suppliers	(90,492)	(179,188)	(83,870)	(169,183)	(84,710)
Income tax paid	(9,137)	(28,918)	(4,488)	(36,195)	(8,191)
Cash flows from operating profits before changes in operating assets	67,422	122,012	62,589	118,321	62,704
Changes in operating assets and liabilities:					
- net increase in regulatory deposits	(36,321)	(27,163)	(5,601)	64,002	74,353
- net increase in loans and advances to customers	(103,006)	(336,052)	(144,624)	(217,160)	(24,446)
- net increase in other assets	(1,285)	14,904	1,752	(82,487)	1,751
- net increase/ (decrease) in due to customers	352,626	476,206	212,268	99,748	49,911
- net decrease in due to other banks	2,363	(684)	(820)	4,814	13,864
- net increase/ (decrease) in other liabilities	24,574	(2,201)	18,698	(60,110)	(69,327)
Net cash flows from operating activities	306,373	247,022	144,262	(72,872)	108,810
Cash flows from investing activities					
Purchase of property, equipment and software	(8,768)	(28,431)	(17,455)	(22,924)	(6,991)
Proceeds from sale of property and equipment	-	148	14	264	16
Purchase of investment securities	(340,985)	(50,494)	(44,039)	52,355	(40,234)
Net cash acquired on business combination	-	(8,407)	-	-	-
Net cash flows from investing activities	(349,753)	(2,617)	(61,480)	29,695	(47,209)
Cash flows from financing activities					
Dividend payment	(53,119)	(72,034)	(48,360)	(44,650)	(27,177)
Proceeds from the issuance of share capital, net of transaction costs	-	-	-	217,723	-
Net cash flow from financing activities	(53,119)	(72,034)	(48,360)	173,073	(27,177)
Net increase/ (decrease) in cash and cash equivalents	(96,499)	172,371	34,422	129,896	34,424
Effect of changes in the foreign exchange rates on cash and cash equivalents	(1,917)	(4,184)	110	549	648
Cash and cash equivalents at beginning of period	568,334	400,147	400,147	269,702	269,702
Cash and cash equivalents at the end of the period	469,918	568,334	434,679	400,147	304,774

The above information has been extracted from the unaudited interim consolidated financial statements of Kina Securities Limited for the year-ended 30 June 2022, and where applicable, calculated by reference to the 31 December 2021 audited financial statements and the 30 June 2021 half year reviewed financial statements.

2.5 Basis of Preparation

The accounting policies, estimation methods and measurement basis used in the preparation of the consolidated financial statements for the half year ended 30 June 2022 are consistent with those used in preparing the 31 December 2021 financial statements of the Group.

2.6 Non-Cash Financing and Investing Activities

There are no financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flow.

2.7 Reconciliation of Cash and Cash Equivalents

	Jun-22 PGK'000	Dec-21 PGK'000
Cash and due from other banks	384,918	408,334
Central bank bills (maturity less than 3 months)	85,000	160,000
Total cash at the end of the period	469,918	568,334

2.8 Ratios

	Jun-22	Dec-21	Jun-21	Dec-20	Jun-20
Profit before tax / Operating Income					
Consolidated profit from ordinary activities before tax as a percentage of revenue	36.6%	27.7%	36.4%	41.0%	28.2%
Profit after tax / equity interests					
Consolidated net profit from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable)	8.0%	5.4%	7.0%	8.1%	8.9%

2.9 Earnings Per Share

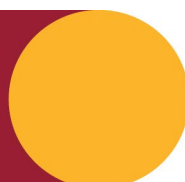
Details of basic and diluted earnings per share (EPS) reported separately in accordance with IAS 33: *Earnings Per Share are as follows;*

	Jun-22	Dec-21	Jun-21	Dec-20	Jun-20
Calculation of the following in accordance with IAS33					
(a) Basic EPS	15.9	10.8	13.9	20.5	16.8
(b) Diluted EPS	15.8	10.6	13.8	20.4	16.7
(c) Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	286,936	286,936	286,936	230,841*	169,369*

*Weighted average calculated as the average of shares outstanding at the beginning of the reporting period and at the end of the reporting period.

2.10 Details of aggregate share of profits (losses) of associated entity

The company has no significant investment in associate entities. There are also no material interests in entities that are not controlled entities.



2.11 Issued Shares

The total number of shares at 30 June 2022 was 286,935,900 (30 June 2021: 286,935,900).

Issued Ordinary Shares	Total Number Ordinary shares	Number Quoted Ordinary shares
Changes during the period ended 30 June 2022		
Opening Balance of number of shares 30 June 2021	286,935,900	286,935,900
Increase through issue of shares	-	-
Closing Balance of number of shares 30 June 2022	286,935,900	286,935,900

2.12 Segment Reporting

	Banking & Finance	Wealth Management	Total
	PGK'000	PGK'000	PGK'000
30 June 2022			
Total external income	161,975	14,304	176,279
Total external expense	(105,142)	(5,583)	(110,725)
Profit before inter-segment revenue and expenses	56,833	8,721	65,554
Inter-segment income	2,142	-	2,142
Inter-segment expense	-	(2,142)	(2,142)
Profit before tax	58,975	6,579	65,554
Income tax expense	(17,357)	(2,605)	(19,962)
Profit after tax	41,618	3,974	45,592
Segment assets	4,121,520	53,024	4,174,544
Segment liabilities	(3,599,279)	(4,410)	(3,603,688)
Net assets	522,241	48,614	570,856
Capital expenditure	8,768	-	8,768
Depreciation	(19,888)	-	(19,888)
	Banking & Finance	Wealth Management	Total
	PGK'000	PGK'000	PGK'000
30 June 2021			
Total external income	140,213	15,526	155,739
Total external expense	(94,932)	(4,194)	(99,126)
Profit before inter-segment revenue and expenses	45,281	11,332	56,613
Inter-segment income	1,777	-	1,777
Inter-segment expense	(21)	(1,756)	(1,777)
Profit before tax	47,037	9,576	56,613
Income tax expense	(14,153)	(2,708)	(16,861)
Profit after tax	32,884	6,868	39,752
Segment assets	3,514,614	17,832	3,532,446
Segment liabilities	(2,936,336)	(28,967)	(2,965,303)
Net assets	578,278	(11,135)	567,143
Capital expenditure	17,455	-	17,455
Depreciation	(17,119)	-	(17,119)

2.13 Comparison of Profits

	HY Jun-22 PGK'000	FY Dec-21 PGK'000	FY Dec-20 PGK'000
First Half Year			
Consolidated profit from continuing operations after tax attributable to members reported for the full year	45,592	39,752	29,291
Second Half Year			
Consolidated profit from continuing operations after tax attributable to members reported for the period	N/A	31,058	46,683
Total	45,592	70,810	75,974

2.14 Contingent Liabilities

The Company is a party to a number of litigations as at 30 June 2022. The consolidated financial statements include provision for any losses where there is reasonable expectation that litigation will result in a loss to the Company. Ongoing litigations are not expected to result in a material loss to the Kina Group.

Kina guarantees the performance of customers by issuing bank guarantees to third parties. As at 30 June 2022, these totalled PGK 57.1 million (31 December 2021: PGK 73.0 million).

3. Compliance Statement

1. This report has been prepared in accordance with Australian Accounting Standards Board (AASB) Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX and to PNGX.

Identify other standards used: **International Financial Reporting Standards**

2. This report, and the accounts upon which the report is based (if separate), use the same accounting policies
3. This report gives a true and fair view of the matters disclosed (see note 2)
4. This report is based on accounts to which one of the following applies.

The accounts have been audited

The accounts have been subject to review

The accounts are in the process of being audited or reviewed

The accounts have not yet been audited or reviewed

5. The entity has a formally constituted audit committee.

