2 April 2024

ASX/PNGX | Announcement

ASX Markets Announcement Office
Exchange Centre
20 Bridge Street
Sydney NSW 2000
Australia

PNGX Markets
Harbourside West Building
Unit 1B.02, Level 1, Stanley Esplanade
Down Town, Port Moresby 121
Papua New Guinea

BY ELECTRONIC LODGEMENT

Audited Consolidated Financial Statements
for the year ended 31 December 2023

Please see attached for release to the market, Kina Securities Limited's *Audited Consolidated Financial Statements for the year ended 31 December 2023.*

ENDS

For further information:

Johnson Kalo
CFO and Company Secretary
Email: Johnson.Kalo@kinabank.com.pg

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

Kina Securities Limited

CONSOLIDATED FINANCIAL STATEMENTS 2023

31 December 2023

Directors' Report

The directors of Kina Securities Limited ("Company") submit herewith the annual financial report of the Company and the Group, comprising the Company and its controlled entities, for the year ended 31 December 2023.

Principal activities

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

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.

Operating results and review of operations

The net profit attributable to equity holders for the year for the Group was K105.0 million compared with K116.5 million in 2022.

The profit includes the following items:

- Net interest income of K203.3 million, compared with K181.2 million in the prior year to 31 December 2022.
- Net fee and commission income of K137.0 million compared with K116.2 million in the prior year.
- Operating income before impairment losses and other operating income of K404.2 million, up from K366.5 million in the prior year.
- Expected credit losses on financial instruments at amortised cost of K9.9 million, compared with K4.8 million in the prior year.
- Other operating expenses of K218.7 million, compared with K213.3 million in the prior period.

Dividends

The Company paid a dividend of K16.1 toea (AUD 6.5 cents) per share- (K46.1) in April 2023 in relation to the profit for the half year ended 31 December 2022. In October 2023, the Company also paid dividend of K 9.7 toea (AUD 4.0 cents) per share (K28.1m) in relation to the profit for the half year ended 30 June 2023.

After balance sheet date events

Subsequent to balance sheet date, the directors declared a final dividend of K 15.9 toea (AUD 6.0 cents) per share (K45.5m) on underlying NPAT declared for the second half of financial year 2023.

See also note 37 for other subsequent events.

Donations

During the year the Group made donations totalling K659,415 (2022: K124,996)

Auditor's fees

Fees paid to the auditor during the year for professional services are shown in note 35 to the financial statements. The external auditor is Deloitte Touche Tohmatsu Ltd.

Remuneration Report

Remuneration of employees

During the year, the number of employees or former employees (not being directors of the Company), receiving remuneration in excess of K100,000 per annum from the Group stated in bands of K10,000 was as follows:

In PGK	2023	2022
1,940,001 - 1,950,000	**1***	-
1,820,001 - 1,830,000	**-**	1
1,030,001 - 1,040,000	**2**	-
970,001 - 980,000	**1**	2
950,001 - 960,000	**-**	-
910,001 - 920,000	**-**	1
890,001 - 900,000	**1**	-
870,001 - 880,000	**1**	2
850,001 - 860,000	**1**	-
840,001 - 850,000	**1**	-
810,001 - 820,000	**1**	-
800,001 - 810,000	**1**	1
790,001 – 800,000	**-**	1
770,001 - 780,000	**-**	1
730,001 - 740,000	**1**	-
720,001 - 730,000	**-**	1
710,001 - 720,000	**1**	-
700,001 - 710,000	**-**	-
660,001 - 670,000	**-**	-
600,001 - 610,000		2
590,001 - 600,000	**2**	-
580,001 - 590,000	**-**	2
550,001 - 560,000	**1**	1
540,001 - 550,000	**1**	-
530,001 - 540,000	**-**	1
510,001 - 520,000	**-**	1
500,001 - 510,000	**-**	1
480,001 - 490,000	**-**	1
470,001 - 480,000	**1**	1
450,001 - 460,000	**1**	1
400,001 - 410,000	**-**	1
390,001 - 400,000	**1**	-
380,001 - 390,000	**1**	-
360,001 - 370,000	**-**	1
350,001 - 360,000	**3**	1
340,001 - 350,000	**1**	-
330,001 - 340,000	**2**	1
320,001 - 330,000	**-**	1
310,001 - 320,000	**1**	2
300,001 - 310,000	**2**	2
290,001 - 300,000	**1**	-
280,001 - 290,000	**-**	2

** Increase in fixed base salary and impact of foreign exchange conversion.*

Remuneration Report

Remuneration of employees (continued)

In PGK	2023	2022
270,001 - 280,000	**3**	-
250,001 - 260,000	**4**	1
240,001 - 250,000	**1**	-
220,001 - 230,000	**3**	1
210,001 - 220,000	**-**	1
200,001 - 210,000	**6**	4
190,001 - 200,000	**8**	4
180,001 - 190,000	**5**	5
170,001 - 180,000	**3**	2
160,001 - 170,000	**7**	11
150,001 - 160,000	**3**	10
140,001 - 150,000	**5**	10
130,001 - 140,000	**10**	6
120,001 - 130,000	**11**	9
110,001 - 120,000	**12**	16
100,000 - 110,000	**11**	16

Remuneration Report

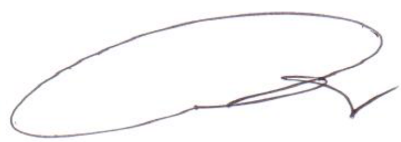
Directors' remuneration

Directors' fees paid during the year was as follows:

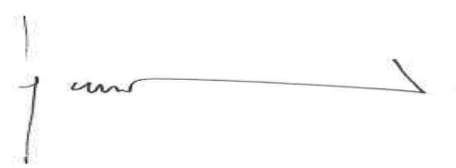
	2023	2022
	K '000	K '000
Directors		
I. Taureka	**446**	455
K. Smith- Pomeroy	**325**	333
J. Thomason	**277**	285
P. Hutchinson	**281**	257
A. Carriline	**293**	285
I. Temu	**104**	257
R.Kimber	**83**	-
	1,809	1,874
Managing Director		
G. Pawson		
-Salaries	**1,946***	1,817*
-Other benefits including leave entitlements	**454**	452
	2,400	2,269
	4,209	4,143

**increase in fixed base salary and impact of foreign exchange conversion.*

Signed at Port Moresby on behalf of the board on 28 March 2024.



Mr Isikeli Taureka
Director and Chairman



Mr Greg Pawson
Managing Director and Chief Executive Officer

Directors' Declaration

The directors declare that:

- in the directors' opinion, there are reasonable grounds to believe that the Company and the Subsidiaries (together the Group) will be able to pay their debts as and when they become due and payable

- in the directors' opinion, the attached financial statements and notes thereto are in accordance with the PNG Companies Act 1997, including compliance with International Financial Reporting Standards (IFRS) and giving a true and fair view of the financial position and performance of the Company and the Group as at and for the year ended 31 December 2023

Signed in accordance with a resolution of the Board of directors.

On behalf of the directors

Mr Isikeli Taureka
Director and Chairman
Port Moresby, 28 March 2024

Mr Greg Pawson
Managing Director and Chief Executive Officer
Port Moresby, 28 March 2024

Deloitte.

Deloitte Touche Tohmatsu

Level 9, Deloitte Haus
MacGregor Street
Port Moresby
PO Box 1275 Port Moresby
National Capital District
Papua New Guinea

Tel: +675 308 7000
Fax: +675 308 7001
www.deloitte.com.pg

Deloitte Touche Tohmatsu
ABN 74 490 121 060

477 Collins Street
Melbourne VIC 3000
GPO Box 78B
Melbourne VIC 3001,
Australia

Tel: +61 (0)3 9671 7000
Fax: +61 (0)3 9671 7001
www.deloitte.com.au

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Kina Securities Limited (the "Company") and its subsidiaries (the "Group") which comprise the Group and the Company's statements of financial position as at 31 December 2023, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying financial statements of the Group and the Company, give a true and fair view of the Group's and the Company's financial position as at 31 December 2023 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 1997 (*amended 2022*).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants *(including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Papua New Guinea, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Expected credit loss on loans and advances As at 31 December 2023, the Group has recognised a loss allowance for Expected Credit Losses (ECL) amounting to K52.5m on loans and advances held at amortised cost in accordance	Our audit procedures, in conjunction with our specialists, included, but were not limited to:

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
with IFRS 9 *Financial Instruments* (IFRS 9) as disclosed in Note 3(b). Loans and advances subject to IFRS 9's impairment requirements include the residential lending portfolio, personal loan portfolio and loan commitments. Allowance for Expected Credit Loss (ECL) is considered a key audit matter due to significance of the loans and advances to the financial statements and significant management judgement in estimating the loss allowance, including: • The application of the requirements of IFRS 9 as reflected in the Group's ECL model particularly in light of the current economic environment; • Identification of exposures with a significant movement in credit quality to determine whether 12-month or lifetime expected credit loss should be recognised; and • Assumptions used in the ECL model such as the financial condition of the counterparty, repayment capacity and forward-looking macroeconomic factors as disclosed in Note 3(b).	**Control design and implementation:** We tested the design and implementation of controls over the loss allowance including controls over: • The accuracy of data input into the system used for determining the past due status and approval of credit facilities; and • The ongoing monitoring and identification of loans displaying indicators of impairment and to ensure whether they are migrating on a timely basis to appropriate default stages including the generation of "days past due" reports. **Assessing impairment model appropriateness:** We assessed the appropriateness of management's internally developed model in determining the loss allowance for ECL. Our procedures included, but were not limited to: • Assessing whether the ECL model adequately addresses the requirements of IFRS 9; • Assessing, based on sample testing, whether individual exposures are classified into appropriate default stages and aging categories for the purpose of determining the loss allowance for ECL; • Assessing the reasonableness of the assumptions driving Probabilities of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD); and • Assessing the adequacy of management overlays to the modelled loss allowance for ECL by recalculating the coverage provided by the loss allowance (including overlays) to the loan book, taking into account recent history, performance and de-risking of the relevant portfolios. We also evaluated the adequacy of the disclosures in Note 3(b) to the financial statements.
Impairment of non-current assets including goodwill As at 31 December 2023, the Group has recognised goodwill amounting to K92.7m, arising from the acquisitions of Maybank (PNG) Limited and Maybank Property (PNG) Limited as disclosed in Note 36. In accordance with IAS 36 *Impairment of Assets*, Cash Generating Units (CGUs) including goodwill are required to be tested for impairment at least annually.	In conjunction with our valuation specialists, our procedures included, but were not limited to: • Evaluating the appropriateness of management's key controls over the impairment assessment process, including the identification of potential indicators of impairment such as the carrying value of the Group's net assets exceeding the market capitalisation; • Assessing the reasonableness of cash flow projections and growth rates against external economic and financial data and the Group's own historical performance;

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
This is considered a key audit matter due to the significance of judgement required in preparing a discounted cash flow model (value in use). These judgements include estimating: • Future cash flows for the Cash Generating Unit ("CGU") taking into accounting regulatory and macroeconomic factors; • Discount rates; and • Terminal value growth rates.	• Comparing historical performance against prior years' budgets and forecasts to assess management's historical forecasting accuracy; • Assessing the key assumptions and methodology used by management in the impairment model, in particular the discount rate and the terminal growth rate; and • Testing the mathematical accuracy of the impairment model. We also evaluated the adequacy of the disclosures in Note 36 to the financial statements.
Information technology The Group's business operations are heavily reliant on IT systems for processing large volumes of transactions as well as automated calculations supporting both internal and external financial reporting. These systems are vital to the ongoing operations of the business and to the integrity of the financial reporting process and as a result, the assessment of IT systems forms a key component of our audit and is considered a key audit matter.	In conjunction with our IT specialists, our procedures included but were not limited to: • Obtaining an understanding of the IT environment and identification of the key systems relevant to financial reporting; • Testing the design and implementation of IT controls including, but not limited to, access administration, change management and segregation of duties; and • Responding to deficiencies identified by designing and performing additional procedures which included the identification and testing of compensating manual controls and varying the nature, timing and extent of the substantive procedures performed.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report and Directors' Declaration, which we obtained prior to the date of this auditor's report, and annual report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Companies Act 1997 *(amended 2022)* and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the ability of the Group and the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group or the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Deloitte.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with section 200 of the Companies Act 1997 *(amended 2022),* in our opinion:

- We obtained all information and explanations that were required; and
- Proper accounting records have been kept by the Group for the year ended 31 December 2023.

We have no interest in the Company and the Group or any other relationship, other than that of the auditor of the Company and the Group.

The engagement partners on the audit resulting in this independent auditor's report are Mark Stretton and Helen Hamilton-James.

DELOITTE TOUCHE TOHMATSU

Mark Stretton
Partner
Chartered Accountants
Registered Company Auditor in Australia
Melbourne, 28 March 2024

Helen Hamilton-James
Partner
Chartered Accountants
Registered under the Accountants Act, 1996
Port Moresby, 28 March 2024

KINA SECURITIES LIMITED

Statements of Comprehensive Income
For the year ended 31 December 2023

		Consolidated		Parent	
		2023	2022	**2023**	2022
	Notes	**K '000**	K '000	**K '000**	K '000
Interest income	**5**	**253,340**	224,600	**252,614**	223,949
Interest expense	**5**	**(50,020)**	(43,389)	**(50,180)**	(42,991)
Net interest income		**203,320**	181,211	**202,434**	180,958
Fee and commission income	**6**	**136,979**	116,324	**102,493**	82,908
Fee and commission expense	**6**	**(16)**	(110)	**(16)**	(110)
Net fee and commission income		**136,963**	116,214	**102,477**	82,798
Foreign exchange income		**51,342**	60,339	**51,363**	61,843
Dividend income	**7**	**660**	469	**40**	74
Net gains from financial assets at fair value through profit and loss	**15**	**2,733**	3,610	**2,776**	3,737
Other income	**8**	**9,139**	4,657	**7,445**	9,190
Operating income before impairment losses and other operating expenses		**404,157**	366,500	**366,535**	338,600
Expected credit losses on financial instruments at amortised cost	**3b**	**(9,900)**	(4,825)	**(10,215)**	(4,160)
Administrative and operating expenses	**9**	**(218,718)**	(213,257)	**(209,656)**	(203,322)
Profit before tax		**175,539**	148,418	**146,664**	131,118
Income tax expense	**10**	**(70,576)**	(31,930)	**(62,081)**	(26,704)
Net profit for the year attributable to the equity holders of the Company		**104,963**	116,488	**84,583**	104,414
Other comprehensive income		**-**	-	**-**	-
Total comprehensive income for the year attributable to the equity holders of the Company		**104,963**	116,488	**84,583**	104,414

		2023	2022
Earnings per share – basic (toea)	**27 b**	**36.67**	40.60
Earnings per share – diluted (toea)	**27 b**	**36.39**	40.35

The notes on pages 16 to 78 are an integral part of these consolidated financial statements.

KINA SECURITIES LIMITED

Statements of Financial Position
As at 31 December 2023

		Consolidated		Parent	
		2023	2022	**2023**	2022
	Notes	**K '000**	K '000	**K '000**	K '000
Assets					
Cash and cash equivalents	**12**	**396,840**	433,488	**391,357**	397,376
Central bank bills	**13**	**1,236,496**	1,215,763	**1,236,496**	1,215,763
Regulatory deposits	**14**	**433,274**	383,083	**433,274**	383,083
Financial assets at fair value through profit or loss	**15**	**35,816**	15,262	**31,105**	10,508
Loans and advances to customers	**16**	**2,562,078**	2,158,921	**2,558,747**	2,154,963
Investments in Government Inscribed Stocks	**17**	**157,554**	152,650	**157,554**	152,650
Due from subsidiaries	**29**	**-**	-	**4,284**	38,113
Deferred tax assets	**11**	**35,099**	30,067	**34,618**	29,220
Investments in subsidiaries	**18**	**-**	-	**249**	249
Property, plant and equipment	**19**	**71,954**	82,839	**71,954**	82,839
Goodwill	**36**	**92,786**	92,786	**92,786**	92,786
Intangible assets	**20**	**27,608**	32,493	**27,608**	32,493
Other assets	**21**	**129,829**	79,669	**125,687**	76,847
		5,179,334	4,677,021	**5,165,719**	4,666,890
Liabilities					
Due to other banks		**13,912**	2,060	**13,912**	2,060
Due to customers	**22**	**4,344,571**	3,878,835	**4,368,599**	3,896,958
Current income tax liabilities	**23**	**11,461**	4,196	**10,332**	5,130
Due to subsidiaries	**29 b**	**-**	-	**43,899**	30,507
Employee provisions	**24**	**16,461**	14,111	**14,698**	12,717
Lease Liabilities	**25**	**33,775**	41,713	**33,775**	41,713
Other liabilities	**26**	**118,831**	126,803	**114,149**	122,090
		4,539,011	4,067,718	**4,599,364**	4,111,175
Net assets		**640,323**	609,303	**566,355**	555,715
Shareholders' equity					
Issued and fully paid ordinary shares	**27 a**	**394,693**	394,693	**394,693**	394,693
Share-based payment reserve	**27 c**	**2,776**	2,477	**2,776**	2,477
Retained earnings		**242,854**	212,133	**168,886**	158,545
Total equity		**640,323**	609,303	**566,355**	555,715

The notes on pages 16 to 78 are an integral part of these 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
Director and Chairman

Mr. Greg Pawson
Managing Director and Chief Executive Officer

KINA SECURITIES LIMITED

Statements of Changes in Equity
For the year ended 31 December 2023

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 2021	**394,693**	**3,587**	**178,343**	**576,623**
Profit for the year	-	-	116,488	116,488
Employee share scheme – vested rights	-	(1,360)	-	(1,360)
Employee share scheme – value of employee services	-	2,277	-	2,277
Deferred tax on share-based payment	-	(2,027)	-	(2,027)
Dividend paid	-	-	(82,698)	(82,698)
Balance as at 31 December 2022	**394,693**	**2,477**	**212,133**	**609,303**
Profit for the year	-	-	104,963	104,963
Employee share scheme – vested rights	-	(1,529)	-	(1,529)
Employee share scheme – value of employee services	-	2,073	-	2,073
Deferred tax on share-based payment	-	(245)	-	(245)
Dividend paid	-	-	(74,242)	(74,242)
Balance as at 31 December 2023	**394,693**	**2,776**	**242,854**	**640,323**

Parent — **Attributable to the equity holders of the Parent**

	Share Capital	Share Based Payment Reserve	Retained Earnings	Total
	K ‘000	K ‘000	K ‘000	K ‘000
Balance as at 31 December 2021	**394,693**	**3,587**	**136,829**	**535,109**
Profit for the year	-	-	104,414	104,414
Employee share scheme – vested rights	-	(1,360)	-	(1,360)
Employee share scheme – value of employee services	-	2,277	-	2,277
Deferred tax on share-based payment	-	(2,027)	-	(2,027)
Dividend paid	-	-	(82,698)	(82,698)
Balance as at 31 December 2022	**394,693**	**2,477**	**158,545**	**555,715**
Profit for the year	-	-	84,583	84,583
Employee share scheme – vested rights	-	(1,529)	-	(1,529)
Employee share scheme – value of employee services	-	2,073	-	2,073
Deferred tax on share-based payment	-	(245)	-	(245)
Dividend paid	-	-	(74,242)	(74,242)
Balance as at 31 December 2023	**394,693**	**2,776**	**168,886**	**566,355**

KINA SECURITIES LIMITED

Statements of Cash Flows
For the year ended 31 December 2023

		Consolidated		Parent	
		2023	2022	**2023**	2022
	Notes	**K '000**	K '000	**K '000**	K '000
Cash flows from operating activities					
Interest received		**245,205**	215,812	**244,479**	215,162
Interest paid		**(51,865)**	(29,974)	**(52,025)**	(29,576)
Foreign exchange gain		**51,342**	60,339	**51,363**	61,843
Dividend received		**660**	469	**40**	74
Fee and commission income received		**137,286**	118,472	**102,174**	82,839
Fee and commission expense paid		**(16)**	(110)	**(16)**	(110)
Net trading and other operating (loss)/income		**15,256**	6,177	**13,784**	6,565
Recoveries on loans previously written-off		**499**	931	**499**	931
Cash payments to employees and suppliers		**(198,036)**	(171,975)	**(142,192)**	(112,225)
Income tax paid		**(68,506)**	(54,436)	**(62,516)**	(47,838)
Cash flows from operating profits before changes in operating assets and liabilities		**131,825**	145,705	**155,590**	177,665
Changes in operating assets and liabilities:					
- net (increase)/ decrease in regulatory deposits		**(50,191)**	(170,208)	**(50,191)**	(170,208)
- net increase in loans and advances to customers		**(402,486)**	(210,776)	**(402,486)**	(210,776)
- net (increase)/ decrease in other assets		**(53,634)**	(35,491)	**(52,313)**	(36,208)
- net increase in due to customers		**467,581**	828,498	**473,486**	804,090
- net increase/ (decrease) due to other banks		**11,851**	(2,640)	**11,851**	(2,640)
- net (decrease)/ increase in other liabilities		**(5,428)**	34,594	**(5,396)**	30,625
Net cash inflow/(outflow) from operating activities	**28c**	**99,518**	589,682	**130,541**	592,548
Cash flows from investing activities					
Purchase of property, equipment and software		**(12,817)**	(14,005)	**(12,817)**	(14,005)
Proceeds from sale of property and equipment		**89**	306	**89**	306
Net movement in investment securities	**28b**	**(39,533)**	(452,937)	**(39,577)**	(452,937)
Net cash inflow/(outflow) generated from/(used in) investing activities		**(52,260)**	(466,636)	**(52,305)**	(466,636)
Cash flows from financing activities					
Dividend paid		**(74,242)**	(82,698)	**(74,242)**	(82,698)
Lease liability payments		**(11,838)**	(11,349)	**(11,838)**	(11,349)
Net cash inflow/(outflow) generated from/(used) in financing activities		**(86,080)**	(94,047)	**(86,080)**	(94,047)
Net increase in cash and cash equivalents		**(38,823)**	28,999	**(7,844)**	31,865
Effect of exchange rate movements on cash and cash equivalents		**2,175**	(3,845)	**1,825**	(791)
Cash and cash equivalents at beginning of year		**433,488**	408,334	**397,376**	366,302
Cash and cash equivalents at end of year	**28a**	**396,840**	433,488	**391,357**	397,376

The notes on pages 16 to 78 are an integral part of these consolidated financial statements.

1. Material accounting policies

1.1 General information

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

Effective 9 July 2021, Kina Securities Limited amalgamated with Kina Bank Limited (KBL), Kina Ventures Limited (KVL) and Kina Properties Limited (KPL) and is now known as Kina Securities Limited.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.2 Basis of preparation

The financial statements of the Company and Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Papua New Guinea Companies Act 1997.

The financial statements of the Company and Group as at and for the year ended 31 December 2023 were authorized for issue by the Board of Directors on 28 March 2024.

The financial statements of the Company and Group have been prepared on a historical cost basis, except for the revaluation of certain financial instruments at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

1.3 Amendments to IFRSs that are mandatorily effective for the current reporting period

In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

1. Material accounting policies (continued)

1.4 New and revised IFRS standards in issue but not yet effective

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

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*
Amendments to IAS 1	*Non-current Liabilities with Covenants*
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*

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

1.5 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its controlled entities (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated profit or loss account from the date the Group gains control until the date when the Group ceases to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation, with the exception of foreign currency gains and losses on intragroup monetary items denominated in a foreign currency of at least one of the parties.

1.6 Segment reporting

Operating segments are presented on a basis that is consistent with information provided internally to the Group's key decision makers. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors. The Group has two reportable segments, which are the two business divisions – Banking & Finance and Wealth Management.

1. Material accounting policies (continued)

1.7 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Kina, which is the Company's and the Group's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

1.8 Interest income and interest expense

Interest income and expense for all financial instruments except for those measured or designated as at fair value through profit and loss (FVTPL) are recognised as 'Interest income' or 'Interest expense' in the profit or loss account using the effective interest method.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income/expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)).

1.9 Fee and commission income

The Group recognises fee and commission income from following major services it provides to customers:

- *Investment and portfolio management* - The Group manages investments for a number of superannuation funds and corporate clients. These services are provided by the Group on a monthly basis and the performance obligation is satisfied over time. Bills are raised monthly and revenue is recognised on this basis.

- *Fund administration* - The Group earns a fee through administration of funds for its customers based on the fee rates agreed under the terms of the contract. These services are provided by the Group on a monthly basis and the performance obligation is satisfied over time. Bills are raised monthly and revenue is recognised on this basis.

- *Share brokerage* - The Group generates share brokerage from trading services for customers on the Port Moresby Stock Exchange ("PNGX") and the Australian Stock Exchange ("ASX"). Income is recognised at a point in time upon settlement of the trade which is commensurate with when the performance obligation is satisfied.

- *Loan fee and bank commission* - The Group charges various loan fees and commissions to its customers during the tenure of the loan unrelated to establishment of the loan facility. Income is recognised at a point in time when services promised under the contract are completed.

- *Digital banking fees* – The Group increases the services it provides through digital access solutions giving customers convenient ways to do transactions. The services include online banking, utility top-ups, cashless transactions using payment platforms, and card transactions. Income is recognised at a point in time when the transaction to which the fee relates is settled which is a point at which performance obligation is satisfied.

1. Material accounting policies (continued)

1.10 Leases

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

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments, less any lease incentive receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- the amount expected to be payable under a residual value guarantee, if any; and
- the exercise price, if any, under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

1. Material accounting policies (continued)

1.10 Leases (continued)

The lease liability is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets.

The Group has elected not to recognise right-of-use assets and lease liabilities for all short-term leases that have a lease term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.11 Taxation

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authority.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rate (and law) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

1.12 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions which are subject to an insignificant risk of changes in value, and bank overdrafts.

In the statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with an original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk

1. Material accounting policies (continued)

1.12 Cash and cash equivalents (continued)

of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

1.13 Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company or Group becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL.

Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI);
- all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

Financial assets at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on re-measurement recognised in profit or loss.

1. Material accounting policies (continued)

1.13 Financial instruments (continued)

and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on Modification and de-recognition of financial assets described below.

Impairment

The Group measures and recognises loss allowances for ECLs on the following financial instruments that are measured at amortised cost:

- Loans and advances;
- Investment in Government Inscribed Stocks;
- Other financial assets;
- Loan commitments issued; and
- Financial guarantee contracts issued.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk and determination of ECL are provided in note 3.

Significant increase in credit risk

The Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the 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.

The Group's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring that was anticipated when the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable. Irrespective of the outcome of this assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Definition of default

The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk (see note 3). The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

1. Material accounting policies (continued)

1.13 Financial instruments (continued)

Write-off

Loans and debt securities are written off when the Company or Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when it is determined that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a de-recognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amount of the financial assets held at amortised cost.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

Financial liabilities are classified as 'other financial liabilities' as the Group does not have any financial liabilities that are classified or designated as at FVTPL.

Other financial liabilities

Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

1. Material accounting policies (continued)

1.13 Financial instruments (continued)

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Group's revenue recognition policies.

Financial guarantee contracts not designated at FVTPL are presented as provisions on the consolidated statement of financial position and the re-measurement is presented in other income.

The Group has not designated any financial guarantee contracts as at FVTPL.

1.14 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Depreciation is calculated on the basis of straight line to write-off the cost of such assets to their residual values over their estimated lives as follows:

Furniture and fittings	11.25% to 15%
Building improvements	10%
Motor vehicles	30%
Office equipment	15% to 30%

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate at each balance date. Gains and losses on disposal (being the difference between the carrying value at the time of sale or disposal and the proceeds received) are taken into account in determining operating profit for the year. Repairs and maintenance costs are charged to statement of comprehensive income, when the expenditure is incurred.

1.15 Intangible assets and other non-financial assets

Goodwill

Goodwill is measured as described in note 36 Goodwill having an indefinite useful life is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Other non-financial assets

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in

1. Material accounting policies (continued)

1.15 Intangible assets and other non-financial assets (continued)

use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets cash-generating units (CGU).

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Customer deposits relationship / intangible assets

A customer deposits relationship asset was recognized with the acquisition of Maybank (PNG) Limited in 2015. Also, the acquisition of Australian and New Zealand (ANZ) Bank's retail, commercial and SME banking businesses in PNG on 23 September 2019 gave rise to the recognition of core customer deposit relationship intangible asset (note 20), representing the value, or avoided cost, of having a deposit base from consumer and business transaction accounts, savings accounts, term deposits and other money market accounts that provide a cheaper source of funding than alternative sources of funding. The customer deposits relationship intangible asset is amortised using the straight-line method over a period of five years and three years on the Maybank and ANZ acquisition respectively, and is stated at cost less accumulated amortization and impairment. The customer deposits relationship intangible asset is also assessed for any indication of impairment at each reporting date and whenever there is an indicator that these may be impaired.

Software

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group that will probably generate economic benefits exceeding costs beyond one year are recognized as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognized as a capital improvement and added to the original cost of the software. Computer software development costs recognized as assets are amortised using the straight-line method over their useful lives, not exceeding a period of five years.

1.16 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligations can be made.

1.17 Employee benefits

Short-term obligations

Provision is made for benefits accruing to employees in respect of annual leave and other short term obligations when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within twelve months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognized in respect of employee benefits which are not expected to be settled within twelve months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

The contributions in relation to employees of the Group who contribute to defined contribution pension plans are charged to the statement of comprehensive income in the year to which they relate.

1. Material accounting policies (continued)

1.17 Employee benefits (continued)

Share-based payments

Senior executive employees are entitled to participate in a share ownership incentive scheme. The fair value of share rights provided to senior executive employees as share-based payments is recognized as an expense with a corresponding increase in equity. The fair value is measured at grant date and is recognized over the period the services are received being the expected vesting period at the end of which the senior executive employees would become entitled to exercise their share rights. The fair value of the share based payments is based on the market price of the shares at grant date and market vesting conditions upon which the rights were granted. Non-market vesting conditions are taken into account by adjusting the number of rights which will eventually vest.

Cash bonus

The Group recognizes a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

1.18 Share capital and other equity accounts

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends on ordinary shares are recognized in equity in the period in which they are declared by the Company's directors.

Reserves

Capital reserve comprises accumulated gains on historic asset revaluation. Share-based payment reserve comprises the fair value of unvested performance rights as at the reporting date.

1.19 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year (note 27(b)).

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

1.20 Fiduciary activities

The Group provides custodian, trustee, corporate administration, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements. Details of such investments held under trust may be found in note 30.

2. Critical accounting estimates and judgments

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving significant estimates or judgments are:

- Significant increase in credit risk – note 3
- Estimated allowance for loans and advances to customers – note 16 and 3(b)
- Estimated goodwill impairment – note 36

3. Financial risk management

By its nature the Group's activities are principally related to the use of financial instruments. The Group accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above-average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due. The Group raises its interest margins by obtaining above-average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing.

The Group also enters into transactions denominated in foreign currencies. This activity generally requires the Group to take foreign currency positions in order to exploit short-term movements to the foreign currency market. The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

Risk in the Group is managed by a system of delegated limits. These limits set the maximum level of risks that can be assumed by each operational unit and the Group as a whole. The limits are delegated from the Board of Directors to executive management and then to the respective operational managers.

a) Market risk

Market risk is the risk that movements in market factors, such as foreign exchange rates, interest rates, credit spreads and equity prices, will reduce the Group's income or the value of its portfolios.

The group is exposed to the following type of market risks:

(i) Foreign exchange risk;
(ii) Interest rate risk; and
(iii) Equity price risk.

(i) Foreign exchange risk

The Group undertakes transactions denominated in foreign currencies from time to time and resulting from these activities, exposures in foreign currencies arise. Though there are no specific hedging activities to mitigate any currency risk, this exposure is monitored by management on an ongoing basis.

3. Financial risk management (continued)

a) Market risk (continued)

Exposure

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in PGK, was as follows:

K '000	USD	AUD	SGD	GBP	EUR	NZD	JPY	Others
31 December 2023								
Cash balance	177	51	135	87	145	589	178	149
Due from other banks	27,584	5,496	83	8,498	1,715	160	239	932
Due to other banks	(6,667)	(4,399)	(2,022)	-	-	-	-	(651)
	21,094	1,148	(1,804)	8,585	1,860	749	417	430
31 December 2022								
Cash balance	257	40	2	70	152	566	179	29
Due from other banks	62,043	47,743	407	331	1,285	920	302	2,070
	62,300	**47,783**	**409**	**401**	**1,437**	**1,486**	**481**	**2,099**

There were no material liabilities denominated in foreign currency in 2022.

Sensitivity

As shown in the table above, the Group is primarily exposed to changes in USD/PGK exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US dollar denominated financial instruments.

	Impact on statement of comprehensive income in	
	K'000	K'000
	2023	2022
USD/PGK – exchange rate – increase 10% (2022:10%)	**(1,902)**	**(176)**
USD/PGK – exchange rate – decrease 10% (2022:10%)	**2,324**	**(215)**

(ii) Interest rate risk

Interest rate risk in the statements of financial position arises from the potential for a change in interest rate to have an adverse effect on the earnings in the current and future years. As interest rates and yield curves change over time the Group may be exposed to a loss in earnings due to the effects of interest rates on the components of the statements of financial position. Sensitivity to interest rates arises from mismatches in re-pricing dates, cash flows and other characteristics of the assets and their corresponding liability funding.

These mismatches are actively managed by the Assets and Liabilities Committee (ALCO), which meets regularly to review the effects of fluctuations in the prevailing levels of market interest rates of the financial position and cash flows of the Group.

3. Financial risk management (continued)

a) Market risk (continued)

The following table risks summarises the Group's exposure to interest rate risks:

	Year ended 31 December 2023	
	Carrying amount	**Average Interest rate (% p.a.)**
Assets	**K '000**	
Cash and cash equivalents	**396,840**	**0.21%**
Central bank bills	**1,236,496**	**3.62%**
Loans and advances to customers	**2,562,078**	**8.22%**
Investments in Government Inscribed Stocks	**157,554**	**9.02%**
Liability		
Due to customers	**4,344,571**	**1.15%**

	Year ended 31 December 2022	
	Carrying amount	Average Interest rate (% p.a.)
Assets	K '000	
Cash and cash equivalents	433,488	0.17%
Central bank bills	1,215,763	5.38%
Loans and advances to customers	2,158,921	7.66%
Investments in Government Inscribed Stocks	152,650	9.93%
Liability		
Due to customers	3,878,835	1.15%

Sensitivity

Given the profile of assets and liabilities at 31 December 2023 and prevailing interest rates, a 200 basis points increase/decrease in market rates in relation to interest bearing assets and liabilities will result in a maximum of K167,967 (2022: K1,639,739) decrease/increase in net interest income at a Group level.

(iii) Equity price risk

The Group is exposed to equity securities price risk due to the listed shares traded on stock exchange. To manage its price risks arising from financial assets at fair value through profit or loss, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group. The Group's financial assets at fair value through profit or loss are publicly traded on the Port Moresby Stock Exchange (PNGX).

Sensitivity

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period. If equity prices had been 5% higher/lower, net profit for the year ended 31 December 2023 and net assets as of balance date would have been affected by K899,745 (2022: K763,103).

	Impact on statement of comprehensive income in K '000	
	2023	2022
Equity prices – increase 5% (2021:5%)	**900**	763
Equity prices – decrease 5% (2021:5%)	**(900)**	(763)

3. Financial risk management (continued)

b) Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's main income-generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers and other banks (including related commitments to lend such as loan or credit card facilities) and investments in debt securities. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

(i) Credit risk management

The Group's credit committee is responsible for managing the Group's credit risk by:

- Ensuring that the Group has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Group's stated policies and procedures, IFRS and relevant supervisory guidance.
- Identifying, assessing and measuring credit risk across the Group, from an individual instrument to a portfolio level.
- Creating credit policies to protect the Group against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.
- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location etc.
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the Group's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews.
- Developing and maintaining the Group's processes for measuring ECL including monitoring of credit risk, incorporation of forward looking information and the method used to measure ECL.
- Ensuring that the Group has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

(ii) Significant increase in credit risk

As explained in note 1 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.

(iii) Incorporation of forward-looking information

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

(iv) Measurement of ECL

The key inputs used for measuring ECL are (1) Probability of default (PD), (2) Loss given default (LGD) and (3) Exposure at default (EAD). These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on rating models and assessed using rating tools tailored to the various categories of counterparties and exposures.

3. Financial risk management (continued)

b) Credit risk (continued)

These models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

(v) Groupings based on shared risks characteristics

In determining the ECL, the financial instruments are grouped on the basis of shared risk characteristics, such as instrument type, credit risk grade, collateral type, the value of collateral relative to financial asset (loan-to-value (LTV) ratios) etc. The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

(vi) Credit quality

The Group monitors credit risk per class of financial instrument. The table below outlines the classes identified, as well as the financial statement line item and the note that provides an analysis of the items included in the financial statement line for each class of financial instrument:

Class of financial instrument	**Financial statement line**	**Note**
Cash and cash equivalents at amortised cost	Cash and cash equivalents	Note 12
Treasury and central bank bills at amortised cost	Central bank bills	Note 13
Regulatory deposits at amortised cost	Regulatory deposits	Note 14
Loans and advances to customers at amortised cost	Loans and advances to customers	Note 16
Investments in Government Inscribed Stocks at amortised cost	Investments in Government Inscribed Stocks	Note 17
Bank guarantees	Contingent liabilities	Note 32
Other financial assets	Other assets	Note 21

An analysis of the Group's **credit risk concentrations** per class of financial asset is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For documentary letters of credit and bank guarantees, the amounts in the table represent the amounts committed or guaranteed, respectively.

3. Financial risk management (continued)

b) Credit risk (continued)

	Consolidated	
	31 December 2023	31 December 2022
Cash and cash equivalents at amortised cost	**K'000**	K'000
Concentration by sector		
Cash on hand	**173,876**	151,370
With central bank (exchange settlement account)	**168,972**	160,392
With other banks	**53,992**	121,726
Total	**396,840**	433,488
Concentration by region		
Papua New Guinea	**365,871**	319,423
Offshore*	**30,969**	114,065
Total	**396,840**	433,488

**bank accounts maintained in Australia, New Zealand, Great Britain, Singapore, Malaysia, Philippines, Japan, India and Turkey*

	Parent	
	31 December 2023	31 December 2022
Cash and cash equivalents at amortised cost	**K'000**	K'000
Concentration by sector		
Cash on hand	**173,876**	151,370
With central bank (exchange settlement account)	**168,972**	160,392
With other banks	**48,509**	85,614
Total	**391,357**	397,376
Concentration by region		
Papua New Guinea	**365,871**	328,423
Offshore*	**25,486**	68,953
Total	**391,357**	397,376

**bank accounts maintained in Australia, New Zealand, Great Britain, Singapore, Malaysia, Philippines, Japan, India and Turkey*

3. Financial risk management (continued)

b) Credit risk (continued)

	Consolidated	
	31 December 2023	31 December 2022
Treasury and central bank bills at amortised cost	**K'000**	K'000
Concentration by sector		
With central banks	**1,236,496**	1,215,763
Total	**1,236,496**	1,215,763
Concentration by region		
Papua New Guinea	**1,236,496**	1,215,763
Total	**1,236,496**	1,215,763

	Parent	
	31 December 2023	31 December 2022
Treasury and central bank bills at amortised cost	**K'000**	K'000
Concentration by sector		
With central banks	**1,236,496**	1,215,763
Total	**1,236,496**	1,215,763
Concentration by region		
Papua New Guinea	**1,236,496**	1,215,763
Total	**1,236,496**	1,215,763

3. Financial risk management (continued)

b) Credit risk (continued)

	Consolidated	
	31 December 2023	31 December 2022
Regulatory deposits at amortised cost	**K'000**	K'000
Concentration by sector		
With central banks	**433,274**	383,083
Total	**433,274**	383,083
Concentration by region		
Papua New Guinea	**433,274**	383,083
Total	**433,274**	383,083

	Parent	
	31 December 2023	31 December 2022
Regulatory deposits at amortised cost	**K'000**	K'000
Concentration by sector		
With central banks	**433,274**	383,083
Total	**433,274**	383,083
Concentration by region		
Papua New Guinea	**433,274**	383,083
Total	**433,274**	383,083

3. Financial risk management (continued)

b) Credit risk (continued)

	Consolidated	
	31 December 2023	31 December 2022
Loans and advances to customers at amortised cost	**K'000**	K'000
Concentration by sector		
Individuals:		
Mortgages	**601,556**	553,845
Unsecured lending	**88,812**	59,467
Corporate entities:		
Agriculture, Forestry & Fishing	**4,101**	3,874
Mining	**15,486**	16,233
Manufacturing	**21,079**	18,806
Electrical, Gas & Water	**869**	6,684
Building and Construction	**183,612**	171,237
Wholesale & Retail	**770,868**	694,077
Hotel & Restaurants	**75,058**	79,030
Transport & Storage	**67,775**	23,214
Financial Intermediation	**655**	837
Real Estate/Renting/Business Services	**360,122**	316,094
Post & Telecommunication	**96,731**	-
Equipment Hire	**34,037**	43,623
Other Business	**290,705**	211,309
Personal Banking	**3,078**	3,088
Total	**2,614,544**	2,201,418
Concentration by region		
Papua New Guinea	**2,614,544**	2,201,418
Total	**2,614,544**	2,201,418

3. Financial risk management (continued)

b) Credit risk (continued)

	Parent	
	31 December 2023	31 December 2022
Loans and advances to customers at amortised cost	**K'000**	K'000
Concentration by sector		
Individuals:		
Mortgages	**601,556**	553,845
Unsecured lending	**88,812**	59,467
Corporate entities:		
Agriculture, Forestry & Fishing	**4,101**	3,874
Mining	**15,486**	16,233
Manufacturing	**21,079**	18,806
Electrical, Gas & Water	**869**	6,684
Building and Construction	**183,612**	171,237
Wholesale & Retail	**770,868**	694,077
Hotel & Restaurants	**75,058**	79,030
Transport & Storage	**67,775**	23,214
Financial Intermediation	**655**	837
Real Estate/Renting/Business Services	**360,122**	316,094
Post & Telecommunication	**96,731**	-
Equipment Hire	**34,037**	43,623
Other Business	**286,709**	206,333
Personal Banking	**3,078**	3,088
Total	**2,610,548**	2,196,442
Concentration by region		
Papua New Guinea	**2,610,548**	2,196,442
Total	**2,610,548**	2,196,442

3. Financial risk management (continued)

b) Credit risk (continued)

	Consolidated	
	31 December 2023	31 December 2022
Investments in Government Inscribed Stocks at amortised cost	**K'000**	K'000
Concentration by sector		
Sovereign	**159,856**	154,881
Total	**159,856**	154,881
Concentration by region		
Papua New Guinea	**159,856**	154,881
Total	**159,856**	154,881

	Parent	
	31 December 2023	31 December 2022
Investments in Government Inscribed Stocks at amortised cost	**K'000**	K'000
Concentration by sector		
Sovereign	**159,856**	154,881
Total	**159,856**	154,881
Concentration by region		
Papua New Guinea	**159,856**	154,881
Total	**159,856**	154,881

3. Financial risk management (continued)

b) Credit risk (continued)

	Consolidated	
	31 December 2023	31 December 2022
Bank guarantees	**K'000**	K'000
Concentration by sector		
Corporate entities:		
Agriculture, Forestry & Fishing	**1,121**	4,616
Mining	**10,439**	-
Manufacturing	**2,000**	-
Wholesale & Retail	**531**	3,800
Building and Construction	**9,213**	11,812
Transport & Storage	**1,064**	2,426
Other Business	**2,465**	3,090
Total	**26,833**	25,744
Concentration by region		
Papua New Guinea	**26,833**	25,744
Total	**26,833**	25,744

	Parent	
	31 December 2023	31 December 2022
Bank guarantees	**K'000**	K'000
Concentration by sector		
Corporate entities:		
Agriculture, Forestry & Fishing	**1,121**	4,616
Mining	**10,439**	-
Manufacturing	**2,000**	-
Wholesale & Retail	**531**	3,800
Building and Construction	**9,213**	11,812
Transport & Storage	**1,064**	2,426
Other Business	**2,465**	3,090
Total	**26,833**	25,744
Concentration by region		
Papua New Guinea	**26,833**	25,744
Total	**26,833**	25,744

The amount of bank guarantees disclosed above represent notional amount guaranteed being the maximum exposure to credit risk

3. Financial risk management (continued)

b) Credit risk (continued)

An analysis of the Group's **credit risk exposure per class of financial asset and "stage"** without taking into account the effects of any collateral or other credit enhancements is provided in the following table. 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.

	Consolidated									
	31 December 2023					31 December 2022				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
	K'000	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Cash and cash equivalents	396,840	-	-	-	396,840	433,488	-	-	-	433,488
Treasury and central bank bills	1,236,496	-	-	-	1,236,496	1,215,763	-	-	-	1,215,763
Regulatory deposits	433,274	-	-	-	433,274	383,083	-	-	-	383,083
Loans and advances	2,401,427	46,756	157,597	8,764	2,614,544	1,899,383	110,370	178,079	13,586	2,201,418
Investments in Government Inscribed Stocks	159,856	-	-	-	159,856	154,881	-	-	-	154,881
Other financial assets	123,984	-	-	-	123,984	83,659	-	-	-	83,659
Total gross carrying amount	**4,751,877**	**46,756**	**157,597**	**8,764**	**4,964,994**	**4,170,257**	**110,370**	**178,079**	**13,586**	**4,472,292**
Loss allowance	(25,174)	(5,480)	(28,104)	-	(58,758)	(23,681)	(5,458)	(19,579)	-	(48,718)
Net carrying amount	**4,726,703**	**41,276**	**129,493**	**8,764**	**4,906,236**	**4,146,576**	**104,912**	**158,500**	**13,586**	**4,423,574**

3. Financial risk management (continued)

b) Credit risk (continued)

	Parent									
	31 December 2023					**31 December 2022**				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
	K'000	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Cash and cash equivalents	391,357	-	-	-	391,357	397,376	-	-	-	397,376
Treasury and central bank bills	1,236,496	-	-	-	1,236,496	1,215,763	-	-	-	1,215,763
Regulatory deposits	433,274	-	-	-	433,274	383,038	-	-	-	383,038
Loans and advances	2,398,406	46,461	156,917	8,764	2,610,548	1,895,673	110,248	176,935	13,586	2,196,442
Investments in Government Inscribed Stocks	159,856	-	-	-	159,856	154,881	-	-	-	154,881
Other financial assets	119,832	-	-	-	119,832	80,901	-	-	-	80,901
Total gross carrying amount	**4,739,221**	**46,461**	**156,917**	**8,764**	**4,951,363**	**4,127,632**	**110,248**	**176,935**	**13,586**	**4,428,635**
Loss allowance	(25,176)	(5,478)	(27,439)	-	(58,093)	(23,682)	(5,456)	(18,562)	-	(47,700)
Net carrying amount	**4,714,045**	**40,983**	**129,478**	**8,764**	**4,893,270**	**4,103,950**	**104,792**	**158,373**	**13,586**	**4,380,935**

In addition to the above, the Group has issued financial guarantee contracts with a notional value of K26,833,000 (2022: K 25,744,000) which are secured against cash and term deposits for which loss allowance of NIL (2022: NIL) has been recognised.

3. Financial risk management (continued)

b) Credit risk (continued)

This table summarises the **loss allowance** as of the year end by class of exposure/asset.

	Consolidated	
	31 December 2023	31 December 2022
Loss allowance by classes	**K'000**	K'000
Loans and advances to customers at amortised cost	**52,466**	42,497
Investments in Government Inscribed Stocks at amortised cost	**2,302**	2,231
Other financial assets	**3,990**	3,990
Total	**58,758**	48,718

	Parent	
	31 December 2023	31 December 2022
Loss allowance by classes	**K'000**	K'000
Loans and advances to customers at amortised cost	**51,801**	41,479
Investments in Government Inscribed Stocks at amortised cost	**2,302**	2,231
Other financial assets	**3,990**	3,990
Total	**58,093**	47,700

Other financial assets comprise of miscellaneous receivables from individuals on which lifetime ECL has been recognised. No ECL has been recognised on other classes of financial assets either due to negligible probability of default or the assets being fully collateralized by high quality liquid assets.

3. Financial risk management (continued)

b) Credit risk (continued)

Table below summarises the movement in ECL during the year by class of financial assets:

	Consolidated									
	Balance at 01 January 2023	**ECL recognised during the year**	**Write-offs**	**Recoveries**	**Balance at 31 December 2023**	**Balance at 01 January 2022**	**ECL recognised during the year**	**Write-offs**	**Recoveries**	**Balance at 31 December 2022**
Loss allowance by classes	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Loans and advances to customers at amortised cost	42,497	9,758	(288)	499	52,466	38,100	4,323	(857)	931	42,497
Investments in Government Inscribed Stocks at amortised cost	2,231	71	-	-	2,302	1,639	592	-	-	2,231
Other financial assets	3,990	-	-	-	3,990	3,990	-	-	-	3,990
Total	**48,718**	**9,829**	**(288)**	**499**	**58,758**	**43,729**	**4,915**	**(857)**	**931**	**48,718**

3. Financial risk management (continued)

b) Credit risk (continued)

	Parent									
	Balance at 01 January 2023	**ECL recognised during the year**	**Write-offs**	**Bad debt Recoveries**	**Balance at 31 December 2023**	**Balance at 01 January 2022**	**ECL recognised during the year**	**Write-offs**	**Bad debt Recoveries**	**Balance at 31 December 2022**
Loss allowance by classes	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Loans and advances to customers at amortised cost	41,479	10,111	(288)	499	51,801	37,746	3,659	(857)	931	41,479
Investments in Government Inscribed Stocks at amortised cost	2,231	71	-	-	2,302	1,639	592	-	-	2,231
Other financial assets	3,990	-	-	-	3,990	3,990	-	-	-	3,990
Total	**47,700**	**10,182**	**(288)**	**499**	**58,093**	**43,375**	**4,251**	**(857)**	**931**	**47,700**

3. Financial risk management (continued)

b) Credit risk (continued)

	Consolidated									
	31 December 2023					31 December 2022				
	Stage 1	Stage 2	Stage 3			Stage 1	Stage 2	Stage 3		
Loss allowance – Loans and advances to customers at amortised cost	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**POCI**	**Total**	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**POCI**	**Total**
	K'000	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Loss allowance as at 01 January	**17,460**	**5,458**	**19,579**	**-**	**42,497**	**19,983**	**10,527**	**7,590**	**-**	**38,100**
Changes in the loss allowance										
- Transfer to stage 1	1,066	(543)	(523)	-	-	2,677	(2,619)	(58)	-	-
- Transfer to stage 2	(1,457)	2,766	(1,309)	-	-	(1,190)	1,234	(44)	-	-
- Transfer to stage 3	(4,552)	(1,266)	5,818	-	-	(2,701)	(6,120)	8,821	-	-
- Write-offs	-	-	(288)	-	(288)	-	-	(857)	-	(857)
New financial assets originated or purchased	13,810	4,363	10,883	-	29,056	12,263	3,886	9,889	-	26,038
Financial assets that have been derecognised	(7,445)	(5,297)	(6,057)	-	(18,799)	(13,572)	(1,450)	(5,762)	-	(20,784)
Loss allowance as at 31 December	**18,882**	**5,481**	**28,103**	**-**	**52,466**	**17,460**	**5,458**	**19,579**	**-**	**42,497**

3. **Financial risk management (continued)**

b) **Credit risk (continued)**

	Parent									
	31 December 2023					31 December 2022				
Loss allowance – Loans and advances to customers at amortised cost	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**POCI**	**Total**	**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**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Loss allowance as at 01 January	**17,462**	**5,456**	**18,561**	**-**	**41,479**	**19,985**	**10,525**	**7,236**	**-**	**37,746**
Changes in the loss allowance										
- Transfer to stage 1	1,066	(543)	(523)	-	-	2,677	(2,619)	(58)	-	-
- Transfer to stage 2	(1,457)	2,766	(1,309)	-	-	(1,190)	1,234	(44)	-	-
- Transfer to stage 3	(4,552)	(1,266)	5,818	-	-	(2,701)	(6,120)	8,821	-	-
- Write-offs	-	-	(288)	-	(288)	-	-	(857)	-	(857)
New financial assets originated or purchased	13,810	4,363	10,847	-	29,020	12,263	3,886	8,871	-	25,020
Financial assets that have been derecognised	(7,445)	(5,297)	(5,668)	-	(18,410)	(13,572)	(1,450)	(5,408)	-	(20,430)
Loss allowance as at 31 December	**18,884**	**5,479**	**27,438**	**-**	**51,801**	**17,462**	**5,456**	**18,561**	**-**	**41,479**

3. **Financial risk management (continued)**

b) **Credit risk (continued)**

	Consolidated									
	31 December 2023					31 December 2022				
Loans and advances to customers at amortised cost	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**POCI**	**Total**	**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**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Gross carrying amount as at 01 January	**1,899,383**	**110,370**	**178,079**	13,586	**2,201,418**	**1,749,549**	**152,441**	**71,667**	**14,890**	**1,988,547**
Changes in the gross carrying amount										
- Transfer to stage 1	55,034	(38,942)	(16,092)	-	-	41,924	(39,095)	(2,829)	-	-
- Transfer to stage 2	(17,860)	20,186	(2,326)	-	-	(70,988)	72,997	(2,009)	-	-
- Transfer to stage 3	(21,478)	(14,970)	36,448	-	-	(44,382)	(64,450)	108,832	-	-
- Write-offs	-	-	(499)	-	(499)	-	-	(857)	-	(857)
New financial assets originated or purchased	869,174	13,201	22,471		904,846	581,710	8,615	17,725	-	608,050
Financial assets that have been derecognised	(382,826)	(43,089)	(60,484)	(4,822)	(491,221)	(358,430)	(20,138)	(14,450)	(1,304)	(394,322)
Gross carrying amount as at 31 December	**2,401,427**	**46,756**	**157,597**	**8,764**	**2,614,544**	**1,899,383**	**110,370**	**178,079**	**13,586**	**2,201,418**

3. **Financial risk management (continued)**

b) **Credit risk (continued)**

	Parent									
	31 December 2023					31 December 2022				
Loans and advances to customers at amortised cost	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**POCI**	**Total**	**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**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Gross carrying amount as at 01 January	**1,895,673**	**110,248**	**176,935**	**13,586**	**2,196,442**	**1,745,858**	**151,459**	**69,812**	**14,890**	**1,982,019**
Changes in the gross carrying amount										
- Transfer to stage 1	55,034	(38,942)	(16,092)	-	-	41,924	(39,095)	(2,829)	-	-
- Transfer to stage 2	(17,860)	20,186	(2,326)	-	-	(70,988)	72,997	(2,009)	-	-
- Transfer to stage 3	(21,478)	(14,964)	36,442	-	-	(44,382)	(64,450)	108,832	-	-
- Write-offs	-	-	(499)	-	(499)	-	-	(857)	-	(857)
New financial assets originated or purchased	866,159	12,899	22,443	-	901,501	578,000	8,492	17,068	-	603,560
Financial assets that have been derecognised	(379,122)	(42,966)	(59,986)	(4,822)	(486,896)	(354,739)	(19,155)	(13,082)	(1,304)	(388,280)
Gross carrying amount as at 31 December	**2,398,406**	**46,461**	**156,917**	**8,764**	**2,610,548**	**1,895,673**	**110,248**	**176,935**	**13,586**	**2,196,442**

3. Financial risk management (continued)

b) Credit risk (continued)

Investments in Government Inscribed Stock

In relation to Investment in Government Inscribed Stocks which continue to be classified as Stage 1, there have been no significant movements in the carrying amount during the year.

The table below provides an analysis of the gross carrying amount of loans and advances to customers by **past due status**.

	Consolidated			
	Year ended 2023		Year ended 2022	
	Gross carrying amount	**Loss allowance**	Gross carrying amount	Loss allowance
Loans and advances to customers	**K'000**	**K'000**	K'000	K'000
0-29 days	**2,401,297**	**25,190**	1,899,939	17,460
30-59 days	**33,137**	**2,835**	64,459	3,284
60-89 days	**15,539**	**1,108**	46,028	2,173
90-180 days	**22,348**	**3,526**	41,223	4,299
More than 181 days	**142,223**	**19,807**	149,769	15,281
Total	**2,614,544**	**52,466**	2,201,418	42,497

	Parent			
	Year ended 2023		Year ended 2022	
	Gross carrying amount	**Loss allowance**	Gross carrying amount	Loss allowance
Loans and advances to customers	**K'000**	**K'000**	K'000	K'000
0-29 days	**2,398,277**	**25,190**	1,896,229	17,460
30-59 days	**32,921**	**2,835**	64,401	3,284
60-89 days	**15,459**	**1,108**	45,964	2,173
90-180 days	**22,342**	**3,524**	41,112	4,271
More than 181 days	**141,549**	**19,144**	148,736	14,291
Total	**2,610,548**	**51,801**	2,196,442	41,479

3. Financial risk management (continued)

b) Credit risk (continued)

Collateral held as security and other credit enhancements

The Group holds collateral or other credit enhancements to mitigate credit risk associated with financial assets. The main types of collateral and the types of assets these are associated with are listed in the table below.

Exposure type	Type of collateral held
Mortgage lending	Mortgage over residential property
Personal lending	Mortgage over residential property / bill of sale
Corporate lending	Mortgage over commercial property
Investment securities	Sovereign guarantee
Lease receivables	Charge over property and equipment
Bank guarantee and documentary letters of credit	Charge over cash deposit

In addition to the collateral included in the table above, the Group holds other types of collateral and credit enhancements, such as second charges, floating charges and guarantees for which specific values are not generally available.

Mortgage lending

The Group holds mainly residential properties as collateral for the mortgage loans it grants to customers. In some cases it does hold cash as collateral. It monitors its exposure to retail mortgage lending using a Loan To Discounted Value (LTDV) ratio. At origination, the Group lends based on a discounted collateral value which is calculated at 80% of the market value at that time. This becomes the Value definition for the LTDV. The Group then lends up to 100% of this Value. The following table reflects the exposure by ranges based on this methodology. The Group believes that this methodology provides further risk reduction in case of changes in market value. For credit-impaired loans the value of collateral is based on the most recent valuations.

	Consolidated	
	Year ended 2023	Year ended 2022
	Gross carrying	Gross carrying
Mortgage lending	**amount**	Amount
LTDV ratio	**K'000**	K'000
Less than 50%	**68,556**	67,922
51-75%	**82,524**	73,712
75-90%	**55,401**	58,677
90-100%	**166,144**	148,867
More than 100%	**228,931**	204,667
Total	**601,556**	553,845

3. Financial risk management (continued)

b) Credit risk (continued)

	Parent	
	Year ended 2023	Year ended 2022
Mortgage lending	**Gross carrying amount**	Gross carrying Amount
LTDV ratio	**K'000**	K'000
Less than 50%	**68,556**	67,922
51-75%	**82,524**	73,712
75-90%	**55,401**	58,677
90-100%	**166,144**	148,867
More than 100%	**228,931**	204,667
Total	**601,556**	553,845

	Consolidated	
	Year ended 2023	Year ended 2022
Credit impaired – Mortgage lending	**Gross carrying amount**	Gross carrying amount
LTDV ratio	**K'000**	K'000
Less than 50%	**7,899**	9,501
51-75%	**12,278**	14,806
75-90%	**7,631**	9,082
90-100%	**4,927**	6,829
More than 100%	**23,846**	31,602
Total	**56,581**	71,820

	Parent	
	Year ended 2023	Year ended 2022
Credit impaired – Mortgage lending	**Gross carrying amount**	Gross carrying amount
LTDV ratio	**K'000**	K'000
Less than 50%	**7,899**	9,501
51-75%	**12,278**	14,806
75-90%	**7,631**	9,082
90-100%	**4,927**	6,829
More than 100%	**23,846**	31,602
Total	**56,581**	71,820

3. **Financial risk management (continued)**

b) Credit risk (continued)

Personal lending

The Group's personal lending portfolio consists of secured and unsecured loans as follows:

	Consolidated and Parent	
	Year ended 2023	Year ended 2022
	K'000	K'000
Secured	**601,556**	553,845
Unsecured	**88,812**	59,467
Total	**690,368**	613,312

For secured loans, the Group requires formal valuation of collateral to be performed prior to approval of the loan facility. The valuation is conducted by the external firm of valuers independent of the Group who are required to meet certain minimum standards as per the Group's policy. Collateral value determined by the valuer is further discounted by 20-30% before determining the facility limit. The discounted value of the collateral must exceed the facility limit by at least 12.5% to allow for sufficient buffer should there be any adverse movement in value due change in macroeconomic indicators.

The collateral value is updated when the facility is classified as stage 3 or at least every 2 years. The Group monitors the collateral value on an ongoing basis and in event of any indicator which may result in significant decline will require the fresh valuation to be performed. As at 31 December 2023, the portfolio of secured personal lending is entirely secured by eligible collateral.

For unsecured loans, the Group takes a higher level of return to reflect the credit risk. However, credit risk standards are maintained to ensure a reasonable standard of debt servicing is proven.

Corporate lending

The most relevant indicator of corporate customers' creditworthiness is an analysis of their financial performance and their liquidity, leverage, management effectiveness and growth ratios. In addition, the Group also requires collaterals and guarantees to secure the corporate loans. Similar to personal lending, collaterals are required to be valued by independent firm of valuers before the facility is approved. The approved facility limit is equal to or less than the assessed value of the collateral discounted by 10-50% to allow for sufficient buffer should there be any adverse movement in the value due to change in macroeconomic indicators. Collateral values are updated at least every 2 years if there are any changes to the loan facilities or if the facility is classified as stage 3 loan. The Group monitors the collateral value on an ongoing basis and in event of any indicator which may result in significant decline will require the fresh valuation to be performed. As at 31 December 2023, the portfolio of the corporate lending is fully collateralized by eligible collateral.

Investment securities

The Group holds Investments in Government Inscribed Stocks measured at amortised cost with a carrying amount of K157,554,061 (2022: K152,649,962) which are collateralized by sovereign guarantee.

Bank guarantee and documentary letters of credit

Bank guarantees and documentary letters of credit are fully collateralized by charge over the cash deposits.

3. Financial risk management (continued)

c) Liquidity risk

Liquidity risk is the risk of being unable to meet financial obligations as they fall due. The Group's liquidity and funding risks are governed by a policy framework which is approved by the Board of Directors. Liquidity and funding positions and associated risks are overseen by the ALCO. The following outlines the Group's approach to liquidity and funding risk management focusing on conditions brought on by the current global economic environment:

- ensuring the liquidity management framework is compatible with local regulatory requirements,
- daily liquidity reporting and scenario analysis to quantify the Group's positions,
- targeting commercial and corporate customers' liability compositions,
- intense monitoring of detail daily reports to alert management and directors of abnormalities, and
- arranging back up facilities to protect against adverse funding conditions and to support day-to-day operations.

The Group is monitoring its liquidity contingency plans, lending requirements and guidelines which include:

- the monitoring of issue severity/stress levels with high level diligence,
- early warning signals indicative of an approaching issue and a mechanism to monitor and report these against signals,
- action plans and courses of action to account for early warning signals as noted above,
- management reporting at a higher level,
- maintenance of contractual obligations in regards to deposits, and
- assigned responsibilities for internal and external written communications.

Maturities of financial assets and liabilities

The table below presents a maturity analysis of the Group's financial liabilities including issued financial guarantee contracts and corresponding analysis of financial assets held to manage the inherent liquidity risk using undiscounted contractual cash flows associated with those assets and liabilities.

3. Financial risk management (continued)

c) Liquidity risk (continued)

	Consolidated						
	Up to 1 month K'000	**1 to 3 months K'000**	**4 to 12 months K'000**	**1 to 5 years K'000**	**Over 5 years K'000**	**Total contract value K'000**	**Total carrying value K'000**
31 December 2023							
Cash and cash equivalents	396,840	-	-	-	-	396,840	396,840
Central bank bills	28,000	391,200	838,380	-	-	1,257,580	1,236,496
Regulatory deposits	433,274	-	-	-	-	433,274	433,274
Total financial assets	**858,114**	**391,200**	**838,380**	**-**	**-**	**2,087,694**	**2,066,610**
Due to other banks	13,912	-	-	-	-	13,912	13,912
Due to customers	3,241,808	306,318	773,524	40,166	306	4,362,122	4,344,571
Other liabilities	118,831	-	-	-	-	118,831	118,831
Total financial liabilities	**3,374,551**	**306,318**	**773,524**	**40,166**	**306**	**4,494,865**	**4,477,314**
Issued financial guarantee contracts	9,650	951	16,232	-	-	26,833	26,833
Issued loan commitments	39,152	-	-	-	-	39,152	39,152
Total	**48,802**	**951**	**16,232**	**-**	**-**	**65,985**	**65,985**
31 December 2022							
Cash and cash equivalents	433,488	-	-	-	-	433,488	433,488
Central bank bills	74,900	193,340	975,290	-	-	1,243,530	1,215,763
Regulatory deposits	383,083	-	-	-	-	383,083	383,083
Total financial assets	**891,471**	**193,340**	**975,290**	**-**	**-**	**2,060,101**	**2,032,334**
Due to other banks	2,060	-	-	-	-	2,060	2,060
Due to customers	2,782,132	396,063	714,868	5,114	-	3,898,177	3,878,835
Other liabilities	126,803	-	-	-	-	126,803	126,803
Total financial liabilities	**2,910,995**	**396,063**	**714,868**	**5,114**	**-**	**4,027,040**	**4,007,698**
Issued financial guarantee contracts	761	140	14,853	9,990	-	25,744	25,744
Issued loan commitments	229,800	-	-	-	-	229,800	229,800
Total	**230,561**	**140**	**14,853**	**9,990**	**-**	**255,544**	**255,544**

3. Financial risk management (continued)

c) Liquidity risk (continued)

	Parent						
	Up to 1 month	**1 to 3 months**	**4 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total contract value**	**Total carrying value**
31 December 2023	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Cash and cash equivalents	391,357	-	-	-	-	391,357	391,357
Central bank bills	28,000	391,200	838,380	-	-	1,257,580	1,236,496
Regulatory deposits	433,274	-	-	-	-	433,274	433,274
Due from subsidiaries	4,284	-	-	-	-	4,284	4,284
Total financial assets	**856,915**	**391,200**	**838,380**	**-**	**-**	**2,086,495**	**2,065,411**
Due to other banks	13,912	-	-	-	-	13,912	13,912
Due to customers	3,276,024	306,318	773,524	40,166	306	4,396,338	4,368,599
Other liabilities	114,149	-	-	-	-	114,149	114,149
Due to subsidiaries	43,899	-	-	-	-	43,899	43,899
Total financial liabilities	**3,447,984**	**306,318**	**773,524**	**40,166**	**306**	**4,568,298**	**4,540,559**
Issued financial guarantee contracts	9,650	951	16,232	-	-	26,833	26,833
Issued loan commitments	39,152	-	-	-	-	39,152	39,152
Total	**48,802**	**951**	**16,232**	**-**	**-**	**65,985**	**65,985**
31 December 2022							
Cash and cash equivalents	397,376	-	-	-	-	397,376	397,376
Central bank bills	74,900	193,340	975,290	-	-	1,243,530	1,215,763
Regulatory deposits	383,083	-	-	-	-	383,083	383,083
Due from subsidiaries	38,113	-	-	-	-	38,113	38,113
Total financial assets	**893,472**	**193,340**	**975,290**	**-**	**-**	**2,062,102**	**2,034,335**
Due to other banks	2,060	-	-	-	-	2,060	2,060
Due to customers	2,800,256	396,063	714,868	5,114	-	3,916,301	3,896,958
Other liabilities	122,090	-	-	-	-	122,090	122,090
Due to subsidiaries	30,507	-	-	-	-	30,507	30,507
Total financial liabilities	**2,954,913**	**396,063**	**714,868**	**5,114**	**-**	**4,070,958**	**4,051,615**
Issued financial guarantee contracts	761	140	14,853	9,990	-	25,744	25,744
Issued loan commitments	229,800	-	-	-	-	229,800	229,800
Total	**230,561**	**140**	**14,853**	**9,990**	**-**	**255,544**	**255,544**

The liquidity gap in 'up to 1 month' bucket is due to the assumption that current and saving deposits amounting to K2,411m (31 December 2022: K2,127m) included within 'due to customers' mature within one month since these are on demand and do not have any fixed or determinable maturity.

4. Capital adequacy

Kina Securities Limited ("KSL") as the consolidated Company is required to comply with prudential standard PS1/2003 `Capital Adequacy` issued by the Bank of Papua New Guinea ("BPNG"). BPNG is the Government authority responsible for the prudential supervision of Banks and financial institutions in Papua New Guinea. The prudential guidelines issued by BPNG follow the prudential guidelines set by the Bank of International Settlements under the terms of the Basel Accord (Basel 1).

KSL calculates and reports its capital adequacy in respect of the bank.

Prudential Standard PS1/2003 `Capital Adequacy' is intended to ensure KSL maintains a level of capital which:

1) Is adequate to protect the interest of depositors and creditors,
2) Is commensurate with risk profile and activities of KSL, and
3) Provide public confidence in KSL as a financial institution and the overall banking system

PS1/2003 `Capital Adequacy` prescribes ranges of capital ratios to measure whether KSL is under, adequately, or well capitalised and also prescribes a leverage ratio. The minimum capital adequacy ratios prescribed under PS1/2003 `Capital Adequacy` are:

1) Tier 1 risk based ratio of 8%,
2) Total risk-based capital of 12%,and
3) Leverage capital of 6%.

As at 31 December 2023, KSL's capital ratios were in compliance with the BPNG Minimum capital adequacy requirements as follows:

	2023	2022
	K '000	K '000
Risk weighted assets	**2,516,916**	2,080,590
Capital : tier 1	**379,868**	326,605
Capital : tier 2	**136,426**	142,496
Capital : tier 1 and tier 2	**502,516**	469,101
Capital adequacy ratios		
Tier 1 capital	**15.1%**	15.7%
Total capital ratio	**20.0%**	22.5%
Leverage capital ratio	**7.6%**	7.5%

The measure of capital used for the purpose of prudential supervision is referred to as base capital. Total base capital varies from the capital shown in the statements of financial position and is made up of Tier 1 (core) and Tier 2 (supplementary) capital, after deducting the value of investments in other banks and financial institutions. Tier 1 capital is obtained by deducting intangible assets including deferred tax assets from equity capital and audited retained earnings (or accumulated losses). Tier 2 capital cannot exceed the amount of tier 1 capital, and can include subordinated loan capital, specified assets revaluation reserves, un-audited profits (or losses) and a small percentage of general loan provisions.

The Leverage Capital is calculated as Tier 1 Capital (less inter-group loans) divided by Total Assets. Risk-weighted assets are derived from on-statements of financial positions assets. On-statements of financial position assets are weighted for credit risk by applying weightings (0, 20, 50 and 100 percent) according to risk classification criteria set by the BPNG, for example cash and money market instruments have a zero-risk weighting which means that no capital is required to support the holding of these assets.

5. Net interest income

	Consolidated		Parent	
	2023	2022	**2023**	2022
	K '000	K '000	**K '000**	K '000
Interest income				
Cash and short-term funds	**45,232**	54,747	**44,506**	54,096
Investments in Government Inscribed Stocks	**13,993**	13,143	**13,993**	13,143
Loans and advances to customers	**194,115**	156,710	**194,115**	156,710
	253,340	224,600	**252,614**	223,949
Interest expense				
Banks and customers	**(50,020)**	(43,389)	**(50,180)**	(42,991)
	(50,020)	(43,389)	**(50,180)**	(42,991)
Net interest income	**203,320**	181,211	**202,434**	180,958

6. Net fee and commission income

	Consolidated		Parent	
	2023	2022	**2023**	2022
	K '000	K '000	**K '000**	K '000
Fees and commission income				
Investment and portfolio management	**10,438**	10,019	-	-
Fund administration	**23,180**	22,225	**-**	-
Shares brokerage	**1,500**	2,093	**914**	1,512
Loans fees and bank commissions	**30,358**	30,083	**30,358**	30,083
Digital banking fees	**63,819**	44,268	**63,819**	44,268
ATM and other transaction fees	**7,684**	7,636	**7,402**	7,045
	136,979	116,324	**102,493**	82,908
Fee and commission expenses	**(16)**	(110)	**(16)**	(110)
Net fee and commission income	**136,963**	116,214	**102,477**	82,798

7. Dividend income

	Consolidated		Parent	
	2023	2022	**2023**	2022
	K '000	K '000	**K '000**	K '000
Dividend income from investments				
Financial assets at fair value through profit or loss	**660**	469	**40**	74
	660	469	**40**	74

8. Other income

	Consolidated		Parent	
	2023	2022	**2023**	2022
	K '000	K '000	**K '000**	K '000
Profits from disposal of property and equipment	**89**	249	**89**	249
Unrealised foreign currency gains/losses	**5,576**	2,638	**4,062**	3,064
Support fees from subsidiaries	**-**	-	**(88)**	3,657
Management fees	**-**	-	**(91)**	470
Other	**3,474**	1,770	**3,473**	1,750
	9,139	4,657	**7,445**	9,190

9. Other operating expenses

	Consolidated		Parent	
	2023	2022	**2023**	2022
	K ‘000	K ‘000	**K ‘000**	K ‘000
Staff costs	**86,059**	85,778	**81,497**	80,388
Administrative expenses	**71,865**	58,904	**68,917**	55,820
Depreciation and amortization	**29,946**	38,203	**29,946**	38,203
Operating lease	**4,331**	4,978	**4,173**	4,857
Software maintenance and support charges	**8,365**	6,556	**7,483**	5,634
Auditor’s remuneration (note 35)	**1,965**	1,919	**1,769**	1,707
Other	**16,187**	16,919	**15,871**	16,713
	218,718	213,257	**209,656**	203,322

Staff costs are detailed as below:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	K ‘000	K ‘000	**K ‘000**	K ‘000
Salaries, wages and other benefits	**80,534**	79,510	**76,148**	74,339
Superannuation costs	**3,726**	3,991	**3,550**	3,772
Cost of employee share based incentive plan	**1,799**	2,277	**1,799**	2,277
Total staff costs	**86,059**	85,778	**81,497**	80,388

As at 31 December 2023, the Group had 718 employees (2022: 664) and 8 consultants (2022: 3). The Parent had 669 (2022: 615) employees and 3 (2022: 3) consultants.

10. Income taxes

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	K‘000	K‘000	**K‘000**	K‘000
Profit before tax	**175,539**	148,418	**146,664**	131,118
Prima facie tax*(2022: 30%)	**74,662**	44,525	**65,999**	39,336
Tax effect of:				
Permanent differences	**(3,069)**	(1,937)	**(2,900)**	(1,986)
Prior year adjustment	**(1,017)**	(243)	**(1,018)**	(231)
Impact of increase in tax rate on deferred taxes	**-**	(10,415)	**-**	(10,415)
Income tax expense	**70,576**	31,930	**62,081**	26,704
Represented by:				
Current tax	**75,853**	46,971	**67,725**	41,476
Deferred taxes	**(5,277)**	(15,041)	**(5,644)**	(14,772)
Income tax expense	**70,576**	31,930	**62,081**	26,704

*2023 Income tax rate applied on Parent: 45% and 30% for subsidiaries.

10. Income taxes (continued)

In December 2022, during the PNG Government's announcement of 2023 national budget, an increase in the corporate income tax rate from 30% to 45% on commercial banks was announced and is effective 1 January 2023. Accordingly, the Group applied corporate tax rate of 45% on the taxable income of the parent entity whereas the corporate tax rate for subsidiary entities to remain at 30%.

11. Deferred taxes

a) Net deferred tax assets where there is a right to offset:

	Consolidated		**Parent**	
	2023	2022	**2023**	2022
	K'000	K'000	**K'000**	K'000
Allowance for losses	**29,423**	26,130	**29,224**	25,824
Employee benefit provision	**7,143**	8,168	**6,614**	7,750
Lease liability	**15,199**	18,770	**15,199**	18,771
	51,765	53,068	**51,037**	52,345
Depreciation and amortisation	**(15,590)**	(20,597)	**(15,590)**	(20,597)
Others	**(1,076)**	(2,404)	**(829)**	(2,528)
	(16,666)	(23,001)	**(16,419)**	(23,125)
Net deferred tax asset	**35,099**	30,067	**34,618**	29,220

b) The movement on deferred tax account is as follows:

	Consolidated		**Parent**	
	2023	**2022**	**2023**	2022
	K'000	K'000	**K'000**	K'000
Balance at beginning of year	**30,067**	16,988	**29,220**	16,474
Statement of comprehensive income credit/(charge)	**5,032**	15,106	**5,398**	14,773
Transfer out DTA on SBP to equity	**-**	(2,027)	**-**	(2,027)
Balance at end of year	**35,099**	30,067	**34,618**	29,220
Represented by:				
Deferred tax assets (note 11(a))	**51,764**	51,041	**51,036**	50,318
Deferred tax liabilities (note 11(a))	**(16,665)**	(20,974)	**(16,418)**	(21,098)
	35,099	30,067	**34,618**	29,220

12. Cash and cash equivalents

	Consolidated		**Parent**	
	2023	2022	**2023**	2022
	K '000	K '000	**K '000**	K '000
Cash on hand	**173,876**	151,370	**173,876**	151,370
Exchange settlement accounts	**168,972**	160,392	**168,972**	160,392
Due from other banks	**53,992**	121,726	**48,509**	85,614
	396,840	433,488	**391,357**	397,376

13. Central bank bills

	Consolidated		Parent	
	2023	2022	**2023**	2022
	K '000	K '000	**K '000**	K '000
Central bank and treasury bills				
Less than 90 days	**419,200**	268,240	**419,200**	268,240
Over 90 days	**838,380**	975,290	**838,380**	975,290
Unearned discount	**(21,084)**	(27,767)	**(21,084)**	(27,767)
	1,236,496	1,215,763	**1,236,496**	1,215,763

Central bank bills are debt securities issued by the Bank of Papua New Guinea (BPNG) and are measured at amortised cost.

14. Regulatory deposits

Regulatory deposit of the Group as at 31 December 2023 amounted to K433,273,700 (2022: K383,083,700). This represents the mandatory balance required to be maintained in a non-interest-bearing account with the Central Bank - Bank of Papua New Guinea. Regulatory deposits are measured at amortised cost. Regulatory deposit of the parent as at 31 December 2023 amounted to K433,273,700 (2022: K383,083,700).

15. Financial assets at fair value through profit or loss

	Consolidated		Parent	
	2023	2022	**2023**	2022
	K '000	K '000	**K '000**	K '000
Securities				
- Listed	**4,878**	4,910	**196**	184
- Unlisted	**30,938**	10,352	**30,909**	10,324
	35,816	15,262	**31,105**	10,508

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

	Consolidated		Parent	
	2023	2022	**2023**	2022
	K '000	K '000	**K '000**	K '000
Balance at beginning of year	**15,262**	11,652	**10,508**	6,771
Gains from changes in fair value	**2,733**	3,610	**2,776**	3,737
Financial assets acquired during the year	**17,821**	-	**17,821**	-
Balance at end of year	**35,816**	15,262	**31,105**	10,508

The fair value of the listed equities is based on quoted market prices at the end of the reporting period. The quoted market price used is the current market prices. These financial instruments are categorized as level 1 within the fair value hierarchy. Unlisted equities are categorized within level 3 of the fair value hierarchy.

16. Loans and advances to customers

	Consolidated 2023	2022	Parent 2023	2022
	K '000	K '000	**K '000**	K '000
Loans to individuals	**693,446**	613,312	**693,446**	613,312
Loans to corporate entities	**1,921,098**	1,588,106	**1,917,102**	1,583,130
Gross loans and advances to customers	**2,614,544**	2,201,418	**2,610,548**	2,196,442
Expected credit losses (note 3b)	**(52,466)**	(42,497)	**(51,801)**	(41,479)
	2,562,078	2,158,921	**2,558,747**	2,154,963

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

	Consolidated 2023	2022	Parent 2023	2022
	K '000	K '000	**K '000**	K '000
Overdrafts	**97,628**	80,108	**97,628**	80,108
Property mortgage	**685,343**	627,468	**685,343**	627,468
Asset financing	**92,584**	71,792	**92,585**	71,792
Business and other loans	**1,738,989**	1,422,050	**1,734,992**	1,417,074
	2,614,544	2,201,418	**2,610,548**	2,196,442

Movements in expected credit losses are as follows:

	Consolidated 2023	2022	Parent 2023	2022
	K '000	K '000	**K '000**	K '000
Balance at beginning of year	**42,497**	38,100	**41,479**	37,746
Impairment losses during the year	**9,758**	4,323	**10,111**	3,659
Loans written off	**(288)**	(857)	**(288)**	(857)
Bad debt recoveries	**499**	931	**499**	931
Balance at end of year	**52,466**	42,497	**51,801**	41,479

17. Investments in Government Inscribed Stocks

	Consolidated 2023	2022	Parent 2023	2022
	K '000	K '000	**K '000**	K '000
Government Inscribed Stocks principal balance	**160,000**	155,000	**160,000**	155,000
Unamortised premium	**258**	333	**258**	333
Unamortised discount	**(3,140)**	(3,318)	**(3,140)**	(3,318)
Accrued interest	**2,738**	2,866	**2,738**	2,866
Gross Investments in Government Inscribed Stocks	**159,856**	154,881	**159,856**	154,881
Expected credit losses (note 3b)	**(2,302)**	(2,231)	**(2,302)**	(2,231)
	157,554	152,650	**157,554**	152,650

17. Investments in Government Inscribed Stocks (continued)

The movement in Investments in Government Inscribed Stocks is as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	K '000	K '000	**K '000**	K '000
Balance at beginning of year	**152,650**	112,107	**152,650**	112,107
Additions / (maturities)	**5,000**	40,000	**5,000**	40,000
Amortised discount/(premium)	**103**	893	**103**	893
Accrued interest	**(128)**	243	**(128)**	243
Write back / (addition) of expected credit losses	**(71)**	(593)	**(71)**	(593)
	157,554	152,650	**157,554**	152,650

Investments in Government Inscribed Stocks are measured at amortised cost. Included within the balance is an amount of K nil (31 December 2022: Knil) which has been pledged with a third party against repurchase agreement transaction.

18. Investments in subsidiaries

	Shareholdings*			
	2023	2022	**2023**	2022
	%	%	**Amount (K)**	**Amount (K)**
Kina Funds Management Limited (KFM)	**100**	100	**2**	2
Kina Investment and Superannuation Services Limited (KISS)	**100**	100	**2**	2
Kina Wealth Management Limited (KWML)	**100**	100	**2**	2
Kina Nominees Limited (KNL)**	**100**	100	**500,002**	500,002
Kina Securities (Fiji) PTE Limited	**100**	100	**197**	197
Total Investment at cost			**500,205**	500,205
Provision for impairment			**(251,677)**	(251,677)
Balance as at 31 December			**248,528**	248,528

*All the subsidiaries are incorporated in Papua New Guinea and in Fiji. The results of the operations of the above subsidiaries have been consolidated in the Group's financial statements.

19. 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 2021	**4,810**	**22,792**	**4,840**	**51,225**	**2,129**	**2,270**	**71,507**	**159,573**
Additions	4	1,044	538	7,748	-	1,297	3925	14,556
Transfer in (out)	-	2,132	-	-	-	(2,132)	-	-
Disposals	-	-	(1,132)	(79)	-	-	(11,259)	(12,470)
Balance 31 December 2022	**4,814**	**25,968**	**4,246**	**58,894**	**2,129**	**1,435**	**64,173**	**161,659**
Additions	23	1,300	3,447	2,893	-	73	952	8,688
Transfer in (out)	-	441	-	-	-	(441)	-	-
Disposals	-	-	(453)	-	-	-	(4,180)	(4,633)
Balance 31 December 2023	**4,837**	**27,709**	**7,240**	**61,787**	**2,129**	**1,067**	**60,945**	**165,714**
Accumulated depreciation								
Balance 31 December 2021	**(3,156)**	**(8,012)**	**(3,765)**	**(25,980)**	**-**	**-**	**(28,193)**	**(69,106)**
Charge during the year	(594)	(2,653)	(746)	(5,932)	-	-	(12,144)	(22,069)
Disposals	-	-	1,132	35	-	-	11,188	12,355
Balance 31 December 2022	**(3,750)**	**(10,665)**	**(3,379)**	**(31,877)**	**-**	**-**	**(29,149)**	**(78,820)**
Charge during the year	(546)	(2,414)	(1,063)	(6,609)	-	-	(9,348)	(19,980)
Disposals	-	-	453	-	-	-	4,587	5,040
Balance 31 December 2023	**(4,296)**	**(13,079)**	**(3,989)**	**(38,486)**	**-**	**-**	**(33,910)**	**(93,760)**
Book value								
Balance 31 December 2023	**541**	**14,630**	**3,251**	**23,301**	**2,129**	**1,067**	**27,035**	**71,954**
Balance 31 December 2022	1,064	15,303	868	27,017	2,129	1,435	35,024	82,839

19. Property, plant and equipment (continued)

Parent	Furniture & Fittings	Building improvements	Motor Vehicles	Office Equipment	Land & Building	Work in Progres s	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 2021	**4,810**	**22,792**	**4,840**	**51,225**	**2,129**	**2,270**	**71,507**	**159,573**
Additions	4	1,044	538	7,748	-	1,297	3,925	14,556
Transfer in (out)	-	2,132	-	-	-	(2,132)	-	-
Disposals	-	-	(1,132)	(79)	-	-	(11,259)	(12,470)
Balance 31 December 2022	**4,814**	**25,968**	**4,246**	**58,894**	**2,129**	**1,435**	**64,173**	**161,659**
Additions	23	1,300	3,447	2,893	-	73	952	8,688
Transfer in (out)	-	441	-	-	-	(441)	-	-
Disposals	-	-	(453)	-	-	-	(4,180)	(4,633)
Balance 31 December 2023	**4,837**	**27,709**	**7,240**	**61,787**	**2,129**	**1,067**	**60,945**	**165,714**
Accumulated depreciation								
Balance 31 December 2021	**(3,156)**	**(8,012)**	**(3,765)**	**(25,980)**	**-**	**-**	**(28,193)**	**(69,106)**
Charge during the year	(594)	(2,653)	(746)	(5,932)	-	-	(12,144)	(22,069)
Disposals	-	-	1,132	35	-	-	11,188	12,355
Balance 31 December 2022	**(3,750)**	**(10,665)**	**(3,379)**	**(31,877)**	**-**	**-**	**(29,149)**	**(78,820)**
Charge during the year	(546)	(2,414)	(1,063)	(6,609)	-	-	(9,348)	(19,980)
Disposals	-	-	453	-	-	-	4,587	5,040
Balance 31 December 2023	**(4,296)**	**(13,079)**	**(3,989)**	**(38,486)**	**-**	**-**	**(33,910)**	**(93,760)**
Book value								
Balance 31 December 2023	**541**	**14,630**	**3,251**	**23,301**	**2,129**	**1,067**	**27,035**	**71,954**
Balance 31 December 2022	1,064	15,303	867	27,017	2,129	1,435	35,024	82,839

20. Intangible assets

Consolidated	Software	Customer deposit relationship / intangible	Work in Progress	Total
Cost	**K'000**	**K'000**	**K'000**	**K'000**
Balance 31 December 2021	**59,075**	**22,468**	**9,348**	**90,891**
Additions	1,907	-	1,546	3,453
Transfer in (out)	1,945	-	(1,945)	-
Disposals	-	-	(3,475)	(3,475)
Balance 31 December 2022	**62,927**	**22,468**	**5,474**	**90,869**
Additions	1,013	-	4,069	5,082
Transfer in (out)	506	-	(506)	-
Balance 31 December 2023	**64,446**	**22,468**	**9,037**	**95,951**
Accumulated amortisation				
Balance 31 December 2021	**(24,294)**	**(17,934)**	-	**(42,228)**
Charge during the year	(11,614)	(4,534)	-	(16,148)
Balance 31 December 2022	**(35,908)**	**(22,468)**	-	**(58,376)**
Charge during the year	(9,967)	-	-	(9,967)
Balance 31 December 2023	**(45,875)**	**(22,468)**	-	**(68,343)**
Book value				
Balance 31 December 2023	**18,571**	**-**	**9,037**	**27,608**
Balance 31 December 2022	27,019	-	5,474	32,493

Parent	Software	Customer deposit relationship	Work in Progress	Total
Cost				
Balance 31 December 2021	**59,075**	22,468	**9,049**	**90,592**
Additions	1,907	-	1,546	3,453
Transfer in (out)	1,945	-	(1,945)	-
Disposals	-	-	(3,176)	(3,176)
Balance 31 December 2022	**62,927**	**22,468**	**5,474**	**90,869**
Additions	1,013	-	4,069	5,082
Transfer in (out)	506	-	(506)	-
Balance 31 December 2023	**64,446**	**22,468**	**9,037**	**95,951**
Accumulated amortisation				
Balance 31 December 2021	**(24,294)**	**(17,934)**	**-**	**(42,228)**
Charge during the year	(11,614)	(4,534)	-	(16,148)
Disposals	-	-	-	-
Balance 31 December 2022	**(35,908)**	**(22,468)**	**-**	**(58,376)**
Charge during the year	(9,967)	-	-	(9,967)
Balance 31 December 2023	**(45,875)**	**(22,468)**	**-**	**(68,343)**
Book value				
Balance 31 December 2023	**18,571**	**-**	**9,037**	**27,608**
Balance 31 December 2022	27,019	-	5,474	32,493

20. Intangible assets (continued)

The acquisition of Australian and New Zealand (ANZ) Bank's retail, commercial and SME banking businesses in PNG on 23 September 2019 gave rise to the recognition of core customer deposit intangible.

The intangible assets were estimated to have a useful life of five years and three years respectively based on the license term of software and expected length of customer deposit relationship and core deposit intangible. Customer deposit relationship and core deposit intangible was fully amortised in 2022.

21. Other assets

	Consolidated		Parent	
	2023	2022	**2023**	2022
	K '000	K '000	**K '000**	K '000
Prepayments	**9,895**	5,631	**9,845**	5,615
Security deposits and bonds	**31,303**	9,180	**31,255**	9,132
Card Settlement accounts	**50,496**	33,873	**50,496**	33,873
Other debtors	**42,125**	34,975	**38,081**	32,217
	133,819	83,659	**129,677**	80,837
Less: Expected credit losses	**(3,990)**	(3,990)	**(3,990)**	(3,990)
	129,829	79,669	**125,687**	76,847

Movement of expected credit loss on other assets is as follows:				
Balances at beginning of year	**(3,990)**	(3,990)	**(3,990)**	(3,990)
Write-off	**-**	-	**-**	-
Balance at end of year	**(3,990)**	(3,990)	**(3,990)**	(3,990)

22. Due to customers

	Consolidated		Parent	
	2023	2022	**2023**	2022
	K '000	K '000	**K '000**	K '000
Corporate customers	**3,335,288**	3,072,938	**3,359317**	3,091,061
Retail customers	**1,009,283**	805,897	**1,009,282**	805,897
	4,344,571	3,878,835	**4,368,599**	3,896,958

23. Current income tax (assets) liabilities

	Consolidated		Parent	
	2023	2022	**2023**	2022
	K '000	K '000	**K '000**	K '000
Balance at beginning of year	**4,196**	11,666	**5,130**	11,494
Paid during the year	**(68,506)**	(54,506)	**(62,516)**	(47,839)
Current provision	**76,788**	47,279	**68,736**	41,706
Prior year under provision	**(1,017)**	(243)	**(1,018)**	(231)
Balance at end of year	**11,461**	4,196	**10,332**	5,130

Net current income tax (assets) liabilities are represented by:				
Current income tax assets	**(137)**	(952)	**-**	-
Current income tax liabilities	**11,597**	5,148	**10,332**	5,130
	11,461	4,196	**10,332**	5,130

24. Employee provisions

Consolidated	**2023**			
	Opening balance K'000	**Additions K'000**	**Payments K'000**	**Closing balance K'000**
Provision for Annual Leave	4,663	3,842	(3,476)	5,029
Provision for Long Service Leave	4,745	1,099	3	5,847
Provision for Salaries	1	57,257	(57,305)	(47)
Provision for Bonus	4,702	7,898	(6,968)	5,632
Total	**14,111**	**70,096**	**(67,746)**	**16,461**

Parent	**2023**			
	Opening balance K'000	**Additions K'000**	**Payments K'000**	**Closing balance K'000**
Provision for Annual Leave	4,342	3,550	(3,402)	4,490
Provision for Long Service Leave	4,197	1,114	(2)	5,309
Provision for Salaries	1	54,026	(54,077)	(50)
Provision for Bonus	4,177	7,434	(6,662)	4,949
Total	**12,717**	**66,124**	**(64,143)**	**14,698**

2023

Represented by:	**Consolidated**	**Parent**
Short term provisions	10,614	9,389
Long term provisions	5,847	5,309
Total employee provision	**16,461**	**14,698**

Consolidated	**2022**			
	Opening balance K'000	**Additions** K'000	**Payments** K'000	**Closing balance** K'000
Provision for Annual Leave	4,306	4,933	(4,576)	4,663
Provision for Long Service Leave	2,251	2,623	(129)	4,745
Provision for Salaries	-	55,406	(55,405)	1
Provision for Bonus	4,349	7,313	(6,960)	4,702
Total	**10,906**	**70,275**	**(67,070)**	**14,111**

Parent	**2022**			
	Opening balance K'000	**Additions** K'000	**Payments** K'000	**Closing balance** K'000
Provision for Annual Leave	3,944	4,712	(4,314)	4,342
Provision for Long Service Leave	1,902	2,424	(129)	4,197
Provision for Salaries	-	51,538	(51,537)	1
Provision for Bonus	3,956	6,875	(6,654)	4,177
Total	**9,802**	**65,549**	**(62,634)**	**12,717**

2022

Represented by:	**Consolidated**	**Parent**
Short term provisions	9,366	8,520
Long term provisions	4,745	4,197
Total employee provision	**14,111**	**12,717**

25. Lease Liabilities

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

Consolidated	31 December 2023 K'000	31 December 2022 K'000
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**10,829**	11,732
One to five years	**26,871**	32,289
More than five years	**1,066**	5,364
Total undiscounted lease liabilities	**38,766**	49,385
Lease liabilities included in statement of financial position		
Current	**10,992**	11,872
Non-current	**22,783**	29,841
	33,775	41,713
Amounts recognised in statement of comprehensive income		
Interest on lease liabilities	**2,805**	3,522
Expense relating to short-term leases	**8,474**	8,024
	11,279	11,546
Amounts recognised in statement of cash flows		
Total cash outflow for short-term lease	**8,381**	8,024
Total cash outflow for leases	**11,838**	11,349

Parent	31 December 2023 K'000	31 December 2022 K'000
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**10,829**	11,732
One to five years	**26,871**	32,289
More than five years	**1,066**	5,364
Total undiscounted lease liabilities	**38,766**	49,385
Lease liabilities included in statement of financial position		
Current	**10,992**	11,872
Non-current	**22,783**	29,841
	33,775	41,713
Amounts recognised in statement of comprehensive income		
Interest on lease liabilities	**2,805**	3,522
Expense relating to short-term leases	**8,148**	7,777
	10,953	11,299
Amounts recognised in statement of cash flows		
Total cash outflow for short-term lease	**8,058**	7,777
Total cash outflow for leases	**11,838**	11,349

26. Other liabilities

	Consolidated		Parent	
	2023	2022	**2023**	2022
	K'000	K'000	**K'000**	K'000
Accruals	**26,295**	27,344	**25,389**	26,995
Unclaimed money and stale cheques	**17,322**	17,663	**17,322**	17,663
Bank cheques	**10,473**	10,420	**10,473**	10,420
Accounts payable	**4,736**	6,493	**4,681**	6,347
Unearned commission income	**310**	521	**310**	521
Lease incentive payable	**-**	3,442	**-**	3,442
Advance payments	**35,305**	30,301	**35,305**	30,301
Other liabilities	**24,390**	30,619	**20,669**	26,401
Balance at end of year	**118,831**	126,803	**114,149**	122,090

27. Issued and paid ordinary shares

a. Movement

The Company does not have authorised capital and ordinary shares have no par value. The table below provides the annual balances in share capital.

	Number of shares	Share capital
	K'000	**K'000**
Balance as at 31 December 2021	**286,936**	**394,693**
Share issued during the year	**-**	**-**
Balance as at 31 December 2022	**286,936**	**394,693**
Share issued during the year	**-**	**-**
Balance as at 31 December 2023	**286,936**	**394,693**

b. Earnings per share

Basic earnings per ordinary share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares on issue during the year. The group has no significant dilutive potential ordinary shares. Consequently, basic earnings per ordinary share equals diluted earnings per share.

	Consolidated	
	2023	2022
Net profit attributable to shareholders – K'000	**104,963**	116,488
Weighted average number of ordinary shares basic earnings	**286,936**	286,936
Weighted average number of ordinary shares diluted earnings	**289,093**	288,695
Basic earnings per share (in toea)	**36.67**	40.60
Diluted earnings per share (in toea)	**36.39**	40.35

c. Share-based payment reserve

Kina operates both a Short Term Incentive (STI) and Long Term Incentive (LTI) plan. The purpose of these Plans is to assist in the reward, retention and motivation of key management personnel and align the interests of management and shareholders. The plans are commensurate with those adopted by major banks in Australia and the Pacific and is managed by an independent Plan manager. The operation of both the STI and LTI plans are explained below:

27. Issued and paid ordinary shares (continued)

c. Share-based payment reserve (continued)

Short term incentive plan (STI Plan)

The STI plan provides participants with an opportunity to earn an incentive calculated as a percentage of their salary each year, conditional upon them achieving specified performance targets. Under the plan 100% of any award granted is paid in cash except for the CEO&MD where 65% of any award granted is paid as a cash bonus, with the remaining 35% awarded as a grant of performance rights to shares. The granted performance rights are restricted from exercise and subject to the Company's clawback policy and subject to the rules of the Plan.

The following STI plan arrangements were in place during the year ended 31 December 2023

Date of grant	1 April 2023	1 April 2022
Number of share rights granted	338,448	849,901
Market value at grant date	AUD 265,072	AUD 658,408
Vesting date	1 April 2025	1 April 2024
Vesting conditions	Continued service	Continued service

Long term incentive plan (LTI plan)

The LTI plan provides participants with an opportunity to receive an equity interest in Kina through the granting of performance rights. LTI plan participants may be offered performance rights that may be subject to vesting conditions as set out by the Board. The selection of participants is at the discretion of the Board.

A performance right is a contractual right to receive one ordinary share in Kina, subject to performance and vesting conditions being met. Each vested performance right represents a right to one ordinary share. If the participant leaves Kina any unvested Performance Rights will be forfeited (unless the Board determines otherwise).

The following LTI plan arrangements were in place during the year ended 31 December 2023.

Date of grant	1 April 2023	1 April 2022	1 April 2021
Number of share rights granted	1,345,023	1,297,727	1,339,664
Market value at grant date	AUD 1,053,424	AUD 1,006,516	AUD 1,152,341
Fair value at grant date	AUD 571,635	AUD 629,398	AUD 811,805
Vesting date	1 April 2026	1 April 2025	1 April 2024
Vesting conditions	Continued service 50% target TSR 50% target EPS growth	Continued service 50% target TSR 50% target EPS growth	Continued service 50% target TSR 50% target EPS growth

The estimated fair value of share rights issued on 1 April 2023 under the LTI plan was AUD 0.43, compared to the grant date market value per share of AUD 0.783. Fair value is generally estimated using a Monte Carlo simulation model taking into account the share price at grant date, the vesting period, share price volatility, risk-free interest rate and market performance conditions.

Retention incentive
Retention awards are no longer applicable or awarded in the ordinary course of business.

Movement in outstanding share rights

	Consolidated	
	2023	2022
	Number	Number
Outstanding rights at beginning of year	**5,035,388**	4,164,980
New rights granted	**1,683,471**	2,146,628
Rights vested and shares issued/purchased	**(1,489,096)**	(1,276,220)
Outstanding rights at end of year	**5,229,763**	5,035,388

27. Issued and paid ordinary shares (continued)

The fair value at grant date of share rights awarded under the incentive schemes is recognized as an expense over the expected vesting period with a corresponding increase in the share based payments reserve in equity. The movement in the Share Based Premium Reserve is as below:

	Consolidated	
	2023	2022
	K'000	K'000
Brought forward from previous year	**2,477**	3,587
Expense arising from share incentive plans	**2,073**	2,277
Rights vested	**(1,529)**	(1,360)
Deferred tax asset on share based payment	**(245)**	(2,477)
Total	**2,776**	2,477

28. Statements of cash flows

a) For the purposes of the statements of cash flow, cash and cash equivalents comprises the following:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	K'000	K'000	**K'000**	K'000
Cash and cash equivalents (note 12)	**396,840**	433,488	**391,357**	397,376
	396,840	433,488	**391,357**	397,376

b) Movement in investment securities is as follows:

	Consolidated		
	2023	2022	**Movement**
	K'000	K'000	**K'000**
Central bank bills	**1,229,813**	1,215,763	**14,050**
Government Inscribed Stocks	**157,579**	152,650	**4,929**
Financial assets at FVTPL	**35,816**	15,262	**20,554**
	1,423,208	1,383,675	**39,333**

28. Statements of cash flows (continued)

c) Reconciliation of net profit after tax for the year to net cash flows from operating activities is presented below.

	Consolidated		Parent	
	2023	2022	**2023**	2022
	K'000	K'000	**K'000**	K'000
Net profit after tax	**104,964**	116,488	**84,583**	104,414
Profit from disposal of property and equipment	**(89)**	(249)	**(89)**	(249)
Depreciation and amortisation	**29,946**	38,203	**29,946**	38,203
(Premium)/ Discount amortisation	**103**	893	**103**	893
Share-based payment expense	**2,073**	2,277	**2,073**	2,277
Net losses/ (gains) from changes in fair values of financial assets	**(2,733)**	(3,610)	**(2,776)**	(3,737)
Dividend income on equity investments	**(660)**	(469)	**(40)**	(74)
Interest income on convertible notes	**(620)**	-	**(620)**	-
Impairment losses-loans and advances to customers	**9,900**	4,825	**10,215**	4,160
Foreign translation loss/ (gain) on Nostro bank account	**(2,175)**	3,845	**(1,825)**	791
Increase/(decrease) in current tax liability	**7,264**	(7,469)	**5,201**	(6,363)
Increase/(decrease) in deferred tax balances	**(5,032)**	(15,106)	**(5,399)**	(14,772)
(Increase)/decrease in assets	**(513,234)**	(421,194)	**(466,946)**	(375,570)
Increase/(decrease) in liabilities	**469,811**	871,248	**476,115**	842,575
Net cash inflow generated from operating activities	**99,518**	589,682	**130,541**	592,548

29. 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. The Group is controlled by Kina Securities Limited ("KSL") incorporated in Papua New Guinea, which owns 100% of the ordinary shares of its subsidiaries, unless otherwise stated.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. These transactions were carried out on normal commercial terms and at normal market rates. The volumes of related party transactions, outstanding balances at 31 December 2023, and related expenses and income for the year ended are as follows:

a) Directors and management transactions

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

A listing of the members of the Board of Directors is shown in the Annual Report. In 2023, the total remuneration of the Directors was K4,209,303 (2022: K4,142,855).

Key management personnel (KMP) of the group includes directors and the executive general managers (EGMs) during the year.

The table below shows the Group specified EGM remuneration in aggregate (in K'000).

	No of KMP	Salary	Bonus	Superannuation	Equity Options	Other benefits	Total
2023	**11**	**10,297**	**3,543**	**184**	**544**	**1,694**	**16,262**
2022	11*	9,597	3,433	289	917	1,720	15,956

b) Subsidiary transactions and balances

The Company maintains an intercompany account with subsidiary undertakings, which are interest-bearing at the rate of KSL cost of funds plus 12.50 (2022: 12.50) basis points, unsecured and with no fixed term of repayment. Details as follows:

	Transactions				**Balance outstanding**			
	Income	**Expenses**	Income	Expenses	**Due from**			**Due to**
	2023	**2023**	2022	2022	**2023**	2022	**2023**	2022
	K '000	**K '000**	K '000	K '000	**K '000**	K '000	**K '000**	K '000
KFM	**193**	**-**	1,151	-	**-**	35,340	**(7,359)**	-
KISS	**-**	**915**	2,286	221	**-**	-	**(36,540)**	(30,507)
KWM	**-**	**-**	-	-	**714**	356	**-**	-
KNL	**-**	**-**	-	-	**64**	64	**-**	-
KSL Fiji	**-**	**-**	-	-	**-**	-	**-**	-
	193	**915**	3,437	221	**778**	35,760	**(43,899)**	(30,507)

30. Investments under trust

The Group acts as trustee holding or placing of assets on behalf of superannuation funds and individuals. As the Group acts in a fiduciary capacity, these assets are not assets of the Group and, therefore, are not included in its statements of financial position. The Group is also engaged in investing client monies. A corresponding liability in respect of these monies is also excluded from the statements of financial position. Investments under trust at year end are:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	K'000	K'000	**K'000**	K'000
Clients funds held for shares trading	**6,941**	12,963	**6,901**	4,200
	6,941	12,963	**6,901**	4,200

31. Segment reporting

The segment information provided to the Chief Operating Decision Maker for the reportable segments for the year ended 31 December 2023 is as follows:

	Banking & Finance	Wealth Management	Total
	K'000	**K'000**	**K'000**
Interest income	252,454	886	253,340
Interest expense	(50,020)	-	(50,020)
Foreign exchange income	51,363	(21)	51,342
Fee and commission income	102,478	34,485	136,963
Other revenue	10,442	2,090	12,532
Total external income	**366,717**	**37,440**	**404,157**
Other operating expenses	(179,712)	(9,060)	(188,772)
Provision for impairment	(10,215)	315	(9,900)
Depreciation and amortisation	(29,946)	-	(29,946)
Total external expenses	**(219,873)**	**(8,745)**	**(228,618)**
Profit before inter-segment revenue and expenses	**146,844**	**28,695**	**175,539**
Inter-segment income	179	**-**	179
Inter-segment expense	-	(179)	(179)
Profit before tax	**147,023**	**28,516**	**175,539**
Income tax expense	(62,081)	(8,495)	(70,576)
Profit after tax	**84,942**	**20,021**	**104,963**
Total assets	**5,165,719**	**13,615**	**5,179,334**
Total assets include:			
Additions to non-current assets	**12,817**	**-**	**12,817**
Total liabilities	**(4,599,364)**	**(60,353)**	**(4,539,011)**

Banking and finance segments include the operations of Kina Bank while Wealth Management includes fund management and fund administration business.

31. Segment reporting (continued)

The segment information provided to the management for the reportable segments for the year ended 31 December 2022 is as follows:

	Banking & Finance	Wealth Management	Total
	K'000	**K'000**	**K'000**
Interest income	224,348	252	224,600
Interest expense	(43,389)	-	(43,389)
Foreign exchange income	61,843	(1,504)	60,339
Fee and commission income	82,799	33,415	116,214
Other revenue	8,876	(140)	8,736
Total external income	**334,477**	**32,023**	**366,500**
Other operating expenses	(165,120)	(9,934)	(175,054)
Provision for impairment	(4,160)	(665)	(4,825)
Depreciation and amortisation	(38,203)	-	(38,203)
Total external expenses	**(207,483)**	**(10,599)**	**(218,082)**
Profit before inter-segment revenue and expenses	**126,994**	**21,424**	**148,418**
Inter-segment income	4,127	-	4,127
Inter-segment expense	-	(4,127)	(4,127)
Profit before tax	**131,121**	**17,297**	**148,418**
Income tax expense	(26,705)	(5,225)	(31,930)
Profit after tax	**104,416**	**12,072**	**116,488**
Total assets	**4,621,333**	**55,688**	**4,677,021**
Total assets include:			
Additions to non-current assets	**14,084**	**-**	**14,084**
Total liabilities	**(4,061,592)**	**(6,126)**	**(4,067,718)**

There is only one segment for the Parent entity and the information is the same as the primary statements.

32. 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 31 December 2023, 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 that is not already provided for in the financial statements.

33. Commitments

Capital commitments
There was a total of K1,890,694 relating to commitments under contracts for capital expenditure at balance sheet date (31 December 2022: K2,793,486).

Loan commitments
There was a total of K39.2m relating to loan commitments at balance sheet date (31 December 2022: K229.8m).

34. Fair value of financial assets and liabilities

The Group measures fair values in accordance with IFRS 13, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group also uses a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value, which gives highest priority to quoted prices.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Assets and liabilities are classified as Level 1 if their value is observable in an active market.

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. A Level 2 input must be observable for substantially the full term of the instrument. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability.

- Level 3 inputs are unobservable inputs. Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data.

Where possible, fair value is determined by reference to a quoted market price for the instrument valued. The group does not hold any material financial instruments for which quoted prices are not available other than investment in unlisted shares which are classified in Level 3 category.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped by fair value hierarchy level.

Financial instruments measured at fair value
The following tables present the Group's and the parent's assets and liabilities that are measured at fair value at 31 December 2023.

	Consolidated			
	Level 1 K'000	**Level 2** K'000	**Level 3** K'000	**Total** K'000
Investment securities measured at FVTPL				
- Investment in securities – Listed	4,878	-	-	4,878
- Investment in securities – Unlisted	-	-	30,938	30,938
Total assets	**4,878**	**-**	**30,938**	**35,816**

34. Fair value of financial assets and liabilities (continued)

	Parent			
	Level 1 K'000	**Level 2** K'000	**Level 3** K'000	**Total** K'000
Investment securities measured at FVTPL				
- Investment in securities – Listed	196	-	-	196
- Investment in securities – Unlisted	-	-	30,909	30,909
Total assets	**196**	**-**	**30,909**	**31,105**

The following tables present the Group's and the parent's assets and liabilities that are measured at fair value at 31 December 2022.

	Consolidated			
Assets	**Level 1** K'000	**Level 2** K'000	**Level 3** K'000	**Total** K'000
Investment securities measured at FVTPL				
- Investment in shares – Listed	4,910	-	-	4,910
- Investment in shares – Unlisted	-	-	10,352	10,352
Total assets	4,910	-	10,352	15,262

	Parent			
Assets	**Level 1** K'000	**Level 2** K'000	**Level 3** K'000	**Total** K'000
Investment securities measured at FVTPL				
- Investment in shares – Listed	184	-	-	184
- Investment in shares – Unlisted	-	-	10,324	10,324
Total assets	184	-	10,324	10,508

Reconciliation of level 3 fair value measurements of financial assets and financial liabilities

The group holds investment in unlisted securities amounting to K30,937,556 (31 December 2022: K10,351,782) in level 3 category. During the year, there were additions or disposals in these securities. The increase is primarily attributable to the addition of WLTH convertible Note.

The parent holds investment in unlisted securities amounting to K30,909,269 (31 December 2022: K10,323,495) in level 3 category. During the year, there were additions or disposals in these securities. The increase is primarily attributable to the addition of WLTH convertible Note.

Financial instruments not measured at fair value

For the financial instruments not measured at fair value as at 31 December 2023 and 2022, there is no material difference between the fair value and carrying value of the Group's and the Parent's financial assets and liabilities.

35. Auditors' remuneration

Consolidated entity	2023 K'000	2022 K'000
Audit and audit related	**1,965**	1,919
	1,965	1,919

Parent	2023 K'000	2022 K'000
Audit and audit related	**1,769**	1,707
Other services	**-**	-
	1,769	1,707

35. Goodwill

On 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 Bank's investment in PNG as it was an excellent fit for its expansion program.

The goodwill arising on this acquisition was recorded at K92.8 million. 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.

For the purpose of impairment test, goodwill is allocated to the Group's banking business as an independent cash generating unit (CGU). The banking CGU including goodwill was tested for impairment as at 31 December 2023 by comparing the CGU's carrying amount with its recoverable amount and no impairment loss was recognised.

The recoverable amount is determined based on a value-in-use calculation which uses post-tax cash flow projections based on financial budgets approved by the directors discounted by a cost of equity of 18% (2022: 16%) applicable to banking business. Given a banking business is generally valued on equity basis, the use of post-tax cash flows and discount rate is considered more appropriate. The projected cash flows cover a period of 5 years beyond which they are extrapolated using an estimated terminal growth rate of 3% (2022: 3%) which does not exceed the long-term average growth rate for the market in which the Group operates. Cash flows during the forecast period are derived from approved budgets, and assume an average growth rate in net profit after tax (NPAT) over the forecast period of 12.2% (2022: 10.2%), which is consistent with the rolling average growth rates over the last 3-5 year period and is driven by growth in the interest-bearing assets, foreign exchange income, and banking fees income, whilst retaining a controlled cost-to-income base.

Sensitivity analysis

Under above assumptions, the estimated recoverable amount of the CGU exceeds its carrying amount by K90 million.

The Group has conducted an analysis of sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount. The directors believe that the following represent reasonably possible changes in the key assumptions on which the recoverable amount of the banking CGU is based would result in the carrying amount to exceed its recoverable amount:

- If all other assumptions remain the same, should the discount rate be increased to 20.1%, the carrying value will exceed the recoverable amount by K1 million.
- If all other assumptions remain the same, should the average NPAT growth rate be reduced to 9.2%, the carrying value will exceed the recoverable amount by K1million.

During the prior year, the corporate income tax was increased from 30% to 45% effective 01 January 2023. The increase had a significant impact on the cash flows used in the value-in-use calculations and consequently on the recoverable

36. Goodwill (continued)

amount. Throughout the year, the Group has been assessing its strategic response to the change which include intense focus on loan growth, repricing of loans and deposits, maximising investment of surplus funds in available market instruments, reviewing fees and commissions, and cost control.

Where practical and appropriate, some short-term measures have been implemented, and more strategic action has been taken in the normal course of business, as evidenced by the growth in lending and loan interest spread, and the decline in the cost to income ratio. Business development efforts continue in the area of foreign exchange client relationships with

targeted efforts on large importers and exporters in key industries, where revenue potential is set to build as the large natural resource projects proceed along their implementation path.

Whilst these strategic developments are expected to produce positive impacts on the cash flows, the Group has not fully incorporated the effect of these positive impacts on the cash flow projections used in the estimation of recoverable amount.

37. Events after reporting date

Declaration of dividend
Subsequent to the financial reporting date, the directors declared a final dividend of K15.9 toea (AUD 6.0 cents) per share (K45.6m).