Kina Securities Limited

2023 Half Year Results

(ABRN 606 168 594)

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Kina Securities Limited

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ASX Appendix 4D

For the Half Year ended 30 June 2023
Results for announcement to the market

Comparisons of the current year results to 30 June 2023 (1H23, reporting period) are with the half year to 30 June 2022 (1H22, previous corresponding period (PCP)).

	Half Year Ended					Jun23 vs Jun22
PGK'000	Jun23	Dec22	Jun22	Dec21	Jun21	
Revenue from ordinary activities	187,384	187,364	179,136	178,623	155,739	5%
Profit from ordinary activities	77,719	82,864	65,554	49,403	56,613	19%
Underlying Net Profit after tax	46,367	60,481	45,592	56,402	39,752	2%
Net Profit after tax attributable to equity holders	46,367	70,896	45,592	31,058	39,752	2%
Net Tangible Assets per security (PGK)	1.81	1.81	1.67	1.69	1.65	

Dividends distributions (Interim dividend)

- unfranked (AUD cents per share)	4.0 cents
- unfranked (PGK toea per share)	9.7 toea

The Directors have declared an interim unfranked dividend for the reporting period based on the Net Profit After Tax (NPAT) attributable to equity holders for the half year of PGK 46.4m. This is compared to PGK 45.6m for the PCP.

The interim dividend is converted based on an exchange rate: 1 PGK = 0.4081 AUD.
The Record date for determining entitlements to the dividend is 7 September 2023.

The financial information contained in this report for the half year ended 30 June 2023 and the comparative period ended 30 June 2022 are unaudited. The comparative figures for the full year ended 31 December 2022 and 31 December 2021 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 2023 referred to in Section 2.

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

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1. Results Overview

Kina Securities Limited (**KSL, Kina, Kina Group, Bank**, the **Business** or the **Company**) has reported an unaudited statutory Net Profit After Tax of PGK 46.4m for the half year to 30 June 2023. This represents an increase of 2% compared to the PCP. All comparisons are against PCP to reflect the traditional business cycle over the financial year.

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

The Board has declared an unfranked interim dividend for 1H23 of AUD 4.0 cents per share / PGK 9.7 toea per share. This compares to AUD 4.1 cents per share / PGK 10.3 toea in the PCP.

Key results

	Half Year Ended					Jun23 vs
	Jun23	Dec22	Jun22	Dec21	Jun21	Jun22
Underlying NPAT from ordinary activities (PGK m)	46.4	60.5	45.6	56.4	39.8	2%
Statutory NPAT from ordinary activities (PGK m)	46.4	70.9	45.6	31.0	39.8	2%*
Net profit before tax (PGK m)	77.7	82.9	65.6	49.4	56.6	19%
Revenue (PGK m)	187.4	187.4	179.1	178.7	155.7	5%
FX Revenue (PGK m)	21.6	28.4	32.0	36.4	29.2	(33%)
Loan impairment expense (PGK m)	4.3	2.7	2.0	2.1	4.4	115%
Cost to income ratio (%) underlying	56.2	54.3	62.3	55.6	60.9	(10%)
Cost to income ratio (%) statutory	56.2	54.3	62.3	71.1	60.9	(10%)
Net interest margin (%)	5.5	6.0	6.1	6.8	7.0	(10%)
Return on Equity (%) - underlying	15.2	17.9	15.9	16.7	13.9	(4%)
Return on Equity (%) - statutory	15.2	19.6	15.9	12.3	13.9	(4%)
Earnings per Share (PGK Toea) underlying	16.2	21.1	15.9	19.7	13.9	2%
Earnings per Share (PGK Toea) statutory	16.2	24.7	15.9	10.8	13.9	2%
Dividend (PGK Toea per share)	9.7	16.1	10.3	18.5	8.3	(6%)
Dividend (AUD Cents per share)	4.0	6.5	4.1	7.0	3.0	(2%)
Deposit Growth (PGK m)	4,154.3	3,878.8	3,391.7	3,036.9	2,773.0	37%**
Net loans and advances (PGK m)	2,365.4	2,158.9	2,053.1	1,950.5	1,758.8	10%**
Capital adequacy (T1+T2) (%)	20.8	22.5	22.0	22.9	23.3	(11%)

** Dec22 Statutory NPAT includes "one-off" tax credit from the revaluation of Deferred Tax Asset on the tax rate change and in line with IFRS.*
*** Compared to December 2022.*

Operating performance and earnings

Kina's HY23 results were underpinned by continued solid revenue growth in core banking products and digital services consistent with the objectives of the 2025 strategic plan. Kina remains committed to delivering improved returns by growing market share organically, diversification of revenue streams, disciplined expense management and a prudent approach to maintaining a resilient balance sheet, including a regulatory capital ratio of 20.8% well above the minimum requirement. Interest income on loans grew by 21% against PCP due to solid lending performance in Business and Personal lending.

The key features of 1H23 results are:

- 19% increase in Profit before tax compared to PCP.
- Increase in NPAT by 2% to PGK 46.4m, including the absorption of the increase in corporate taxation to 45% of PBT.
- Loan book growth of 10%, to PGK 2.4b.
- Net Interest Income increased by 6% to PGK 98.1m, compared to PGK 92.5m in the PCP.
- Fees and Commissions increased by 19% against PCP underpinned by the expansion of Kina's digital channel.
- Cost to income decreased from 62.3% to 56.2% compared to PCP, with close monitoring and effective management of costs improving the ratio.
- Kina's Funds Administration business recorded NPAT of PGK 5.9m, with revenue growth of 3% compared to PCP generated from improved value add services to superannuation clients.
- The Funds Management business grew by 6% in total funds under management (PGK 9.5b), maintaining Kina's market share in the sector.

Kina is on track to deliver against its 2025 strategic plan. Execution of the strategic program of work and disciplined and efficient operational focus continue to drive growth from these investments in the core banking business, digital portfolio and through our wealth management and superannuation funds services. As a challenger brand and the second largest bank by total footings (deposits and loans), sustainable returns will be delivered over the long-term through the further broadening of our diversified portfolio, despite the headwinds created by the increase of the corporate bank tax to 45% and the structural challenges of foreign exchange supply. Looking ahead, Kina will utilize our digital capabilities alongside the diverse range of experience and capabilities of our workforce, including an innovation mindset and risk maturity, to deliver the remainder of the strategic plan. The five pillars and key initiatives delivered this reporting period are summarized below:

Strategic Pillars	
Growth **Core Business Momentum**	• Retail customer base growth of 9% in the 6 month period. Significant momentum of customer onboarding leading into the second half through branch onboarding campaigns in Port Moresby, Lae, Madang and Mt Hagen. • By the end of first half more than 60% of new retail customers were using the digital origination pathway, principally through Kina's market leading website. • Loan book growth of 10% across the first half, against a total annual growth of 11% in prior year, reflecting strong drawdown performance and active pipeline management particularly across business lending segments. • Further growing non-interest income revenue streams with Corporate Business Advisory Unit servicing mid-tier corporate clientele. • Digital Channels and Partnerships growth of 53% is driven by Kina's continued roll out of merchant payment services and proactive partnership programs. • Recently established Corporate Bank unit continued to make strong inroads building new relationships with leading multi-national corporations, large PNG corporate businesses and PNG based exporters. Large resource project companies and others have been onboarded providing new business across the board including lending, foreign exchange, transactional banking, and digital services. • Kina Funds Management (KFM) was awarded a new licensed investment manager contract with its key client extending the relationship for several years. • Kina Investment and Superannuation Services (KISS) extended a contract with a key client. Additionally, a new technology platform support provider was engaged, to deepen KISS' ability to assist superannuation clients in PNG crystallize their digital innovation plans through KISS.
Building Resilience	• Reimagining Risk program of work is progressing to plan including successful implementation of renewed governance processes and progress towards of a target risk maturity for 2025. • A-three-lines-of-defence operating model is maturing to provide enhanced material risk management and risk culture. • Risk appetite statements completed for all key functional areas appropriately aligning with strategic goals whilst protecting the bank's assets. • Enhancement of our provisioning models and collections techniques have provided some anticipatory releases in our mid-term impaired assets. • Implementation of improved cyber and information security controls, including enhanced cyber architecture and onboarding of external support.
Service Excellence **Digital inside and out**	• Following pilot and soft launch in 2022, completed full market launch of Pei Beta, Powered by Kina Bank, PNG's first independent bill payments platform that customers of any bank can use. • Completion of Kina's first dedicated Business Banking Centre in Port Moresby to support further SME and business banking growth, and as part of the three-year physical site remodeling program. • Commenced development of in-branch digital hubs for strategic locations in Port Moresby. • The Kina Private Banking service proposition has been strengthened through the opening of the first Kina Private Lounge in Port Moresby, and through the provision of wealth management and stock brokerage services. • Kina's merchant terminal of choice strategy has been strengthened through expansion of the 'integrated POS' solution to include the GaP Software Solution, in addition to the existing integration with Pronto. • Following successful deployment of the Xero bank feed solution, commenced development of 2nd phase solution to provide an expanded suite of Xero's services for SMEs. • Implemented market leading Business Lending refinance campaign supported by an expanded network of Business Banking Advisors in key regional locations.

Dynamic people	• Launched a revised Leadership Capability Framework which defines the behaviors and capabilities necessary to achieving organizational objectives. • Investment in recognition of internal talent and development of sustainable training programs. • Supported by the Centre for Excellence in Financial Inclusion (CEFI PNG), Financial Literacy Training was rolled out across the country to over 300 staff to support delivery of a savings culture and to further mitigate risks associated with staff lending arrears. • Expanded the Graduate Program to include candidates from additional disciplines relating to technology. • Our Strategic Intelligence focus groups continued with an additional 20 employees participating in the future of banking exploratory workshops and receiving training on contemporary leadership practice. • Small groups learning was launched as a new medium for disseminating awareness on strategy, products, services and market opportunities across the company. • Launched an upgraded cyber security training platform for increased staff awareness and risk mitigation.
Sustainable communities	• Publication of our First Sustainability Report, which was well received. • Further progress with ESG reporting including approved Scope 1 and Scope 2 emissions targets. • MiBank and Financial Inclusion Partnership delivering strong customer engagement and growth through our new co-branded branch in Alotau, with particular focus on SME services including lending, merchant services and digital banking. • Kina, MiBank and Total partnered to deliver financial services for Total's PNG wide solar generation roll out, a key strategic initiative for Total. • Strengthened Community support programs including the Staff grant program, Strongim Komuniti Grant, Renewed partnership with Kokoda Track Foundation including delivery of Flexible Open & Distance Education (FODE) Programs in the Motu Koita Community, and support of the Archer Leadership program. • Continued support for Links of Hope program which supports children and orphans impacted by HIV and AIDS. • Through engagement of PNG Assemblies of Disabled persons, the branch remodeling program has been extended to incorporate accessibility for persons with disabilities. • Hosted Prime Ministers Back to Business Breakfast Function for the seventh year, with over 500 private sector guests, dignitaries from the public sector and diplomatic corp.

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

Operational costs decreased 6% compared to PCP with further focus on business reengineering and cost management targeted in the second half of the year.

Administrative expense increased by PGK 5.1m or 15.0% supporting the continuous investment required in software development to supplement the Bank’s digital strategy. The positive growth in digital channels including transactional volumes and network expansion has necessarily resulted in an increase in associated costs.

Staff expenses decreased by PGK 1.8m or (4.1%) following the strategic alignment and streamlining of some functions. Management’s focus has also afforded attention on revising staff development pathways and trainings.

Occupancy and Depreciation expenses decreased by PGK 5.9m or (23.7%). This was largely attributed to the full amortisation in 2022 of intangible assets in respect of ANZ PNG banking customer deposit acquisition in 2019.

Section 1.2.7 provides additional explanation.

Underlying Capital

The underlying capital of the banking business is strong, with regulatory capital (T1+T2) at 20.8% of risk weighted assets **(RWA)**. Kina remains well above regulatory requirements prescribed as 12% of RWA.

The higher capital base positions the Group well for further growth opportunities in lending, digital and across the distribution network.

2023 Income Tax Rate increase

In December 2022, during the PNG Government’s roll out of the 2023 national budget, an increase in the corporate income tax rate from 30% to 45% on commercial banks was announced which came into effective on 1 January 2023.

Economic Outlook

Macroeconomic Context

The PNG economy rebounded in 2022 with Real Gross Domestic Product (GDP) growth trending at 3.7%, following the easing of COVID-imposed restrictions on business and public mobility. Real GDP growth is forecasted to moderate to 3.2% in 2023, driven by the Government's continued fiscal stimulus to the non-resources sector, and increased growth in private sector credit (+55.7%) driving commercial activity.

The fiscal stimulus is supported through the Government's assistance package from the International Monetary Fund (IMF), with conditional budget-support totaling US$ 918m approved for release over the next three years. The first tranche of this funding occurred in the first half of 2023.

Foreign Exchange

After no relative movement in the PGK/USD interbank rate over the past two years, the PGK/USD interbank dipped below US$ 0.2800 during the first half of 2023. Kina Bank is currently forecasting the exchange rate to steadily dip around 10-30 basis points per month during the course of this year. While the depreciation is meant to entice exporters to come to market, the delayed access to foreign currency for major importers such as fuel suppliers has caused much disruption, leading to stoppages in key transportation modes, particularly aviation. The major challenge for most businesses this year will continue to be the shortage of Foreign Exchange (FX).

Despite the structural imbalance of foreign currency inflows not matching import orders, the Bank of PNG's gross international reserves have continued to increase, currently more than US$ 4b during the first quarter. This is just above 10 months of import cover.

Interest Rates

Interest rates have been experiencing a gradual decline since 2022, resulting in low levels of successful bids for Treasury Bills (T-bills) moving into 2023. The 1-year T-bill started 2022 at 7.17% and closed the year down at 4.27%. During the first half of 2023, the domestic debt market raised approximately PGK7.87b, representing a 5.7% decrease compared to successful bids in the same period of 2022. Despite this decline, the market remains oversubscribed as the demand for Government debt continues to exceed supply. It is expected that the rates for the 1-year T-bill will stabilise and not exceed 4%, remaining predominantly above 2% throughout the remainder of 2023.

Inflation

The major cause for concern heading into the second half of the year will be continued price pressures, particularly with regards to fuel and the gradual pass-through effects of the declining PGK/USD interbank rate. Even though pricing is regulated, indicative retail fuel prices will increase in the second half of 2023 as the Government removes its support to consumers for fuel tax exemption. There was a significant jump in the retail price of petrol and diesel from June to July with the re-introduction of applicable excise duties, which the Government previously removed to assist consumers.

1.1 Disclosure and Context

Financial reporting

The statutory result for the six months to 30 June 2023 was an unaudited consolidated Net Profit After Tax of PGK 46.4m. 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.

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1.2 Financial results for the half year-ended 30 June 2023

1.2.1 Statutory Results

	Half Year Ended					Jun23 vs Jun22
	Jun23 PGK'000	Dec22 PGK'000	Jun22 PGK'000	Dec21 PGK'000	Jun21 PGK'000	
Continuing Operations						
Interest income on investments	31,129	33,407	34,483	28,754	28,502	(10%)
Interest income on loans	92,314	80,687	76,023	78,545	71,134	21%
Interest expense	(25,362)	(25,391)	(17,998)	(15,430)	(14,193)	41%
Net interest income	**98,081**	**88,703**	**92,508**	**91,869**	**85,443**	**6%**
Fee and commission income	64,604	62,093	54,231	49,020	40,371	19%
Fee and commission expense	(13)	(87)	(23)	(48)	(7)	(43%)
Net fee and commission income	**64,591**	**62,006**	**54,208**	**48,972**	**40,364**	**19%**
Foreign exchange income	21,552	28,353	31,986	36,386	29,246	(33%)
Dividend income	149	327	142	434	128	5%
Net (losses)/gain from financial assets through profit and loss	(310)	3,547	63	423	394	(592%)
Other operating income	3,321	4,428	229	539	164	1,350%
Non-interest income	**89,303**	**98,661**	**86,628**	**86,754**	**70,296**	**3%**
Operating income before impairment losses and operating expenses	**187,384**	**187,364**	**179,136**	**178,623**	**155,739**	**5%**
Impairment losses	(4,292)	(2,808)	(2,017)	(2,161)	(4,358)	113%
Separation cost	-	-	-	(27,700)	-	-
Other operating expenses	(105,373)	(101,692)	(111,565)	(99,359)	(94,768)	(6%)
Profit before tax	**77,719**	**82,864**	**65,554**	**49,403**	**56,613**	**19%**
Income tax expense	(31,352)	(11,968)	(19,962)	(18,345)	(16,861)	57%
Net Profit for the full year attributable to the equity holder of the Company	**46,367**	**70,896**	**45,592**	**31,058**	**39,752**	**2%**
Other comprehensive income	-	-	-	-	-	0%
Total comprehensive income for the full year attributable to the equity holder of the Company	**46,367**	**70,896**	**45,592**	**31,058**	**39,752**	**2%**

The above information has been extracted from the unaudited consolidated financial statements of Kina Securities Limited for the half year-ended 30 June 2023, and where applicable, calculated by reference to the 31 December 2022 annual financial statements and the 30 June 2022 half year reviewed financial statements.

1.2.2 Dividends

	Jun23	Dec22	Jun22	Dec21	Jun21
Earnings per share (PNG Toea) underlying	16.2	21.1	15.9	10.8	13.9
Earnings per share (A cents) underlying	6.6	8.7	6.4	4.1	5.1
Dividend per share (PGK toea)	9.7	16.1	10.3	18.5	8.3
Dividends per share (A cents)	4.0	6.5	4.1	7.0	3.0

1.2.3 Lending

PGK Millions	Half Year Ended Jun23	Dec22	Jun22	Dec21	Jun21	Jun23 vs Dec22
Overdraft	86.3	80.1	94.4	78.5	79.7	8%
Term Loans	1,603.0	1,420.1	1,356.7	1,329.7	1,183.5	13%
Investment Property Loan	98.0	93.9	94.7	97.9	98.6	4%
Asset Financing	76.9	71.8	52.6	30.3	23.0	7%
Housing Loan	548.3	534.1	493.3	449.9	409.0	3%
Credit Cards	2.7	1.4	2.3	2.3	3.2	93%
Gross	**2,415.2**	**2,201.4**	**2,094.0**	**1,988.6**	**1,797.0**	**10%**
Provision	(46.8)	(42.5)	(40.9)	(38.1)	(38.2)	10%
Total	**2,368.4**	**2,158.9**	**2,053.1**	**1,950.5**	**1,758.8**	**10%**

Overall lending was up 10% on December 2022 volumes to PGK2.4bn including growth in Term Loans, Asset Financing and Home Loan portfolios of PGK202m. Growth in the business customer base in the first half, supported by improvements in the operating model across transactional, lending and digital banking services for business and SMEs, has contributed to this solid outcome.

Business lending segments experienced strong loan origination in the first half, onboarding new major customers and also growing the existing base. The geographic expansion of the banking network footprint and re-organisation of the lending business commenced roll-out in the first half of 2023 with the implementation of five regional commercial lending hubs.

Home loan volumes experienced moderate growth of 3% in the first half of the year, with improvements in second half performance anticipated through the incorporation of process reforms and activation of market campaigns. Asset Financing continues to realise positive momentum from the equipment hire, construction and building industry.

	Jun23		Dec22	
	PGK million	% of total loans	PGK million	% of total loans
Agriculture, Forestry & Fishing	2.1	0.1%	3.9	0.2%
Mining	16.3	0.7%	16.2	0.7%
Manufacturing	18.2	0.8%	18.8	0.9%
Electrical, Gas & Water	6.3	0.3%	6.7	0.3%
Building and Construction	155.4	6.4%	171.3	7.8%
Wholesale & Retail	692.6	28.7%	694.1	31.5%
Hotel & Restaurants	70.3	2.9%	79.0	3.6%
Transport & Storage	58.9	2.4%	23.2	1.1%
Financial Intermediation	0.8	0.0%	0.8	0.0%
Real Estate/Renting/Business Services	346.0	14.3%	316.1	14.4%
Equipment Hire	43.6	1.8%	43.6	2.0%
Other Business	266.3	11.0%	212.6	9.7%
Personal Banking	642.5	26.6%	615.1	27.9%
Post & Telecommunication	95.8	4.0%	-	0.0%
Gross Loans	**2,415.2**	**100.0%**	**2,201.4**	**100.0%**

Wholesale and retail sector lending continues to be the largest proportion of industry concentration comprising 28.7% of the total loan book. Over the past six months, lending growth has benefited from an increased exposure to transport and storage (increased by 154%) and personal banking (increased by 4%) which represents 26.6% of the total portfolio. Roll out of regional commercial lending hubs helped to further diversify the loan portfolio into the Post & Telecommunication sector.

1.2.4 Funding

PGK Millions	Half Year Ended Jun23	Dec22	Jun22	Dec21	Jun21	Jun23 vs Dec22
Fixed Term	1,453.8	1,442.9	1,153.5	785.7	763.2	0.8%
Cash Management Accounts	503.4	326.8	347.7	584.6	544.4	54.0%
Current Accounts	1,718.0	1,637.0	1,487.7	1,298.2	1,139.0	4.9%
Savings Accounts	479.1	472.1	402.8	368.4	326.4	1.5%
Total	**4,154.3**	**3,878.8**	**3,391.7**	**3,036.9**	**2,773.0**	**7.1%**

Deposits grew by 7.1%, to PGK 4.2b. The growth in total funds is significantly driven by Cash Management Accounts representing 64% of the total growth, 31% from low cost transaction accounts (Cheque and Savings Accounts) and marginal volumes of Fixed Term deposits (4%) to manage cost of funds. Total customer acquisition was up 6% with an increase in customer onboarding and internet banking.

PGK Millions	Half Year Ended Jun23	Dec22	Jun22	Dec21	Jun21	Jun23 vs Dec22
On Call	2,742.8	2,461.0	2,264.9	2,277.1	2,021.7	11%
1 month	316.5	317.8	149.0	173.1	218.4	(0%)
2 months	238.6	269.6	156.2	122.5	81.1	(11%)
3 months	96.1	120.7	65.3	208.0	154.3	(20%)
6 months	311.9	443.8	283.3	154.5	140.1	(30%)
12 months	438.2	260.9	469.2	90.7	145.1	68%
24 months	10.2	5.0	3.8	11.0	12.3	104%
Total	**4,154.3**	**3,878.8**	**3,391.7**	**3,036.9**	**2,773.0**	**7%**

The balance sheet funding was driven by a mix of On Call and 12-month deposits, reflecting the continued favorable domestic market liquidity. The profile of the Bank's deposit portfolio continues to position Kina Bank well to take advantage of additional lending opportunities in the market, including those opportunities anticipated to arise as major resource projects roll out in the medium term. The Loan to Deposit Ratio (LDR) increased by 100 bps to 57% from December 2022 with the improvement in lending growth in the six month period.

1.2.5 Net Interest Margin

Net Interest margin was 5.5%, down 50 basis points over the first half of the year as a result of deposit growth, price competition, and investment yield volatility.

PGK Millions	Half Year Ended Jun23	Dec22	Jun22	Dec21	Jun21	Jun23 vs Jun22
Net Interest Income (annualised)	197.6	184.7	185.0	177.3	170.9	6.8%
Interest Income Loans	184.6	156.7	152.0	149.7	142.3	21.4%
Avg Interest Yield Loans	*8.2%*	*7.6%*	*7.6%*	*8.4%*	*8.5%*	7.3%
Interest Income Investments	62.3	67.9	69.0	57.3	57.0	(9.7%)
Avg Interest Yield Investments	*4.4%*	*6.0%*	*6.6%*	*6.9%*	*7.6%*	(33.8%)
Interest Expense	(49.3)	(39.9)	(36.0)	(29.6)	(28.4)	36.8%
Avg Cost of Funds	*(1.2%)*	*(1.1%)*	*(1.1%)*	*(1.0%)*	*(1.0%)*	10.7%
Average Interest earning assets	3,686.6	3,102.6	3,043.3	2,612.1	2,433.5	21.1%
Average Interest-bearing liabilities	4,025.6	3,488	3,256.6	2,839.5	2,730.6	23.6%
Net Interest spread (loans)	7.0%	6.5%	6.5%	7.4%	7.4%	6.8%
Net Interest spread (investments)	3.4%	4.8%	5.5%	5.8%	6.5%	(37.9%)
Net Interest Margin	5.5%	6.0%	6.1%	6.8%	7.0%	(9.8%)

The reduction in Net Interest Margin (NIM) for 1H2023 reflects several contributing factors:

- Solid growth in deposits as the balance sheet is positioned for continued loan growth, especially with imminent implementation of large natural resource projects.
- Lower yield from government securities which have on average reduced from 6.0% (+) in prior periods to 4.4%

1.2.6 Non-Interest Income

	Half Year Ended					Jun23 vs Jun22
PGK Millions	Jun23	Dec22	Jun22	Dec21	Jun21	
Banking						
Foreign exchange income	21.5	29.8	32.0	36.8	29.2	(33%)
Fees and commissions*	47.0	44.4	36.6	32.2	24.8	28%
Other	3.2	9.4	1.3	1.7	0.8	146%
Total	**71.7**	**83.6**	**69.9**	**70.7**	**54.8**	**3%**
Wealth Management						
Fund Administration	11.4	11.3	10.9	10.8	10.4	5%
Investment Management	5.3	5.0	5.0	4.8	4.8	6%
Shares	0.6	0.8	1.3	1.1	0.6	(54%)
Other	0.3	(2.0)	(0.5)	(0.6)	(0.3)	(160%)
Total	**17.6**	**15.1**	**16.7**	**16.1**	**15.5**	**5%**
Total	**89.3**	**98.7**	**86.6**	**86.8**	**70.3**	**3%**

**see further analysis below*

Overall non-interest income increased by 3% to PGK 89.3m, derived from an uplift in fees and commissions with some offset in the result caused due to lower foreign currency income.

Foreign Exchange income declined by 33% to PGK 21.5m as the Bank experienced a slowdown in foreign currency volume from a downturn in key client export flows and a depreciation in PGK versus USD exchange rate.

Digital Channels and Partnerships income increased by 89% year on year, driven by continued growth in core merchant payments services, retail bill payments across online channels, growth in visa cards on issue with domestic and international transactions, and partnered products and channels, including Kina's market leading internet payment gateway e-commerce solution.

Revenues in the wealth business increased by 5% against PCP. The Funds under Administration business provided value added support to preserve normal revenue streams, despite system processing risks encountered by a key client and its primary banker in the first half.

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-23	Jun-22	Change (PGK)	Change (%)
Merchant fees	15.0	11.2	3.8	34%
VISA Fees	10.7	5.5	5.2	95%
Mobile Banking fees	1.6	1.1	0.5	45%
Internet Banking fees	0.9	0.6	0.3	50%
Total digital	**28.2**	**18.4**	**9.8**	**53%**
Bank fees and commission income	12.8	12.8	-	0%
Loan fees	2.3	2.2	0.1	5%
ATM fees	3.7	3.2	0.5	16%
Total other	**18.8**	**18.2**	**0.6**	**3%**
Total fees and commissions	**47.0**	**36.6**	**10.4**	**28%**

1.2.7 Operating Expenses

Total operating cost as at June 2023 was PGK 105.4m, an overall decrease of 6%. Proportionately staff, administrative and occupancy costs comprised 37%, 40% and 18% respectively to total operating costs for the year.

	Half Year Ended					
PGK Millions	Jun23	Dec22	Jun22	Dec21	Jun21	Jun23 vs Jun22
Administration	39.0	33.3	33.9	34.1	28.8	15%
Staff	42.0	41.8	44.0	35.8	39.8	(4%)
Occupancy	19.0	23.0	24.9	24.2	22.5	(24%)
Other operating expenses	4.2	2.5	7.8	4.2	2.6	(46%)
Board of Directors costs	1.0	1.1	1.0	1.0	1.1	0%
Total	**105.4**	**101.7**	**111.6**	**99.3**	**94.8**	**(6%)**

Administration costs have increased by 15% to PGK 39.0m as a consequence of priority investments in technology and software. This includes safeguards in infrastructure and data management, Anti Money Laundering systems and cybersecurity. In addition, there has been capacity expansion in internet bandwidth to accommodate growing online digital banking volume and transactions, as well as to support the roll-out of the five regional commercial lending hubs.

Staff costs decreased by 4% to PGK 42.0m. A strategic approach was taken this year to re-organise and structure functional teams in order to drive and support the commercial and retail operations of the Bank. Revitalisation of the Graduate Program has been expanded to include candidates from contemporary disciplines, including technology. The PCP includes initial investments in ESG compliance capabilities to develop robust frameworks that could be easily institutionalised especially in a new and emerging market like PNG. This investment has resulted in the publication of the Bank's first Sustainability Report in May 2023.

Occupancy costs decreased by 24% to PGK 19.0m. Largely attributed to the complete amortisation of intangible assets in 2022, arising from the acquisition of ANZ PNG assets in 2019.

1.2.8 Asset Quality and Loan Impairment

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

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

- Loans
- Overdrafts and
- Credit Cards

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

Kina has improved its provisioning model which allows for the timely and adequate provisioning of credit losses. Kina has an implied conservatism in its end provisioning outcomes and uses increased scenario testing, individual review of assets and alignment of management focus between Finance & Risk which, in aggregate places the bank in a solid position in managing its asset base. Kina continues to monitor its systems and processes to ensure it maintains strong credit quality across the loan book and applies an ongoing disciplined approach to the Group's lending standards.

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Asset Quality

PGK Millions	Half Year Ended							
	Jun-23	% of GLA	Dec-22	% of GLA	Jun-22	% of GLA	Dec-21	% of GLA
Loan impairment expense	4.3	0.2%	2.8	0.1%	2.0	0.1%	2.2	0.1%
Non-performing loans and loans in arrears	185.5	7.7%	191.0	8.7%	194.1	9.3%	173.5	8.7%
- 90 day arrears	31.9	1.3%	41.2	1.9%	46.0	2.2%	61.2	3.1%
- Gross non-performing loans (>180 days)	153.6	6.4%	149.8	6.8%	148.1	7.1%	112.3	5.6%
Total provision	46.8	1.9%	42.5	1.9%	40.9	2.0%	38.1	1.9%

Loan Impairment expense

Figures in PGK'000	Jun-23	Jun-22	Change (PGK)	Change (%)
Provision Expense	4,524	2,777	1,747	62.9%
Net Write-offs	(100)	(740)	641	(86.6%)
Provision on loans	**4,424**	**2,037**	**2,388**	**117.2%**
Trade Debtors	(135)	(24)	(112)	483.2%
Total impairment (loans & advances)	**4,289**	**2,013**	**2,276**	**113.0%**
Provision on GIS*	3	4	(1)	(27.8%)
Total Impairment Expense	**4,292**	**2,017**	**2,275**	**112.8%**

Impairment expense totalled PGK 4.4m as at 30 June 2023. The higher impairment expense against PCP is in line with the growth in loan book.

Kina's sustained program instituted in 2022 to improve asset recovery and collection process continues into 2023. This is reflected in the decrease in overall non-performing loans compared to December 2022.

Total non-performing loans (NPL) as a percentage of gross loans is at 7.7%, a decrease from 8.7% in December 2022. The decrease is largely attributable to continuous improved recovery and collections.

An analysis of the loan portfolio and provision based on risk grades 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 2023	Total Dec 2022
Overdraft	71.4	1.4	13.5	-	86.3	80.1
Credit Cards	1.5	0.2	1.0	-	2.7	1.4
Loans	2,108.9	45.1	159.9	12.3	2,326.2	2,119.9
Total Gross Carrying Amount	**2,181.9**	**46.7**	**174.4**	**12.3**	**2,415.2**	**2,201.4**
Loss Allowance	(23.1)	(3.7)	(20.0)	-	(46.8)	(42.5)
Carrying Amount	**2,158.7**	**43.0**	**154.4**	**12.3**	**2,368.4**	**2,158.9**

The IFRS 9 compliant model establishes a three stage impairment criteria based on changes to credit quality since the date of initial recognition to the reporting date, with 92% of Kina Bank's overall loan book representing performing loans. The lower provisions held under stages two and three are reflective of the loans being well secured and therefore having a lower probability of loss.

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 2023.

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 2023 remained above BPNG's requirement, with combined tier 1 (T1) and tier 2 (T2) capital equal to 20.8% of Risk-Weighted Assets, compared with the regulatory minimum of 12%. The Bank also has maintained leverage ratio at 8.3%, above BPNG's minimum requirement of 6%. The higher capital ratios are generally required for growth initiatives into the future.

Regulatory Capital Ratios	Jun23	Dec22	Jun22	Dec21	Jun21
RWA	**2,275.4**	**2,080.6**	**1,968.6**	**1,900.0**	**1,806.8**
Capital: T1 (PGK'm)	399.6	326.6	362.9	340.3	358.1
Capital: T2 (PGK'm)	74.8	142.5	70.2	94.6	62.3
Capital: T1 + T2 (PGK'm)	474.4	469.1	433.1	434.9	420.4
Capital adequacy Ratio: T1	17.5%	15.7%	18.4%	18.3%	19.8%
Capital adequacy: T2	3.3%	6.8%	3.6%	5.0%	3.4%
Capital adequacy: T1 + T2	**20.8%**	**22.5%**	**22.0%**	**22.9%**	**23.3%**
Leverage Ratio	**8.3%**	**7.5%**	**8.9%**	**9.2%**	**10.4%**

Kina Bank's Capital Management Plan ensures an ongoing dynamic, forward looking process that aligns Kina's mission, goals and objectives within the context of risk, having regard for buffers for potential losses that may arise. Capital adequacy and liquidity ratios are monitored against internal targets and triggers that are set over and above minimum capital requirements set by the Board. These are reviewed on a monthly basis by the Asset and Liability Committee.

2. Consolidated Financial Statements

2.1 Statement of Comprehensive Income – consolidated

	Half Year Ended					Jun23 vs Jun22
	Jun23 PGK'000	Dec22 PGK'000	Jun22 PGK'000	Dec21 PGK'000	Jun21 PGK'000	
Continuing Operations						
Interest income on investments	31,129	33,407	34,483	28,754	28,502	(10%)
Interest income on loans	92,314	80,687	76,023	78,545	71,134	21%
Interest expense	(25,362)	(25,391)	(17,998)	(15,430)	(14,193)	41%
Net interest income	**98,081**	**88,703**	**92,508**	**91,869**	**85,443**	**6%**
Fee and commission income	64,604	62,093	54,231	49,020	40,371	19%
Fee and commission expense	(13)	(87)	(23)	(48)	(7)	(43%)
Net fee and commission income	**64,591**	**62,006**	**54,208**	**48,972**	**40,364**	**19%**
Foreign exchange income	21,552	28,353	31,986	36,386	29,246	(33%)
Dividend income	149	327	142	434	128	5%
Net (losses)/gain from financial assets through profit and loss	(310)	3,547	63	423	394	(592%)
Other operating income	3,321	4,428	229	539	164	1,350%
Non-interest income	**89,303**	**98,661**	**86,628**	**86,754**	**70,296**	**3%**
Operating income before impairment losses and operating expenses	**187,384**	**187,364**	**179,136**	**178,623**	**155,739**	**5%**
Impairment losses	(4,292)	(2,808)	(2,017)	(2,161)	(4,358)	113%
Separation cost	-	-	-	(27,700)	-	-
Other operating expenses	(105,373)	(101,692)	(111,565)	(99,359)	(94,768)	(6%)
Profit before tax	**77,719**	**82,864**	**65,554**	**49,403**	**56,613**	**19%**
Income tax expense	(31,352)	(11,968)	(19,962)	(18,345)	(16,861)	57%
Net Profit for the full year attributable to the equity holder of the Company	**46,367**	**70,896**	**45,592**	**31,058**	**39,752**	**2%**
Other comprehensive income	-	-	-	-	-	0%
Total comprehensive income for the full year attributable to the equity holder of the Company	**46,367**	**70,896**	**45,592**	**31,058**	**39,752**	**2%**

The above information has been extracted from the unaudited interim consolidated financial statements of Kina Securities Limited for the half year-ended 30 June 2023, and where applicable, calculated by reference to the 31 December 2022 audited financial statements and the 30 June 2022 half year reviewed financial statements.

2.2 Statement of financial position - consolidated

	Jun23 PGK'000	Dec22 PGK'000	Jun22 PGK'000	Dec21 PGK'000	Jun21 PGK'000
Assets					
Cash and due from banks	383,044	433,488	384,918	408,334	434,679
Central bank bills	1,339,604	1,215,763	1,075,588	795,362	626,369
Regulatory deposits	419,628	383,083	249,195	212,874	191,312
Financial assets at fair value through profit and loss	14,952	15,262	11,715	11,652	11,229
Loans and advances to customers	2,368,446	2,158,921	2,053,116	1,950,447	1,758,775
Investments in government inscribed stocks	152,831	152,650	112,355	112,107	114,755
Current income tax assets	183	952	32	31	1
Deferred tax assets	31,113	30,067	20,574	16,988	16,648
Property, plant and equipment	77,569	82,839	85,203	90,467	89,300
Goodwill	92,786	92,786	92,786	92,786	92,786
Intangible assets	28,982	32,493	41,831	48,663	52,405
Other assets	76,014	79,669	47,231	45,950	144,187
Total Assets	**4,985,152**	**4,677,973**	**4,174,544**	**3,785,661**	**3,532,446**
Liabilities					
Due to other banks	(8,334)	(2,060)	(7,063)	(4,701)	(4,674)
Due to customers	(4,154,340)	(3,878,835)	(3,391,676)	(3,036,921)	(2,772,983)
Current income tax liabilities	(15,758)	(5,148)	(26,094)	(11,697)	(17,421)
Employee provisions	(11,797)	(14,111)	(10,444)	(10,906)	(10,959)
Lease Liabilities	(37,156)	(41,713)	(46,511)	(48,851)	(48,403)
Other liabilities	(147,979)	(126,803)	(121,900)	(95,962)	(110,863)
Total Liabilities	**(4,375,364)**	**(4,068,670)**	**(3,603,688)**	**(3,209,038)**	**(2,965,303)**
Net Assets	**609,788**	**609,303**	**570,856**	**576,623**	**567,143**
Share capital and reserves					
Issued and fully paid ordinary shares	(394,693)	(394,693)	(394,693)	(394,693)	(394,693)
Share-based payment reserve	(2,742)	(2,477)	(5,347)	(3,587)	(1,491)
Retained earnings	(212,353)	(212,133)	(170,816)	(178,343)	(170,959)
Total capital and reserves	**(609,788)**	**(609,303)**	**(570,856)**	**(576,623)**	**(567,143)**

The above information has been extracted from the unaudited interim consolidated financial statements of Kina Securities Limited for the half year-ended 30 June 2023, and where applicable, calculated by reference to the 31 December 2022 audited financial statements and the 30 June 2022 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 2021	**394,693**	**3,587**	**178,343**	**576,623**
Profit for the period	-	-	116,488	116,488
Additional shares issued	-	-	-	-
Other comprehensive income	-	-	-	-
Contributions by and distributions to owners	-	-	-	-
Employee share scheme - vested rights	-	(499)	-	(499)
Employee share scheme - value of employee services	-	2,259	-	2,259
Deferred tax on share-based payment transactions	-	(1,604)	-	(1,604)
Dividend paid	-	-	(53,119)	(53,119)
Balance as at 30 June 2022	**394,693**	**3,743**	**170,816**	**569,252**
Profit for the period	-	-	70,896	70,896
Additional shares issued	-	-	-	-
Other comprehensive income	-	-	-	-
Contributions by and distributions to owners	-	-	-	-
Employee share scheme - vested rights	-	(861)	-	(861)
Employee share scheme - value of employee services	-	18	-	18
Deferred tax on share-based payment transactions	-	(423)	-	(423)
Dividend paid	-	-	(29,579)	(29,579)
Balance as at 31 December 2022	**394,693**	**2,477**	**212,133**	**609,303**
Profit for the period	-	-	46,368	46,368
Additional shares issued	-	-	-	-
Other comprehensive income	-	-	-	-
Contributions by and distributions to owners	-	-	-	-
Employee share scheme - vested rights	-	(1,529)	-	(1,529)
Employee share scheme - value of employee services	-	2,010	-	2,009)
Deferred tax on share-based payment transactions	-	(216)	-	(216)
Dividend paid	-	-	(46,148)	(46,148)
Balance as at 30 June 2023	**394,693**	**2,742**	**212,353**	**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 2023, and where applicable, calculated by reference to the 31 December 2022 audited financial statements and the 30 June 2022 half year reviewed financial statements.

2.4 Statement of Cashflow – consolidated

	Jun23 PGK'000	Dec22 PGK'000	Jun22 PGK'000	Dec21 PGK'000	Jun21 PGK'000
Cash flows from operating activities					
Interest received	115,548	215,812	96,107	206,779	99,270
Interest paid	(29,708)	(29,974)	(15,870)	(33,943)	(19,185)
Foreign exchange gain	21,552	60,339	31,986	65,632	29,246
Dividend received	149	469	142	562	128
Fee, commission and other income received	60,649	118,472	53,740	87,978	39,871
Fee and commission expense paid	(13)	(110)	(23)	(55)	(7)
Net trading and other operating income received	4,350	6,177	231	1,415	544
Recoveries on loans previously written-off	287	933	738	1,750	1,080
Cash payments to employees and suppliers	(95,117)	(171,979)	(90,492)	(179,187)	(83,870)
Income tax paid	(20,961)	(54,436)	(9,137)	(28,918)	(4,488)
Cash flows from operating profits before changes in operating assets	**56,737**	**145,704**	**67,423**	**122,012**	**62,589**
Changes in operating assets and liabilities:					
- net (increase)/ decrease in regulatory deposits	(36,545)	(170,209)	(36,321)	(27,163)	(5,601)
- net increase in loans and advances to customers	(205,648)	(210,776)	(103,006)	(336,053)	(144,624)
- net (increase)/ decrease in other assets	2,625	(35,491)	(1,285)	14,904	1,752
- net increase in due to customers	279,851	828,498	352,626	476,206	212,268
- net increase in due to other banks	6,274	(2,640)	2,363	(684)	(820)
- net increase/ (decrease) in other liabilities	16,127	22,245	24,574	(2,201)	18,698
Net cash flows from operating activities	**119,422**	**578,332**	**306,373**	**247,022**	**144,262**
Cash flows from investing activities					
Purchase of property, equipment and software	(5,821)	(14,005)	(8,768)	(28,431)	(17,455)
Proceeds from sale of property and equipment	61	306	-	148	14
Purchase of investment securities	(116,337)	(452,936)	(265,985)	(50,494)	(44,039)
Other one-off expense	-	-	-	(8,407)	-
Refund of deposit from Westpac	-	-	-	84,567	-
Net cash flows from investing activities	**(122,097)**	**(466,635)**	**(274,753)**	**(2,617)**	**(61,480)**
Cash flows from financing activities					
Dividend payment	46,148	(82,698)	(53,119)	(72,034)	(48,360)
Proceeds from the issuance of share capital, net of transaction costs	-	-	-	-	-
Net cash flow from financing activities	**(46,148)**	**(82,698)**	**(53,119)**	**(72,034)**	**(48,360)**
Net increase/ (decrease) in cash and cash equivalents	**(48,823)**	**28,999**	**(21,499)**	**172,371**	**34,422**
Effect of changes in the foreign exchange rates on cash and cash equivalents	(1,622)	(3,845)	(1,917)	(4,184)	110
Cash and cash equivalents at beginning of period	**433,488**	**408,334**	**408,334**	**240,147**	**240,147**
Cash and cash equivalents at the end of the period	**383,044**	**433,488**	**384,918**	**408,334**	**274,679**

The above information has been extracted from the unaudited interim consolidated financial statements of Kina Securities Limited for the half year-ended 30 June 2023, and where applicable, calculated by reference to the 31 December 2022 audited financial statements and the 30 June 2022 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 2023 are consistent with those used in preparing the 31 December 2022 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

	Jun23 PGK'000	Jun22 PGK'000
Cash and due from other banks	383,044	384,918
Total cash at the end of the period	**383,044**	**384,918**

2.8 Ratios

	Jun23	Dec22	Jun22	Dec21	Jun21
Profit before tax / Operating Income					
Consolidated profit from ordinary activities before tax as a percentage of revenue	41.5%	44.2%	36.6%	27.7%	36.4%
Profit after tax / equity interests					
Consolidated net profit from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable)	7.6%	11.6%	8.0%	5.4%	7.0%

2.9 Earnings Per Share - Statutory

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

	Jun23	Dec22	Jun22	Dec21	Jun21
Calculation of the following in accordance with IAS33					
(a) Basic EPS	16.2	24.7	15.9	10.8	13.9
(b) Diluted EPS	16.1	24.5	15.8	10.6	13.8
(c) Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	286,936	286,936	286,936	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 associates. 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 2023 was 286,935,900 (30 June 2022: 286,935,900)

	Total Number Ordinary shares	Number Quoted Ordinary shares
Changes during the period ended 30 June 2023		
Opening Balance of number of shares	286,935,900	286,935,900
Increase through issue of shares	-	-
Closing Balance of number of shares 30 June 2023	**286,935,900**	**286,935,900**

2.12 Segment Reporting

30 June 2023	Banking & Finance PGK'000	Wealth Management PGK'000	Total PGK'000
Total external income	169,287	18,097	187,384
Total external expense	(105,743)	(3,922)	(109,665)
Profit before inter-segment revenue and expenses	**63,544**	**14,175**	**77,719**
Inter-segment income	1,325	-	1,325
Inter-segment expense	-	(1,325)	(1,325)
Profit before tax	**64,869**	**12,850**	**77,719**
Income tax expense	(27,612)	(3,740)	(31,352)
Profit after tax	**37,257**	**9,110**	**46,367**
Segment assets	4,951,353	36,042	4,987,395
Segment liabilities	(4,368,006)	(7,358)	(4,375,364)
Net assets	**583,347**	**28,684**	**612,031**
Capital expenditure	5,821	-	5,821
Depreciation	(15,034)	-	(15,034)

30 June 2022	Banking & Finance PGK'000	Wealth Management PGK'000	Total PGK'000
Total external income	161,975	14,304	176,279
Total external expense	(105,142)	(5,583)	(110,725)
Profit before inter-segment revenue and expenses	**56,833**	**8,721**	**65,554**
Inter-segment income	2,142	-	2,142
Inter-segment expense	-	(2,142)	(2,142)
Profit before tax	**58,975**	**6,579**	**65,554**
Income tax expense	(17,357)	(2,605)	(19,962)
Profit after tax	**41,618**	**3,974**	**45,592**
Segment assets	4,121,520	53,024	4,174,544
Segment liabilities	(3,599,279)	(4,410)	(3,603,689)
Net assets	**522,241**	**48,614**	**570,855**
Capital expenditure	8,768	-	8,768
Depreciation	(19,888)	-	(19,888)

2.13 Comparison of Profits

	HYJun23 PGK'000	FY Dec22 PGK'000	FY Dec21 PGK'000
First Half Year			
Consolidated profit from continuing operations after tax attributable to members reported for the period	46,367	45,592	39,752
Second Half Year			
Consolidated profit from continuing operations after tax attributable to members reported for the period	N/A	70,896	31,058
Total	**46,367**	**116,488**	**70,810**

2.14 Contingent Liabilities

The Company is a party to a number of litigations as at 30 June 2023. 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 2023, these totaled PGK 43.4m (31 December 2022: PGK 48.9m).

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
x	**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.