28 February 2025

ASX – Announcement

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

BY ELECTRONIC LODGEMENT

Appendix 4E - Preliminary Final Report

Please find attached for release to the market, Kina Securities Limited (ASX:KSL) Appendix 4E – Preliminary Final Report for the year ended 31 December 2024.

ENDS

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

For further information:

Johnson Kalo
Chief Financial Officer
Email: Johnson.Kalo@kinabank.com.pg
Phone: +675 7018 0047

Address

Level 9, Kina Bank Haus
Douglas Street, PO Box 1141
Port Moresby NCD 121

Contact

+675 308 3800
+675 308 3899
kina@kinabank.com.pg

SWIFT
KINGPGPG

kinabank.com.pg

Kina Securities Limited

Kina Securities Limited

Full Year Results as at 31 December 2024

(ABRN 606 168 594)

Incorporating the requirements of Appendix 4E

Kina Securities Limited

ASX Appendix 4E

For the Full Year ended 31 December 2024

Comparisons of the current year results to 31 December 2024 (FY2024, reporting period) are with the full year to 31 December 2023 (FY2023, previous corresponding period (PCP)).

PGK	Dec-24	Dec-23	Change Dec24 vs Dec23 PGK'000	%
Revenue from ordinary activities	488,848	404,158	84,690	21%
Profit from ordinary activities	184,059	175,541	8,518	5%
Underlying Net Profit after tax	111,871	104,965	6,906	7%
Net Profit after tax attributable to equity holders	102,468	104,965	(2,497)	(2%)
Net Tangible Assets per security (PGK)	2.00	1.91		

Dividends	FY 2024	FY 2023
Dividends distributions (Final dividend)		
- unfranked (AUD cents per share)	6.0 cents	6.0 cents
- unfranked (PGK toea per share)	15.5 toea	15.9 toea
Dividends distributions (Interim dividend)		
- unfranked (AUD cents per share)	4.0 cents	4.0 cents
- unfranked (PGK toea per share)	10.6 toea	9.7 toea
Full year dividend		
- unfranked (AUD cents per share)	10.0 cents	10.0 cents
- unfranked (PGK toea per share)	26.1 toea	25.6 toea

The Directors have declared a final unfranked dividend for the reporting period based on the Net Profit After Tax **(NPAT)** attributable to equity holders for the full year of PGK 102.5m. This is compared to NPAT of PGK 105.0m for the PCP.

The final dividend is converted based on an exchange rate: 1 PGK = 0.3868 AUD.
The Record date for determining entitlements to the dividend is 6 March 2025.

The financial information contained in this report for the reporting period is presently being audited. The figures for the prior corresponding period are audited numbers.

This report should be read in conjunction with the unaudited Consolidated Statements for the full year ended 31 December 2024 in Section 2.

This report is provided to the ASX under Listing Rule 4.3A

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1. Results Overview

Kina Securities Limited (KSL, Kina, Kina Group, Bank, the Business or the Company) has reported an unaudited statutory Net Profit After Tax of PGK 102.5m for the full year to 31 December 2024. This is compared to PGK 105.0 for the full year to 31 December 2023.

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

Underlying profit of PGK 111.9m, 7% growth against PCP, has been calculated by adding back the impact of a decline in deferred tax assets of PGK9.4m.

The Board has declared an unfranked final dividend for 2H24 of AUD 6.0 cents per share / PGK 15.5 toea per share. This compares to AUD 6.0 cents per share / PGK 15.9 toea in the PCP.

Key results

	Full Year Ended		
	Dec-24	Dec-23	%
Underlying NPAT from ordinary activities (PGK m)	111.9	105.0	7%*
Statutory NPAT from ordinary activities (PGK m)	102.5	105.0	(2%) **
Net Profit before tax (PGK m)	184.1	175.5	5%
Revenue (PGK m)	488.8	404.2	21%
FX Revenue (PGK m)	86.2	51.3	68%
Loan impairment expense (PGK m)	(18.2)	(9.9)	84%
Cost to income ratio (%)	58.6	54.1	8%***
Net interest margin (%)	5.8	5.6	4%
Return on Equity (%)	15.7	16.8	(7%)
Earnings per Share (PGK Toea) underlying	38.9	36.6	6%
Earnings per Share (PGK Toea) statutory	35.7	36.6	(2%)
Dividend (PGK Toea per share)	26.1	25.6	(1%)
Dividend (AUD Cents per share)	10.0	10.0	0%
Deposit Growth (PGK m)	4,352.0	4,344.6	0%
Net loans and advances (PGK m)	2,882.3	2,562.1	13%
Capital adequacy (T1+T2) (%)	18.4	20.0	(8%)

** Dec-24 Underlying NPAT includes declared one-off fraud loss of K13.0m*
*** Dec-24 Statutory NPAT includes the impact of a decrease in the tax rate from 45% to 40% in 2025 and 35% for 2026 onwards.*
**** Cost to income includes fraud loss provision (CTI adjusted for fraud loss is 56.6%)*

Operating performance and earnings

Kina's 2024 results were driven by robust revenue growth in core banking products, foreign exchange income, and digital services, aligning with the objectives of the 2025 strategic plan. Kina remains dedicated to delivering improved returns through organic market share growth, diversification of revenue streams, disciplined expense management, and maintaining a resilient balance sheet. The regulatory capital ratio stands at a strong 18.4%, well above the minimum regulatory requirements. Interest income on loans increased by 15% compared to the previous corresponding period (PCP), supported by solid performance in the Business and Home lending segments.

FY24 Highlights:

- **Revenue Growth:** Achieved a 21% increase in total revenue compared to the previous corresponding period (PCP), driven by the expansion of the commercial loan book and higher foreign exchange income.
- **Underlying NPAT:** +7% to PGK 111.9 million
- **Loan Book Expansion**: +13% to PGK 2.9 billion.
- **Net Interest Income**: +9% to PGK 222.2 million, up from PGK 203.3 million in the PCP.
- **Foreign Exchange income:** +68% to PGK 86.2m following increase market intervention by the central bank.
- **Fees and Commissions:** +18% supported by the growth of Kina's digital channels.
- **Cost to income:** Increased to 58.6%, arising from a one off fraud loss, and the effect on PGK value of USD denominated costs with the gradual decline of exchange rate over the year.

- **Funds Administration:** NPAT of PGK 13.3 million (+3%), and 27% revenue growth driven by enhanced value-added services for superannuation clients.
- **Funds Management:** NPAT +38% to PGK 10.0m boosted by total funds reaching PGK 11.6 billion, maintaining Kina's market share in the sector.

Outlook
The company expects further earnings growth in 2025. This is underpinned by expected growth in the PNG economy combined with Kina Banks financial capacity and management capability to execute Kina Bank's strategic plan.

Asset Quality

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

- Probability of Default (PD)
- Loss Given Default (LGD); and
- Exposure at Default (ED)

The model considers past and present outcomes and incorporates future macro-economic forecasts to ensure an appropriate and timely recognition and provisioning for credit losses as changes in credit risks occur. The model allocates relative weightings to base, upside and downside risk scenarios.

Section 1.2.8 provides additional explanation.

Operating Expenses

Total operating cost for the 2024 year was PGK 286.6m, an overall increase of 31%.

As reported in the first half, the exceptional payments fraud loss has had an adverse impact of K13.0m, pre-tax. On a normalized basis, some material variances from plan and prior year are due to:

- The effect on PGK value of USD denominated costs, with the exchange rate's gradual 7% decline over the year.
- Necessary investment in external expertise for planned improvements to technology and operational risk processes
- Overlaps in senior position transitions, including CRO.
- General increases in the level of local prices of supplies, induced largely by PGK depreciation

Section 1.2.7 provides additional explanation.

Underlying Capital

The underlying capital of the banking business is strong, with regulatory capital (T1+T2) at 18.4% of risk weighted assets **(RWA)**. Kina remains well above the regulatory minimum of 12%.

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

2025 Income Tax Rate decrease

In December 2024, during the PNG Government's roll out of the 2025 national budget, a decrease in the corporate income tax rate from 45% to 40% on smaller commercial banks (defined as those with annual earning up to PGK 300m) was announced effective 1 January 2025. Kina's Deferred taxes were therefore remeasured as at 31 December 2024 to the new rate in line with IFRS to reflect the change. This has resulted in a decrease in deferred tax asset of PGK 9.4m and a corresponding exceptional tax expense of PGK 9.4m included in the statutory net profit after tax for 31 December 2024. The tax rate for smaller banks is scheduled to decline again in 2026 to 35%.

Economic Outlook

The PNG economy is poised for robust growth in the coming years, underpinned by a resurgence in the resource sector and sustained momentum in non-resource industries. Official projections indicate that real GDP will expand by a substantial 4.9% in 2024 and 4.7% in 2025, driven by the resumption of operations at the Porgera mine, improved access to foreign exchange, higher commodity prices, and increased government spending.

The non-resource sector is also expected to be a significant contributor to this growth, with forecasts suggesting a 4.5% expansion in 2024 and a 5.2% in 2025. This performance will be bolstered by robust agricultural production, public infrastructure investment, favourable commodity prices, exchange rate depreciation, and government spending initiatives.

The agriculture sector, it is projected to experience growth in production in 2025, with palm oil (9.3%), cocoa (7.9%), and copra (7.2%), all expected to increase. High palm oil production is largely due to improved productivity and efficient processing in the main palm oil-growing regions. In addition, the continued rollout of the freight subsidy, along with the maturation of more than 3 million cocoa trees, will drive cocoa production higher in 2025.

The resource sector, which has been a cornerstone of PNG's economy, is anticipating a recovery, with growth estimates of 5.9% in 2024 and projections of 3.4% in 2025. The mining and quarrying sector, in particular, is set to benefit from the resumption of operations at the Porgera mine and higher production levels from other mining operations.

This optimistic outlook is not without risks. Potential headwinds include a subdued global economy, law and order issues at the Porgera mine, higher inflation stemming from the exchange rate adjustment program, inefficient public investment spending, and a possible grey listing by Financial Actions Task Force (FATF).

In terms of inflation, despite a historically low inflation prediction from the National Statistics Office in the second half of 2024, inflationary risks remain a key challenge for businesses in 2025, given the ongoing adjustment to the PGK/USD exchange rate, along with the government's operating budget of PGK28.4 billion. Inflation is forecasted to be around 4% this year.

In the next 12 months, we anticipate that FX liquidity in the market will continue to improve, with shorter waiting times, as BPNG continues to gradually adjust the PGK/USD interbank rate to a market-clearing rate while providing much-needed FX to the market. Further to its policy measure, BPNG introduced a weekly FX auction system in 2024, providing the market with a regular supply of FX and a more transparent and predictable mechanism for accessing it.

1.1 Disclosure and Context

Financial reporting

The statutory result for the twelve months to 31 December 2024 was a consolidated Net Profit After Tax of PGK 102.5m. This includes results from the combined operations of Kina Securities Limited and its subsidiaries.

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

Future performance. Forward looking statements

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

Rounding

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

1.2 Financial results for the full year-ended 31 December 2024

1.2.1 Statutory Results

	Full Year Ended		
	Dec-24 PGK'000	Dec-23 PGK'000	Change (%)
Continuing Operations			
Interest income on investments	50,883	59,225	(14%)
Interest income on loans	223,586	194,115	15%
Interest expense	(52,246)	(50,020)	4%
Net interest income	**222,223**	**203,320**	**9%**
Fee and commission income	161,683	136,979	18%
Fee and commission expense	(32)	(16)	106%
Net fee and commission income	**161,651**	**136,964**	**18%**
Foreign exchange income	86,196	51,342	68%
Dividend income	944	660	43%
Net (losses)/gain from financial assets through profit and loss	9,583	2,733	251%
Other operating income	8,251	9,139	(10%)
Non-interest income	**266,625**	**200,838**	**33%**
Operating income before impairment losses and operating expenses	**488,848**	**404,158**	**21%**
Impairment losses	(18,151)	(9,900)	83%
Other operating expenses	(286,638)	(218,717)	31%
Profit before tax	**184,059**	**175,541**	**5%**
Income tax expense	(81,591)	(70,576)	16%
Net Profit for the full year attributable to the equity holder of the Company	**102,468**	**104,965**	**(2%)**
Other comprehensive income	-	-	-
Total comprehensive income for the full year attributable to the equity holder of the Company	**102,468**	**104,965**	**(2%)**

The above information has been extracted from the unaudited consolidated financial statements of Kina Securities Limited for the year-ended 31 December 2024, and where applicable, calculated by reference to the 31 December 2023 audited financial statements. The above information is being audited at the time of this report.

1.2.2 Dividends

	Dec-24	Dec-23
Earnings per share (PNG Toea)	35.6	36.6
Earnings per share (A cents)	13.8	13.8
Dividend per share (PGK toea)	26.1	25.6
Dividends per share (A cents)	10.0	10.0

1.2.3 Lending

PGK Millions	Full Year Ended Dec-24	Dec-23	Change %
Overdraft	98.9	97.6	1%
Business Loan	1,942.3	1,651.3	18%
Personal Loan	85.7	84.0	2%
Investment Property Loan	113.0	109.8	3%
Asset Financing	97.9	92.6	6%
Home Loan	607.5	576.0	5%
Credit Cards	6.1	3.3	85%
Gross	**2,951.4**	**2,614.6**	**13%**
Provision	(67.9)	(52.5)	29%
Total	**2,883.5**	**2,562.1**	**13%**

Overall lending increased by 13% compared to PCP, reaching PGK 2.9 billion. This growth includes a notable combined increase of PGK 322.5 million in the Business Loans and Home Loan portfolios. Additionally, the expansion of the business customer base, supported by enhancements in the operating model across transactional, lending, and digital banking services for businesses and SMEs, has significantly contributed to this strong performance.

The business lending segment experienced robust loan origination in the second half of the year, successfully onboarding several major new customers and expanding loan footings within the existing customer base. This growth reflects the bank's strategic efforts to strengthen its market presence and cater to the evolving needs of its business clients.

In the home loan sector, volumes saw a moderate growth of 5%. The first half of the year witnessed a slower start with a 2% increase. However, the second half saw a significant boost, driven by activation of targeted market campaigns. This initiative not only streamlined operations but also enhanced customer engagement, contributing to the overall growth in home loan volumes.

Asset Financing continues to experience robust positive momentum, driven primarily by the thriving equipment hire, construction, and building industries. This sustained growth highlights the increasing demand for asset financing solutions within these sectors, reflecting their ongoing expansion and development.

The synergy between asset financing and these industries not only underscores the critical role of financial support in facilitating infrastructure projects but also demonstrates the sector's resilience and adaptability in meeting evolving market needs.

	Dec-24		Dec-23	
	PGK million	% of total loans	PGK million	% of total loans
Agriculture, Forestry & Fishing	11.0	0.4%	4.1	0.2%
Mining	11.9	0.4%	15.5	0.6%
Manufacturing	24.8	0.8%	21.1	0.8%
Electrical, Gas & Water	12.2	0.4%	0.9	0.0%
Building and Construction	250.7	8.5%	183.6	7.0%
Wholesale & Retail	846.9	28.7%	770.9	29.5%
Hotel & Restaurants	95.6	3.2%	75.1	2.9%
Transport & Storage	76.4	2.6%	67.8	2.6%
Financial Intermediation	0.6	0.0%	0.7	0.0%
Real Estate/Renting/Business Services	425.6	14.4%	360.1	13.8%
Equipment Hire	20.9	0.7%	34.0	1.3%
Other Business	319.6	10.8%	285.7	10.9%
Personal Banking	758.7	25.7%	698.5	26.7%
Post & Telecommunication	96.7	3.3%	96.7	3.7%
Gross Loans	**2,951.4**	**100.0%**	**2,614.6**	**100.0%**

The Wholesale & Retail sector remains the dominant force among the industry sectors, accounting for a substantial 28.7% of the total loan book. This sector's prominence underscores its critical role in the overall economic landscape.

Moreover, the lending growth has been significantly bolstered by increased exposure to several key areas. Notably, the Building and Construction sector, along with Real Estate and Personal Banking, have collectively contributed to this upward trend. These sectors now represent 48.6% of the total portfolio, reflecting a diversified and robust lending strategy.

This strategic allocation not only highlights the dynamic nature of the lending environment but also showcases the institution's commitment to supporting a broad range of economic activities. By focusing on these vital sectors, the institution is well-positioned to drive sustainable growth and stability within the financial ecosystem.

1.2.4 Funding

	Full Year Ended		
PGK Millions	Dec-24	Dec-23	Change (%)
Fixed Term	1,429.9	1,471.0	(2.8%)
Cash Management Accounts	349.9	497.0	(29.6%)
Current Accounts	2,008.5	1,864.3	7.7%
Savings Accounts	563.7	512.3	10.0%
Total	**4,352.0**	**4,344.6**	**0.2%**

Deposits experienced marginal growth of 0.2%, to PGK 4.4b. The nominal growth in funds was primarily driven by an increase in low-cost transaction accounts, such as Current and Savings Accounts. Despite a decline in Cash Management Accounts and Fixed Term Deposits, the overall cost of funds remained reasonable. This strategic shift towards more cost-effective transaction accounts highlights an effort to optimize the deposit portfolio, ensuring sustainable growth and financial efficiency.

	Full Year Ended		
PGK Millions	Dec-24	Dec-23	Change (%)
On Call	2,971.6	2,925.6	1.6%
1 month	325.4	310.4	4.9%
2 months	269.6	186.1	44.8%
3 months	98.4	117.0	(15.9%)
6 months	205.0	378.1	(45.8%)
12 months	406.1	387.0	4.9%
24 months	76.0	40.4	88.3%
Total	**4,352.0**	**4,344.6**	**0.2%**

The bank's balance sheet funding was bolstered by a strategic blend of On Call and 12-month deposits, reflecting the ongoing favorable liquidity conditions in the domestic market. This prudent approach not only ensured a stable funding base but also allowed the bank to remain agile in response to market dynamics. Consequently, the loan to deposit ratio (LDR) saw an uptick to 66%, positioning the bank advantageously to capitalize on emerging lending opportunities. This increase in LDR underscores the bank's proactive stance in leveraging its liquidity to fuel growth and meet the evolving needs of its clientele.

1.2.5 Net Interest Margin

	Full Year Ended		
PGK Million	Dec-24	Dec-23	Change (%)
Net interest income	224.7	204.8	
Interest Income Loans	223.6	194.1	15.2%
Avg Interest Yield Loans	*8.2%*	*8.2%*	
Interest Income Investments	50.9	59.2	(14.1%)
Avg Interest Yield Investments	*4.5%*	*4.6%*	
Interest Expense	(49.8)	(48.6)	2.5%
Avg Cost of Funds	*(1.1%)*	*(1.2%)*	

Average interest earning assets	3,847.5	3,663.7	5.3%
Average interest-bearing liabilities	4,348.3	4,120.8	5.5%
Net interest spread (loans)	7.1%	7.1%	
Net interest spread (investments)	3.4%	3.4%	
Net Interest Margin	5.8%	5.6%	

The Net Interest Margin (NIM) reached 5.8%, marking an increase of 20 basis points over the year. This improvement was driven by several key factors. Firstly, the market continued to exhibit robust lending rates, which contributed significantly to the overall margin. Additionally, there was a gradual uplift in yields from non-loan investments, further bolstering the NIM. Lastly, the stability of the deposit book provided a solid foundation, ensuring consistent funding and supporting the bank's financial health. These combined elements underscore the bank's effective management of its interest-earning assets and liabilities, positioning it well for sustained profitability.

1.2.6 Non-Interest Income

	Full Year Ended		
PGK Millions	Dec-24	Dec-23	Change (%)
Banking			
Foreign exchange income	85.7	51.4	67%
Fees and commissions*	118.0	102.0	16%
Other	15.9	10.8	47%
Total	**219.6**	**164.2**	**34%**
Wealth Management			
Fund Administration	27.4	23.2	18%
Investment Management	11.3	10.4	9%
Shares	2.4	1.5	60%
Foreign exchange income	0.5	0.0	2,253%
Other	5.4	1.5	265%
Total	**47.0**	**36.6**	**28%**
Total	**266.6**	**200.8**	**33%**

**see further analysis below*

Overall non-interest income growth was 33% to PGK 266.6m, attributed largely to an uplift in foreign exchange income together with fees and commissions.

Foreign Exchange income increased by 67% to PGK 85.7m, facilitating timely settlement of customer foreign currency backlog and new orders as a result of increased market intervention by the central bank.

Income from digital channels and partnerships surged by 27%, driven by several key factors. The expansion in the number of Visa cards issued played a significant role, with both domestic and international transactions contributing to this growth. Additionally, there was continued robust growth in core merchant payment services, reflecting the bank's successful efforts to enhance its digital offerings and strengthen its partnerships. These developments underline the bank's commitment to leveraging technology and strategic alliances to drive revenue and improve customer experience.

Revenues in the Wealth business grew 28% compared to the PCP. This impressive growth was underpinned by the funds under administration business, which successfully implemented key efficiency programs. These initiatives were designed to streamline operations and ensure the preservation of normal revenue streams, thereby enhancing the overall financial performance of the Wealth business. The strategic focus on efficiency and operational excellence has positioned the Wealth segment for sustained growth and profitability.

Other income in the PCP included foreign exchange valuation gains at period end.

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

Banking - PGK millions	Dec-24	Dec-23	Change (PGK)	Change (%)
Merchant fees	35.6	31.4	4.2	13%
VISA Fees	36.9	26.6	10.3	39%
Mobile Banking fees	5.3	3.8	1.5	39%
Internet Banking fees	3.1	2.1	1.0	48%
Total digital	**80.9**	**63.9**	**17.0**	**27%**
Bank fees and commission income	22.6	24.8	(2.2)	(9%)
Loan fees	7.2	5.9	1.3	22%
ATM fees	7.3	7.4	(0.1)	(1%)
Total other	**37.1**	**38.1**	**1.4**	**(3%)**
Total fees and commissions	**118.0**	**102.0**	**21.0**	**16%**

1.2.7 Operating Expenses

Total operating cost as at December 2024 was PGK 286.6m, an overall increase of 31%. Staff, administrative and occupancy costs contributed 39%, 36% and 15% respectively to total operating costs for the year.

	Full Year ended		
Figures in PGK Million	Dec-24	Dec-23	Change (%)
Administration	111.5	82.0	35%
Staff	102.9	86.6	20%
Occupancy	43.1	39.4	9%
Other Operating expenses	24.9	7.9	215%
Board of Directors cost	2.9	2.1	38%
Investor Relationship	1.3	1.0	44%
Total operating expenses	**286.6**	**219.0**	**31%**

Costs negatively impacted NPAT, and the cost-to-income ratio did not continue its improvement from prior reporting periods, standing at 54% for the second half and 59% for the full year. As reported in the first half, an exceptional payments fraud loss had an adverse impact of K13.0m.

On a normalized basis, several material variances from the plan and the prior year are attributable to:

- The effect on PGK value of USD denominated costs (mostly in technology), with the exchange rate's gradual 7% decline over the year.
- Necessary investment in external expertise for improvements to technology and operational risk processes
- Overlaps in senior position transition costs, including CRO.
- Introduction of benefits for housing assistance for staff.
- General increases in the level of local prices of supplies, induced largely by PGK depreciation against major currencies.

1.2.8 Asset Quality and Loan Impairment

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

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

- Loans
- Overdrafts and
- Credit Cards

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

Kina has significantly enhanced its provisioning model to ensure timely and adequate provisioning for credit losses. The bank's approach incorporates a conservative stance in its final provisioning outcomes, supported by increased scenario testing and thorough individual asset reviews. This alignment of management focus between Finance and Risk places the bank in a strong position to effectively manage its asset base. Kina remains vigilant in monitoring its systems and processes to maintain robust credit quality across its loan book, consistently applying a disciplined approach to the Group’s lending standards.

Asset Quality

	Full year ended			
Figures in PGK Million	Dec-24	% of GLA	Dec-23	% of GLA
Loan impairment expense	19.2	0.7%	9.8	0.4%
Non-performing loans and loans in arrears	238.1	8.1%	163.6	6.3%
- 90-day arrears	45.5	1.5%	22.2	0.8%
- Gross non-performing loans (> 180 days)	192.6	6.5%	141.4	5.4%
Total provision	(67.9)	(2.3%)	(52.5)	(2.0%)

As of December 31, 2024, the impairment expense amounted to PGK 19.2 million. This increase is predominantly attributed to the expansion of the underlying loan book and the elevated risk associated with the Personal Banking portfolio. These risks are being managed diligently to ensure stability and mitigate potential impacts. Consequently, the bank remains committed to maintaining robust financial health and resilience in the face of evolving market conditions.

Total non-performing loans (NPL) as a percentage of gross loans increased from 6.3% in 2023 to 8.1% in 2024. This rise is primarily due to elevated risks within the Personal Banking portfolio. Nevertheless, these risks are being managed effectively, ensuring financial stability and fostering conditions for future growth.

Loan Impairment expense

Figures in PGK'000	Dec-24	Dec-23	Change (PGK)	Change (%)
Provision Expense	18,524	10,490	8,034	76.6%
Net Write-offs	(572)	(499)	(73)	14.6%
Provision on loans	**17,952**	**9,991**	**7,961**	**79.7%**
Trade Debtors	1,212	(162)	1,374	848.1%
Total impairment (loans & advances)	**19,164**	**9,829**	**9,335**	**95.0%**
Provision on GIS*	(1,013)	14	(1,084)	(1526.8%)
Total Impairment Expense	**18,151**	**9,843**	**8,251**	**83.3%**

** see note below on investments*

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

Loans and advances to customers	Stage 1 12 Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total Dec 2024	Total Dec 2023
Overdraft	71.3	2.5	26.2	-	100.0	97.6
Credit Cards	3.8	-	2.6	-	6.4	3.2
Loans	2,506.9	42.7	286.6	8.8	2,845.0	2,513.7
Total Gross Carrying Amount	**2,582.0**	**45.2**	**315.4**	**8.8**	**2,951.4**	**2,614.6**
Loss Allowance	(27.6)	(3.7)	(36.6)	-	(67.9)	(52.5)
Carrying Amount	**2,554.4**	**41.5**	**278.8**	**8.8**	**2,883.5**	**2,562.1**

The IFRS 9 compliant model establishes a three stage impairment criteria based on changes to credit quality since date of initial recognition to the reporting date, with 91.9% of Kina Bank’s overall loan book representing performing loans.

Investments

In FY2020, as part of the BPNG’s market intervention and quantitative easing requirements due to COVID-19, Kina (together with other financial institutions) took on greater placements of Governments Inscribed Stock (GIS) issued by the PNG Government. Kina took on a total of PGK 100m with terms greater than 5 years. In accordance with IFRS 9 requirements, the Company was required to assess the ECL on these investments, thereby resulting in a positive impact to P&L of PGK 1,013k.

1.2.9 Capital Adequacy

BPNG Prudential Standard 1/2003 Capital Adequacy prescribes ranges of overall capital adequacy ratios and leverage capital ratios to measure whether a bank is adequately capitalised. Kina exceeds the existing BPNG prudential capital adequacy requirements and qualifies as 'well capitalised' as at 31 December 2024.

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

Capital ratios at the end of December 2024 remained above BPNG's requirement, with combined tier 1 (T1) and tier 2 (T2) capital equal to 18.4% of Risk-Weighted Assets, compared with the regulatory minimum of 12%. The Bank also has maintained leverage ratio at 7.8%, above BPNG's minimum requirement of 6%.

Regulatory Capital Ratios	Dec-24	Dec-23
RWA	**2,838.7**	**2,516.9**
Capital: T1 (PGK'm)	384.2	365.9
Capital: T2 (PGK'm)	138.0	136.4
Capital: T1 + T2 (PGK'm)	522.2	502.3
Capital adequacy Ratio: T1	13.5%	14.5%
Capital adequacy: T2	4.9%	5.4%
Capital adequacy: T1 + T2	**18.4%**	**20.0%**
Leverage Ratio	**7.8%**	**7.6%**

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

2. Consolidated Financial Statements

2.1 Statement of Comprehensive Income - consolidated

	Full Year Ended		
	Dec-24 PGK'000	Dec-23 PGK'000	Change (%)
Continuing Operations			
Interest income on investments	50,883	59,225	(14%)
Interest income on loans	223,586	194,115	15%
Interest expense	(52,246)	(50,020)	4%
Net interest income	**222,223**	**203,320**	**9%**
Fee and commission income	161,683	136,979	18%
Fee and commission expense	(32)	(16)	106%
Net fee and commission income	**161,651**	**136,964**	**18%**
Foreign exchange income	86,196	51,342	68%
Dividend income	944	660	43%
Net (losses)/gain from financial assets through profit and loss	9,583	2,733	251%
Other operating income	8,252	9,139	(10%)
Non-interest income	**266,625**	**200,838**	**33%**
Operating income before impairment losses and operating expenses	**488,848**	**404,158**	**21%**
Impairment losses	(18,151)	(9,900)	83%
Other operating expenses	(286,638)	(218,717)	31%
Profit before tax	**184,059**	**175,541**	**5%**
Income tax expense	(81,591)	(70,576)	16%
Net Profit for the full year attributable to the equity holder of the Company	**102,468**	**104,965**	**(2%)**
Other comprehensive income	-	-	-
Total comprehensive income for the full year attributable to the equity holder of the Company	**102,468**	**104,965**	**(2%)**

The above information has been extracted from the unaudited consolidated financial statements of Kina Securities Limited for the year-ended 31 December 2024, and where applicable, calculated by reference to the 31 December 2023 audited financial statements. The above information is being audited at the time of this report.

2.2 Statement of financial position - consolidated

	Dec-24 PGK'000	Dec-23 PGK'000	Change %
Assets			
Cash and due from banks	530,102	396,840	34%
Central bank bills	762,088	1,236,496	(38%)
Regulatory deposits	522,784	433,274	21%
Financial assets at fair value through profit and loss	45,606	35,816	27%
Loans and advances to customers	2,883,500	2,562,079	13%
Investments in government inscribed stocks	93,331	157,554	(41%)
Deferred tax assets	36,803	35,099	5%
Property, plant and equipment	69,210	71,954	(4%)
Goodwill	92,786	92,786	0%
Intangible assets	35,986	27,608	30%
Other assets	148,875	129,829	15%
Total Assets	**5,221,071**	**5,179,335**	**1%**
Liabilities			
Due to other banks	(427)	(13,912)	(90%)
Due to customers	(4,351,990)	(4,344,571)	0%
Current income tax liabilities	(12,106)	(11,461)	6%
Employee provisions	(14,472)	(16,461)	(12%)
Lease Liabilities	(31,484)	(33,775)	(7%)
Other liabilities	(142,224)	(118,831)	20%
Total Liabilities	**(4,552,703)**	**(4,539,011)**	**0%**
Net Assets	**668,368**	**640,324**	**4%**
Share capital and reserves			
Issued and fully paid ordinary shares	(397,254)	(394,693)	1%
Share-based payment reserve	(1,878)	(2,776)	(32%)
Retained earnings	(269,236)	(242,855)	11%
Total capital and reserves	**(668,368)**	**(640,324)**	**4%**

The above information has been extracted from the unaudited consolidated financial statements of Kina Securities Limited for the year-ended 31 December 2024, and where applicable, calculated by reference to the 31 December 2023 audited financial statements. The above information is being audited at the time of this report.

2.3 Statement of changes in equity - consolidated

	Share Capital	Share based payment Reserve	Retained Earnings	Total
	PGK'000	PGK'000	PGK'000	PGK'000
Balance as at 31 December 2022	**394,693**	**2,477**	**212,133**	**609,303**
Profit for the period	-	-	104,964	104,964
Additional shares issued	-	-	-	-
Other comprehensive income	-	-	-	-
Contributions by and distributions to owners	-	-	-	-
Employee share scheme - vested rights	-	(1,529)	-	(1,529)
Employee share scheme - value of employee services	-	2,073	-	2,073
Deferred tax asset on share-based payment	-	(245)	-	(245)
Dividend paid	-	-	(74,242)	(74,242)
Balance as at 31 December 2023	**394,693**	**2,776**	**242,855**	**640,324**
Profit for the period	-	-	102,468	102,468
Additional shares issued	2,561	-	-	2,561
Other comprehensive income	-	-	-	-
Contributions by and distributions to owners	-	-	-	-
Employee share scheme - vested rights	-	(3,738)	-	(3,738)
Employee share scheme - value of employee services	-	2,674	-	2,674
Deferred tax asset on share-based payment	-	166	-	166
Dividend paid	-	-	(76,087)	(76,087)
Balance as at 31 December 2024	**397,254**	**1,878**	**269,236**	**668,368**

The above information has been extracted from the unaudited consolidated financial statements of Kina Securities Limited for the year-ended 31 December 2024, and where applicable, calculated by reference to the 31 December 2023 audited financial statements. The above information is being audited at the time of this report.

2.4 Statement of Cashflow - consolidated

	Dec-24 PGK'000	Dec-23 PGK'000
Cash flows from operating activities		
Interest received	265,208	245,205
Interest paid	(50,630)	(51,865)
Foreign exchange gain	86,196	51,342
Dividend received	944	660
Fee, commission and other income received	154,294	137,286
Fee and commission expense paid	(32)	(16)
Net trading and other operating income received	24,456	15,256
Recoveries on loans previously written-off	572	499
Cash payments to employees and suppliers	(277,870)	(198,036)
Income tax paid	(82,461)	(68,506)
Cash flows from operating profits before changes in operating assets	**120,676**	**131,825**
Changes in operating assets and liabilities:		
- net (increase)/ decrease in regulatory deposits	(89,510)	(50,191)
- net increase in loans and advances to customers	(313,280)	(402,486)
- net (increase)/ decrease in other assets	(25,820)	(53,632)
- net increase in due to customers	5,804	467,581
- net increase in due to other banks	(13,484)	11,851
- net increase/ (decrease) in other liabilities	23,933	(5,428)
Net cash flows from operating activities	**(291,681)**	**99,518**
Cash flows from investing activities		
Purchase of property, equipment and software	(27,334)	(12,817)
Purchase of Convertible Note	-	(17,821)
Proceeds from sale of property and equipment	154	89
Proceeds from/(Purchase of) investment securities	536,776	(21,712)
Net cash flows from investing activities	**509,597**	**(52,261)**
Cash flows from financing activities		
Dividend payment	(76,088)	(74,242)
Cashflows from lease liabilities	(12,449)	(11,839)
Issuance of new shares	2,561	-
Net cash flow from financing activities	**(85,976)**	**(86,081)**
Net increase/ (decrease) in cash and cash equivalents	**131,940**	**(38,823)**
Effect of changes in the foreign exchange rates on cash and cash equivalents	1,323	2,175
Cash and cash equivalents at beginning of period	**396,840**	**433,488**
Cash and cash equivalents at the end of the period	**530,102**	**396,840**

The above information has been extracted from the unaudited consolidated financial statements of Kina Securities Limited for the year-ended 31 December 2024, and where applicable, calculated by reference to the 31 December 2023 audited financial statements. The above information is being audited at the time of this report.

2.5 Basis of Preparation

The accounting policies, estimation methods and measurement basis used in the preparation of the consolidated financial statements for the full year ended 31 December 2024 are consistent with those used in preparing the 31 December 2023 financial statements of the Group.

2.6 Non-Cash Financing and Investing Activities

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

2.7 Reconciliation of Cash and Cash Equivalents

	Dec-24 PGK'000	Dec-23 PGK'000
Cash and due from other banks	530,102	396,840
Total cash at the end of the period	**530,102**	**396,840**

2.8 Ratios

	Dec-24	Dec-23
Profit before tax / Operating Income		
Consolidated profit from ordinary activities before tax as a percentage of revenue	37.7%	43.4%
Profit after tax / equity interests		
Consolidated net profit from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable)	15.3%	16.4%

2.9 Earnings Per Share - Statutory

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

	Dec-24	Dec-23
Calculation of the following in accordance with IAS33		
(a) Basic EPS	35.65	36.67
(b) Diluted EPS	35.44	36.39
(c) Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	287,414,404	286,935,900

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

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

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

2.11 Issued Shares

The total number of shares at 31 December 2024 was 287,949,279 (31 December 2023: 286,935,900)

	Total Number Ordinary shares	Number Quoted Ordinary shares
Changes during the period ended 31 December 2023		
Opening Balance of number of shares	286,935,900	286,935,900
Increase through issue of shares	1,013,379	1,013,379
Closing Balance of number of shares 31 December 2024	**287,949,279**	**287,949,279**

2.12 Segment Reporting

31 December 2024	Banking & Finance PGK'000	Wealth Management PGK'000	Total PGK'000
Total external income	440,927	47,921	488,848
Total external expense	(290,934)	(13,855)	(304,789)
Profit before inter-segment revenue and expenses	**149,993**	**34,066**	**184,059**
Inter-segment income	2,077	-	2,077
Inter-segment expense	-	(2,077)	(2,077)
Profit before tax	**152,070**	**31,989**	**184,059**
Income tax expense	(73,746)	(7,845)	(81,591)
Profit after tax	**78,324**	**24,144**	**102,468**
Segment assets	5,199,997	21,073	5,221,071
Segment liabilities	(4,547,756)	(4,947)	(4,552,703)
Net assets	**652,241**	**16,126**	**668,368**
Capital expenditure	27,334	-	27,334
Depreciation	(31,317)	-	(31,317)

31 December 2023	Banking & Finance PGK'000	Wealth Management PGK'000	Total PGK'000
Total external income	366,716	37,442	404,158
Total external expense	(219,873)	(8,744)	(228,617)
Profit before inter-segment revenue and expenses	**146,843**	**28,698**	**175,541**
Inter-segment income	(179)	-	(179)
Inter-segment expense	-	179	179
Profit before tax	**146,664**	**28,877**	**175,541**
Income tax expense	(62,081)	(8,495)	(70,576)
Profit after tax	**84,583**	**20,382**	**104,965**
Segment assets	5,154,984	14,107	5,169,091
Segment liabilities	(4,521,191)	(7,574)	(4,528,765)
Net assets	**633,793**	**6,533**	**640,326**
Capital expenditure	12,817	-	12,817
Depreciation	(29,946)	-	(29,946)

2.13 Comparison of Profits

	Dec-24 PGK'000	Dec-23 PGK'000
Consolidated profit from continuing operations after tax attributable to members reported for the full year	102,468	104,965

2.14 Contingent Liabilities

The Company is a party to a number of litigations as at 31 December 2024. The consolidated financial statements include provision for any losses where there is reasonable expectation that the litigations will result in a loss to the Company. Ongoing litigations are not expected to result in a material loss to the Kina Group.

Kina guarantees the performance of customers by issuing bank guarantees to third parties. As at 31 December 2024, these totaled PGK 60.9m (31 December 2023: PGK 62.1m).

3. Compliance Statement

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

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

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

	The accounts have been audited
	The accounts have been subject to review
x	**The accounts are in the process of being audited or reviewed**
	The accounts have not yet been audited or reviewed

5. The entity has a formally constituted audit committee.