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PNGX - Announcement

PNGX Markets
Monian Tower
Office 2, Level 1, Douglas Street
Port Moresby 121
Papua New Guinea

BY ELECTRONIC LODGEMENT

Appendix 5B - Preliminary Final Report

Please find attached for release to the market, Kina Securities Limited (PNGX:KSL) Appendix 5B - Preliminary Final Report for the half year ended 30 June 2025.

ENDS

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

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Kina Securities Limited

2025 Half Year Results

(ABRN 606 168 594)

Incorporating the requirements of Appendix 5B



Kina Securities Limited

PNGX Appendix 5B

For the Half Year ended 30 June 2025 Results for announcement to the market

Comparisons of the current year results to 30 June 2025 (1H25, reporting period) are with the half year to 30 June 2024 (1H24, previous corresponding period (PCP)).

PGK'000	Half Year Ended					Jun25 vs Jun24
	Jun25	Dec24	Jun24	Dec23	Jun23	
Revenue from ordinary activities	250,969	257,391	227,508	216,774	187,385	10%
Profit from ordinary activities	93,646	107,800	72,310	97,822	77,720	30%
Underlying Net Profit after tax	57,688	58,055	49,666	58,595	46,368	16%
Net Profit after tax attributable to equity holders	57,688	58,055	42,241	58,595	46,368	37%
Net Tangible Assets per security (PGK)	2.03	1.99	1.89	1.91	1.80	

Dividends distributions (Interim dividend)	Jun25	Jun24	Change
- unfranked (AUD cents per share)	4.5 cents	4.0 cents	13%
- unfranked (PGK toea per share)	12.6 toea	10.6 toea	19%

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 57.7m (+37% vs PCP of PGK 42.2m).

The interim dividend is converted based on an exchange rate: 1 PGK = 0.3562 AUD.

The Record date for determining entitlements to the dividend is 2 September 2025.

The financial information contained in this report for the half year ended 30 June 2025 and the comparative period ended 30 June 2024 are unaudited. The comparative figures for the full year ended 31 December 2024 and 31 December 2023 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 2025 referred to in Section 2.

This report is provided to the PNGX under Listing Rule 5.11

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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 57.7m for the half year to 30 June 2025. 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 1H25 of AUD 4.5 cents per share / PGK 12.6 toea per share. This compares to AUD 4.0 cents per share / PGK 10.6 toea in the PCP.

Key results

PGK Millions	Half Year Ended					Jun25 vs Jun24
	Jun25	Dec24	Jun24	Dec23	Jun23	
Underlying NPAT from ordinary activities (PGK m)	57.7	58.1	49.7	58.6	46.4	16%
Statutory NPAT from ordinary activities (PGK m)	57.7	58.1	42.2	58.6	46.4	37%*
Net profit before tax (PGK m)	93.6	107.8	72.3	97.8	77.7	30%
Revenue (PGK m)	251.0	257.4	227.5	216.8	187.4	10%
FX Revenue (PGK m)	50.9	48.9	37.0	29.8	21.6	37%
Loan impairment expense (PGK m)	8.7	10.3	7.8	5.5	4.3	13%
Cost to income ratio (%) underlying	59.2	54.1	58.9	52.3	56.2	1%
Cost to income ratio (%) statutory	59.2	54.1	64.8	52.3	56.2	(9%)
Net interest margin (%)	5.9	5.8	5.6	5.6	5.5	6%
Return on Equity (%) – underlying	17.1	16.5	15.6	16.1	13.9	10%
Return on Equity (%) – statutory	17.1	15.4	13.2	16.1	13.9	30%
Earnings per Share (PGK Toea) underlying	20.0	20.2	17.3	20.4	14.7	16%
Earnings per Share (PGK Toea) statutory	20.0	20.2	14.7	20.4	14.7	36%
Dividend (PGK Toea per share)	12.6	15.5	10.6	15.9	9.7	19%**
Dividend (AUD Cents per share)	4.5	6.0	4.0	6.0	4.0	13%
Deposit Growth (PGK m)	4,482.8	4,352.0	4,482.4	4,344.6	4,154.3	0%
Net loans and advances (PGK m)	3,076.1	2,883.6	2,645.0	2,562.1	2,368.4	16%
Capital adequacy (T1+T2) (%)	17.3	18.3	19.3	20.0	20.8	(10%)

* Jun'24 statutory NPAT includes fraud loss of K13.5m.

** FX conversion rate.

Operating performance and earnings

Kina remains firmly on track to achieve the goals outlined in its 2025 Strategy, delivering a solid 10% revenue growth in the first half of 2025. A standout achievement is the growth in foreign exchange revenue, which recorded an impressive 37% increase against PCP, sustaining the momentum recorded in the latter half of 2024. This growth has been driven by healthy customer inflows. Going forward, growth may moderate as BPNG evolves its intervention practices in favour of interbank market activities.

Digital channels and strategic partnerships have sustained an upward trajectory, growing 15% against PCP. This expansion has been a key contributor to a 12% increase in total banking fees and commissions income. Lending income also rose by 8%, supported by a robust pipeline and with further growth anticipated in the second half.

The key highlights of 1H25 results:

- Statutory NPAT +37% vs PCP to PGK 57.7m, supported by solid growth in total revenue and the lowering of income tax rate effective 1 January 2025, now 40% compared to 45% in FY2024.
- Loan Book Growth of +16% vs PCP, and Net Interest Margin +30bpts (+5%) at 5.9%.

- Non-Interest Income +19% vs PCP, representing 55% of KSL's total revenues. Driven by FX income growth +37% vs PCP; digital channel revenues +15% vs PCP; funds management (including retail wealth management) +24% and fund administration +11% vs PCP.
- Statutory operating costs +1% vs PCP. On a normalised basis, key costs contributing to the increase of 11% (excluding one-off fraud loss in 1H2024) were PGK depreciation impacting USD denominated expenses, inflationary pressure on local supplies, strategic investment in external consultants, and temporary overlaps in senior leadership transitions.
- Strong balance sheet. Capital adequacy 17.3%, is being maintained in KSL's target range, providing capacity for growth. The quality of the loan book remains healthy.
- Interim dividend of AUD 4.5 cents (+ 13% vs PCP) / PGK 12.6 toea (+19% vs PCP) reflects a payout ratio of 63%.
- Digital revenue growth was underpinned by an increase in active terminals and expanded merchant partnerships. Through proactive management of inactive terminals and performance optimization, the Bank has achieved a steady and upward trend in income. Notably, there was a significant rise in customer card spend on international transactions compared to the previous year.
- Foreign exchange (FX) income remained strong, supported by continued momentum in the resources sector, buoyed by firm commodity prices.

Outlook

Growth in pre-tax earnings is expected to continue in 2H25 driven by increased revenues from both lending and non-lending operations, with appropriate cost controls. In the medium-term, primary business sentiment continues to hang on the commencement of major LNG projects, particularly the Total-led Papua LNG project with a possible Final Investment Decision projected by the end of 2026.

Asset Quality

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

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

The model considers past and present outcomes and incorporates future macro-economic forecasts to ensure the 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.

Section 1.2.8 provides additional explanation.

Operating Expenses

KSL reported total operating costs of PGK 148.6m for the first half of FY2025, reflecting a modest 1% increase vs PCP. On an underlying basis, the increase is -11% when removing the one-off fraud loss provision of K13.5m from the 1H24 costs.

The statutory Cost-to-Income Ratio of 59.2%, is down from 64.8% in 1H24. On an underlying basis cost-to-income increased marginally from 58.9% in 1H24.

As the business matures, we expect sustained revenue growth and ongoing improvements in operational efficiency to drive a meaningful reduction in the cost-to-income ratio, enhancing overall profitability and shareholder value.

Section 1.2.7 provides additional explanation.

Underlying Capital

The underlying capital of the bank is strong, with regulatory capital (T1+T2) at 17.3% of risk weighted assets (**RWA**). Kina remains well above regulatory requirements of 12%.

The capital base continues to position the Group for further growth opportunities in lending, digital and across the distribution network.

Economic Outlook

Strong Gold and Agriculture exports to maintain growth levels in 2025

According to the IMF's latest estimates, PNG's real GDP growth in 2024 was broadly stable at 3.8%, driven by resilient non-resource sector growth (4.5% year on year) and improvement in the resources sector as the Porgera gold mine output gradually improves to its pre-closure levels. In 2025, IMF has forecasted that real GDP growth will be higher at 4.7% year on year, due to historically high gold prices and an increasingly competitive agriculture sector. Inflation has been easing with the Bank of PNG (BPNG) containing a price breakout from the recent peak in 2022 at 5.3%. The Statistics Office recorded a slowdown in price increases in 2023 at 2.3%, followed by further modest price increase of 0.6% through last year as global supply chain constraints eased.

Fiscal reforms to establish foundation for medium-term growth

The Government continues to reduce its fiscal deficit by recently adopting important tax reforms to simplify tax rules and remove outdated tax provisions to encourage greater tax compliance and increase its fiscal capacity for important development plans. In the medium-term, PNG's fiscal debt management is being carefully managed as the Government reins in its debt-to-GDP ratio from 52.1% in 2024 to a projected 50.5% this year. It expects to reduce this to 48.9% in 2026, with a projected debt-to-GDP ratio below 40% targeted by 2030. This will be a sustainable level in the medium-term as the Government looks to free up fiscal resources for delivering critical economic infrastructure across the country.

Foreign Exchange and Monetary Policy reforms continues to improve

The country's long-standing Foreign Exchange (FX) challenges have greatly improved in terms of waiting times for importers. Supported by a shift to a 'crawl-like arrangement' in 2024, the PNG Kina has become more flexible as BPNG looked to correct its overvaluation. The introduction of a weekly auction for FX intervention in May 2024 to cover pending essential FX orders accelerated the reduction in waiting times through the end of last year. During the first half of 2025, BPNG's intervention levels reduced significantly, which would indicate that the domestic FX market is aligning foreign currency supply with importer demand.

Furthermore, the establishment of an independent Monetary Policy Committee (MPC), separate from the BPNG Board, has reinforced the independence, mandate, and autonomy of monetary policy settings. Increased reporting in the MPC's decision-making process and forward guidance to financial institutions is also improving market sentiment in terms of policy transparency.

Resource project outlook remains the main anchor for medium-term optimism

In the immediate near-term, economic sentiment will be adversely affected by an impending grey-listing under the Financial Action Taskforce (FATF) in February 2026. However, early consultation between the Government and private sector has already seen businesses start factoring in possible impacts of the grey-listing.

In the medium-term major business sentiment continues to be contingent on the commencement of major LNG projects, particularly the Total-led Papua LNG project with a possible Final Investment Decision projected by the end of 2026.

1.1 Disclosure and Context

Financial reporting

The statutory result for the six months to 30 June 2025 was an unaudited consolidated Net Profit After Tax of PGK 57.7m. 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 2025

1.2.1 Statutory Results

	Half Year Ended					Jun25 vs Jun24
	Jun25 PGK'000	Dec24 PGK'000	Jun24 PGK'000	Dec23 PGK'000	Jun23 PGK'000	
Continuing Operations						
Interest income on investments	30,100	23,519	27,364	28,096	31,129	10%
Interest income on loans	115,286	116,720	106,866	101,800	92,315	8%
Interest expense	(32,172)	(29,591)	(22,655)	(24,658)	(25,362)	42%
Net interest income	113,214	110,647	111,575	105,238	98,082	1%
Fee and commission income	85,574	87,050	74,633	72,374	64,604	15%
Fee and commission expense	-	31	(63)	(3)	(13)	(100%)
Net fee and commission income	85,574	87,081	74,570	72,372	64,591	15%
Foreign exchange income	50,858	48,933	37,037	29,790	21,552	37%
Dividend income	1	809	135	511	149	(99%)
Net gain/(losses) from financial assets through profit and loss	718	6,217	1,696	3,043	(310)	(58%)
Other operating income	604	3,705	2,495	5,818	3,321	(76%)
Non-interest income	137,755	146,744	115,933	111,534	89,303	19%
Operating income before impairment losses and operating expenses	250,969	257,391	227,508	216,772	187,385	10%
Impairment losses	(8,721)	(10,398)	(7,753)	(5,608)	(4,292)	12%
Other operating expenses	(148,602)	(139,193)	(147,445)	(113,345)	(105,373)	1%
Profit before tax	93,646	107,800	72,310	97,819	77,720	30%
Income tax expense	(35,958)	(49,745)	(30,069)	(39,224)	(31,352)	20%
Net profit for the period attributable to the equity holder of the Company	57,688	58,055	42,241	58,595	46,368	37%
Other comprehensive income	-	-	-	-	-	0%
Total comprehensive income for the period attributable to the equity holder of the Company	57,688	58,055	42,241	58,595	46,368	37%

The above information has been extracted from the unaudited consolidated financial statements of Kina Securities Limited for the half year-ended 30 June 2025 and, where applicable, calculated by reference to the 31 December 2024 annual financial statements and the 30 June 2024 half year reviewed financial statements.

1.2.2 Dividends

	Jun25	Dec24	Jun24	Dec23	Jun23	June 25 vs June 24
Earnings per share (PGK Toea) underlying	20.0	20.2	14.7	20.5	16.2	36%
Earnings per share (A cents) underlying	7.1	7.8	5.5	7.7	6.6	30%
Dividend per share (PGK toea)	12.6	15.5	10.6	15.9	9.7	19%
Dividends per share (A cents)	4.5	6.0	4.0	6.0	4.0	13%

1.2.3 Lending

Overall loan book was up 16% on June 2024 volumes to PGK 3.1b including growth in Business loan, Asset Financing and Home Loan portfolios of PGK 2.95b. Strong discipline in opportunity management, coupled with active engagement from SME and Regional teams, has driven robust growth across key segments. This has been complemented by consistent performance in the home loan portfolio.

PGK Millions	Half Year Ended					Jun25 vs Jun24
	Jun25	Dec24	Jun24	Dec23	Jun23	
Business Loan	2,121.5	1,941.8	1,735.7	1,651.4	1,519.9	22%
Housing Loan	624.1	607.5	588.7	576.0	548.3	6%
Overdraft	112.0	98.9	86.0	97.6	86.3	30%
Investment Property Loan	107.1	113.0	107.5	109.8	98.0	0%
Asset Financing	99.1	97.9	96.2	92.6	76.9	3%
Personal Loan	72.3	85.7	86.7	84.6	83.1	(17%)
Credit Cards	6.0	6.1	3.7	3.3	2.7	62%
Gross	3,142.1	2,950.9	2,704.5	2,614.6	2,415.2	16%
Provision	(66.0)	(67.3)	(59.5)	(52.5)	(46.8)	11%
Total	3,076.1	2,883.6	2,645.0	2,562.1	2,368.4	16%

Wholesale and retail sector lending continues to be the largest proportion of industry concentration comprising 28.8% of the total loan book. Over the past six months, lending growth has seen an increased exposure to Wholesale & retail (increased by 7.0%) and Building & Construction (increased by 13%).

	Jun25		Dec24	
	PGK million	% of total loans	PGK million	% of total loans
Wholesale & Retail	906.2	28.8%	846.9	28.7%
Personal Banking	762.6	24.3%	758.5	25.7%
Real Estate/Renting/Business Services	413.2	13.1%	425.6	14.4%
Other Business	386.3	12.3%	319.1	10.8%
Building and Construction	282.6	9.0%	250.7	8.5%
Hotel & Restaurants	119.5	3.8%	95.6	3.2%
Post & Telecommunication	98.3	3.1%	96.7	3.3%
Transport & Storage	71.8	2.3%	76.4	2.6%
Equipment Hire	42.7	1.4%	20.9	0.7%
Manufacturing	28.9	0.9%	24.8	0.8%
Agriculture, Forestry & Fishing	22.6	0.7%	11	0.4%
Mining	4.4	0.1%	11.9	0.4%
Financial Intermediation	1.9	0.1%	0.6	0.0%
Electrical, Gas & Water	1.1	0.0%	12.2	0.4%
Gross Loans	3,142.1	100.0%	2,950.9	100.0%

1.2.4 Funding

PGK Millions	Half Year Ended					Jun25 vs Jun24
	Jun25	Dec24	Jun24	Dec23	Jun23	
Current Accounts	2,018.5	2,008.5	1,681.8	1,864.3	1,718.0	20%
Fixed Term	1,481.9	1,429.9	1,487.6	1,471.0	1,453.8	0.0%
Savings Accounts	551.6	563.7	511.6	512.3	479.1	8%
Cash Management Accounts	430.8	349.9	792.9	497.0	503.4	(46%)
Total	4,482.8	4,352.0	4,473.9	4,344.6	4,154.3	0.0%

Total deposits remained steady at PGK 4.5 billion. The overall growth in funds was primarily driven by an increase of PGK 340 million in low-cost transactional Current Accounts. This was partially offset by a PGK 360 million decline in Cash Management Accounts, although revised rates introduced for CMA in the second half is expected to further boost funding. There was a modest increase in higher cost FTDs. Despite total system deposits falling 3% reflecting the increased liquidity in the FX market this resulted in Kina's deposit market share increasing by 3% to 13.8%.

PGK Millions	Half Year Ended					Jun25 vs Jun24
	Jun25	Dec24	Jun24	Dec23	Jun23	
On Call	3,018.2	2,971.6	3,013.4	2,925.6	2,742.8	0%
1 month	401.0	352.4	335.8	310.4	316.5	19%
2 months	350.4	269.6	255.3	186.1	238.6	37%
3 months	106.2	98.4	116.8	117.0	96.1	(9%)
6 months	160.4	205.0	280.5	378.1	311.9	(43%)
12 months	410.5	406.1	435.0	387.0	438.2	(6%)
24 months	36.1	76.0	37.1	40.4	10.2	(3%)
Total	4,482.8	4,352.0	4,473.9	4,344.6	4,154.3	0%

Balance sheet funding was supported by a blend of On Call and 12-month deposits, reflecting sustained favorable domestic market liquidity. The Loan-to-Deposit Ratio (LDR) stood at 69%, indicating a healthy funding position. The composition of the deposit portfolio continues to strategically position Kina Bank to capitalize on emerging lending opportunities—particularly those expected to arise from the rollout of major resource projects in the medium term.

1.2.5 Net Interest Margin

Net Interest margin improved to 5.9% in the first half of the year.

PGK Millions	Half Year Ended					Jun25 vs Jun24
	Jun25	Dec24	Jun24	Dec23	Jun23	
Net Interest Income (annualised)	228.5	224.7	224.4	204.8	197.6	1.8%
Interest Income Loans	230.6	223.6	213.7	194.1	184.6	7.9%
Avg Interest Yield Loans	7.7%	8.2%	8.2%	8.2%	8.2%	-50 bps
Interest Income Investments	60.2	50.9	54.7	59.2	62.3	10.0%
Avg Interest Yield Investments	6.7%	4.5%	3.8%	4.6%	4.4%	+280 bps
Interest Expense	(62.3)	(49.8)	(44.0)	(48.6)	(49.3)	41.5%
Avg Cost of Funds	(1.4%)	(1.1%)	(1.0%)	(1.2%)	(1.2%)	-40 bps
Average Interest earning assets	3,882.4	3,847.5	4,028.3	3,653.1	3,603.1	(3.6%)
Average Interest-bearing liabilities	4,453.2	4,365.4	4,427.2	4,132.8	4,025.6	0.6%
Net Interest spread (loans)	6.3%	7.1%	7.2%	7.1%	7.0%	-90 bps
Net Interest spread (investments)	5.3%	3.4%	2.8%	3.4%	3.4%	+240 bps
Net Interest Margin	5.9%	5.8%	5.6%	5.6%	5.5%	+30 bps

The Bank's Net Interest Margin (NIM) for the first half of 2025 reflects a strong and balanced performance, shaped by several key factors:

- **Enhanced Yield on Government Securities:** The yield on government securities rose significantly from an average of 3.8% in 1H2024 to 6.7% in the current half. This uplift reflects favourable market conditions and strategic portfolio positioning, contributing meaningfully to overall interest income.
- **Return on Lending Assets:** Lending assets delivered a return of 7.7%, underscoring the bank's disciplined credit management and effective pricing strategies across its loan portfolio.
- **Slight Uptick in Cost of Funds:** The cost of funds increased from 1.0% to 1.4%, driven by shifts in deposit mix and market rates. Despite this rise, Kina maintained a healthy spread, demonstrating resilience in margin management.

1.2.6 Non-Interest Income

PGK millions	Half Year Ended					Jun25 vs Jun24
	Jun25	Dec24	Jun24	Dec23	Jun23	
Banking						
Foreign exchange income	50.9	49.3	36.9	29.9	21.5	37%
Fees and commissions*	62.7	62.0	56.0	55.0	47.0	12%
Other	1.2	8.2	3.8	7.6	3.2	(68%)
Total	114.8	119.5	96.7	92.5	71.7	19%
Wealth Management						
Fund Administration	13.1	15.6	11.8	11.8	11.4	11%
Investment Management	6.0	5.8	5.5	5.1	5.3	9%
Retail Wealth & Shares	2.3	1.2	1.2	0.9	0.6	92%
Other	1.6	4.7	0.7	1.2	0.3	129%
Total	23.0	27.3	19.2	19.0	17.6	20%
Total	137.8	146.8	115.9	111.5	89.3	19%

*see further analysis below

Overall non-interest income increased by 19% to PGK 137.8m, resulting from an uplift in foreign exchange income and digital fees and commissions.

Foreign Exchange income increased by 37% to PGK 50.9m as the Bank experienced a solid flow in foreign currency driven by higher commodity prices through key export clients. Total FX market turnover has grown to PGK 6.0b in June 2025 from PGK 4.8b in June 2024. Going forward, growth may moderate, as BPNG evolves its intervention practices in favour of interbank market activity which began in June.

Digital Channels and Partnerships income increased by 15% vs PCP, attributed to growth in transactional volumes in merchant and visa fees as well as strengthened executive leadership capabilities. This growth will be supported in the second half by additional merchant terminal deployment and digital product enhancements.

Fees from Funds under Management (FuM) including retail wealth management +24% and Funds under Administration (FuA) +11% continued to perform strongly, as the business experienced increased volume in membership and funds. The growth reflects both organic growth and improved client retention.

Other income included foreign exchange valuation gains at period end.

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

Banking - PGK millions	Jun-25	Jun-24	Change (PGK)	Change (%)
Merchant fees	19.7	17.1	2.6	15%
VISA Fees	19.5	17.1	2.4	14%
Mobile Banking fees	2.9	2.5	0.4	16%
Internet Banking fees	1.8	1.5	0.3	20%
Total digital	43.9	38.2	5.7	15%
Bank fees and commission income	11.0	10.9	0.1	1%
Loan fees	4.1	3.5	0.6	17%
ATM fees	3.6	3.4	0.2	6%
Total other	18.7	17.8	0.9	5%
Total fees and commissions	62.6	56.0	6.6	12%

1.2.7 Operating Expenses

Statutory operating cost as at June 2025 was PGK 148.6m, a marginal increase of 1%. Staff and administrative costs contributed 41% and 37% respectively to total operating costs while occupancy and other operating expenses contributed 17% and 4% respectively for the year.

PGK Millions	Half Year Ended					Jun25 vs Jun24
	Jun25	Dec24	Jun24	Dec23	Jun23	
Administration	60.6	60.3	51.2	43.3	39.0	18%
Staff	55.3	50.8	52.1	44.1	42.0	6%
Occupancy	24.9	21.9	21.2	20.4	19.0	17%
Other operating expenses	6.6	4.5	21.7	4.4	4.4	(70%)
Board of Directors costs	1.2	1.7	1.2	1.1	1.0	0%
Total	148.6	139.2	147.4	113.3	105.4	1%

Administrative costs of K60.6m includes an uplift in merchant and visa charges (+PGK 3.9m/ 40% of total movement) driven by increased merchant transactional volume and card usage and increase in cybersecurity support and systems licenses. Occupancy costs grew by 17% as a result of temporary transitional lease costs incurred in the first half with the relocation of the corporate office to Harbour City (KBHC) to merge with the current KBHC business branch. Other operating expenses for June 2024 includes the one-off fraud loss provision of K13.5m.

When normalized against prior year performance, several variances are driven by both macroeconomic factors and strategic initiatives: **Foreign Exchange Impact:** The 7% depreciation of the PGK against the USD over the year increased the local currency cost of USD-denominated expenses, particularly in technology and consulting services.

Domestic Inflationary Pressure: The weakening PGK also contributed to general price increases in locally sourced supplies and services, adding pressure to baseline operating costs.

Strategic Investment in Expertise: KSL made targeted investments in external advisory and technical expertise to support planned enhancements in technology infrastructure and operational risk frameworks—critical enablers of long-term efficiency and resilience.

Leadership Transition Costs: Temporary overlaps in senior executive roles, including the CEO transition impacted the results of the first half and further investment is planned in the second half for strategic capabilities and talent.

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.

Asset Quality

PGK Millions	Half Year Ended							
	Jun-25	% of GLA	Dec-24	% of GLA	Jun-24	% of GLA	Dec-23	% of GLA
Total impairment (loans & advances)	8.7	0.3%	11.1	0.4%	8.1	0.3%	5.5	0.2%
Non-performing loans and loans in arrears	240.9	7.7%	238.1	8.1%	209.0	7.7%	163.6	6.3%
- 90 day arrears	34.6	1.1%	45.5	1.5%	48.8	1.8%	22.2	0.8%
- Gross non-performing loans (>180 days)	206.3	6.6%	192.6	6.5%	160.2	5.9%	141.4	5.4%
Total provision	66.0	2.1%	67.3	2.3%	59.5	2.2%	52.5	2.0%

Loan Impairment expense

Figures in PGK'000	Jun-25	Jun-24	Change (PGK)	Change (%)
Provision Expense	8,655.2	8,170.8	484.4	5.9%
Net Write-offs	(320.3)	(102.1)	(218.2)	213.7%
Provision on loans	8,334.9	8,068.8	266.2	3.3%
Trade Debtors	383.2	74.6	308.6	413.7%
Total impairment (loans & advances)	8,718.1	8,143.4	574.8	7.1%
Provision on GIS*	2.9	(390.4)	393.3	100.7%
Total Impairment Expense	8,721.0	7,752.9	968.1	12.5%

*see note below on Investments

KSL recorded a slight increase of 3% in loan loss expense compared to the PCP. This increase is not indicative of deteriorating asset quality but rather reflects a deliberate and proactive approach to credit risk management and organic loan growth.

Importantly, the underlying loan portfolio continues to demonstrate strong quality, supported by prudent lending standards and robust risk assessment frameworks.

An analysis of the loan portfolio and provision based on ECL model 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 2025	Total Jun 2024
Loans	2,648.4	163.5	205.5	6.7	3,024.1	2,614.8
Overdraft	78.9	9.7	23.4	-	112.0	86.0
Credit Cards	3.7	0.4	1.9	-	6.0	3.7
Total Gross Carrying Amount	2,731.0	173.6	230.8	6.7	3,142.1	2,704.5
Loss Allowance	(20.1)	(9.5)	(36.4)	-	(66.0)	(59.5)
Carrying Amount	2,710.9	164.1	194.4	6.7	3,076.1	2,645.0

The IFRS 9 compliant model establishes a three-stage impairment criteria based on changes to credit quality. A significant component of the overall loan book represents performing loans. The lower provisions held under stages two and three reflect that the loans are well secured and therefore have a lower probability of loss.

Investments

In FY2020, as part of the BPNG's market intervention and quantitative easing requirements due to COVID-19, Kina (together with other financial institutions) took on greater placements of Governments Inscribed Stock (GIS) issued by the PNG Government. Kina took on a total of PGK 100m with terms greater than 5 years. In accordance with IFRS 9 requirements, the Company was required to assess the ECL on these investments, with the total ECL calculated in the first half of 2024 being PGK 1.9m against opening balance of PGK 2.3m, resulting in a positive impact to P&L of PGK 390.4k in June 2024.

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 is defined as 'well capitalised' as at 30 June 2025.

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

Capital ratios at the end of June 2025 remained above BPNG's requirement, with combined tier 1 (T1) and tier 2 (T2) capital equal to 17.3% of Risk-Weighted Assets, compared with the regulatory minimum of 12.0%. The Bank also has maintained leverage ratio at 8.3%, above BPNG's minimum requirement of 6.0%.

Regulatory Capital Ratios	Jun25	Dec24	Jun24	Dec23	Jun23
RWA	3,053.6	2,854.9	2,513.0	2,516.9	2,275.4
Capital: T1 (PGK'm)	431.4	387.4	410.7	366.1	399.6
Capital: T2 (PGK'm)	95.9	136.0	73.7	136.4	74.8
Capital: T1 + T2 (PGK'm)	527.3	523.4	484.4	502.5	474.4
Capital adequacy Ratio: T1	14.1%	13.6%	16.3%	14.5%	17.5%
Capital adequacy: T2	3.1%	4.8%	2.9%	5.4%	3.3%
Capital adequacy: T1 + T2	17.3%	18.3%	19.3%	20.0%	20.8%
Leverage Ratio	8.3%	7.9%	8.1%	7.6%	8.3%

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 above minimum capital requirements set by the Board. These are reviewed on a monthly basis by the Asset and Liability Committee.

2. Consolidated Financial Statements

2.1 Statement of Comprehensive Income – consolidated

	Half Year Ended					Jun25 vs Jun24
	Jun25 PGK'000	Dec24 PGK'000	Jun24 PGK'000	Dec23 PGK'000	Jun23 PGK'000	
Continuing Operations						
Interest income on investments	30,100	23,519	27,364	28,096	31,129	10%
Interest income on loans	115,286	116,720	106,866	101,800	92,315	8%
Interest expense	(32,172)	(29,591)	(22,655)	(24,658)	(25,362)	42%
Net interest income	113,214	110,647	111,575	105,238	98,082	1%
Fee and commission income	85,574	87,050	74,633	72,374	64,604	15%
Fee and commission expense	-	31	(63)	(3)	(13)	(100%)
Net fee and commission income	85,574	87,081	74,570	72,372	64,591	15%
Foreign exchange income	50,858	48,933	37,037	29,790	21,552	37%
Dividend income	1	809	135	511	149	(99%)
Net gain/ (losses) from financial assets through profit and loss	718	6,217	1,696	3,043	(310)	(58%)
Other operating income	604	3,705	2,495	5,818	3,321	(76%)
Non-interest income	137,755	146,744	115,933	111,534	89,303	19%
Operating income before impairment losses and operating expenses	250,969	257,391	227,508	216,772	187,385	10%
Impairment losses	(8,721)	(10,398)	(7,753)	(5,608)	(4,292)	12%
Other operating expenses	(148,602)	(139,193)	(147,445)	(113,345)	(105,373)	1%
Profit before tax	93,646	107,800	72,310	97,819	77,720	30%
Income tax expense	(35,958)	(49,745)	(30,069)	(39,224)	(31,352)	20%
Net profit for the period attributable to the equity holder of the Company	57,688	58,055	42,241	58,595	46,368	37%
Other comprehensive income	-	-	-	-	-	0%
Total comprehensive income for the period attributable to the equity holder of the Company	57,688	58,055	42,241	58,595	46,368	37%

The above information has been extracted from the unaudited interim consolidated financial statements of Kina Securities Limited for the half year-ended 30 June 2025 and, where applicable, calculated by reference to the 31 December 2024 audited financial statements and the 30 June 2024 half year reviewed financial statements.

2.2 Statement of financial position – consolidated

	Jun25 PGK'000	Dec24 PGK'000	Jun24 PGK'000	Dec23 PGK'000	Jun23 PGK'000
Assets					
Cash and due from banks	462,110	529,810	241,053	396,840	383,044
Central bank bills	856,363	762,088	1,328,918	1,236,496	1,339,604
Regulatory deposits	453,142	522,784	548,739	433,274	419,628
Financial assets at fair value through profit and loss	42,375	41,656	37,593	35,816	14,952
Loans and advances to customers	3,076,067	2,883,499	2,645,018	2,562,078	2,368,446
Investments in government inscribed stocks	93,534	93,331	132,728	157,554	152,831
Current income tax assets	-	-	-	-	183
Deferred tax assets	37,517	36,803	44,968	35,099	31,113
Property, plant and equipment	89,269	69,303	69,510	71,954	77,569
Goodwill	92,786	92,786	92,786	92,786	92,786
Intangible assets	46,222	35,893	31,797	27,608	28,982
Other assets	170,927	148,875	147,232	129,829	76,014
Total Assets	5,420,312	5,216,828	5,320,342	5,179,334	4,985,152
Liabilities					
Due to other banks	(9,839)	(135)	(4,509)	(13,912)	(8,334)
Due to customers	(4,482,787)	(4,351,990)	(4,473,949)	(4,344,571)	(4,154,340)
Current income tax liabilities	(19,389)	(10,329)	(24,222)	(11,461)	(15,758)
Employee provisions	(14,612)	(14,472)	(12,327)	(16,461)	(11,797)
Lease Liabilities	(51,535)	(31,484)	(32,474)	(33,775)	(37,156)
Other liabilities	(161,822)	(142,224)	(136,171)	(118,831)	(147,979)
Total Liabilities	(4,739,984)	(4,550,634)	(4,683,652)	(4,539,011)	(4,375,364)
Net Assets	680,328	666,194	636,690	640,323	609,788
Share capital and reserves					
Issued and fully paid ordinary shares	(399,822)	(397,254)	(395,773)	(394,693)	(394,693)
Share-based payment reserve	(476)	(1,878)	(1,319)	(2,776)	(2,742)
Retained earnings	(280,030)	(267,062)	(239,598)	(242,854)	(212,353)
Total capital and reserves	(680,328)	(666,194)	(636,690)	(640,323)	(609,788)

The above information has been extracted from the unaudited interim consolidated financial statements of Kina Securities Limited for the half year-ended 30 June 2025 and, where applicable, calculated by reference to the 31 December 2024 audited financial statements and the 30 June 2024 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 2023	394,693	2,776	242,854	640,323
Profit for the period	-	-	42,241	42,241
Additional shares issued	1,080	-	-	1,080
Other comprehensive income	-	-	-	-
Employee share scheme - vested rights	-	(3,738)	-	(3,738)
Employee share scheme - value of employee services	-	1,010	-	1,010
Deferred tax on share-based payment transactions	-	1,271	-	1,271
Dividend paid	-	-	(45,497)	(45,497)
Balance as at 30 June 2024	395,773	1,319	239,598	636,690
Profit for the period	-	-	58,055	58,055
Additional shares issued	1,481	-	-	1,481
Other comprehensive income	-	-	-	-
Employee share scheme - vested rights	-	-	-	-
Employee share scheme - value of employee services	-	1,664	-	1,664
Deferred tax on share-based payment transactions	-	(1,105)	-	(1,105)
Dividend paid	-	-	(30,591)	(30,590)
Balance as at 31 December 2024	397,254	1,878	267,062	666,194
Profit for the period	-	-	57,688	57,688
Additional shares issued	2,568	-	-	2,568
Other comprehensive income	-	-	-	-
Employee share scheme - vested rights	-	(3,200)	-	(3,200)
Employee share scheme - value of employee services	-	2,115	-	2,115
Deferred tax on share-based payment transactions	-	(317)	-	(317)
Deferred tax adjustment	-	-	(63)	(63)
Dividend paid	-	-	(44,657)	(44,657)
Balance as at 30 June 2025	399,822	476	280,030	680,328

The above information has been extracted from the unaudited interim consolidated financial statements of Kina Securities Limited for the half year-ended 30 June 2025 and, where applicable, calculated by reference to the 31 December 2024 audited financial statements and the 30 June 2024 half year reviewed financial statements.

2.4 Statement of Cashflow – consolidated

	Jun25 PGK'000	Dec24 PGK'000	Jun24 PGK'000	Dec23 PGK'000	Jun23 PGK'000
Cash flows from operating activities					
Interest received	180,665	265,208	136,499	245,205	115,548
Interest paid	(25,615)	(50,630)	(22,318)	(51,865)	(29,708)
Foreign exchange gain	50,858	85,970	37,037	51,342	21,552
Dividend received	1	944	135	660	149
Fee, commission and other income received	85,766	154,294	72,181	137,286	60,649
Fee and commission expense paid	-	(32)	(63)	(16)	(13)
Net trading and other operating income received	1,799	6,043	6,814	15,256	4,350
Recoveries on loans previously written-off	320	7,998	287	499	287
Cash payments to employees and suppliers	(140,130)	(284,929)	(147,474)	(198,036)	(95,117)
Income tax paid	(26,881)	(82,438)	(25,874)	(68,506)	(20,961)
Cash flows from operating profits before changes in operating assets	126,783	102,428	57,224	131,825	56,737
Changes in operating assets and liabilities:					
- net increase in regulatory deposits	69,641	(89,510)	(115,465)	(50,191)	(36,545)
- net increase in loans and advances to customers	(192,837)	(320,706)	(81,149)	(402,486)	(205,648)
- net (increase)/ decrease in other assets	(22,592)	(19,045)	(20,028)	(53,634)	2,625
- net increase in due to customers	124,239	5,804	129,041	467,581	279,851
- net (decrease)/ increase in due to other banks	9,704	(13,777)	(9,403)	11,851	6,274
- net increase/ (decrease) in other liabilities	19,676	23,933	16,041	(17,267)	16,127
Net cash flows from operating activities	134,614	(310,873)	(23,739)	87,679	119,422
Cash flows from investing activities					
Purchase of property, equipment and software	(20,198)	(27,334)	(17,370)	(12,817)	(5,821)
Proceeds from sale of property and equipment	24	154	-	89	61
Purchase of investment securities	(130,716)	548,639	(71,268)	(39,533)	(116,337)
Net cash flows from investing activities	(150,890)	521,460	(88,638)	(52,261)	(122,097)
Cash flows from financing activities					
Dividend payment	(44,657)	(76,088)	(45,499)	(74,242)	46,148
Proceeds from the issuance of share capital, net of transaction costs	2,568	2,561	1,080	-	-
Cashflow from lease liabilities	(6,644)	(12,449)	-	-	-
Net cash flow from financing activities	(48,733)	(85,976)	(44,419)	(74,242)	(46,148)
Net increase/ (decrease) in cash and cash equivalents	(65,009)	124,611	(156,796)	(38,823)	(48,823)
Effect of changes in the foreign exchange rates on cash and cash equivalents	(2,690)	8,359	1,009	2,175	(1,622)
Cash and cash equivalents at beginning of period	529,810	396,840	396,840	433,488	433,488
Cash and cash equivalents at the end of the period	462,110	529,810	241,053	396,840	383,044

The above information has been extracted from the unaudited interim consolidated financial statements of Kina Securities Limited for the half year-ended 30 June 2024 and, where applicable, calculated by reference to the 31 December 2023 audited financial statements and the 30 June 2023 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 2025 are consistent with those used in preparing the 31 December 2024 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

	Jun25 PGK'000	Jun24 PGK'000
Cash and due from other banks	462,110	529,810
Total cash at the end of the period	462,110	529,810

2.8 Ratios

	Jun25	Dec24	Jun24	Dec23	Jun23
Profit before tax / Operating Income					
Consolidated profit from ordinary activities before tax as a percentage of revenue	37.3%	41.9%	31.8%	45.1%	41.5%
Profit after tax / equity interests					
Consolidated net profit from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable)	8.5%	8.7%	6.6%	9.2%	7.6%

2.9 Earnings Per Share - Statutory

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

	Jun25	Dec24	Jun24	Dec23	Jun23
Calculation of the following in accordance with IAS33					
(a) Basic EPS	20.0	20.2	14.7	20.5	16.2
(b) Diluted EPS	19.7	20.2	14.5	20.3	16.1
(c) Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	288,556	287,414	287,290	286,936	286,936

**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 associated 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 2025 was 288,797,438 (30 June 2024: 287,432,858)

	Total Number Ordinary shares	Number Quoted Ordinary shares
Changes during the period ended 30 June 2025		
Opening Balance of number of shares	287,432,858	287,432,858
Increase through issue of shares	1,364,580	1,364,580
Closing Balance of number of shares 30 June 2025	288,797,438	288,797,438

2.12 Segment Reporting

	Banking & Finance	Wealth Management	Total
30 June 2025	PGK'000	PGK'000	PGK'000
Total external income	227,543	23,426	250,969
Total external expense	(149,428)	(7,895)	(157,323)
Profit before inter-segment revenue and expenses	78,115	15,531	93,646
Inter-segment income	1,789	-	1,789
Inter-segment expense	-	(1,789)	(1,789)
Profit before tax	79,904	13,742	93,646
Income tax expense	(32,047)	(3,911)	(35,958)
Profit after tax	47,857	9,831	57,688
Segment assets	5,401,819	18,493	5,420,312
Segment liabilities	(4,733,208)	(6,776)	(4,739,984)
Net assets	668,611	11,717	680,328
Capital expenditure	20,198	-	20,198
Depreciation	(16,496)	-	(16,496)
	Banking & Finance	Wealth Management	Total
30 June 2024	PGK'000	PGK'000	PGK'000
Total external income	207,305	20,203	227,508
Total external expense	(149,224)	(5,974)	(155,198)
Profit before inter-segment revenue and expenses	58,081	14,229	72,310
Inter-segment income	1,672	-	1,672
Inter-segment expense	-	(1,672)	(1,672)
Profit before tax	59,753	12,557	72,310
Income tax expense	(26,831)	(3,238)	(30,069)
Profit after tax	32,922	9,319	42,241
Segment assets	5,304,707	15,747	5,320,454
Segment liabilities	(4,676,695)	(7,069)	(4,683,764)
Net assets	628,012	8,678	636,690
Capital expenditure	17,370	-	17,370
Depreciation	(15,623)	-	(15,623)

2.13 Comparison of Profits

	HY Jun25 PGK'000	FY Dec24 PGK'000	FY Dec23 PGK'000
First Half Year			
Consolidated profit from continuing operations after tax attributable to members reported for the period	57,688	42,241	46,368
Second Half Year			
Consolidated profit from continuing operations after tax attributable to members reported for the period	N/A	58,055	58,595
Total	57,688	100,296	104,963

2.14 Contingent Liabilities

The Company is a party to a number of litigations as at 30 June 2025. The consolidated financial statements include provision for any losses where there is reasonable expectation that the litigations 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 2025, these totaled PGK 61.9m (31 December 2024: PGK 60.9m).

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.