

ASX/PNGX announcement



27 August 2021

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Down Town, Port Moresby 121
Papua New Guinea

BY ELECTRONIC LODGEMENT

Consolidated Financial Statements - Half-Year Ended 30 June 2021

Please find attached for release to the market, Kina Securities Limited's *Consolidated Financial Statements for the Half-Year ended 30 June 2021*.

-ENDS-

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

For further information:

Greg Pawson
Chief Executive Officer and Managing Director
Email: greg.pawson@kinabank.com.pg

Chetan Chopra
Chief Financial Officer and Company Secretary
Email: Chetan.chopra@kinabank.com.pg

**KINA SECURITIES LIMITED
AND ITS SUBSIDIARIES**

**CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2021**

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CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2021**

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KINA SECURITIES LIMITED AND ITS SUBSIDIARIES

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2021

The Directors of Kina Securities Limited (the **Company**, or **Bank**) and its Subsidiaries (the **Group**) submit herewith the condensed interim consolidated financial statements of the Group for the half year ended 30 June 2021.

Principal Activities

The principal continuing activities of the Group during the half year were banking services, provision of share brokerage, fund administration, investment management services, asset financing, provision of personal and commercial loans, money market operations and corporate advice.

The Directors consider there are no unusual or other matters that warrant their comments and the Group's financial position and results from operations are properly reflected in these financial statements.

Accounting Policies

Details of accounting policies are shown in note 1 (d) to the accounts.

Country of Incorporation

The Company was incorporated in Papua New Guinea on 14 October 1985 and has its principal place of business in Port Moresby, Papua New Guinea.

Registered Office

Its registered office is Level 9, Kina Haus, Douglas Street, Port Moresby, National Capital District, 121, Papua New Guinea.

Directors and Secretary

The names of the directors of the Company in office during the accounting period are:

I. Taureka, Chairman	A Carriline
G. Pawson, Managing Director & Chief Executive Officer	P. Hutchinson
K. Smith-Pomeroy	J. Thomason
I. Temu (appointed 14 December 2020)	

The company secretary is C. Chopra.

Dividends

Dividends declared for the half year amounted to K23,672,212 (and paid for the half year ended 31 December 2020 amounted to K48,359,983).

Results

The operating profit attributable to equity holders for the half year for the Group was K 39,752,148 (2020: K 29,291,189).

Impact of COVID-19

The COVID-19 outbreak has broad implications for the financial sector and economy as a whole. The gradual cascading financial impact saw some sectors report financial difficulties and seek debt relief for cash flow and loan servicing. Kina took various measures to mitigate the impact of COVID-19 on its operations, considering implications for customers, suppliers and employees. The Papua New Guinea government classified banking and financial services as essential services. Accordingly, banking and superannuation administration services have continued to function at full capacity.

In 2020, the Bank of PNG reduced the Kina Facility Rate by 2%. Accordingly, to support all new and existing customers, Kina reduced all local currency overdraft interest rates by 2% per annum to support business cash flows.

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2021

The Group did not grant any credit approvals attributable to COVID-19 relief requests therefore there is no impact of COVID-19 on the financial position of the Group as at 30 June 2021. Compared to 31 December 2020, the total aggregate exposure (TAE) of relief requests received represented 5.7% of the Bank's total loan book of PGK 1.5 billion and the Group does not believe that these requests suggest a significant deterioration in credit quality. The Bank's liquidity and capital requirements remain above regulatory required minimum levels.

Update on Westpac acquisition is found in note 29 on page 32 in this Financial Report.

Events subsequent to reporting date

Details of events subsequent to reporting date are outlined in note 29 in this Financial Report on page 32.

Signed at Port Moresby on behalf of the board on the 27th day of August 2021.



Mr. Isikeli Taureka
Chairman



Mr. Greg Pawson
Managing Director & Chief Executive Officer

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES

INDEPENDENT AUDITOR'S REVIEW REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2021



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Independent Auditor's Review Report to the shareholders of Kina Securities Limited

We have reviewed the accompanying half-year condensed interim consolidated financial report of Kina Securities Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed interim consolidated statement of financial position as at 30 June 2021, the condensed interim consolidated statement of comprehensive income, the condensed interim consolidated statement of changes in equity and the condensed interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 10 to 32.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year condensed interim consolidated financial report in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*. The directors' responsibility also includes such internal control as the directors determine is necessary for the preparation and fair presentation of the half-year condensed interim consolidated financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year condensed interim consolidated financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ISRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year condensed interim consolidated financial report is not presented fairly, in all material respects, in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*. As the auditor of Kina Securities Limited, ISRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2021

Deloitte.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the condensed interim consolidated half-year financial report of Kina Securities Limited does not present fairly, in all material respects, the consolidated entity's financial position as at 30 June 2021 and of its financial performance for the half-year ended on that date in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



David Rodgers
Partner
Chartered Accountants
Registered Company Auditor in Australia
Brisbane, 27 August 2021

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Benjamin Lee
Partner
Chartered Accountants
Registered under the Accountants Act, 1996
Port Moresby, 27 August 2021

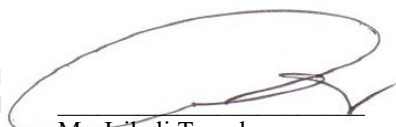
KINA SECURITIES LIMITED AND ITS SUBSIDIARIES
DIRECTORS' DECLARATION
FOR THE HALF YEAR ENDED 30 JUNE 2021

The directors declare that:

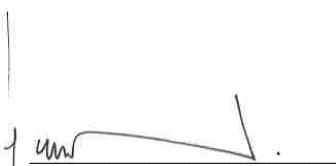
- in the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
- in the directors' opinion, the attached condensed interim consolidated financial statements and notes thereto give a true and fair view of the financial position and performance of the Group in compliance with International Financial Reporting Standard IAS 34: *Interim Financial Reporting*.

Signed in accordance with a resolution of the directors.

On behalf of the Directors



Mr. Isikeli Taureka
Chairman
Port Moresby


Mr. Greg Pawson
Managing Director & Chief Executive Officer
Port Moresby

on the 27th day of August 2021.

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME FOR THE HALF YEAR ENDED 30 JUNE 2021

		Consolidated	
		Half Year 30 June	
		2021	2020
	Notes	Unaudited	Unaudited
Continuing operations		K'000	K'000
Interest income		99,636	95,896
Interest expense		(14,193)	(15,479)
Net interest income	3	85,443	80,417
Fee and commission income		40,371	36,861
Fee and commission expense		(7)	(68)
Net fee and commission income	4	40,364	36,793
Foreign exchange income		29,246	28,498
Dividend income		128	7
Net gain from financial assets through profit and loss		394	25
Other operating income	5	164	3,437
Operating income before impairment losses and operating expenses		155,739	149,177
Expected credit losses on financial instruments at amortised cost	6.1	(4,358)	(10,395)
Other operating expenses	7	(94,768)	(96,771)
Profit before tax		56,613	42,011
Income tax expense	8	(16,861)	(12,720)
Net Profit for the period		39,752	29,291
Other comprehensive income		-	-
Total comprehensive income for the period		39,752	29,291

	2021	2020
Earnings per share - basic (toea) (Note 20 (b))	13.9	16.8
Earnings per share - diluted (toea) (Note 20 (b))	13.8	16.7

The notes on pages 10 to 32 are an integral part of these condensed interim consolidated financial statements.

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN
SHAREHOLDERS' EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2021

Consolidated Attributable to the equity holders of the Group	Share Capital	Share Based Payment Reserve	Retained Earnings	Total
	K'000	K'000	K'000	K'000
Balance as at 31 December 2019	176,970	2,063	148,243	327,276
Profit for the period	-	-	29,291	29,291
Employee share scheme – vested rights	-	(1,024)	-	(1,024)
Employee share scheme – value of employee services	-	2,137	-	2,137
Dividend paid	-	-	(27,177)	(27,177)
Balance as at 30 June 2020	176,970	3,176	150,357	330,503
Profit for the period	-	-	46,683	46,683
Additional shares issued	217,723	-	-	217,723
Employee share scheme – vested rights	-	(1,607)	-	(1,607)
Employee share scheme – value of employee services	-	1,205	-	1,205
Dividend paid	-	-	(17,473)	(17,473)
Balance as at 31 December 2020	394,693	2,774	179,567	577,034
Profit for the period	-	-	39,752	39,752
Employee share scheme – vested rights	-	(3,379)	-	(3,379)
Employee share scheme – value of employee services	-	2,096	-	2,096
Dividend paid	-	-	(48,360)	(48,360)
Balance as at 30 June 2021	394,693	1,491	170,959	567,143

The notes on pages 10 to 32 are an integral part of these condensed interim consolidated financial statements.

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

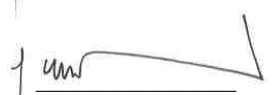
		Consolidated	
		30 June 2021	31 December 2020
	Notes	Unaudited	Audited
		K'000	K'000
Assets			
Cash and due from banks	9	434,679	335,147
Treasury and Central bank bills	10	626,369	647,874
Regulatory deposits	11	191,312	185,711
Financial assets at fair value through profit and loss	12	11,229	10,682
Loans and advances to customers	13	1,758,775	1,614,731
Investments in government inscribed stocks	14	114,755	114,519
Current income tax assets		1	83
Deferred tax assets		16,648	16,482
Property, plant and equipment	15	89,300	86,274
Goodwill	16	92,786	92,786
Intangible assets	16	52,405	49,449
Other assets	19	144,187	145,813
Total Assets		3,532,446	3,299,551
Liabilities			
Due to other banks		4,674	5,385
Due to customers	17	2,772,983	2,560,715
Current income tax liabilities		17,421	4,966
Employee provisions		10,959	11,538
Lease Liabilities	18	48,403	47,342
Other liabilities	19	110,863	92,571
Total Liabilities		2,965,303	2,722,517
Net Assets		567,143	577,034
Shareholders' Equity			
Issued and fully paid ordinary shares	20a	394,693	394,693
Share-based payment reserve		1,491	2,774
Retained earnings		170,959	179,567
Total Equity		567,143	577,034

The notes on pages 10 to 32 are an integral part of these condensed interim consolidated financial statements.

These financial statements have been approved for issue by the Board of Directors and signed on its behalf by:



Mr. Isikeli Taureka
Chairman



Mr. Greg Pawson
Managing Director & Chief Executive Officer

on the 27th day of August 2021.

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2021

	Notes	Consolidated 30 June 2021 Unaudited K'000	30 June 2020 Unaudited K'000
Cash flows from operating activities			
Interest received		99,270	99,550
Interest paid		(19,185)	(14,348)
Dividend received		128	7
Fee, commission and other income received		69,117	65,715
Fee and commission expense paid		(7)	(68)
Net trading and other operating income received		544	3,462
Recoveries on loans previously written-off		1,080	1,287
Cash payments to employees and suppliers		(83,870)	(84,709)
Income tax paid		(4,488)	(8,191)
Cash flows from operating profits before changes in operating assets		62,589	62,705
Changes in operating assets and liabilities:			
- net (increase) / decrease in regulatory deposits	11	(5,601)	74,353
- net (increase) in loans and advances to customers	13	(144,624)	(24,446)
- net decrease in other assets	19	1,752	1,751
- net increase in due to customers	17	212,268	49,911
- net increase/ (decrease) in due to other banks		(820)	13,864
- net increase/ (decrease) in other liabilities	19	18,698	(69,328)
Net cash flows from operating activities		144,262	108,810
Cash flows from investing activities			
Payments for purchase of property, equipment and software		(17,455)	(6,991)
Proceeds from sale of property and equipment		14	16
Net movement in investment securities		(44,039)	(40,234)
Net cash flows from investing activities		(61,480)	(47,209)
Cash flows from financing activities			
Dividend payment		(48,360)	(27,177)
Net cash flow from financing activities		(48,360)	(27,177)
Net increase in cash and cash equivalents		34,422	34,424
Effect of changes in the foreign exchange rates on cash and cash equivalents		110	648
Cash and cash equivalents at 1 January 2021 (1 January 2020)		400,147	269,702
Cash and cash equivalents at 30 June 2021 (30 June 2020)		434,679	304,774
Net cash generated during the six months ended 31 December 2020		-	95,373
Cash and cash equivalents at the end of the period 30 June 2021 (31 December 2020)	9	434,679	400,147

The notes on pages 10 to 32 are an integral part of these condensed interim consolidated financial statements

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2021

1. Significant accounting policies

The Company and its subsidiaries are incorporated in Papua New Guinea. The Group's business activities include banking services, provision of share brokerage, fund administration, investment management services, asset financing, and provision of personal and commercial loans, money market operations and corporate advice.

The company is listed on Papua New Guinea's National Stock Exchange (**PNGX**) and the Australian Securities Exchange (**ASX**). The address of its operational office is Level 9, Kina Haus, Douglas Street, Port Moresby, National Capital District, 121, Papua New Guinea.

a) Statement of compliance

These condensed interim consolidated financial statements of Kina Securities Limited and its subsidiaries ("the **Group**") have been prepared in accordance with IAS 34: *Interim Financial Reporting*. The half year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial statements.

These condensed interim consolidated financial statements have been reviewed, not audited. They were approved for issue by the Board of Directors on 27 August 2021.

b) Basis of presentation

These condensed interim consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

c) Impact of COVID-19

The domestic environment sees new macroeconomic challenges that have broad implications for the financial sector and the economy as a whole. The most prominent of these is COVID-19 which presents challenges for investment, economic activity, aggregate demand, and places a strain on the government's fiscal and monetary operations. PNG has been economically impacted by COVID-19. The options to address the impacts are being pursued. Further deterioration will be a direct result of how COVID-19 progresses not only domestically but internationally with the resultant impacts on trade. In attempting to mitigating the above risks, the government and prudential regulators have had to offer support and change monetary policies to adapt to the current market environment. The impact of these still remain uncertain.

Consideration of the financial statements and further disclosures

The Group has carefully considered the impact of COVID-19 in preparing its condensed interim financial statements for the period ended 30 June 2021. The key impacts on the financial statements, including the application of critical estimates and judgements are as follows:

Loans and advances to customers

During 2020, the Group introduced repayment deferral measures for customers impacted by COVID-19 for retail and small business customers. The repayment deferral arrangements have deemed continuations of customers' existing loans and therefore accounted for as non-substantial loan modifications. There were no deferral approvals during the first half of 2021.

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2021

1. Significant accounting policies (continued)

Provision for impairment

In the prior year, during March 2020, the IASB published *IFRS 9 and COVID-19*, a document that highlights the requirements within *IFRS 9 Financial Instruments* relevant to the impact of COVID-19 on the recognition of expected credit losses. The publication reinforces the fact that IFRS 9 does not provide a mechanistic approach in accounting for impairment provisions.

In assessing forecast conditions, the Group has incorporated the effects of COVID-19 and government support measures on a reasonable and supportable basis. The IFRS 9 impairment methodology and the definition of default have remained consistent with prior periods.

The circumstances are unique in that many of the deferred loans were performing prior to COVID-19, and either continue to perform, or have genuine prospects of recovery once government restrictions eased. COVID-19 repayment deferrals were not borrower specific, but rather addressed to broad ranges of customers, and therefore not been classified automatically as Stage 2 loans.

Assessment of impairment of non-current assets

The Group assessed goodwill for indicators of impairment. Severe disruptions to the airline, travel and tourism sector caused by international travel restrictions were the primary impacts in the PNG market and the Group considered the impacts on the businesses dealings in these sectors. The Group also considered whether volume of relief requests indicated a significant change in expectations on future profitability and concluded that given current information, the likelihood is remote and there were no impairment indicators

d) Accounting policies and disclosures

The accounting policies and methods of computation adopted are consistent with those adopted and disclosed in the Group's annual financial report for the year ended 31 December 2020. The accounting policies are consistent with International Financial Reporting Standards.

2. Critical accounting estimates and judgments

The preparation of interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020 except as disclosed otherwise. Key estimates used in preparation of consolidated financial statements for the year ended 31 December 2020 and this interim financial information are as follows:

- Significant increase in credit risk;
- Recognition of deferred tax asset for carried forward tax losses;
- Estimated allowance for loans and advances to customers;
- Estimated goodwill impairment; and
- Estimated useful life of intangible asset.

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2021

3. Net interest income

	Consolidated	
	30 June	30 June
	2021	2020
	Unaudited	Unaudited
	K'000	K'000
Interest income		
Cash and short-term funds	22,032	24,048
Investment in government inscribed stocks	6,470	2,405
Loans and advances to customers	71,134	69,443
	99,636	95,896
Interest expense		
Banks and customers	(14,193)	(15,479)
Net interest income	85,443	80,417

4. Net fee and commission income

	Consolidated	
	30 June	30 June
	2021	2020
	Unaudited	Unaudited
	K'000	K'000
At a point in time		
Investment and portfolio management	4,809	4,504
Fund administration	10,392	9,751
Shares brokerage	572	307
Loan fees and bank commissions	22,842	20,056
Over time		
Loan fees and bank commissions	1,749	2,175
Net fee and commission income	40,364	36,793

5. Other operating income

	Consolidated	
	30 June	30 June
	2021	2020
	Unaudited	Unaudited
	K'000	K'000
Gain on sale (Esiloan portfolio)	-	3,025
Other income	164	412
Other Operating Income	164	3,437

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2021

6. Expected credit losses on financial instruments at amortised cost

6.1 Movement in expected credit loss (“ECL”) by class of financial instrument

Table below summarises the movement in expected credit loss (ECL) during the period by class of financial assets on which ECL has been recognised:

	Balance at 1 January 2021	Additional ECL recognised	Write-offs	Bad debt recoveries	Balance at 30 June 2021
Loss allowance by classes	K'000	K'000	K'000	K'000	K'000
Loans and advances to customers at amortised cost	35,345	4,354	(2,614)	1,080	38,165
Investments in government inscribed stocks at amortised cost	1,674	4	-	-	1,678
Other financial assets	4,038	-	(48)	-	3,990
Total	41,057	4,358	(2,662)	1,080	43,833

	Balance at 1 January 2020	Additional ECL recognised	Write-offs	Bad debt recoveries	Provision derecognized in respect of sales of loan book	Balance at 31 December 2020
Loss allowance by classes	K'000	K'000	K'000	K'000	K'000	K'000
Loans and advances to customers at amortised cost	20,525	20,833	(7,096)	1,943	(860)	35,345
Investments in government inscribed stocks at amortised cost	489	1,185	-	-	-	1,674
Other financial assets	4,038	-	-	-	-	4,038
Total	25,052	22,018	(7,096)	1,943	(860)	41,057

6.2 Movement in expected credit loss by stage

The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL. On the basis of whether there is a significant increase in credit risk, the Group classifies the exposures into following stages:

- Stage 1** These exposures are regarded as performing loans and lower loss rates are applied in determining the ECL representing ECL equivalent to 12 months expected losses.
- Stage 2** Exposures are classified as Stage 2 if credit rating has worsened since initial recognition or if the facility is overdue by specified number of days.
- Stage 3** Stage 3 exposures are considered in default in accordance with the definition of default above.

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2021

6.2 Movement in expected credit loss by stage (continued)

The table below analyses the movement of the loss allowance during the period per class of assets except for those where there have been no significant movement in the ECL since prior year or where no ECL is recognised:

In relation to investment in government inscribed stocks and other financial assets, there have been no significant movements in the ECL during the period. ECL is managed every month by both the Credit and Risk & Finance departments. The monthly arrears report and required Loan Loss provision is calculated. We believe the current provision levels adequately capture any potential risk arising out of normal business and COVID-19 related events and actions.

Loss allowance – Loans and advances to customers at amortised cost	30 June 2021			POCI	Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
	K'000	K'000	K'000	K'000	K'000
Gross carrying amount as at 01 January	12,058	19,777	3,510	-	35,345
Changes in the gross carrying amount					
- Transfer to stage 1	502	(418)	(84)	-	-
- Transfer to stage 2	(251)	253	(2)	-	-
- Transfer to stage 3	(7)	(2,503)	2,510	-	-
Write-offs	-	(1,354)	(228)	-	(1,582)
New financial assets originated or purchased	3,440	14,506	2,156	-	20,102
Financial assets that have been derecognised	(1,599)	(11,376)	(2,725)	-	(15,700)
Gross carrying amount as at 30 June	14,143	18,885	5,137	-	38,165

Loss allowance – Loans and advances to customers at amortised cost	31 December 2020			POCI	Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
	K'000	K'000	K'000	K'000	K'000
Gross carrying amount as at 01 January	12,102	6,698	1,725	-	20,525
Changes in the gross carrying amount					
- Transfer to stage 1	84	(84)	-	-	-
- Transfer to stage 2	(811)	812	(1)	-	-
- Transfer to stage 3	(6)	(404)	410	-	-
Write-offs	-	(4,406)	(747)	-	(5,153)
New financial assets originated or purchased	4,716	17,972	2,245	-	24,933
Financial assets that have been derecognised	(4,027)	(811)	(122)	-	(4,960)
Gross carrying amount as at 31 December	12,058	19,777	3,510	-	35,345

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6.3 Movement in gross carrying amounts of financial assets at amortised cost

Loans and advances to customers at amortised cost	30 June 2021			POCI	Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
	K'000	K'000	K'000	K'000	K'000
Gross carrying amount as at 01 January	1,417,091	184,262	33,937	14,786	1,650,076
Changes in the gross carrying amount					
- Transfer to stage 1	27,605	(27,047)	(558)	-	-
- Transfer to stage 2	(53,420)	53,617	(197)	-	-
- Transfer to stage 3	(560)	(24,000)	24,560	-	-
Write-offs	-	(1,306)	(228)	-	(1,534)
New financial assets originated or purchased	320,489	7,690	9,367	404	337,950
Financial assets that have been derecognised	(148,916)	(36,008)	(4,095)	(533)	(189,552)
Gross carrying amount as at 30 June	1,562,289	157,208	62,786	14,657	1,796,940

Loans and advances to customers at amortised cost	31 December 2020			POCI*	Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
	K'000	K'000	K'000	K'000	K'000
Gross carrying amount as at 01 January	1,324,738	73,818	7,894	15,508	1,421,958
Changes in the gross carrying amount					
- Transfer to stage 1	8,602	(8,363)	(239)	-	-
- Transfer to stage 2	(114,785)	115,628	(843)	-	-
- Transfer to stage 3	(5,728)	(12,964)	18,692	-	-
Write-offs	-	(4,406)	(747)	-	(5,153)
New financial assets originated or purchased	536,918	36,610	9,621	2,454	585,603
Financial assets that have been derecognised	(332,654)	(16,061)	(441)	(3,176)	(352,332)
Gross carrying amount as at 31 December	1,417,091	184,262	33,937	14,786	1,650,076

*Prior period POCI balance has been restated and adjusted through to lifetime ECL. No change in total Loans and advances to customers at amortised cost.

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6.3 Movement in gross carrying amounts of financial assets at amortised cost (continued)

In relation to investment in government inscribed stocks and other financial assets that continues to be classified as Stage 1, there has been no significant movements in the carrying amount during the period.

An analysis of the Group's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed respectively.

	30 June 2021			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Cash and due from banks at amortised cost	K'000	K'000	K'000	K'000
Grades A-B: Low to fair risk	434,679	-	-	434,679
Total gross carrying amount	434,679	-	-	434,679
Net carrying amount	434,679	-	-	434,679

	31 December 2020			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Cash and due from banks at amortised cost	K'000	K'000	K'000	K'000
Grades A-B: Low to fair risk	335,147	-	-	335,147
Total gross carrying amount	335,147	-	-	335,147
Net carrying amount	335,147	-	-	335,147

	30 June 2021			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Treasury and central bank bills at amortised cost	K'000	K'000	K'000	K'000
Grades A-B: Low to fair risk	626,369	-	-	626,369
Total gross carrying amount	626,369	-	-	626,369
Carrying amount	626,369	-	-	626,369

	31 December 2020			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Treasury and central bank bills at amortised cost	K'000	K'000	K'000	K'000
Grades A-B: Low to fair risk	647,874	-	-	647,874
Total gross carrying amount	647,874	-	-	647,874
Carrying amount	647,874	-	-	647,874

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6.3 Movement in gross carrying amounts of financial assets at amortised cost (continued)

Regulatory deposits at amortised cost	30 June 2021			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
	K'000	K'000	K'000	K'000
Grades A-B: Low to fair risk	191,321	-	-	191,312
Total gross carrying amount	191,312	-	-	191,312
Carrying amount	191,312	-	-	191,312

Regulatory deposits at amortised cost	31 December 2020			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
	K'000	K'000	K'000	K'000
Grades A-B: Low to fair risk	185,711	-	-	185,711
Total gross carrying amount	185,711	-	-	185,711
Carrying amount	185,711	-	-	185,711

Loans and advances to customers at amortised cost	30 June 2021				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	
	K'000	K'000	K'000	K'000	K'000
Grade C - D: Moderate and acceptable risk	1,562,285	41,886	671	-	1,604,842
Grade E: Watchlist / special mention	-	27,498	-	-	27,498
Grade F: Substandard	-	36,930	1	-	36,931
Grade G: Doubtful	-	58,965	13,613	-	72,578
Grade H: Loss	-	-	39,946	14,657	54,603
Not graded	-	-	488	-	488
Total Gross Carrying Amount	1,562,285	165,279	54,719	14,657	1,796,940
Loss allowance	(14,140)	(19,475)	(4,550)	-	(38,165)
Carrying amount	1,548,145	145,804	50,169	14,657	1,758,775

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6.3 Movement in gross carrying amounts of financial assets at amortised cost (continued)

	31 December 2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI*	Total
	K'000	K'000	K'000	K'000	K'000
Loans and advances to customers at amortised cost					
Grade C - D: Moderate and acceptable risk	1,417,091	65,994	699	-	1,483,784
Grade E: Watchlist / special mention	-	24,620	-	-	24,620
Grade F: Substandard	-	36,628	10	-	36,638
Grade G: Doubtful	-	56,083	3,188	-	59,271
Grade H: Loss	-	937	30,040	14,786	45,763
Total Gross Carrying Amount	1,417,091	184,262	33,937	14,786	1,650,076
Loss allowance	(12,058)	(19,777)	(3,510)	-	(35,345)
Carrying amount	1,405,033	164,485	30,427	14,786	1,614,731

*Prior period POCI balance has been restated and adjusted through to lifetime ECL. No change in total Loans and advances to customers at amortised cost.

	30 June 2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	K'000	K'000	K'000	K'000
Investments in government inscribed stocks at amortised cost				
Grades A-B: Low to fair risk	116,432	-	-	116,432
Total gross carrying amount	116,432	-	-	116,432
Loss allowance	(1,677)	-	-	(1,677)
Carrying amount	114,755	-	-	114,755

	31 December 2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	K'000	K'000	K'000	K'000
Investments in government inscribed stocks at amortised cost				
Grades A-B: Low to fair risk	116,193	-	-	116,193
Total gross carrying amount	116,193	-	-	116,193
Loss allowance	(1,674)	-	-	(1,674)
Carrying amount	114,519	-	-	114,519

	30 June 2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	K'000	K'000	K'000	K'000
Bank guarantees				
Grades A-B: Low to fair risk	64,356	-	-	64,356
Maximum exposure to credit risk	64,356	-	-	64,356

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6.3 Movement in gross carrying amounts of financial assets at amortised cost (continued)

Bank guarantees	31 December 2020			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
	K'000	K'000	K'000	K'000
Grades A-B: Low to fair risk	88,704	-	-	88,704
Maximum exposure to credit risk	88,704	-	-	88,704

6.4 Days past due status of loans and advances

The table below provides an analysis of the gross carrying amount of loans and advances to customers in **arrears days**.

	Consolidated			
	30 June 2021		31 December 2020	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
	K'000	K'000	K'000	K'000
Loans and advances to customers				
Not in arrears	1,421,900	15,375	1,275,447	12,553
1-29 days	107,911	2,200	111,756	1,874
30-59 days	63,350	2,387	53,222	799
60-89 days	41,646	2,869	47,868	1,673
90-180 days	46,315	6,375	60,345	9,222
More than 181 days	115,818	8,959	101,438	9,224
Total	1,796,940	38,165	1,650,076	35,345

6.5 Credit quality of financial assets at amortised cost

The Group uses credit risk grades as a primary input into the determination of whether there has been a significant increase in credit risk in addition to information on days past due. The following table provides how each credit grade is defined and its mapping to external credit rating:

Credit risk grades	S&P rating	Description
A	A's	Low risk. Minimum total assets of +K2, 000 m and very strong repayment capacity.
B	B's	Low to fair risk Minimum total assets of +K1, 000 m and strong repayment capacity.
C	B's	Moderate risk Minimum total assets of +K100 – K200 m and sound repayment capacity.
D	unrated	Acceptable risk. Sound financial history demonstrating surplus repayment capacity.
E	unrated	Watch list/special mention. Credit weaknesses are evident and repayment capacity is jeopardised.
F	unrated	Substandard
G	unrated	Doubtful

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7. Other operating expense

	Consolidated	
	30 June 2021	30 June 2020
	Unaudited	Unaudited
	K'000	K'000
Staff costs	39,819	42,903
Administrative expenses	25,538	24,541
Depreciation and amortisation (note 15 & 16)	17,119	17,470
Software maintenance and support charges	2,592	1,540
Auditor's remuneration	612	613
Other expenses	9,088	9,704
	94,768	96,771

Other Expenses include costs from lease rentals on short-term leases and GST Expenses amounting to K2, 378,535 and K3, 192,149 respectively.

As at 30 June 2021, the Group had 682 (2020: 691) employees.

8. Income tax

Income tax is recognise based on management estimate of the effective annual income tax rate expected for the full financial year adjusted for the estimated non-deductible and taxable items during the period.

9. Cash and cash equivalents

	Consolidated	
	30 June 2021	31 December 2020
	Unaudited	Audited
	K'000	K'000
Cash on hand	100,412	118,811
Exchange Settlement Account	238,536	112,024
Placements with other banks	95,731	104,312
Cash and due from banks	434,679	335,147
Central bank bills (note 10)	-	65,000
Cash and cash equivalents	434,679	400,147

10. Treasury and Central bank bills

	Consolidated	
	30 June 2021	31 December 2020
	Unaudited	Audited
	K'000	K'000
Treasury bills*	640,000	610,000
Central bank bills*	-	65,000
Unearned discount	(13,631)	(27,126)
	626,369	647,874

*Treasury bills with maturity dates of less than 90 days at reporting date and Central Bank bills are part of the cash and cash equivalents.

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11. Regulatory deposits

	Consolidated	
	30 June	31 December
	2021	2020
	Unaudited	Audited
	K'000	K'000
Regulatory deposits	191,312	185,711

Bank of Papua New Guinea requires a minimum cash reserve requirement of 7% against the average deposit liabilities.

12. Financial assets at fair value through profit or loss

Fair value of listed investments are measured based on the quoted market prices and unlisted investments are measured using future maintainable earnings method.

	Consolidated	
	30 June	31 December
	2021	2020
	Unaudited	Audited
	K'000	K'000
Equity Securities		
- Listed	5,227	4,680
- Unlisted	6,002	6,002
	11,229	10,682

The movement in financial assets at fair value through profit or loss is reconciled as follows:

	Consolidated	
	30 June	31 December
	2021	2020
	Unaudited	Audited
	K'000	K'000
Balance at beginning of the year	10,682	7,635
Gains/(losses) from changes in fair value	394	2,510
Additions	153	537
Balance at end of the year	11,229	10,682

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13. Loans and advances to customers

	Consolidated	
	30 June	31 December
	2021	2020
	Unaudited	Audited
	K'000	K'000
Loans to individuals	620,393	514,928
Loan to corporate entities	1,176,547	1,135,148
Gross loans and advances to customers	1,796,940	1,650,076
Expected credit losses	(38,165)	(35,345)
	1,758,775	1,614,731

Details of gross loans and advances to customers are as follows:

	Consolidated	
	30 June	31 December
	2021	2020
	Unaudited	Audited
	K'000	K'000
Overdrafts	79,469	83,611
Property mortgage	506,586	481,424
Asset financing	22,933	17,653
Insurance premium funding	-	1,949
Business and other loans	1,187,952	1,065,439
	1,796,940	1,650,076

14. Investments in government inscribed stocks

	Consolidated	
	30 June	31 December
	2021	2020
	Unaudited	Audited
	K'000	K'000
GIS principal	118,000	118,000
Unamortised premium	234	301
Unamortised discount	(4,416)	(4,777)
Accrued interest	2,614	2,669
	116,432	116,193
Expected credit losses	(1,677)	(1,674)
	114,755	114,519

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14. Investments in government inscribed stocks (continued)

The movement in investments in government inscribed stocks is as follows:

	Consolidated	
	30 June	31 December
	2021	2020
	Unaudited	Audited
	K'000	K'000
Balance at beginning of year	114,519	34,003
Additions/(Maturities)	-	85,000
Accrued interest	(55)	1,607
Amortised premium / (discount)	294	(4,906)
Expected credit loss (recognised) / reversed during the period	(3)	(1,185)
	114,755	114,519

Investments in government inscribed stocks are measured at amortised cost.

15. Property, plant and equipment

	Note	30 June	31 December
		2021	2020
		Unaudited	Audited
		K'000	K'000
Property and equipment owned	15.1	45,587	41,820
Right of use assets	15.1	43,713	44,454
		89,300	86,274

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15.1 Property, plant and equipment

Consolidated	Furniture & Fittings	Building improvements	Motor Vehicles	Office Equipment	Land & Building	Work in Progress	Right- of-use assets	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Cost								
Balance 31 December 2019	4,810	17,685	5,785	37,979	2,129	-	62,799	131,187
Additions	-	893	1,168	5,055	-	1,074	1,976	10,166
Disposals	-	-	(1,326)	-	-	-	(1,272)	(2,598)
Transfer in (out)	-	-	-	-	-	-	-	-
Balance 31 December 2020	4,810	18,578	5,627	43,034	2,129	1,074	63,503	138,755
Additions	-	2,828	164	3,792	-	486	6,130	13,400
Disposals	-	-	(127)	-	-	-	(3,969)	(4,096)
Transfer in (out)	-	1,002	-	-	-	(1,002)	-	-
Balance 30 June 2021	4,810	22,408	5,664	46,826	2,129	558	65,664	148,059
Accumulated depreciation								
Balance 31 December 2019	(1,402)	(3,398)	(3,714)	(15,897)	-	-	(9,854)	(34,265)
Charge during the year	(1,087)	(2,314)	(1,083)	(4,821)	-	-	(11,228)	(20,533)
Disposals	-	-	1,283	-	-	-	1,034	2,317
Balance 31 December 2020	(2,489)	(5,712)	(3,514)	(20,718)	-	-	(20,048)	(52,481)
Charge during the year	(341)	(1,061)	(619)	(2,480)	-	-	(5,387)	(9,888)
Disposals	-	-	126	-	-	-	3,484	3,610
Balance 30 June 2021	(2,830)	(6,773)	(4,007)	(23,198)	-	-	(21,951)	(58,759)
Book value 30 June 2021	1,980	15,635	1,657	23,628	2,129	558	43,713	89,300
Book value 31 December 2020	2,321	12,866	2,113	22,316	2,129	1,074	43,455	86,274

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16. Intangible assets

Consolidated	Software	Customer deposits relationship	Work in progress	Total
	K'000	K'000	K'000	K'000
Cost				
Balance 31 December 2019	37,521	22,468	1,502	61,491
Additions	5,058	-	9,676	14,734
Transfer in (out)	206	-	(206)	-
Balance 31 December 2020	42,785	22,468	10,972	76,225
Additions	2,171	-	8,015	10,186
Transfer in (out)	1,092	-	(1,092)	-
Balance 30 June 2021	46,048	22,468	17,895	86,411
Accumulated amortisation				
Balance 31 December 2019	(7,360)	(4,884)	-	(12,244)
Charges during the period	(7,711)	(6,821)	-	(14,532)
Balance 31 December 2020	(15,071)	(11,705)	-	(26,776)
Charges during the period	(4,116)	(3,114)	-	(7,230)
Balance 30 June 2021	(19,187)	(14,819)	-	(34,006)
Book value 30 June 2021	26,861	7,649	17,895	52,405
Book value 31 December 2020	27,714	10,763	10,972	49,449

Customer deposits relationship was recognised when the ANZ SME and Retail Business acquisition on 23 September 2019 was made. The value was derived on the present value of the expected benefit from existing funds coming from depositors. The intangible asset was estimated to have a useful life of five years based on the expected length of the customer deposits relationship.

On 30 September 2015, the Group, through Kina Ventures Limited, a 100% owned subsidiary of Kina Securities Limited, acquired all of the shares in Maybank (PNG) Limited and Maybank Property (PNG). Maybank (PNG) and Maybank Property (PNG) are the PNG subsidiaries of Malaysia's largest bank. The acquisition strengthened Kina Securities' investment in PNG as it was an excellent fit for its then expansion program.

The goodwill arising on this acquisition was recorded at K92,786,000. The goodwill was attributable to Maybank (PNG) Limited's strong position and synergies expected to arise after the Group's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes.

17. Due to customers

	Consolidated 30 June 2021 Unaudited K'000	31 December 2020 Audited K'000
Corporate customers	2,121,356	1,925,006
Retail customers	651,627	635,709
	2,772,983	2,560,715

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18. Lease liabilities

Details of associated lease liabilities recognised in respect of the right of use assets are presented below:

	30 June 2021	31 December 2020
	K'000	K'000
Maturity analysis – contractual undiscounted cash flows		
Less than one year	12,792	11,724
One to five years	33,559	31,434
More than five years	13,364	16,161
Total undiscounted lease liabilities at 30 June 2021	59,715	59,319
Lease liabilities included in statement of financial position at 30 June 2021		
Current	12,871	11,834
Non-current	35,532	35,508
	48,403	47,342
Amounts recognised in statement of comprehensive income		
Interest on lease liabilities	1,810	3,841
Expense relating to short-term leases	4,478	6,552
	6,288	10,393
Amounts recognised in statement of cash flows		
Total cash outflow for leases	6,544	19,986

Total cash flows for leases is recorded under Cash payments to employees and suppliers in the statement of cash flows

19. Other Assets and Other Liabilities

	Consolidated	
	30 June 2021	31 December 2020
	Unaudited	Audited
	K'000	K'000
Prepayments	3,064	1,550
Security deposits and bonds	5,507	5,435
Advance payment	110,994	110,994
Other debtors	28,612	31,872
Total Other Assets	148,177	149,851
Less: expected credit loss	(3,990)	(4,038)
Total Other Assets	144,187	145,813

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19. Other Assets and Other Liabilities (continued)

Movement of expected credit loss on other assets is as follows

	Consolidated	
	30 June 2021	31 December 2020
	Unaudited	Audited
	K'000	K'000
Balance at beginning of year	4,038	4,038
Write-off during the year	(48)	-
Balance at end of the year	3,990	4,038

	Consolidated	
	30 June 2021	31 December 2020
	Unaudited	Audited
	K'000	K'000
Accruals	4,240	14,497
Unclaimed money and stale cheques	8,806	9,028
Bankers cheques	19,784	20,044
Accounts payable	6,234	6,271
Unearned commission	969	1,676
NEP settlement account	6,131	7,119
Customer fund	25,397	1,423
Advances from clients	23,776	22,902
Other liabilities	15,526	9,611
Total Other Liabilities	110, 863	92,571

20. Issued and paid ordinary shares

a. Share capital

The Company does not have authorised capital and all ordinary shares have no par value.

	Number of shares	Share capital
	'000	K'000
Ordinary shares		
Balance at 31 December 2020	286,936	394,693
Share issued during the period	-	-
Balance at 30 June 2021	286,936	394, 693

b. Earnings per share (EPS)

Basic earnings per ordinary share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period. The group has dilutive potential ordinary shares in the form of performance rights issued to senior management. However, it does not have any material impact on the EPS calculation. Consequently, basic earnings per ordinary share equals diluted earnings per share.

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20. Issued and paid ordinary shares (continued)

b. Earnings per share (EPS) (continued)

	Consolidated	
	30 June 2021	30 June 2020
	Unaudited	Unaudited
Net profit attributable to shareholders	39,752	29,291
Weighted average number of ordinary shares basic earnings	286,936	174,745
Weighted average number of ordinary shares diluted earnings	288,226	175,859
Basic earnings per share (in toea)	13.9	16.8
Diluted earnings per share (in toea)	13.8	16.7

c. Share-based payment reserve

In July 2015, after the Company was listed on the Australian Securities Exchange and Port Moresby Stock Exchange, Kina established various incentive arrangements to assist in the attraction, motivation and retention of management and its employees. Share options were granted to the Managing Director & Chief Executive Officer (“CEO”) and other senior executive employees. These included a short term incentive plan (“STI Plan”), long term incentive plan (“LTI Plan”) and retention plan (“RI Plan”), established under the *Kina Performance Rights Equity Incentive Plan*. The share based payment expense recognised for the period ended 30 June 2021 is K 2,095,914 (2020: K 2,137,118). Current provision in the reserve account is sufficient.

21. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or where there are common directors and shareholders. Kina Securities Limited (incorporated in Papua New Guinea), is the parent entity of the Group, which owns 100% of the ordinary shares of its subsidiaries, unless otherwise stated.

A number of banking transactions are entered in with related parties in the normal course of business. These include loans, deposits and foreign currency transactions and provision of certain services to the Group by companies where there is common directorship. These transactions are carried out on normal commercial terms and at normal market rates.

From time to time during the year, Directors and Senior Management of the Parent and subsidiaries have deposits in Kina Securities Limited accounts on normal terms and conditions. Brokerage rates for buying and selling shares for the Senior Management and staff are discounted.

Total remunerations (including benefits) paid to key management personnel during the period:

	Consolidated	
	30 June 2021	30 June 2020
	Unaudited	Unaudited
	K'000	K'000
Salary	4,466	3,896
Benefits	840	967
	5,306	4,863

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2021

22. Investment under trust

The Group acts as trustee holding or placing of assets on behalf of superannuation funds and individuals. These assets are not assets of the Group and, therefore, are not included in its Consolidated Statement of Financial Position (**balance sheet**). The Group is also engaged in investing client monies. A corresponding liability in respect of these monies are also excluded from the balance sheet. Investments under trust at balance sheet are:

	Consolidated	
	30 June 2021	31 December 2020
	Unaudited	Audited
	K'000	K'000
Clients funds held for shares trading	7,643	2,202
	7,643	2,202

23. Segment reporting

The segment information provided to the Managing Director and Chief Executive Officer for the reportable segments for the period ended 30 June 2021 is as follows:

	Banking & Finance	Wealth Management	Total
	K'000	K'000	K'000
Interest income	99,559	77	99,636
Interest expense	(14,193)	-	(14,193)
Foreign exchange income	29,540	(294)	29,246
Fee and commission income	25,132	15,232	40,364
Other revenue	175	511	686
Total external income	140,213	15,526	155,739
Other operating expenses	(73,461)	(4,188)	(77,649)
Provision for impairment	(4,352)	(6)	(4,358)
Depreciation and amortisation	(17,119)	-	(17,119)
Total external expenses	(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 expenses	(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
Total assets	3,514,614	17,832	3,532,446
Total liabilities	(2,936,336)	(28,967)	(2,965,303)

Banking and finance segments includes the operations of the Kina Bank while Wealth Management includes fund management and fund administration business. The section for Corporate is nil as the entities have been amalgamated into Banking.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2021

23. Segment reporting (continued)

The segment information provided to the Managing Director and Chief Executive Officer for the reportable segments for the period ended 30 June 2020 is as follows:

	Banking & Finance (Restated)	Wealth Management	Total
	K'000	K'000	K'000
Interest income	95,898	(3)	95,896
Interest expense	(15,479)	-	(15,479)
Foreign exchange income	28,437	61	28,498
Fee and commission income	22,506	14,288	36,793
Other revenue	3,434	35	3,469
Total external income	134,796	14,382	149,178
Other operating expenses	(74,329)	(4,971)	(79,301)
Provision for impairment	(9,976)	(419)	(10,395)
Depreciation and amortisation	(17,471)	-	(17,470)
Total external expenses	(101,776)	(5,391)	(107,167)
Profit before inter-segment revenue and expenses	32,020	8,991	42,011
Inter-segment income	22,739		22,739
Inter-segment expenses	(20,570)	(2,169)	(22,739)
Profit before tax	35,189	6,822	42,011
Income tax expense	(10,680)	(2,040)	(12,720)
Profit after tax	24,509	4,782	29,291
Total assets	2,992,492	12,684	3,005,176
Total liabilities	(2,671,738)	(2,932)	(2,674,670)

The section for Corporate segment has been amalgamated into Banking & Finance.

24. Contingent liabilities

Litigations and claims

Contingent liabilities exist in respect of actual and potential claims and proceedings that have not been determined. An assessment of the Group's likely loss has been made on a case-by-case basis for the purposes of the financial statements and specific provisions are made where appropriate. As at 30 June 2021, the Group is a party to some litigation before the courts, however, management does not believe these will result in any material loss to the Group. There was no litigation matter of a material nature provided for in the consolidated financial statements.

Other contingent liabilities

The Bank guarantees the performance of customers by issuing guarantees to third parties. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers, therefore these transactions are subject to the same credit origination, portfolio maintenance and collateral requirements applied to customers applying for loans. As the facilities may expire without being drawn upon, the notional amount does not necessarily reflect future cash requirements. The credit risk of these facilities may be less than the notional amount but as it cannot be accurately determined, the credit risk has been taken as the contract notional amount.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2021

24. Contingent liabilities (continued)

	Consolidated	
	30 June 2021	31 December 2020
	Unaudited	Audited
	K'000	K'000
Performance Guarantee	64,356	88,704

25. Capital commitments

There was a total of K 1,668,889 relating to commitments under contracts for capital expenditure at reporting date (31 December 2020: K4, 927, 290).

26. Fair value estimation

There is no material difference between the fair value and carrying value of the Group's financial assets and liabilities.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (**Level 1**).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (**Level 2**).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (**Level 3**).

The following table presents the Group's assets and liabilities that are measured at fair value at;

30 June 2021

Assets	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
Financial assets at fair value through profit or loss				
- Investment in shares – Listed	5,227	-	-	5,227
- Investment in shares – Unlisted	-	-	6,002	6,002
Total assets	5,227	-	6,002	11,229

31 December 2020

	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
Financial assets at fair value through profit or loss				
- Investment in shares – Listed	4,680	-	-	4,680
- Investment in shares – Unlisted	-	-	6,002	6,002
Total assets	4,680	-	6,002	10,682

Unlisted investments are classified as Level 3. There is no material movement in value of unlisted investments since the last reporting period.

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2021

27. Financial risk factors

The Group's activities expose it to variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The condensed interim financial statements do not include all the financial risk management information and disclosure required in the annual financial statements. They should read in conjunction with the Group's annual financial statements at 31 December 2020. There have not been any material changes in the risk management department or in any risk management policies since the year-end.

28. Liquidity risk

Compared to year-end, there was no material change in the contractual undiscounted cash flows for financial liabilities.

29. Events after the balance sheet date

Dividend

Subsequent to the financial reporting date, the directors declared a dividend of AUD 3.00 cents / PGK 8.25 toea per share (PGK23.67 million) payable to stockholders on 1 October 2021.

Westpac Acquisition

On 7 December 2020, the Group announced the proposed acquisition of Westpac's Pacific businesses in PNG and Fiji.

Following the announcement, the Group has taken progressive steps in informing the Regulators (Independent Consumer and Competition Commission (the "ICCC") and the Bank of Papua New Guinea (the "BPNG") in PNG and the Fijian Competition & Consumer Commissions (the "FCCC") and the Reserve Bank of Fiji (the "RBF") (collectively referred to as the "Regulators") of its intention plans to acquire Westpac Pacific. The Group has submitted required applications to the Regulators for determination.

In PNG, and in line with the first stage of the regulatory assessment process, the Group has received a draft determination from the ICCC on 22 July 2021 advising that the ICCC is yet to be completely satisfied that the proposed acquisition will not, or will not likely, to have the effect of substantially lessening the competition in the market. As part of the second stage of the regulatory assessment process to determine the final outcome, on 11 August 2021, Kina, Westpac and other relevant stakeholders made their submissions in response to ICCC's preliminary assessment in a pre-decision conference held in Port Moresby, Papua New Guinea. The matter is pending final regulatory decision.

In Fiji, the FCCC and the RBF have granted conditional approvals to Kina's application to conduct business in Fiji as a commercial bank. The acquisition of Westpac Fiji will be completed through Kina's wholly owned subsidiary Kina Securities (Fiji) Pte Limited (KSF).